GROWING AMIDST ADVERSITY

ANNUAL REPORT 2020

ORIENT INSURANCE LIMITED

CONTENTS

Head Office
Orient Insurance Limited
133, New Bullers Road,
Colombo 04
Tel: [+94] 112 030300

Registration No. PB 4720
Date of incorporation - 03 June 2011

Company Secretary
Rihab Thaha

Auditors
KPMG Chartered Accountants

Bankers
Bank of Ceylon
Commercial Bank of Ceylon
Cargills Bank
DFCC Bank
Hatton National Bank
National Development Bank
Nations Trust Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

BOARD OF DIRECTORS

Omer Hassan Elamin
Chairman

Tilak De Zoysa
Deputy Chairman

Samuel S. Mathiaparanan
Independent Non-Executive Director

G.L. Priya Aponso
Independent Non-Executive Director

EXECUTIVE MANAGEMENT

Tanuj Edward
Chief Executive Officer

Anuradha Siriwardane
Senior Vice President - Technical

Ameera Hindurangala
Senior Vice President - Strategy & Operations

Rochana Kulatunge
Senior Vice President - Sales & Distribution

Rihab Thaha
Senior Vice President - Finance

AMEERA RIHAB TANUJ ANURADHA ROCHANA

CHAIRMAN'S MESSAGE

It is with great pleasure I present the Annual Report and the Financial Statements of Orient Insurance Limited for the financial year ended 31st December 2020.

THE YEAR OF RESELIANCE

The year 2020 was a truly challenging year indeed where the world continued to cope with the immense hardships unleashed by the COVID-19 pandemic, which in turn has affected our lifestyles in every aspect. As a result, the business world has seen challenges as never before. Global shutdowns, travel restrictions and stress on healthcare has severely affected every aspect of the business world.

#Stronger than Corona
At the outset of the pandemic and the very first day of a nationwide lockdown #StrongerthanCorona was born and trended across our business, this # was a call to action for all our staff to gather around to overcome the challenges of this pandemic to the world, our country, business, and customers.

As a company it gives me great pride to state that our Board and Management responded to the pandemic by working harder and smarter, collaborating on crisis management, and new ways of working efficiently. We fast-tracked new technologies, learned new skills, and adapted to new ways of working. The dedication and commitment of our staff ensured that we continued to provide a seamless level of service to our customers, business partners and stakeholders, when they needed us the most. All this was done whilst prioritizing the health of our employees and customers, and the well-being of our communities.

Despite the general slowdown in the economy and industry the company maintained its robust growth momentum and opened 2 new branches and one Area Development office in strategic cities in the country and takes pride in maintaining the reputation as one of the fastest growing General insurance companies in Sri Lanka, being true to our commitment to take insurance closer to the doorsteps of our valued business partners and customers. Insurance awareness and penetration levels in Sri Lanka are extremely low and Orient Insurance is making a conscious decision and is very keen to take every possible step to educate customers and bring protection closer to them.

Despite the effects of the pandemic, a negative growth market, and the drop in the business along with the deteriorating premium rates in medical and motor, the year 2020 has been truly outstanding for the company. We have achieved our budgeted profit and increased our technical profits by 100%.

We have been able maintain a steady growth rate in written premiums and profits. The gross premiums grew by 5% from Rs. 1.66 billion in 2019 to Rs. 1.74 billion in 2020, while Profit after tax increased by 12% from Rs. 115 million in 2019 to Rs. 129 million in 2020.

The shareholder equity has reached the milestone of Rs. One billion by recording an increase of 15% over 2019. Our total assets recorded a growth of 18%. The basic earnings per share increased from Rs.13.98 in 2019 to Rs.15.63 in 2020.

I am pleased that the company has performed well to deliver excellent results during the year under review.

Appreciation

I thank the Chairman and the Director General of Insurance Regulatory Commission of Sri Lanka for their guidance and continued support. I also thank the Insurance Ombudsman's office for his contribution to the insurance industry. I take this opportunity to thank our Directors of the Board, for their continued support and invaluable assistance to the Company I also take this opportunity to thank the Chief Executive Officer and the Senior Management for their continuing commitment to achieving the company's objectives.

We are truly thankful to our clients and partners who have supported us during this difficult year. Our great appreciation is to all our staff who have restlessly continued to work in difficult circumstances from home and office. This has resulted in achieving such great results despite the major challenges the company experienced. We look forward to this continued commitment in the year 2021.

Omer Elamin
Chairman
24th May 2021

CEO's Message

As the CEO of Orient Insurance Sri Lanka, it takes me great pride in presenting our Annual Report of 2020. This company was formed with the vision of becoming the premier insurer of choice in Sri Lanka, by building mutual trust and confidence in everything we do. Within a very short span of time, we have to a greater extent achieved our vision and become one of the fastest growing General insurance companies in Sri Lanka by taking insurance closer to the doorsteps of Sri Lankans.

The past year has shown us that despite the challenges of the global pandemic, we have stood steadfast and maintained our growth potential. #strongerthancorona was the key element of this growth. We managed to achieve our business objectives without having to adhere to salary reductions or redundancies.

This in turn ensured that our strongest asset, our staff members, constantly strived to give each one of our clients and business partners the highest level of service. With their dedication, coupled with ease of doing business, competent claims settlement, and round-the-clock customer service, we made a statement of reliability and trust during times of crisis.

Our long-term orientation towards partnership building has encapsulated a spirit that drives us to create sustainable relationships that are mutually beneficial for all our stakeholders.

Driven by our inherent values of RESPECT, INTEGRITY, COLLABORATION, and EXCELLENCE, and the support from our parent company Orient Insurance PJSC, I am pleased with our growth trajectory in a year filled with great adversity. This is what makes Orient the "rising star" in Sri Lanka's general insurance sector.

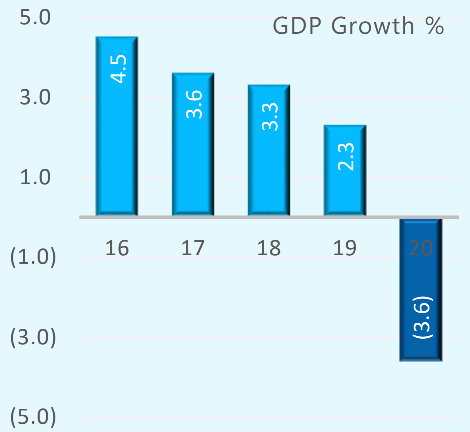
I want to extend my gratitude to our Chairman, who has been a tower of strength, a coach, and a mentor to me, and to the business. And, to the Board of Directors for their constant support and guidance, the senior management, and staff, and business partners, for their commitment and loyalty. 2021 is poised to be our year of consolidated growth and stability, and I am certain that we can achieve this momentum.

Tanuj Edward
Chief Executive Officer
24th May 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC ENVIRONMENT

The Sri Lankan economy faced one of the most challenging times during the year 2020. The economy contracted by 3.6 percent, the worst growth performance on record, as is the case in multiple countries fighting the pandemic which had a devasting impact. The economy began to recover in the third quarter as the first wave was brought under control and containment measures were relaxed.



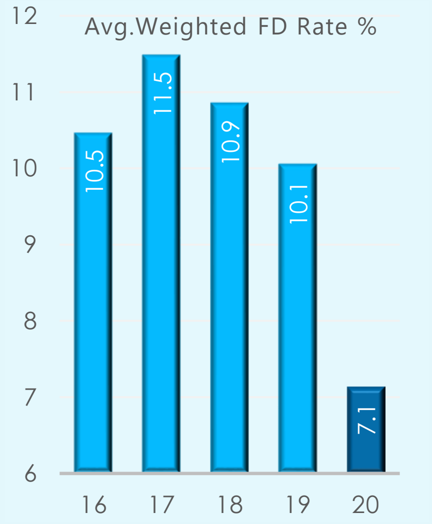
The momentum continued in the fourth quarter as the economy was broadly kept open despite a second wave of COVID-19 infections. The government took proactive measures to mitigate the impact of the pandemic by allocating resources for health measures, cash transfers, and postponed tax payments. While public expenditures increased, revenues declined, resulting in a widening of the fiscal deficit in 2020. Although the future remains uncertain, the economy is expected to stabilize during 2021 as restrictions ease with the recent breakthroughs with vaccines, supported by the successful containment of the spread of the pandemic locally, and authorities remaining hopeful of combating the growth of COVID rates in far more manageable levels, together with the growth-conducive environment by accommodative monetary and fiscal policies. The IMF forecasts a rebound of 5.3% in 2021, subject to the post-pandemic global economic recovery.

The interest rates recorded their steepest decline in 2020 as the unprecedented monetary accommodation takes root more effectively and faster than any time in the history. The authorities reiterate the necessity to maintain the low interest rate structure, amidst the significantly excess liquidity in the domestic money market, thereby facilitating the take-off of domestic investment.

The Average Weighted Fixed Deposit Rates (AWFDR) of commercial banks fell by 2.91 percent from 10.05 percent in 2019 to 7.14 percent in 2020. The Average Weighted New Fixed Deposit Rate (AWNFDR) fell by 4.1 percent in the year.

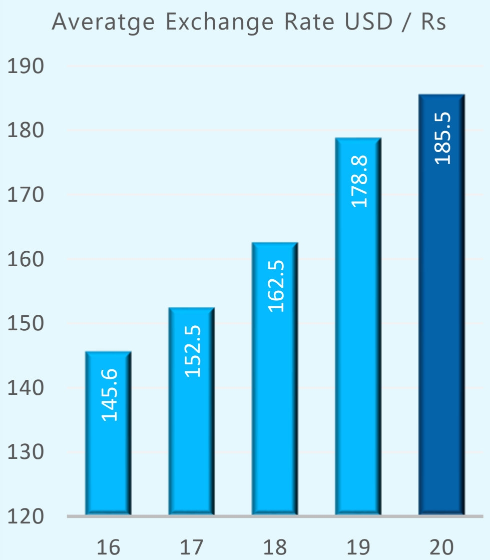
Central Bank of Sri Lanka has indicated that it is committed to maintain a single digit interest rate throughout the year. Hence, it is expected that CBSL will not carry out any policy changes in the short term.

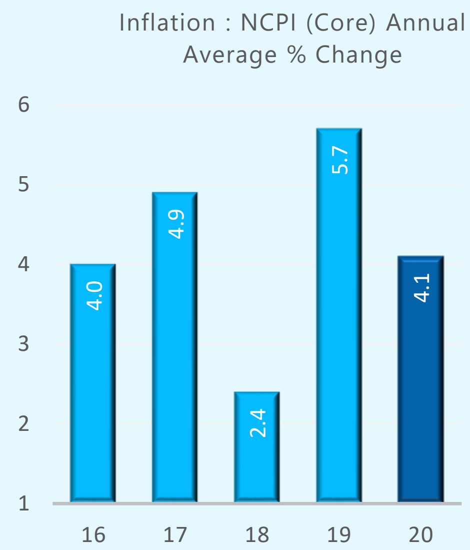
With this it is expected that the interest rates will stabilize during 2021, and that the deposit AWPR to fluctuate between 5.50-to-6% for the year.



Sri Lanka's trade deficit contracted by USD 2 billion during the year 2020, driven by a larger contraction in expenditure on imports over earnings from exports. The overall deficit in the trade account in 2020 narrowed to USD 6 billion from the deficit of USD 8 billion recorded in 2019. This was mostly assisted by lower fuel prices caused by the pandemic, although the imports are likely to increase significantly this year. The tourism sector is expected to recover gradually with the opening of the borders and a continued global economic recovery. Increase in international trade and travel are crucial to increasing the export earnings to offset it and achieve a small trade deficit.

The annual average exchange rate of Sri Lanka Rupee depreciated against USD by 3.8 percent, from Rs. 178.8 in 2019 to 185.5 in 2020. With exports, remittances, and tourist receipts falling to historical lows, the Rupee was facing immense downward pressure during the first half of the year. In this context, the CBSL introduced import restrictions to bring the situation under control. However, from December 2020 onwards a notable depreciation pressure on the Sri Lankan Rupee was observed mainly due to insufficient financial inflows to meet external liabilities. The Central Bank of Sri Lanka has introduced several measures to preserve foreign exchange reserves and reduce pressures on the exchange rate.





The annual average core inflation decreased to 4.1 percent during 2020 from 5.7 per cent in 2019. However, it is expected to increase due to rising demand and import controls, which reduce competition in the domestic market.

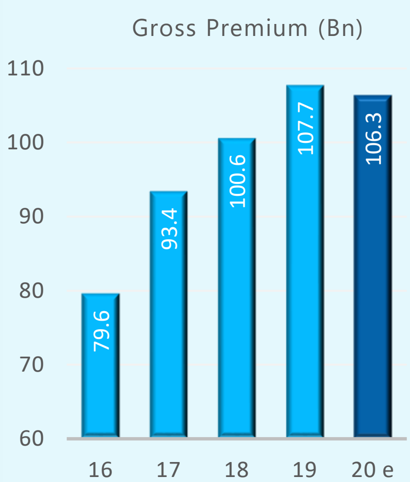
General Insurance Industry

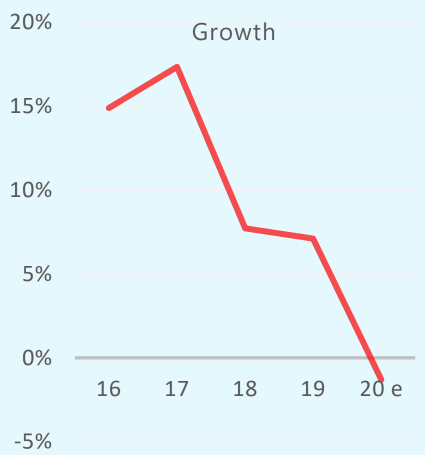
There were twenty-seven insurance companies operating in the market at the end of 2020, consisting of 2 composite insurers, thirteen life insurers and twelve General Insurance Companies.

The industry is experiencing an unprecedented time over the past few years. The devasting impact of the COVID-19 pandemic which disrupted the entire economy impacted the insurance industry significantly.

With motor insurance contributing sixty percent of the non-life portfolio, the price competition within the industry was intensified with the ban on vehicle imports introduced by the government.

The following table illustrates the growth of the General Insurance Business over the past 5 years:





20e - estimate

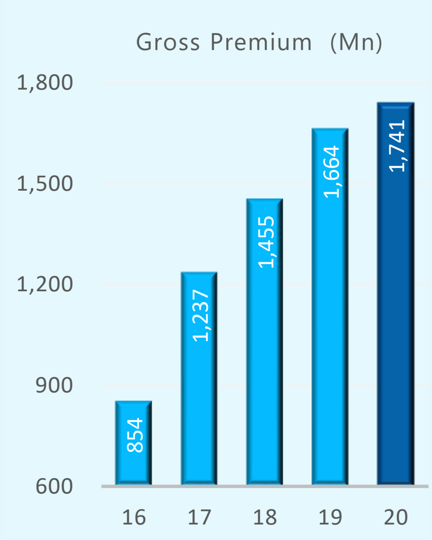
The general insurance premiums for the nine months ended September 2020 amounted to Rs. 73 billion (3Q, 2019 Rs. 76 billion), recording a decline in growth of 4.14%.

The claims incurred by the general insurers reflect a decline for the nine months ended September 2020 which amounted to Rs. 28 billion compared to Rs. 37 billion in the first nine months of 2019, showing a decrease by 23%.

PERFORMANCE OF THE COMPANY

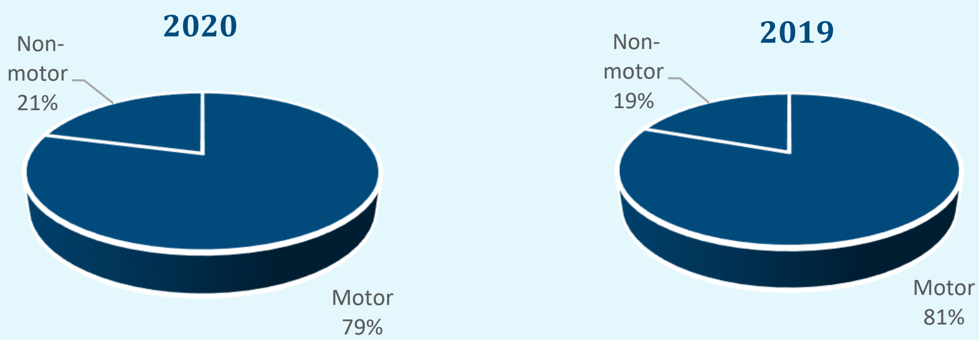
The company has performed exponentially well during the year despite the COVID-19 pandemic impact upon the top line. Profits have continued to grow by 12%. This is a commendable performance in volatile market conditions.

Our strategy to achieve a quality growth by delighting the customers with superior service standards with the right pricing and prudent management of key risks has paid dividends.



With these conditions the company has effectively sustained itself in this extremely competitive market and managed to achieve a Gross Premium of Rs. 1.74 billion. This is a growth of 5% over 2019.

Composition of GWP

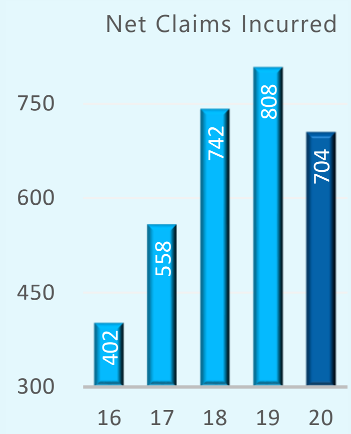


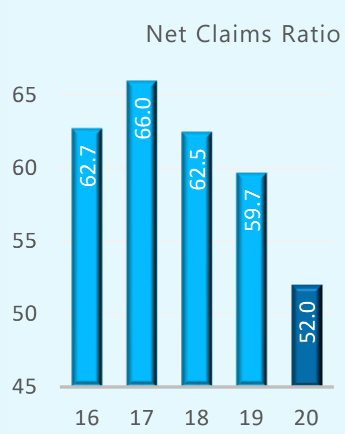
The Company's portfolio in 2020 was similar to its portfolio in 2019. However, the percentage of business written for Motor line of business has marginally declined in 2020 while proportion of Non-motor Portfolio has improved. The decline was mainly due to the import restrictions introduced on motor vehicles during the year.

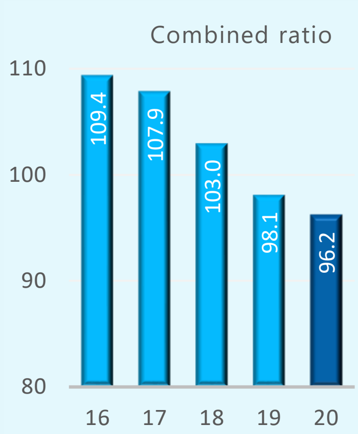
The Company continues to maintain a strict control over the claims and other expenses, whilst automating several key processes to enhance capabilities to manage the high volumes of transactions, thereby improving the efficiency.

Overall, there is a reduction in the claims cost during the year. With multiple lockdowns, the reduction of movement for people and vehicles on the roads has contributed to a decrease in motor accidents. The Net claims cost decreased from Rs. 808 million to Rs. 704 million.

With the reduction in the claims cost, the net claims ratio improved from 59.7% in 2019 to 52% in 2020.







The net expense ratio (computed as a % of commission and overhead expenses over net earned premium) recorded a marginal increase from 38% in 2019 to 44% in 2020. The combined ratio, which is a combination of the loss and expense ratio declined from 98% in 2019 to 96% in 2020. The savings on the claims cost contributed to the improved combined ratio, resulted with an underwriting profit of Rs. 52 million in 2020 compared with Rs.26 million in 2019.

The interest rates have fallen to record low levels resulting low interest income. The investment income declined from Rs. 143 million in 2019 to Rs. 134 million in 2020. With improved underwriting results the company was able to achieve the budgeted profit for the year.

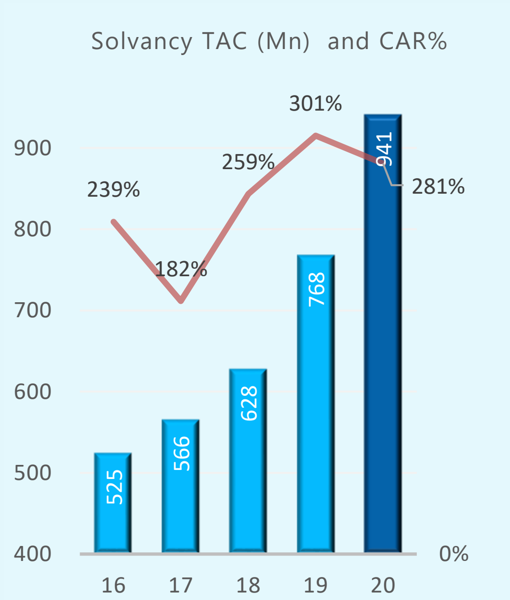
The profit before tax increased from Rs. 169.4 million in 2019 to Rs. 185.8 million in 2020, whereas the profit after tax grew by 12% to 129.0 million compared with Rs. 115.4 million in the previous year.

The Company reached the milestone of Rs. One billion in equity. The total equity increased from Rs. 886,2 million in 2019 to Rs. 1,02 billion in 2020. Total financial investments of the Company increased from Rs. 1.4 billion to Rs. 1.8 billion as at the end of the financial year under review, resulting a in 28% growth.

A key requirement of our Company is to ensure compliance with the solvency obligations of the Insurance Regulatory Commission of Sri Lanka (IRCSL), Capital Adequacy Ratio (CAR) and Total Capital Available (TAC).

As at 31 December 2020, the Company has complied with the regulatory requirement related to solvency by achieving Rs. 941 million for TAC and 281% for CAR.

These results clearly demonstrate the high level of solvency of the Company in terms of its scale of operations.



Strength, Stability and Parentage

Orient Insurance Ltd was incorporated by Orient Insurance PJSC of Dubai in the UAE. Orient Insurance PJSC is owned by the one of the largest and diversified business conglomerates in the lower gulf, the Al-Futtaim Group.

Our parent, Orient Insurance PJSC has secured two ratings 'a+' by A M Best, and 'A Strong' by Standard & Poor's. These ratings reflect the strength and recognition of the company and its outstanding performance despite the current challenging market conditions.

The reinsurance arrangements of Orient Insurance Limited were managed by the financially strong, reputed, and globally rated reinsurer giants, and the company's Treaties were led by SCOR.

Combined with the strength and stability of our holding company and the reinsurers, the Company is well geared to provide financially backed insurance risk solutions to our clients.

The Al-Futtaim Group in Sri Lanka also owns the AMW Group of companies, including AMW Capital Leasing & Finance PLC.

Further, the Company is managed by sound professionals and a management team with proven caliber and experience spanning over a decade in the insurance sector. Each member of our senior management team has worked and gained experience under local and multinational insurance corporations during their careers.

Regulations

The Insurance Regulatory Commission of Sri Lanka governs the regulatory aspects of the insurance industry. The Parliament enacted the Regulation of Insurance Industry (Amendment) Act, No. 23 of 2017 on 19 October 2017. On 4 October 2018, IRCSL exempted our Company from the listing requirements.

We work closely with the Insurance Regulatory Commission of Sri Lanka to implement regulations which enable safeguarding all stakeholder interests. During the year under review, the IRCSL issued 3 directions relating to amendments to Corporate Governance, conducting inquiries in relation to insurance agents, and BFL forcefully changing existing agent's code.

Outlook into the Future

Continuing The Brand Promise To All Corners of Sri Lanka Through Values of "RICE"

For the past three years, Orient Sri Lanka rolled out a new brand promise to "create positive customer experiences" in every transaction we make, characterized by our core values of Respect, Integrity, Collaboration, Excellence, known in short through the acronym "RICE". Sri Lanka adapted these core values by delivering "predictable customer service" that enabled positive experiences for customers and partners throughout the entire branch and POS network. The crowning milestone of the company's commitment towards RICE values was when Tanuj Edward, the Country CEO for Sri Lanka won the global "Al-Futtaim Values Award" at a ceremony convened by Mr. Omer Al-Futtaim, the Deputy Chairman of our Group. Receipt of this prestigious global award was a milestone to our Sri Lankan operation that gave the official parent validation for the efforts made by Sri Lanka in taking the Orient brand values forward.

Brand Visibility through Distribution Expansion

One of the key priorities last year was to take insurance closer to the doorstep of Sri Lankans with a genuine hope of increasing insurance penetration in the country. But, as COVID-19 disrupted operations over Q1 of that year, business as usual came to a jolting halt, making survival the top priority. However, Orient Sri Lanka held steadfast to its growth momentum. Somewhat ironically, this challenging period also posed an opportunity to truly practice the brand values with all stakeholder groups; and RICE was demonstrated strongly as the pandemic raged on. Brand visibility was improved by the opening of new branches in Trincomalee and Wennappuwa, both high potential cities in the Northeastern and Northwestern Provinces respectfully; thereby expanding the branch network and customer reach in the country. This was implemented amidst the height of the pandemic which provides a true testament of the brand's resilience and aggressive growth mindset. Plans are underway to establish more branches and area development offices (ADOs) this year.

2021 DUBBED AS THE YEAR OF GROWTH & STABILITY FOR THE BRAND

Each year Orient Insurance focuses on a theme to deliver its brand promise. The company's theme this year is **"the year of growth and stability."** It is a fitting and timely theme after the wake of a global pandemic that stifled all industries and will help the organization re-focus its energies on regaining brand position. If last year was mere survival, this year is growth and stability.

Through decisive action, the company aims to revisit its growth momentum that was strengthened throughout the past few years until the pandemic hit the industry. Orient Sri Lanka aims to do that by fostering a culture of *optimism, hope, and winning together attitude.* "Winning together" would be a critical element of the company's 2021 business framework. Orient Sri Lanka has always instilled the value of winning together.

This is truest when it comes to our partner organizations who were also badly affected last year. Our growth aspirations will always be aligned with the growth expectations of our partners (leasing, banks, and broker organizations). Stability of the market can only be achieved if all stakeholders are met with a win-win outcome. To meet this end, Orient Sri Lanka will commit with passion and deliver with decisive action; and success will be the ultimate result. This in essence is what the 2021 theme encapsulates.

Keeping in line with the theme of Growth and Stability, we have also looked at avenues for training and developing our employees so that they encompass the values of RICE and create memorable customer experiences. With this strategy in mind, we are planning the establishment of “Orient Academy”, the training arm for all our employees.

Finally, IT infrastructure plays a significant role in delivering a brand promise. To this end, we have taken measures to improve the customer experience through online portals, claims management systems, active engagement through social media, and payment gateways. Through activating digital customer touchpoints, we were able to increase brand visibility and engagement as part of the brand strategy.

The year 2020 showcased our true capabilities and strengths, but also highlighted our vulnerabilities and weaknesses. With lessons learnt, improved processes, and a resilient mindset, we look forward to 2021 and beyond, to become the *Insurer of Choice* for all Sri Lankans.

Directors' Profiles

Omer Elamin

Chairman / Non-executive Director (Member of the Board since May 2011)

Mr. Omer Elamin is currently the Group President of Orient Insurance PJSC and he leads Orient Insurance Group in seven countries.

The company is a well-recognized Insurer operating in the UAE insurance market with a capital of 500 Million Dirhams and accredited with the highest credit rating in the region of 'A' Stable (S&P) and 'A' Excellent (AM Best).

Mr. Elamin holds a BA degree from the University of Cairo. He is the Advisory Board Member for Al Futtaim Finance, Dubai and a member of the Al Futtaim Group HR committee.

He was also a former Insurance Advisory Board Member for Dubai Financial Center (DIFC), Former Board Member of Arab War Risk Insurance Syndicate, Manama Bahrain, Former Chairman of the Insurance Business Group, Dubai Chamber of Commerce and Former Chairman of the High Technical Committee, UAE Insurance Association.

Mr. Elamin has made remarkable contributions to the insurance sector in the Middle East. With more than 30 years of experience in the industry, his stellar leadership and business know-how have also been recognized by various conferences. In April 2019, he has been ranked among the Top 10 CEOs in the Insurance category at the TOP CEO Conference and Awards held in Bahrain.

Thilak de Zoysa

Vice Chairman / Non-Executive Director (Member of the Board since May 2011)

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of "Deshabandu" by His Excellency the President of Sri Lanka in recognition of his services to the country and was the recipient of "The Order of the Rising Sun - Gold Rays with Neck Ribbon" conferred by His Majesty the Emperor of Japan.
He is also a Recipient of the 'LMD lifetime achievers' Award 2017.

He is the Chairman of Carsons Cumberbatch PLC, Bansei Royal Resorts Hikkaduwa Ltd, Jetwing-Zinc Journeys Lanka (Pvt) Ltd, Wipra International (Pvt) Ltd, CG Hospitality Lanka (Pvt) Ltd and Trinity Steel (Pvt) Ltd. He is also the Vice Chairman of CEAT Kelani Holdings (Pvt) Ltd., Orient Insurance Ltd. and serves on the Boards of several listed and Private Companies which include TAL Lanka Hotels PLC (Taj), Nawaloka Hospitals PLC, Associated Electrical Corporation Ltd., INOAC Polymer Lanka (Pvt) Ltd Varun Beverages Lanka (Pvt) Ltd (Pepsi) and Zinc Hospitality Lanka (Pvt) Ltd

Mr. Tilak de Zoysa was the past Chairman of the Colombo YMBA, the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK) and served as a Member of the Monetary Board of Sri Lanka (2003-2009).

S. S. Mathiaparanan

Independent Non-Executive Director (Member of the Board since May 2017)

Mr. Mathiaparanan is one of the outstanding insurance professionals in the country with a long-standing career spanning over 60 years in the insurance field.

He is a Chartered Insurer by profession and possesses the qualifications of the associateship of the Chartered Insurance Institute (ACII) London and the Associateship of the Insurance Institute of India (AIII).

He has undergone an advanced course in General Insurance at the Swiss Insurance Centre in Zurich, Switzerland on a scholarship awarded by the Government of Switzerland. He had the privilege of participating in familiarization programs with Sedgewicks Insurance Brokers in London, one of the largest Insurance Brokers and with Munich Reinsurance company in Munich, one of the leading Reinsurers in the world.

He commenced with Colombo Life Assurance Ltd and Colombo Assurance Ltd., who were leading Ceylonese Insurers. With the Nationalization of Insurance business, he was selected for the establishment of the Insurance Corporation of Ceylon (now Sri Lanka Insurance) in the year 1961. While holding an important position at SLIC after serving them for 23 years, he had a stint abroad with the National Insurance Company Bsc(c) in Bahrain as their Technical Manager. He contributed much for the progress of the company and the Bahrain Insurance Industry. On returning home he held various positions. He was responsible for the establishment of the Co-operative Insurance Company for and on behalf of the National Co-operative Council of Sri Lanka and was its founder CEO. He was the first General Manager of the Life Insurance Corporation (Lanka) Ltd., established by the life Insurance Corporation of India, until his retirement, after a half century of service.

Mr. Mathiaparanan has served the Insurance industry by holding honorary positions such as President of the Insurance Association of Sri Lanka and President of the Sri Lanka Insurance Institute. And a few years ago, Mr. Mathiaparanan was honoured as a recipient of the 'Hall of Fame' organized by the Sri Lanka Insurance Institute.

G. L. Priya Aponso

Independent Non-Executive Director (Member of the Board since September 2020)

Mr. Priya Aponso is an experienced and known personality within Orient and the Insurance industry.

Mr. Aponso commenced his career in the Insurance Industry in 1988 when he joined CTC Eagle Insurance Ltd (now known as AIA Insurance Lanka Ltd) at the inception of the Company. He held progressively responsible positions before being appointed as the Chief Financial Officer in 2001, a position he retained until a few months prior to his retirement in 2010.

He served as the Chief Financial Officer of Peoples Insurance Ltd from its inception in 2010 to 2011. After which he joined Orient Insurance Ltd as the Senior Vice President – Finance from its inception in 2011 to 2015. He was a Consultant – Finance to the National Insurance Trust Fund Board (NITF) between 2015 and 2016, as well as Janashakthi Insurance PLC (2016-2017).

Mr. Aponso was a member of the Group Internal Audit Team of Eagle Star Insurance Group UK, who conducted Internal Audit assignments in several branches of the Eagle Star Group in England, Scotland, Isle of Man and Hong Kong.

He has completed a General Insurance Accounting and Management Information training program at Zurich Insurance Group Head Office and a Reinsurance Accounting and Reporting training program conducted by Swiss Re in their branch office in Munich. He has obtained certifications in General Management from the National University of Singapore, in Communication Skills from the Management Institute of Ahmadabad, in Top Management from FALIA Tokyo, and in Shipping Business from JICA Tokyo.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

FINANCIAL HIGHLIGHTS

	2020 Rs. Mn	2019 Rs. Mn	Change %
RESULTS FOR THE YEAR			
Gross Written Premium	1,741.1	1,664.0	5%
Investment and other income	177.4	186.4	-5%
Profit before Tax	185.8	169.4	10%
Profit after Tax	129.0	115.4	12%
Basic Earnings per share (Rs)	15.63	13.98	12%
Retention ratio (%)	84.3	86.4	-2%
Loss ratio (%)	52.0	59.7	-13%
Combined ratio (%)	96.2	98.1	-2%
FINANCIAL POSITION			
Investments	1,827.6	1,426.5	28%
Total Assets	2,612.4	2,208.7	18%
Equity	1,016.3	886.2	15%
STATUTORY REQUIREMENTS			
Capital Adequacy Ratio (CAR) %	281	301	-7%

Report of the Directors

The Board of Directors of Orient Insurance Limited has pleasure in presenting its Annual Report together with the Audited Financial Statements for the financial year ended 31st December 2020 to the shareholders of the Company.

This Report was approved by the Board of Directors on 23rd June 2021.

• Our Vision

To be the premier insurer of choice.

• Our Mission

To reach the consumer and corporate segments with appealing risk solutions.

• Corporate Conduct

In achieving the vision and mission, all directors and employees conduct their activities with the highest level of ethical standards and integrity.

• Principal Activities

The principal activity of the company is primarily engaged in business of Non-Life insurance.
There were no significant changes in the nature of principal activities of the Company during the financial year under review. The Company has not engaged in any activities, which contravene laws and relevant regulations.

• Human Resources

The Company implements appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives.

- *REMUNERATION POLICY*

Our remuneration policy is designed to attract, reward, recognise, motivate and compensate employees for their services to Al-Futtaim's success in line with market practice. A key feature of our remuneration policy is recognising and rewarding our employees in order to help drive performance. To do this, we offer market-aligned rewards and benefits to attract, engage, retain, and drive superior performance in all sectors, businesses, and regions where our businesses compete for talent. Our Total Rewards (TR) policy for employees consists Fixed and Variable compensation, Benefits, Performance-based elements, and cost of operations work related element.

We aim to inspire and take part in the moments that matter to our employees, offering rewards that they will appreciate at any given time whether in their personal and professional lives. Our policy is a testament as well as a document to showcase Al-Futtaim commitment to providing each employee the opportunity to grow, evolve and contribute.

Performance Review

PROFIT AFTER TAX OF RS.129 MILLION - 12% ⬆

The year 2020 was yet another remarkable year for the Company where steady results were delivered with extremely challenging conditions.

The Company was able to record a steady growth in Gross Written Premiums and Profitability. The Gross Written Premiums increased by 5%, from Rs.1.66 billion in 2019 to Rs.1.74 billion in 2020.

The growth in motor premiums slowed due to the recent import restrictions on vehicle imports introduced by the government to curtail foreign exchange outflow.

The Company was able to increase the share of non-motor business to counter the impact from lower motor insurance. The Motor premiums grew marginally by 3% while the Non-motor premiums grew by 13%.

Premium ceded to reinsurers amounted to 16% of the gross premiums in 2020, compared with 14% reported in 2019. This was due to increase volumes in non-motor premiums, where reinsurance outgo is high.

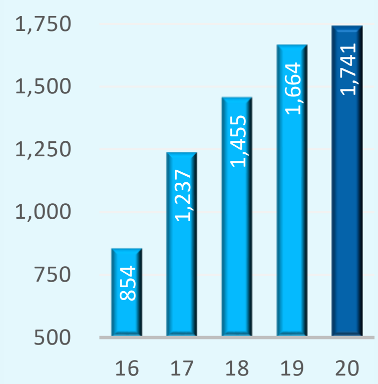
Due to higher reinsurance outgo and changes in unearned premium reserves, the net earned premiums for the year 2019 and year 2020 remained at Rs. 1.4 billion.

Underwriting and net acquisition costs increased by 1%, from Rs. 144.7 million in 2019 to Rs. 145.7 million in 2020.

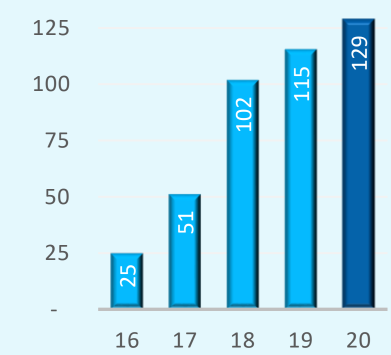
The claims incurred had a drop of 13% in comparison with same period last year. The net claims incurred decreased from Rs. 807.7 million in 2019 to Rs. 704.4 million in 2020. This was due to less motor accidents during the second quarter of 2020, while lockdowns were imposed.

With improved Combined Ratio the company was able to increase the Underwriting Profit from Rs. 26.0 million in 2019 to Rs. 52.1 million in 2020.

GROSS WRITTEN PREMIUM (Rs. Mn)



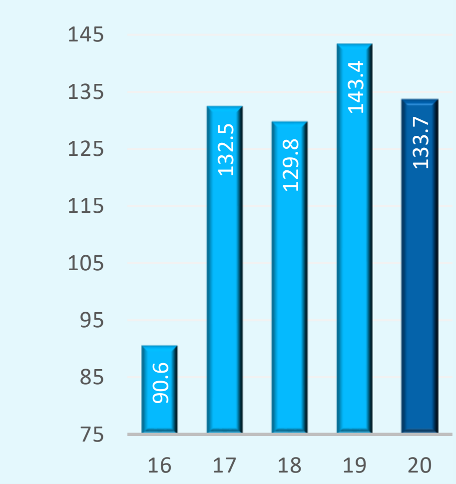
PROFIT AFTER TAX (Rs. Mn)



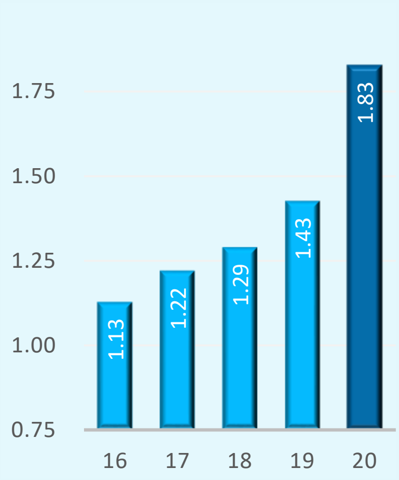
The investment portfolio includes government securities and bank deposits. The investments increased by 28%, from Rs. 1.43 billion in 2019 to Rs. 1.83 billion in 2020.

Investments in government debt securities amounted to Rs. 800.3 million representing 44 percent (2019 Rs. 676.9 million, 47 percent) of the total investments.

INVESTMENT INCOME (Rs. Mn)



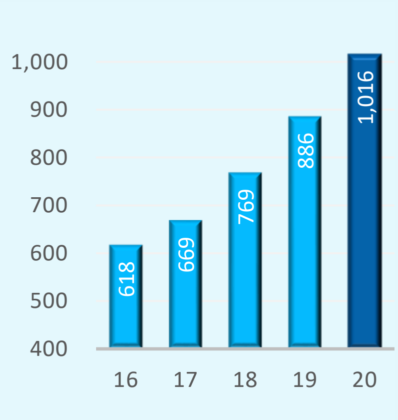
INVESTMENTS (Rs. Bn)



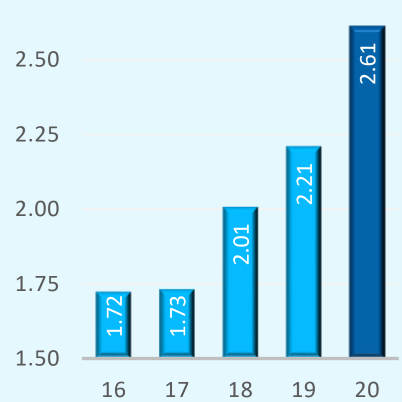
The Total Assets increased to Rs. 2.6 billion in 2020, when compared to Rs. 2.2 billion recorded in 2019, reflecting a 18% growth.

Improved profitability resulted in equity increasing from Rs. 886.1 million in 2019 to Rs.1,016.3 million in 2020. This is an exceptional achievement, considering the very competitive market environment.

TOTAL EQUITY (Rs. Mn)



TOTAL ASSETS (Rs. Bn)



Key Financial Highlights

In Rs. Mn	2016	2017	2018	2019	2020	Growth 20 vs 19	CAGR
Gross Written Premium	854	1,237	1,455	1,664	1,741	5%	20%
Net Earned Premium	640	846	1,187	1,354	1,355	0%	21%
Total Benefits, Claims and Expenses	402	558	742	808	704	-13%	15%
Investment Income	91	132	130	143	134	-7%	10%
Profit Before Tax	31	66	95	169	186	10%	57%
Income Tax (Expense) / Income	(6)	(15)	7	(54)	(57)	5%	79%
Profit After Tax	25	51	102	115	129	12%	51%
Total Comprehensive Income	25	51	100	117	130	11%	51%

Share Capital

The Stated Capital of the Company as at 31st December 2020 was Rs. 825,000,000/-, represented by issued and fully paid 825,000 voting ordinary shares.

Corporate Governance

The Board of Directors is committed towards maintaining good and effective corporate governance. The operations of the Company are effectively directed and controlled within the corporate governance framework.

Corporate governance is a collective effort of the Company's management, its Board of directors, shareholders, auditors, and other stakeholders. The key aspects of corporate governance are transparency of corporate structures and operations, the accountability of managers and the board to shareholders and other stakeholders at large.

Orient Insurance Ltd (Company) has adopted all the required rules and practices by which the Board of directors ensures accountability, fairness, and transparency in the Company's relationships with all its stakeholders.

The Company's core business is providing Non-life insurance products to the Sri Lankan market and it is duly licensed by the Insurance Regulatory Commission of Sri Lanka (IRCSL). The Company is a limited liability company which is owned by Orient Insurance PJSC UAE and the ultimate parent of the Company is Al Futtaim Company LLC (UAE).

Statement of Compliance

Orient Insurance Ltd firmly believes that value creation to all the stakeholders should be achieved via ethically driven business processes. This is ensured by conducting business with a firm commitment and taking ethical business decisions by safeguarding the interest of all the stakeholders. All the business processes and business practices are in line with the Group policies which have been readjusted to suit local business context. Orient Insurance Ltd has gained and retained trust of the stakeholders throughout the year by managing Company affairs in a fair and transparent manner.

The Company is compliant with all the rules and regulations stipulated for the limited liability companies by the Colombo Stock Exchange and Insurance Regulatory Commission of Sri Lanka (IRCSL).

Orient Insurance Ltd's operations are embedded with a sound corporate governance culture, giving assurance to all the stakeholders. The Company was subject to statutory and regulatory requirements in relation to governance and operations during the year under review.

The below segment provides details of all the statues applicable to the Company and Company's compliance with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The Primary statues applicable to the Company:

- *The Companies Act No. 7 of 2007 (as amended)*
- *Regulation of Insurance Industry Act No 43 of 2000 (as amended)*
- *Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987*
- *Inland Revenue Act No. 10 of 2006 (as amended)*
- *Shop and Office Employees Act No. 15 of 1954*
- *Employees' Provident Fund Act No. 15 of 1958 (as amended)*
- *Employees' Trust Fund Act No. 46 of 1980 (as amended)*
- *Payment of Gratuity Act No. 12 of 1980 (as amended)*
- *Financial Transactions Reporting Act No. 6 of 2005 (as amended)*
- *Prevention of Money Laundering Act No. 5 of 2006*
- *Foreign Exchange Act No 12 of 2017*
- *Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995*
- *Other Laws that govern the tax regime for companies in Sri Lanka*

It is also required that the Company comply with the following rules, regulations directives and guidelines:

- *Circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)*
- *Directives issued by the IRCSL*
- *Guidelines issued by the IRCSL*
- *Listing Rules of the CSE, Rules, Regulations and Guidelines issued by the Securities and Exchange Commission of Sri Lanka*

Status of compliance with section 7.10

	Requirement	Status
7.10.1	Non-executive directors - minimum 2 or 1/3 of total which ever higher	Complied
7.10.2a	Independent directors - minimum 2 or 1/3 of total which ever higher	Complied
7.10.2b	Each Non-Executive Director to submit a declaration of his/her independence or non- independence in the prescribed format	Complied
7.10.3 a	Names of directors determined to be independent should be disclosed in the annual report.	Complied
7.10.3 b	In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report	Not applicable
7.10.3 c	A brief resume of each director should be published in the Annual Report	Complied
7.10.3 d	Provide to the Exchange a brief resume of such director upon appointment of a new director to its board	Not applicable
7.10.5	A listed entity shall have a Remuneration Committee.	Complied
7.10.5 a	The Remuneration Committee shall comprise of a minimum of two independent non-executive directors or non-executive directors' majority of whom shall be independent whichever is higher. One non-executive director shall be appointed as Chairman of the Committee by the board of directors.	Complied
7.10.5 b	The Remuneration Committee shall recommend the remuneration of executive directors and Chief Executive Officer.	Complied
7.10.5 c	The annual report should set out the names of directors comprising the remuneration committee, contain a statement of remuneration policy and setout aggregate remuneration paid to executive and non-executive directors.	Complied
7.10.6	A listed Company shall have an Audit Committee.	Complied
7.10.6 a	The Audit Committee shall comprise a minimum of two independent non-executive directors or a non-executive director a majority of whom shall be independent, whichever is higher.	Complied
	One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Complied
	The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings.	Complied
	The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied
7.10.6 b	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied

	Requirement	Status
7.10.6 c	The names of the directors comprising the audit committee should be disclosed in the annual report.	Complied
	The committee should make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.	Complied
	The annual report shall contain a report by the audit committee, setting out the manner of compliance of the functions in relation to the above, during the period to which the annual report relates.	Complied
7.10.7	In the event a listed entity fails to comply with any of requirement contained in Rule 7.10 of these Rules, such entity shall make an immediate announcement to the Market via the exchange on such non-compliance, not later than one market day from the date of non-compliance.	Not Applicable

Appointments to the Board

Mr. G. L. Priya Aponso appointed to the Board as an Independent Non-Executive Director during the year. His profile is provided on page number 18. Mr. Aponso will be serving the Board sub committees and will be chairing the Audit committee of the Company.

Directors' Retirement

In accordance with Article No. 83 of the Articles of Association of the Company, Directors appointed to the office of Chairman and Deputy Chairman are not subject to retirement by rotation. Mr. G. L. Priya Aponso, Independent Non-Executive Director of the Company, retires and is eligible for re-appointment at the Annual General Meeting. Mr. S. S. Mathiaparanan, Independent Non-Executive Director of the Company, retires and not eligible for re-appointment at the Annual General Meeting. The Directors proposed to appoint a new Independent Director in place of Mr. S.S. Mathiaparanan.

Directors' Meetings

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

Mr. Omer Elamin	- 4/4
Mr. Tilak De Zoysa	- 4/4
Mr. S. S. Mathiaparanan	- 4/4
Mr. G.L. Priya Aponso	- 2/4

Board Committees

The Board has delegated some of its functions to Board committees while retaining final decision rights pertaining to matters under the purview of these committees

Investment Committee

The Board Investment Committee comprised of the following members including two Independent Non-Executive Directors as at the end of the year.

Mr. S. S. Mathiaparanan	- Chairman / Independent Non-Executive Director
Mr. Tilak De Zoysa	- Non-Executive Director
Mr. G.L. Priya Aponso	- Independent Non-Executive Director

The Chief Executive Officer (CEO), Senior Vice President – Finance and Vice President Operation Control attends the meetings of the Committee by invitation. Other Executive Committee members maybe invited as and when required. Senior Vice President – Finance serves as the Secretary of the Investment Committee.

The Investment Committee held four meetings during the year. The number of meetings attended by each Director who are members of the Committee are as follows:

Mr. S. S. Mathiaparanan	- 4/4
Mr. Tilak De Zoysa	- 4/4
Mr. G.L. Priya Aponso	- 2/4

Remuneration Committee

The Board Remuneration Committee comprised of the following members including two Independent Non-Executive Directors as at the end of the year.

Mr. Tilak De Zoysa	- Chairman / Non-Executive Director
Mr. S. S. Mathiaparanan	- Independent Non-Executive Director
Mr. G.L. Priya Aponso	- Independent Non-Executive Director

The Chief Executive Officer (CEO) and Senior Vice President – Finance attends the meetings of the Committee by invitation. Head of the Human Resources function serves as the Secretary of the Remuneration Committee.

The Remuneration Committee held two meetings during the year. The number of meetings attended by each Director who are members of the Committee are as follows:

Mr. Tilak De Zoysa	- 2/2
Mr. S. S. Mathiaparanan	- 2/2
Mr. G.L. Priya Aponso	- 1/2

Audit Committee Report

The Board Audit Committee comprised of the following members including two Independent Non-Executive Directors as at the end of the year.

Mr. G.L. Priya Aponso	- Chairman / Independent Non-Executive Director
Mr. Tilak De Zoysa	- Non-Executive Director
Mr. S. S. Mathiaparanan	- Independent Non-Executive Director

The Chief Executive Officer (CEO), Senior Vice President – Finance and Vice President Operation Control attends the meetings of the Committee by invitation. Other Executive Committee members maybe invited as and when required. Vice President Operation Control serves as the Secretary of the Investment Committee.

The Audit Committee held two meetings during the year. The number of meetings attended by each Director who are members of the Committee are as follows:

Mr. S. S. Mathiaparanan	- 2/2
Mr. Tilak De Zoysa	- 2/2
Mr. G.L. Priya Aponso	- 2/2

The Audit committee reviewed the independence, objectivity and performance of the Company's Internal audit function and External audit findings including Management Letter for the year under review.

Purpose

The purpose of Audit Committee is to:

- *Assist the Board of Directors in executing their responsibilities over Financial reporting process.*
- *Review the system of internal control and Risk management procedure.*
- *Monitor effectiveness and efficacy of Internal Audit function.*
- *Review the Company's process for monitoring compliance with laws and regulations.*
- *Make recommendations to the Board on independence, performance, and appointment of external auditors.*

Charter of Audit Committee

The Charter of the Audit Committee approved by the Board in its inauguration meeting held in September 2020. The Charter defines the Terms of Reference of the Committee and Committee's functions. The Charter is set to be reviewed annually by the Audit Committee.

Compliance with Laws and Regulations

The Audit Committee reviewed the Company compliance with laws and regulations through review of checklists signed off by the management on quarterly basis. This covers compliance with all applicable compliance submissions relating to Insurance Regulatory Commission of Sri Lanka (IRCSL), Department of Inland Revenue and Labor regulations.

Internal Audit

The Committee is responsible in reviewing and approving the internal audit plan, scope and reporting requirements of the Company/Group annually and ensuring that internal auditors have adequate access to information to carry out their audits.

External Audit

The Committee reviewed the External audit report for 2020 and discussions were held between the committee members and management of the external auditors on the external audit findings, Management Letter and improvements needs to be done to safeguard Company's assets.

Conclusion

The Committee, along with the management assessed the internal controls of the Company and actions were taken to improve the same. The Committee is satisfied with the current internal controls in place and the risk management initiatives taken in safeguarding Company's assets.

Directors' Remuneration and Other Benefits

Details of the fees paid to the Directors during the financial year are given in Note. 35 to the Financial Statements.

Financial Statements

The Financial Statements of the Company are prepared in conformity with the currently applicable Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.

In the opinion of Directors, the Financial Statements comply with the requirements of the Companies Act No. 7 of 2007 and the provisions of the Regulation of Insurance Industry Act No. 43 of 2000 together with the rules and regulations applicable to regulated General Insurance companies of Sri Lanka and subsequent amendments thereto.

Related Party Transactions

The Directors have disclosed the transactions with related parties in terms of the Sri Lanka Accounting Standards – LKAS 24 – Related Party Transactions. Due regard has been accorded to these disclosures in the preparation of the Company's Financial Statements. These transactions are listed under the notes to the Financial Statements.

Minimum Capital Requirement to continue General Insurance Business

Section 13(b) of the Regulation of the Insurance Act, No. 43 of 2000 requires a minimum Stated Capital as prescribed by the Insurance Regulatory Commission of Sri Lanka to be maintained by any insurer to carry on Non-Life Business. The requirement gazetted for the year under review is Rs. 500 million per each class of business for all new insurance companies and Orient Insurance Ltd has an issued and fully paid Stated Capital of Rs. 825 million as at 31 December 2020 and therefore, is in compliance with the above-mentioned statutory requirement. Total net assets of the Company amounted to Rs. 1,016 million (2019 - Rs. 886 million) as at the reporting date of 31 December 2020.

Appointment of Auditors

Auditors of the Company, Messrs. KPMG have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2021. A Resolution pertaining to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board
Sgd.
Rihab Thaha
Company Secretary
Dated: 24th May 2021

Orient Insurance Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Tenth GENERAL MEETING** of **ORIENT INSURANCE LIMITED** (“the Company”) will be held on 23rd June 2021 commencing at 11.30 a.m. at No. 133, New Bullers Road, Colombo 4, to transact the following businesses:

AGENDA

1. To read the Notice convening the Meeting.

2. To receive, consider and adopt the Annual Report of the Directors, Financial Statement for the year ended 31st December 2020 and the Report of the Auditors thereon.

3. To appoint Mr. Tilak De Zoysa, who has reached the age of 74 years as a Director of the Company, in terms of Section 211 of the Companies Act No. 07 of 2007, by passing the following Resolution:
   “IT IS HEREBY RESOLVED:
   To re-elect Mr. Tilak De Zoysa, who has reached the age of 74 as a Director and the Deputy Chairman in terms of Section 211 of the Companies Act No. 07 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Tilak De Zoysa”

4. To re-elect Mr. G.L. Priya Aponso as a Director, who retires by rotation at the Annual General Meeting in terms of Article 85 of the Articles of Association of the company

5. To note the retirement of Mr. S. S. Mathiaparanan who has reached the age of 83 years as a Director of the Company, retiring in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following Resolution:
   “IT IS HEREBY RESOLVED:
   Mr. S. S. Mathiaparanan will not be seeking re-election and will retire as Director of the Company on 23rd June 2021 at the close of the Annual General Meeting

6. To re-appoint the Auditors for the financial year 2021 and authorise the Directors to determine their remuneration.

7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board

Sgd.
Rihab Thaha
Company Secretary
Colombo
Dated, 24th May 2021

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on its/his behalf.
2. A proxy need not be a member of the Company. The Form of Proxy will be found at the end of the Annual Report.
3. The completed Form of Proxy should be deposited at No. 133, New Bullers Road, Colombo 4, Sri Lanka not less than 48 hours before the date and time appointed for the meeting.

Orient Insurance Limited

FORM OF PROXY

I/We .... of..

being a member of Orient Insurance Limited, hereby appoint ....

....

(holder of NIC/Passport No.....................................) of..(or failing him)

.... of...

as our Proxy to represent and vote for us on our behalf at the Annual General Meeting of the Company to be held on 23rd June 2021 and at any adjournment thereon and at every poll which may be taken in consequence thereon.

	For	Against
1. To receive and adopt the Statement of Accounts for the year ended 31 December 2020 and to receive the Report of the Auditors.	☐	☐
2. To appoint KPMG as Auditors and authorise the Directors to determine their remuneration.	☐	☐
3. To reappoint Mr. Tilak De Zoysa as a Director and the Deputy Chairman of the Company.	☐	☐
4. To reappoint Mr. Priya Aponso as an Independent Non-Executive Director of the Company.	☐	☐
5. To transact any other business of which due notice shall be given	☐	☐

* The proxy may vote as he thinks fit on any other resolution brought before the meeting

As witness my hand/our hands this .... day of ....
Two Thousand & Twenty One.

....
Signature   Seal

1. Kindly complete the form of proxy, by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. If the Proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.

3. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

4. The completed form of proxy should be deposited at No. 133, New Bullers Road, Colombo 4, Sri Lanka, not less than 48 hours, before the time appointed for the holding of the meeting.

BRANCH NETWORK

Western Province

Avissawella	No. 223, Colombo Road, Ukwatte
Gampaha	No. 119, Oruthota Road
Kiribathgoda	No. 502A, Kandy Road, Mahara, Kadawatha
Maharagama	No. 107/1, High Level Road, Moraketiya, Pannipitiya
Negombo	No. 06, St. Joseph Street
Panadura	No. 3b, Galle Road, Pinwatta

Central Province

Kandy	No. 147, Kotugodella Street
Dambulla	No. 745, Anuradhapura Road
Matale	No 22, Raththota Road, Mandandawela

North Western Province

Chilaw	No. 85C, Puttalam Road
Kurunegala	No. 254/1/1, First Floor, Colombo Road
Kuliyapitiya	No. 60 1/1, Kurunegala Road
Wennappuwa	No. 22, Peragas Junction, Kolingadiya

Southern Province

Galle	No. 60B, Colombo Road, Kaluwella Road
Matara	No. 306, 2/1, Anagarika Dharmapala Mawatha, Nupe

Eastern Province

Trincomalee	No 113, Thiruganasampather Street

Sabaragamuwa Province

Kegalle	No. 362, Colombo Road, Ranwalla

Point of Sales (POS) Outlets

Anuradhapura	AMW Capital Leasing & Finance PLC, No.521/40,4th Lane,Nawa Nagaraya,Anuradhapura
Badulla	AMW Capital Leasing,Finance PLC,No.16A,Station Road, Badulla
Borella	AMW Capital Leasing,Finance PLC, No. 445, Bauddhaloka Mawatha, Colombo – 08
Dambulla	AMW Capital Leasing & Finance PLC, No. 22, First Floor, Kurunegala Junction, Dambulla
Galle	AMW Capital Leasing & Finance PLC, No. 287/A, Wakwella Road, Galle
Gampaha	Associated Motorways Showroom, No. 163A, Ja-Ela Road, Gampaha
Kalutara	AMW Capital Leasing & Finance PLC, No.380D, Galle Road,Kalutara North
Kandy	Associated Motorways Showroom, No. 400, Katugasthota Road, Kandy
Kuliyapitiya	AMW Capital Leasing & Finance PLC. No. 463/A,Madampe Road, Kuliyapitiya
Kurunegala	Associated Motorways Showroom, No. 204, Colombo Road, Wanduragala, Kurunegala
Matara	Associated Motorways Showroom, No. 215E, Galle Road, Pamburna, Matara
Negombo	Associated Motorways Showroom, No. 262, Chillaw Road, Periyamulla, Negombo
Nugegoda	AMW Capital Leasing & Finance PLC, No. 330, Highlevel Road, Nugegoda
Panadura	AMW Capital Leasing & Finance PLC, No. 201, Galle Road, Panadura
Ratnapura	AMW Capital Leasing,Finance PLC, No.510, Colombo Road, Veraluppa, Rathnapura

SECTION TWO – AUDITED FINANCIALS

KPMG

ORIENT INSURANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2020

KPMG

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ORIENT INSURANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orient Insurance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2020, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements 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.

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.

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.

KPMG

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.

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, as required by section 47(2) of the Regulations of Insurance Industry Act , No 43 of 2000, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by the IRCSL give true and fair view of the financial position.

KPMG

Colombo, Sri Lanka
25 February 2021

ORIENT INSURANCE LIMITED
INCOME STATEMENT

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Gross Written Premium	7	1,741,140	1,664,016
Change in Reserve for Unearned Premium		(162,339)	(81,785)
Gross Earned Premium		**1,578,801**	**1,582,231**
Premiums Ceded to Reinsurers	8	(272,935)	(225,941)
Change in Reserve for Unearned Reinsurance Premium		49,279	(2,374)
Net Earned Premium	9	**1,355,145**	**1,353,916**
Other Revenue			
Net Investment Income	10	133,680	143,403
Other Operating Income	11	43,734	42,999
Total Other Revenue		**177,414**	**186,402**
Total Net Revenue		**1,532,559**	**1,540,318**
Net Benefits, Claims and Expenses			
Net Insurance Benefits and Claims	12	704,410	807,747
Underwriting and Net Acquisition Cost	13	145,684	144,681
Other Operating and Administrative Expenses	14	455,779	389,288
Depreciation and amortisation		40,873	29,173
Total Benefits, Claims and Expenses		**1,346,746**	**1,370,889**
Profit Before Taxation	15	185,813	169,429
Income Tax Expense	16	(56,847)	(54,074)
Profit for the year		**128,966**	**115,355**
Earnings per share			
Basic Earnings per share (Rs)	17	**15.63**	**13.98**

The Notes to the Financial Statements are an integral part of these Financial Statements

KPMG Chartered Accountants

ORIENT INSURANCE LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Profit for the year	128,966	115,355
Other Comprehensive Income		
Items that will never be reclassified to profit or loss		
Actuarial (Loss)/ Gain on defined benefit plan	1,667	2,318
Related Tax	(467)	(649)
	1,200	1,669
Items that are or may be reclassified to profit or loss		
Net change in fair value of available for sale financial assets	-	490
Related tax	-	(137)
	-	353
Other comprehensive income for the year, net of tax	1,200	2,022
Total comprehensive income	**130,166**	**117,377**

The Notes to the Financial Statements are an integral part of these Financial Statements

As at 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Financial Investments	18	1,827,619	1,426,470
Property Plant and Equipment	19	46,257	69,829
Intangible Assets	20	3,644	462
Reinsurance Receivables	21	83,303	77,824
Premium Receivables	22	451,444	371,980
Receivables and Other Assets	23	50,278	80,464
Deferred acquisition cost	24	113,579	95,085
Deferred Tax Assets	25	3,998	2,551
Cash and Cash Equivalents	26	32,258	84,000
Total Assets		**2,612,380**	**2,208,665**
Equity and Liabilities			
Equity			
Stated Capital	27	825,000	825,000
Retained Earnings		191,320	61,154
Total Equity		**1,016,320**	**886,154**
Liabilities			
Insurance Contract Liabilities	28	1,215,934	1,030,070
Reinsurance Payable	29	53,106	26,396
Deferred Revenue	30	19,970	16,317
Employee Benefits	32	18,637	16,040
Other Liabilities	31	178,286	128,357
Lease Liabilities	34	20,945	32,772
Current Tax Liabilities	33	62,085	31,536
Amount due to related parties	35	27,097	12,445
Bank Overdraft	26	-	28,578
Total Liabilities		**1,596,060**	**1,322,511**
Total Equity and Liabilities		**2,612,380**	**2,208,665**

The Notes to the Financial Statements are an integral part of these Financial Statements.
These Financial Statements are in compliance with the requirement of the Companies Act No 07 of 2007.

....
Rihab Thaha
Senior Vice President - Finance

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

Signed for and on behalf of the Board :

....
Omer Elamin
Chairman

....
Tilak De Zoysa
Director

25 February 2021
Colombo

KPMG Chartered Accountants

ORIENT INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020,

Rs. '000	**Stated capital**	**Available for sale reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2019	**825,000**	**(353)**	**(55,870)**	**768,777**
Profit for the year	-	-	115,355	115,355
Other comprehensive income for the year, net of tax				
Actual Gain/(Loss) on retirement benefit obligation	-	-	1,669	1,669
Net change in available for sale financial assets	-	353	-	353
Total other comprehensive income	**-**	**353**	**1,669**	**2,022**
Total comprehensive income for the year	**-**	**353**	**117,024**	**117,377**
Balance as at 31 December 2019	**825,000**	**-**	**61,154**	**886,154**
Balance as at 1 January 2020	**825,000**	**-**	**61,154**	**886,154**
Profit for the year	-	-	128,966	128,966
Other comprehensive income for the year, net of tax				
Actual Gain/(Loss) on retirement benefit obligation	-	-	1,200	1,200
Net change in available for sale financial assets	-	-	-	-
Total other comprehensive income	**-**	**-**	**1,200**	**1,200**
Total comprehensive income for the year	**-**	**-**	**130,166**	**130,166**
Balance as at 31 December 2020	**825,000**	**-**	**191,320**	**1,016,320**

The Notes to the Financial Statements are an integral part of these Financial Statements

ORIENT INSURANCE LIMITED
STATEMENT OF CASH FLOWS

For the year ended	Note	2020 Rs. ' 000	2019 Rs. ' 000
Profit before tax		185,813	169,429
Adjustment for:			
Depreciation and amortisation	15	40,873	29,173
Provision/(reversal) of impairment of premium receivable	22	11,180	(2,200)
Provision for employee benefits	32	6,108	5,138
Interest on lease liability	34	5,515	5,443
Profit before working capital changes		**249,489**	**206,983**
Net change in operational assets			
Net change in reinsurance assets		(5,479)	13,240
Net change in premium receivables		(90,644)	(35,240)
Net change in accrued interest		(4,443)	2,281
Net change in receivables and other assets		1,974	(6,828)
Net change in operational liabilities			
Net change in other liabilities		35,097	(31,960)
Net change in insurance contract liabilities		185,864	109,388
Net change in related party payables		14,652	(11,645)
Net change in reinsurance payables		26,710	(48,760)
Cash generated in operating activities		**413,220**	**197,459**
Gratuity paid	32	(1,844)	(550)
Income tax self assesment payments		-	(8,253)
Net cash from operating activities		**411,376**	**188,656**
Cash flows from investing activities			
Acquisition of investments	18. 1 (b)	(6,935,438)	(4,328,173)
Maturity proceeds of investments	18. 1 (b)	6,538,732	4,188,786
Acquisition of intangible assets	20	(3,537)	(125)
Acquisition of property, plant and equipment	19	(7,292)	(12,042)
Net cash used in investing activities		**(407,535)**	**(151,554)**
Cash flows from financing activities			
Repayment of lease liabilities	34	(27,005)	(30,916)
Net cash used in financing activities		**(27,005)**	**(30,916)**
Net (decrease)/ increase in cash and cash equivalents		(23,164)	6,186
Cash and cash equivalents as at 1 January		55,422	49,236
Cash and cash equivalents as at 31 December		**32,258**	**55,422**

The Notes to the Financial Statements are an integral part of these Financial Statements

KPMG Chartered Accountants

1. Reporting Entity

Corporate Information
Orient Insurance Limited ("Company") is a private limited Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 133, New Bullers Road, Colombo 04.

Principal Activities and Nature of Operations
The Company is primarily engaged in the business of underwriting Non-Life Insurance.

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

Parent Entity and Ultimate Parent Entity
The Company's parent undertaking and controlling entity is Orient Insurance PJSC which is incorporated in United Arab Emirates, and is a fully owned subsidiary of Al-Futtaim Company LLC incorporated in United Arab Emirates.

Number of Employees
The staff strength of the Company as at 31 December 2020 is 217 (2019 – 206).

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No.7 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000.

These financial statements include the following components:

- Income Statement and Statement of profit or loss and other comprehensive income providing the information on the financial performance of the Company for the year under review;
- Statement of financial position providing the information on the financial position of the Company as at the year-end;
- Statement of changes in equity depicting all changes in shareholders' funds during the year under review of the Company;
- Statement of cash flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of the Company to utilize those cash flows; and
- Notes to the financial statements comprising accounting policies and other explanatory information. Details of the Company's accounting policies, including changes during the year, are included in Note 5

Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

Approval of Financial Statements

The financial statements for the year ended 31 December 2020 were authorized for issue by the Directors on 25 February 2021.

Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of financial statements'.

Going Concern

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the existing and potential implications of COVID 19 pandemic on the business operations and performance of the Company and the measures adopted by the Government to mitigate the pandemic's spread and support recovery of the economy. The Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

The assessment of potential implication of Covid - 19 on the Company's ability to continue as a going concern is described in note 41.

Basis of Measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Net defined benefit assets/ (liabilities)	Actuarially valued and recognized at the present value	32

No adjustments have been made for inflationary factors affecting the financial statements.

3. Functional and Presentation Currency

These financial statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency. All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

4. Use of Judgments and Estimates

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

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

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted the customers, operations and Company's performance. The outbreak necessitated the government to respond at unprecedented levels to protect the health of the population, local economy and livelihoods. Thus, the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including, the extent and duration of the disruption to businesses, expected economic downturn, and subsequent recovery. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment

of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included as follows

Critical Accounting Estimates / Judgments	**Disclosure reference** **Notes to the Financial Statements**
Insurance contract liabilities	5.27
Measurement of defined benefit obligations: Key actuarial assumptions	5.29
Recognition of deferred tax assets	5.18.2
Impairment test: Key assumptions underlying recoverable amounts	5.21.7
Recognition and measurement of provisions and contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources	5.31
Deferred acquisition cost	5.22.1
Determination of the fair value of financial instruments	5.21.6
Liability Adequacy Test	5.27.5

5. Significant Accounting Policies

A number of new standards are effective from 1 January 2020 that do not have a material effect on the Company's financial statements.

5.1 Foreign Currency

Transactions in foreign currencies are translated into the respective functional currency of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized costs in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

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

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the available-for-sale equity instruments are recognized in OCI.

Income Statement and Statement of Profit or Loss and Other Comprehensive Income

5.2 Gross Written Premiums (GWP)

Gross written premiums comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon approval of the policy.

Premium include any adjustments arising in the accounting period for premiums receivable in respect if business written in prior accounting periods.

5.3 Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24 basis except for the travel policies which are computed on a 1/365 basis. The proportion attributable to subsequent period is deferred as a provision for unearned premiums.

5.4 Reinsurance Premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered during the period, and are generally recognized on the date on which the policy incepts. Premium include any adjustments arising in the accounting period for premiums receivable in respect if business written in prior accounting periods.

5.5 Unearned Reinsurance Premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are calculated on the 1/24 basis except for the travel policies which are computed on a 1/365 basis.

5.6 Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

5.7 Acquisition Costs

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

5.8 Reinsurance Commission Income

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

5.9 Gross Claims Expense

Gross claims expense include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct cost of setting those claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

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Actuarial valuations are performed on quarterly basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information

and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

5.10 Reinsurance Claims Recoveries

Reinsurance claims recoveries are recognized when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR as well.

Other Revenue

5.11 Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognized in the Income Statement as it accrues and is calculated by using the effective interest rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

5.15 Other Income

Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income.

Expenses and Taxation

5.16 Expenditure Recognition

Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

5.17 Finance Cost

Interest paid is recognized in the Income Statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

5.18 Income Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in items recognized directly in equity or in Income Statement and Statement of Profit or Loss and Other Comprehensive Income.

5.18.1 Current Tax

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

5.18.2 Deferred Tax

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

5.18.3 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact tax expense in the period that such a determination is made.

5.18.5 Crop Insurance Levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after tax.

5.18.6 Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized.

5.18.7 Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except;

- Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

5.19 Earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Statement of Financial Position

5.20 Insurance and Investment Contracts

5.20.1 Product Classification

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

Insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Contracts where the Company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk.

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.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF").

5.20.2 Impact of Unrealized Gains and Losses on Available For Sale Assets on Liabilities from Insurance Contracts

Where unrealized gains or losses arise on available- for-sale assets, the adjustment to the liabilities arising from insurance contracts and investment contracts with DPF is equal to the effect that the realization of those gains or losses at the end of the reporting period would have had on those liabilities (and related assets) and is recognized directly in other comprehensive income.

5.21 Financial Assets and Liabilities

5.21.1 Non Derivative Financial Assets

Initial Recognition and Measurement
The Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories;

- Loans and receivables (L&R)

Income and expenses are presented on a net basis only when permitted under SLFRS/LKAS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Subsequent Measurement

(a) Loans and Receivables (L&R)
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of investments in reverse repos', reinsurance receivables, premium receivables and cash and cash equivalents.

Cash and cash equivalent
Cash and cash equivalents comprise cash balances, and call deposits with original maturities of three months or less. Bank overdrafts are included in the statement of financial position under liabilities.

For the purpose of the cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Premiums receivable
Premium receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognized in the Income Statement.

Premium receivables are derecognized when de-recognition criteria for financial assets, as described in Note 5.21.3, have been met.

5.21.2 Non Derivative Financial Liabilities

Initial Recognition and Measurement
The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise interest bearing borrowings, reinsurance payables, other liabilities and bank overdrafts.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

Subsequent Measurement
The subsequent measurement of financial liabilities depends on their classification, as follows

Insurance Payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

De-recognition of Insurance Payables
Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

5.21.3 De-recognition
The Company de-recognizes a financial asset when:

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

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either;

(a) The Company has transferred substantially all the risks and rewards of the asset, or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and
(ii) Any cumulative gain or loss that had been recognised in Income Statement and Statement of Profit or Loss and Other Comprehensive Income is recognised in profit or loss.

The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

5.21.4 Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.21.5 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

5.21.6 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Determination of Fair Value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

5.21.7 Impairment

Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of finance assets is deemed to be impaired if, and only if, there is objective evidence of impairment as result of one or more events that has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

(a) Impairment losses on financial assets carried at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in Income Statement under other cost and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

5.22 Deferred Expenses

5.22.1 Deferred Acquisition Costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

DAC is amortised over the period in which the related revenues are earned. The re-insurers share of deferred acquisition costs is amortised in the same manner as the unearned premium reserve is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the Income Statement

DAC is derecognised when the related contracts are either settled or disposed.

5.22.2 Reinsurance Commissions – Unearned Commission Reserve (UCR)

Commissions receivable on outward reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

5.23 Property, Plant and Equipment

5.23.1 Recognition and Measurement

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in "other operating income" in the Income Statement. When revalued assets are sold, any related amount included in the revaluation surplus reserves are transferred to retained earnings.

5.23.2 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 derecognized. The costs of the day-to-day servicing of property and equipment are recognised in Income Statement as incurred.

5.23.3 Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

5.23.4 Depreciation

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Asset Class	Company
Office furniture	7 years
Furniture and fittings	4 - 5 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
ROU Asset	Over the lease period

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 19.

5.23.5 Carrying Amount

The carrying amount of an asset or significant group of assets within the class is assessed annually with its fair value and where the fair value is less than the carrying amount, the asset is written down to its fair value. The consequent adjustment is recognised in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually. Depreciation on revaluation of a class of assets is based on the remaining useful life of the assets at the time of the revaluation.

5.23.6 De-recognition

An item of property, plant and equipment is de- recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is de- recognised.

5.24 Intangible Assets

Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.25 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

5.26 Equity Movements

Ordinary shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

5.27 Insurance Contract Liabilities

5.27.1 Insurance liabilities

Insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and Incurred But Not Reported (IBNR), and Incurred But Not Enough Reported (IBNER) and the provision for unearned premium and the provision for premium deficiency.

5.27.2 Claims Payable Including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is assessed by an independent external Actuary on quarterly basis.

5.27.3 Provision for Unearned Premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Provision for unearned premium is calculated on a 1/ 24 basis except for travel class which is subject to 1/365 basis.

At each reporting date, the Company reviews its unexpired risk and the liability adequacy tested to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement in comprehensive income by setting up a provision for premium deficiency.

5.27.5 Liability Adequacy Test (LAT)

At the end of each reporting period the Company reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions. If the assessments show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy. Insurance liability adequacy is assessed by an independent external actuary on an annual basis.

5.28 Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance is recorded gross in the 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 is recorded in the Income Statement.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party

5.29 Employee Benefits

5.29.1 Short-term Employee Benefits

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

5.29.2 Defined Contribution Plans

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes a defined percentage of gross emoluments of employees to an approved Provident Fund and to the Employees' Trust Fund respectively.

Employees' 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 Employees 'Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the ETF Fund Board of Sri Lanka.

5.29.3 Defined Benefit Plans

Gratuity is a defined benefit plan. The Company is liable to pay gratuity in terms of the payment of gratuity Act No. 12 of 1983, according to which a liability to pay gratuity arises only on completion of 5 years of continued service. In order to meet this liability, a provision is carried forward in the statement of financial position as per Sri Lanka Accounting Standard LKAS 19 Employee Benefits. This calculation in performed annually by a qualified independent actuary using the projected unit credit method (PUC).

The initial cost, the gratuity charge for the period is included as an expense/income in the income statement and the gain/loss on change in assumptions after the initial adoption, if any, is included as an expense/income in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

5.30 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

- the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property 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 end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is 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. If that rate cannot be readily determined, the Company's incremental borrowing rate may use. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the 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 Company 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, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured 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 property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

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

5.31 Provisions and Contingencies (other than insurance provisions)

A provision is recognised 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

5.32 Capital Commitments

Capital commitments of the Company are disclosed in the Note 39 to the financial statements.

5.33 Events Occurring after the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

5.34 Statement of cash flows

The cash flow statement has been prepared using the indirect method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, "Cash Flow Statements."

Interest and dividend received are classified as operating cash flows. 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.

6 New Accounting Standards

6.1 Standards issued and not effective for the Company as at reporting date

A number of new standards and amendments to standards which have been issued but not yet effective to the Company as at the reporting date have not been applied in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements.

– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)
– COVID-19-Related Rent Concessions (Amendment to SLFRS 16)
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
– Reference to Conceptual Framework (Amendments to SLFRS 3)

– Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

SLFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.' It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. Under SLFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.

The Company is in the process of assessing the impact on adoption and the need to develop an implementation plan.

6.1.1 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 de-recognition of financial instruments from LKAS 39.

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 adoption of SLFRS 17, which is currently expected to be effective from 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.

6.1.1 (a). Assessment for qualifying for the temporary exemptions

Based on the proposed based on the above, the Company is permitted to apply the temporary exemption as the Company meets the eligibility criteria as follows;

1. The Company has not applied SLFRS 9 before; and
2. The Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance - including investment contracts measured at fair value through profit or loss - compared with total liabilities is greater than 80% but less than 90% and the company does not engage in significant activity unconnected with insurance. Accordingly, the Company qualifies for a pure insurance company.

	31-Dec-20 (Rs'000)	**31-Dec-19 (Rs'000)**
Insurance contract liabilities	1,215,934	1,030,070
Reinsurance Payable	53,106	26,396
Deferred revenue	19,970	16,317
Liabilities connected with insurance	1,289,010	1,072,783
Total liabilities	**1,596,060**	**1,322,511**
Predominance ratio	**81%**	**81%**

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6.1.1 (b). Disclosures to provide comparability

Financial assets that meet the SPPI Test, Solely Payment of Principal and Interest (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current classification	Carrying value Under LKAS 39 (Rs'000)	Classification under SLFRS 9	Carrying value (Rs'000)	Changes in Carrying value (Rs.000)
Reverse repo	L&R	800,286	Amortized Cost	800,286	-
Fixed deposits	L&R	1,027,333	Amortized Cost	1,027,333	-

i. Classification - Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. It eliminates the existing LKAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value on OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition on the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Under SLFRS 9, derivative embedded in contracts where the host is a financial asset in the scope of SLFRS 9 are not separated. Instead, the hybrid financial instrument as whole is assessed for classification.

Business model assessment

The Company will make an assessment of the objective of the business model which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Impact assessment

The standard will affect the classification and measurement of financial assets held as follows.

- Trading assets and derivative assets held for risk management, which are classified as held-for-trading and measured at FVTPL under LKAS 39, will also be measured at FVTPL under SLFRS 9.

- Loans and receivables measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.

- Held-to-maturity investment securities measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.

- Debt investment securities that are classified as available-for-sale under LKAS 39 may, under SLFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

- The majority of the equity investment securities that are classified as available-for-sale under LKAS 39 will be measured at FVTPL under SLFRS 9. However, some of these equity investment securities are held for long-term strategic purposes and will be designated as at FVOCI on initial recognition.

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- Based on the internal assessment, there would have been no significant impact on the financial statement had the company adopted SLFRS 9 as at reporting date.

ii. Impairment - Financial assets, loan commitments and financial guarantee contracts

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward-looking 'expected credit loss' model. This will be required considerable judgement over how changes in economic factors affect Expected Credit Loss (ECLs), which will be determined on a probability-weighted basis.

The new impairment model applies to Financial Assets that are debt instruments that are not measured at FVTPL.

Under SLFRS 9, no impairment loss is recognised on equity investments.

SLFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss-allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs.

- debt investment securities that are determined to have low credit risk at the reporting date. The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade'; and

- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Based on the internal assessment, there would have been no significant impact on the financial statement had the Company adopted SLFRS 9 as at reporting date.

For the year ended 31 December 2020

7 GROSS WRITTEN PREMIUM

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks in order to pay customer claims/ benefits if the event insured against occurs/ specified term is completed. GWP is accounted on an accrual basis.

For the year ended 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Fire	120,998	101,588
Motor	1,377,872	1,341,700
Marine	15,229	17,188
Casualty	97,701	101,246
Engineering	34,266	34,226
Medical	95,074	68,068
	1,741,140	**1,664,016**

8 PREMIUM CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the Company to its reinsurers in order to manage its underwriting risks. This is accounted on an accrual basis.

For the year ended 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Fire	110,449	94,829
Motor	59,600	58,497
Marine	10,909	12,304
Casualty	62,192	30,614
Engineering	29,785	29,697
	272,935	**225,941**

9 NET EARNED PREMIUM

This represents the net earned premium for the financial year subsequent to deduction of reinsurance and net change in unearned premiums.

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Gross written premium	7	1,741,140	1,664,016
Premium ceded to reinsurers	8	(272,935)	(225,941)
Total net written premium		**1,468,205**	**1,438,075**
Change in reserve for unearned premium	9.1	(162,339)	(81,785)
Change in reserve for unearned reinsurance premium	9.2	49,279	(2,374)
Net change in reserve for unearned premium		**(113,060)**	**(84,159)**
Net Earned Premium		**1,355,145**	**1,353,916**

9.1 The change in reserve for unearned premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

9.2 The change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

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For the year ended 31 December,

10 NET INVESTMENT INCOME

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Interest income	10.1	133,680	143,403
Total net investment income		**133,680**	**143,403**

10.1 Interest income

	2020	2019
Interest Income from Financial Investments - Available For Sale		
- Treasury Bills	-	5,346
	-	**5,346**
Interest Income from Financial Investments - Loans and Receivables		
- Fixed Deposits	86,606	99,550
- Reverse REPO	44,298	36,723
- Savings Accounts	2,776	1,784
	133,680	**138,057**
	133,680	**143,403**

11 OTHER OPERATING INCOME

	2020 Rs. ' 000	2019 Rs. ' 000
Policy administration fee	43,699	38,474
Miscellaneous income	35	4,525
Total other income	**43,734**	**42,999**

12 NET BENEFITS AND CLAIMS

Net claims incurred reflect the total amount of claims and claims related expenses incurred during the year, net of amounts due from reinsurers. Since claims expenses are based on the information available as at a particular date, the charge for the year include any over or under provisioning with regard to the previous years claims. A provision is also made in respect of claims incurred by policyholders but not informed to insurers as at the reporting date. Such claims are commonly referred to as Incurred But Not Reported (IBNR) claims, and is computed based on internationally accepted actuarial principles.

For the year ended 31 December,

12 NET BENEFITS AND CLAIMS (Contd.)

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Gross benefits and claims paid		665,452	797,782
Claims ceded to reinsurers		(20,931)	(39,927)
Net insurance benefits and claims paid	12.1	**644,521**	**757,855**
Gross change in liabilities		72,804	25,229
Change in liabilities ceded to reinsurers		(12,915)	24,663
Total net benefits and claims	12.2	**704,410**	**807,747**

12.1 Net insurance benefits and claims paid

For the year ended 31 December Rs. ' 000	2020			2019		
	Gross claims paid	**Claims recovered from reinsurers**	**Net claims paid**	**Gross claims paid**	**Claims recovered from reinsurers**	**Net claims paid**
Fire	14,049	13,136	913	21,602	20,621	981
Motor	563,060	3,121	559,939	688,234	1,763	686,471
Marine	1,254	696	558	4,114	2,164	1,950
Casualty	15,409	2,027	13,382	31,822	13,198	18,624
Engineering	2,543	1,951	592	2,578	2,181	397
Medical	71,787	-	71,787	52,231	-	52,231
	668,102	**20,931**	**647,171**	**800,581**	**39,927**	**760,654**
Recoveries from sale of salvage	(2,650)	-	(2,650)	(2,799)	-	(2,799)
	665,452	20,931	644,521	797,782	39,927	757,855

12.2 Total net benefits and claims

For the year ended 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Gross claims incurred	738,256	823,011
Reinsurance recoveries	(33,846)	(15,264)
	704,410	807,747

13 UNDERWRITING AND NET ACQUISITION COSTS (INCLUDING REINSURANCE)

For the year ended 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Acquisition cost	209,772	209,640
Net change in reserve for deferred acquisition cost (DAC)	(18,494)	(6,789)
	191,278	202,851
Reinsurance commission income	49,247	57,315
Net change in reserve for unearned commission (UER)	(3,653)	855
	45,594	58,170
Total underwriting and net acquisition costs	145,684	144,681

For the year ended 31 December,

14 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Employee benefits expenses	14.1	244,214	214,668
Administration and establishment expenses		168,784	138,339
Selling expenses		37,266	30,838
Finance Expenses	14.2	5,515	5,443
Total other operating and administrative expenses		**455,779**	**389,288**

14.1 Employee benefits expenses			
Staff remuneration		217,625	189,439
Defined contribution plan cost - EPF	32.1	15,350	14,647
Defined contribution plan cost - ETF	32.1	3,837	3,662
Defined benefit plan cost	32.2	6,108	5,138
Staff welfare		703	838
Training expenses		591	944
		244,214	**214,668**

14.2 - Finance Expenses

Finance expense includes the interest charge on lease liability originated from SLFRS 16 implementation.

15 PROFIT BEFORE TAX

Profit for the year is stated after charging:

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Auditors remuneration			
Audit & audit related services		900	900
Non audit related services		550	550
Depreciation	19.1 & 19.2	40,518	29,047
Amortisation	20	355	126
Defined contribution plan cost - EPF	14.1	15,350	14,647
Defined contribution plan cost - ETF	14.1	3,837	3,662
Defined benefit plan cost	14.1	6,108	5,138
Directors Fee		600	400
Provision/(reversal) for impairment of premium receivable	22.1	11,180	(2,200)

16 INCOME TAX EXPENSE

16.1 Amount recognised in profit or loss

For the year ended 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Current tax expense			
Current tax expense for the year		60,400	38,857
Under provision adjustment from prior year		(1,639)	1,302
		58,761	40,159
Deferred tax expense			
Reversal/(Origination) of deferred tax assets	25	(1,154)	11,973
Origination of deferred tax liabilities		(760)	1,942
Net Deferred tax reversal		(1,914)	13,915
Income Tax Reversal/(Expense)		**56,847**	**54,074**

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The Company is liable for Income tax at the rate of 28% on profit in respect of IRD Act No 24 of 2017 which came into effect from 1 April 2018. Provision has been made in these Financial Statements on account of income taxes in view of adjusted taxable profits of the Company. Although the Government has announced proposed tax rate of 24%, it was not considered to be substantially enacted as at reporting date.

For the year ended 31 December,

16 INCOME TAX EXPENSE (Contd.)

16.2 Reconciliation of accounting profit to income tax expense

	2020 Rs. '000	2019 Rs. '000
Accounting profit before tax from continuing operations	185,813	169,429
Aggregated disallowable expenses	91,083	51,979
Aggregated allowable expenses	(61,176)	(37,848)
Statutory deductions - Tax loss (Note 16.4)	-	(44,783)
Taxable profit	**215,720**	**138,777**
Statutory tax rate		
- Tax rate 28%	60,400	38,857
Current tax expense	**60,400**	**38,857**

16.3 Amount recognised in OCI

Available for sale investment securities	-	(137)
Remeasurement of defined benefit liability	(467)	(649)
	(467)	**(786)**

16.4 Analysis of Tax Losses

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	-	43,412
Adjustment In respect of Prior Years	-	1,371
Tax loss utilised during the year	-	(44,783)
Balance as at 31 December	-	-

17 EARNINGS PER SHARE

Basic earnings per share

17.1 The calculation of basic earnings per share was based on the following profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as at the reporting date.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Profit for the period attributable to the owners of the Company	128,966	115,355
Weighted average number of ordinary shares	8,250	8,250
Basic Earnings Per Share (Rs.)	**15.63**	**13.98**

Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 17.1

As at 31 December,

18 FINANCIAL INVESTMENTS

The following provides details of how insurance funds have been invested. The majority of the Company's investments, i.e. 53% are in Bank deposits with Banks and Financial Institutions and Finance Companies. Government securities are account for a further 47% of investments.

The Company's financial instruments are summarised by the following categories:

	Note	2020 Carrying Value Rs. '000	2020 Fair Value Rs. '000	2019 Carrying Value Rs. '000	2019 Fair Value Rs. '000
Loans and receivables (L&R)	18.1	1,827,619	1,827,619	1,426,470	1,426,470
Total financial investments		**1,827,619**	**1,827,619**	**1,426,470**	**1,426,470**

18 FINANCIAL INVESTMENTS (Contd.)

18.1 Loans and receivables (L&R)

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Bank deposit			
- Licensed Commercial Banks	18.1 (a)	806,756	525,675
- Licensed Finance Companies		220,577	223,887
Reverse repurchase agreements		800,286	676,908
		1,827,619	1,426,470

18.1 (a) Impairment of L&R Financial Investments

At the reporting date, there were no L&R financial investments that were overdue and impaired.

18.1 (b) Net movement of L&R Financial Investments

	2020 Rs. '000	2019 Rs. '000
As at 01 January	1,426,470	1,289,364
Purchases during the year	6,935,438	4,328,173
Maturities during the year	(6,538,732)	(4,188,786)
Net change in accrued interest	4,443	(2,281)
As at 31 December	1,827,619	1,426,470

19 PROPERTY, PLANT AND EQUIPMENT

	2020 Rs. '000	2019 Rs. '000
Property, plant and equipment owned (Note 19.1)	21,091	30,121
Right-of-use assets (Note 19.2)	25,166	39,708
	46,257	69,829

19.1 Property, plant and equipment owned

Rs. '000	Office equipment	Furniture and fittings	Computer equipment	Motor Vehicle	Total
Cost					
Balance as at 1 January 2019	7,928	17,712	25,996	22,660	74,296
Additions during the year	1,152	2,275	8,615	-	12,042
Balance as at 31 December 2019	9,080	19,987	34,611	22,660	86,338
Balance as at 1 Januar 2020	9,080	19,987	34,611	22,660	86,338
Additions during the year	2,069	3,194	2,029	-	7,292
Write off during the year	-	-	(2,099)	-	(2,099)
Balance as at 31 December 2020	11,149	23,181	34,541	22,660	91,531
Accumulated depreciation and impairment losses					
Balance as at 1 January 2019	5,395	9,466	18,597	10,871	44,329
Depreciation for the year	1,134	2,177	4,045	4,532	11,888
Balance as at 31 December 2019	6,529	11,643	22,642	15,403	56,217
Balance as at 1 January 2020	6,529	11,643	22,642	15,403	56,217
Depreciation for the year	1,444	2,390	5,843	6,636	16,313
Write off during the year	-	-	(2,090)	-	(2,090)
Balance as at 31 December 2020	7,973	14,033	26,395	22,039	70,440
Carrying value					
As at 31 December 2020	3,176	9,148	8,146	621	21,091
As at 31 December 2019	2,551	8,344	11,969	7,257	30,121

19.1 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date. (2019-No Title Restriction)

As at 31 December,

19 PROPERTY, PLANT AND EQUIPMENT (Contd.)

19.2 Right-of-use assets

The Company leases buildings. Information about leases for which the Company is a lessee is presented below.

	Building	
	2020	2019
	Rs. '000	Rs. '000
Balance as at 1 January	39,708	54,833
Additions from entering to new lease agreements	10,025	2,034
leases cancelled/terminated early etc	(362)	-
Depreciation charge for the year	(24,205)	(17,159)
Balance as at 31 December	**25,166**	**39,708**

19.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 7.3 million (2019 - 12 million) which the Company has fully paid for.

19.4 Capitalisation of borrowing costs

There were no borrowing costs relating to property, plant and equipment capitalised during the year.

19.5 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2020. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

19.6 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December	2020	2019
	Rs. ' 000	Rs. ' 000
Computer equipment	16,660	16,988
Office equipment	4,875	4,391
Furniture and fittings	6,268	4,816
Total	**27,803**	**26,195**

19.7 Property, plant and equipment pledged as security

None of the property, plant and equipment have been pledged as securities as at the reporting date.

19.8 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

19.9 Compensation from third parties for items of property, plant and equipment

There were no compensation received or receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

20 INTANGIBLE ASSETS

	2020	2019
	Rs. '000	Rs. '000
Computer software		
Cost		
Balance as at 1 January	24,584	24,459
Additions	3,537	125
Balance as at 31 December	**28,121**	**24,584**
Accumulated amortisation and impairment losses		
Balance as at 1 January	24,122	23,996
Amortisation	355	126
Balance as at 31 December	**24,477**	**24,122**
Carrying amount as at 31 December	**3,644**	**462**

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As at 31 December 2020

20 INTANGIBLE ASSETS (Contd.)

20.1 Fully amortized intangible assets in use

Intangible assets include fully amortized computer software which are in use of normal business activities having gross carrying amounts of Rs. 23.82 Mn (2019 - Rs. 22.58 Mn)

20.2 Assessment of impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at 31st December 2020. Based on the assessment, no impairment indicators were identified.

20.3 Capitalisation of Borrowing Costs

There were no borrowing costs related to Intangible Assets capitalised during the year. (2019 - Nil)

21 REINSURANCE RECIEVABLE

As at 31 December	2020 Rs. '000	2019 Rs. '000
Reinsurance receivable on outstanding claims	55,829	43,167
Incurred But Not Reported (IBNR) - Reinsurance	23,487	23,234
	79,316	66,401
Reinsurance receivable on settled claims	3,987	11,423
Total reinsurance receivables	**83,303**	**77,824**

21.1 Impairment of reinsurance receivables

As at 31 December 2020, there were no impairment loss recorded for reinsurance receivables.

22 PREMIUM RECIEVABLE

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Premium Receivables		467,583	376,939
Less - Impairment of premium receivables	22.1	(16,139)	(4,959)
		451,444	**371,980**

22.1 Impairment of premium receivables

As at 31 December	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	4,959	7,159
Provision/ (reversal) during the year	11,180	(2,200)
Balance as at 31 December	**16,139**	**4,959**

22.2 Collateral details

The Company does not hold any collateral as security against potential default by a policy holder or intermediaries.

22.3 Risk management initiatives relating to premium receivables

There is lower concentration of credit risk with respect to premium receivable as the company has a large number of dispersed debtors. Refer to Note 36.2.1 to the financial statements.

As at 31 December 2020

23 RECEIVABLES AND OTHER ASSETS

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Financial assets			
Refundable deposits		8,694	5,512
		8,694	**5,512**
Non financial assets			
Taxes recoverable	23.1	36,550	66,071
Prepayments		1,956	1,169
Other receivables		3,078	7,712
		41,584	**74,952**
Total receivables and other assets		**50,278**	**80,464**

As at 31 December	2020 Rs. ' 000	2019 Rs. ' 000
23.1 Taxes recoverable		
Notional tax recoverable	-	13,654
WHT recoverable	36,550	41,954
ESC recoverable	-	10,463
	36,550	**66,071**

23.2 Refer Note 36 to the financial statements for risk management initiatives relating to other financial assets.

24 DEFERRED ACQUISITION COST (DAC)

	Note	2020 Rs. ' 000	2019 Rs. ' 000
Balance as at 1 January		95,085	88,296
Acquisition cost during the Year	13	209,772	209,640
Amortisation for the Year		(191,278)	(202,851)
Balance as at 31 December		**113,579**	**95,085**

25 DEFERRED TAX

As at 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Deferred tax liabilities	(1,182)	(1,942)
Deferred tax assets	5,180	4,493
	3,998	**2,551**

The movements on the deferred tax account is as follows:

	2020	2019
Deferred tax liabilities		
Balance at the beginning of the year	1,942	-
Recognised in profit or loss		
Originated during the year - Recognised in Profit or Loss	(760)	1,942
Balance at the end of the year	**1,182**	**1,942**
Deferred tax assets		
Balance at the beginning of the year	4,493	17,252
Recognised in profit or loss		
Originated/ (Reversed) during the year - Recognised in Profit or Loss	1,154	(11,973)
Reversed during the year - Recognised in OCI - Actuarial loss / (gain)	(467)	(649)
Reversed during the year - Recognised in OCI - AFS	-	(137)
Balance at the end of the year	**5,180**	**4,493**

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As at 31 December 2020

25 DEFERRED TAX (Contd.)

As at 31 December	2020		2019	
Rs. ' 000	Temporary difference	Tax effect	Temporary difference	Tax effect
Deferred tax liabilities				
Right of use asset	25,166	7,047	39,708	11,118
Lease liability	(20,945)	(5,865)	(32,772)	(9,176)
	4,221	**1,182**	**6,936**	**1,942**
Deferred tax assets				
Property, plant and equipment	(134)	(38)	498	139
Employee benefits	20,304	5,685	18,358	5,140
Actuarial loss	(1,667)	(467)	(2,318)	(649)
Changes in AFS reserve - Loss	-	-	(490)	(137)
Net deferred tax liabilities	**18,503**	**5,180**	**16,048**	**4,493**

Proposed Changes to Income Tax Rates

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 12th February 2020, "Implementation of proposed changes to the Inland Revenue Act , No. 24 of 2017", the income tax rates applicable to Company will be reduced from 28% to 24% with effect from 1st January 2020. However, the proposed changes are yet to be formally approved and enacted by the Parliament. As such the Company has not adjusted its deferred tax asset in the financial statements as at the reporting date. However, once formal amendments are made to the Act, the recorded Deferred Tax Asset will be decreased by Rs. 0.7 Million and Profit After Tax of the Company will increase by Rs. 9.3 Million.

26 CASH AND CASH EQUIVALENTS

As at 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Cash and cash equivalents		
Cash at bank	31,770	83,482
Cash in hand	488	518
Total cash and cash equivalents	**32,258**	**84,000**
Bank overdrafts		
Bank overdraft	-	28,578
	32,258	**55,422**

26.1 Fair value of cash and cash equivalents

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

27 STATED CAPITAL

	2020		2019	
	Number of shares	Rs. '000	Number of shares	Rs. '000
Ordinary Shares	8,250,000	825,000	8,250,000	825,000

Ordinary Shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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As at 31 December 2020

28 INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Outstanding claims provision (Gross)	28.1	411,358	338,554
Provision for unearned premiums (Net)	28.2	804,576	691,516
		1,215,934	**1,030,070**

Movement in insurance contract liabilities

The Company enters into reinsurance agreements in order to mitigate insurance risks as outlined in Note 38.1.3 Financial risk review. Although positions are managed on a net basis by management, insurance disclosures have been made on both gross and net basis in order to provide a comprehensive set of disclosures.

As at 31st December Rs. ' 000	Note	2020 Insurance Contract Liabilities	2020 Reinsurance	2020 Net	2019 Insurance Contract Liabilities	2019 Reinsurance	2019 Net
Provision for reported claims		347,170	(55,829)	291,341	278,457	(43,167)	235,290
Incurred But Not Reported (IBNR)		64,188	(23,487)	40,701	60,097	(23,234)	36,863
Outstanding claims provision	28.1	**411,358**	**(79,316)**	**332,042**	**338,554**	**(66,401)**	**272,153**
Provision for unearned premiums	28.2	915,442	(110,866)	804,576	753,103	(61,587)	691,516
Total		**1,326,800**	**(190,182)**	**1,136,618**	**1,091,657**	**(127,988)**	**963,670**

28.1 Outstanding claims provision

The movement in the outstanding claims provision is as follows;

As at 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Provision for reported claims		
Balance as at 1 January	235,290	193,713
Claims incurred during the year	700,572	799,432
Claims paid during the year	(644,521)	(757,855)
Balance as at 31 December	**291,341**	**235,290**
Incurred But not reported (IBNR)		
Balance as at 1 January	36,863	28,549
Increase/(decrease) in IBNR	3,838	8,314
Balance as at 31 December	**40,701**	**36,863**
	332,042	**272,153**

28.1.1 Valuation of IBNR

The Incurred but not reported claims has been actuarially computed by Mr. Shariq Sikander, FSA, CERA, for and on behalf of SHMA Consulting DMCC (Dubai). The Valuation of IBNR was certified on 26 January 2021 for the above purpose.

As at 31 December,

28 INSURANCE CONTRACT LIABILITIES (Contd.)

28.2 Provision for unearned premiums

The reserve for net unearned premium indicates the amount of premium which is attributable to policies written as at 31 December 2020, but covering periods after 31 December 2020.

As at 31st December Rs. ' 000	2020			2019		
	Insurance Contract Liabilities	**Reinsurance**	**Net**	**Insurance Contract Liabilities**	**Reinsurance**	**Net**
Balance as at 1 January	753,103	61,587	691,516	671,318	63,961	607,357
Premiums written in the year	1,741,140	272,935	1,468,205	1,664,016	225,941	1,438,075
Premiums earned during the year	(1,578,801)	(223,656)	(1,355,145)	(1,582,231)	(228,315)	(1,353,916)
Balance as at 31 December	**915,442**	**110,866**	**804,576**	**753,103**	**61,587**	**691,516**

28.3 Liability adequacy test (LAT)

A Liability Adequacy Test ("LAT") for insurance contract liability was carried out by Mr. Shariq Sikander, FSA, CERA, for and on behalf of SHMA Consulting DMCC (Dubai) as at 31st December 2020 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31st December 2020. No additional provision was required against the LAT as at 31st December 2020.

28.4 Technical reserves

As at 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Insurance contract liabilities	28	1,215,934	1,030,070
Deferred acquisition cost (net)		(93,609)	(78,768)
Reinsurance receivable on outstanding claims (Exclusive of IBNR)	21	(55,829)	(43,167)
		1,066,496	**908,135**

29 REINSURANCE PAYABLES

As at 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Balance as at 1 January		26,396	75,156
Originated during the year	8	(272,935)	(225,941)
Utilised during the year		299,645	177,181
		53,106	**26,396**

30 DEFERRED REVENUE

This represents the income relating to acquisition of reinsurance contracts and are released to income as the insurance contract expires.

As at 31 December	Note	2020 Rs. ' 000	2019 Rs. ' 000
Balance as at 1 January		16,317	17,172
Commission income	13	49,247	57,315
Recognised during the year		(45,594)	(58,170)
		19,970	**16,317**

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As at 31 December,

31 OTHER LIABILITIES

	2020 Rs. ' 000	2019 Rs. ' 000
Other financial liabilities		
Agency commission payable	102,305	73,385
Other liabilities and accruals	39,973	16,278
	142,278	89,663
Other non financial liabilities		
Government levies	9,074	17,526
Other staff related provisions	26,934	21,168
	36,008	38,694
	178,286	128,357

32 EMPLOYEE BENEFITS

The Company had 212 employees (full-time equivalents) as of 31 December 2020. Personnel and other related costs incurred for the year ended 31 December 2020 was Rs. 244 million (2019- Rs. 215 Mn) which include staff remuneration of Rs. 218 million (2019- 190 Mn) as of 31 December 2020.

32.1 Defined contribution

Following contributions have been made for employee provident fund and employee trust fund during the

As at 31 December	2020 Rs. ' 000	2019 Rs. ' 000
Employees' Provident fund		
Employer's contribution (12%)	15,350	14,647
Employee's contribution (8%)	10,233	9,765
Employees' trust fund (ETF)		
Employer's contribution (3%)	3,837	3,662

32.2 Movement in present value of gratuity

	2020	2019
Balance as at 1 January	16,040	13,770
Included in profit or loss:		
Interest Cost	1,739	1,619
Current Service Cost	4,369	3,519
	6,108	5,138
Benefits paid		
Benefits paid	(1,844)	(550)
	(1,844)	(550)
Included in Other Comprehensive Income:		
Actuarial gain	(1,667)	(2,318)
Present Value Obligation as at 31 st December	18,637	16,040

32.3 Principal actuarial assumptions used

	2020	2019
Discount rate	8%	11.50%
Salary increase	7%	10.00%
Retirement Age	60 Years	60 Years

Assumptions regarding future mortality are based on published statistics and mortality tables. The actuarial valuations regarding above were carried out as at reporting date by Mr. Naseer Ahmad (ASA) for and on behalf of SHMA Consulting DMCC (Dubai). The valuation report was certified on 22 January 2021 for the above purpose.

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As at 31 December,

32 EMPLOYEE BENEFITS (Contd)

32.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

Rs. ' 000		2020		2019	
		Increase	Decrease	Increase	Decrease
Discount rate	1%	16,954	20,604	14,777	17,506
Future salary growth	1%	20,556	16,964	17,549	14,721

33 CURRENT TAX LIABILITIES

	Note	2020 Rs. ' 000	2019 Rs. ' 000
Balance as at 1 January		31,536	29,536
Provision made for the year	16.1	60,400	38,857
Under provision adjustment from prior year	16.1	(1,639)	1,302
Self assesment payments		-	(8,253)
Set off against liability			
- ESC		(10,463)	-
- WHT	23.1	(4,095)	-
- Notional Tax		(13,654)	(29,906)
Balance as at 31 December		**62,085**	**31,536**

34 Lease liabilities

	2020 Rs. ' 000	2019 Rs. ' 000
Lease liabilities (Note 34.1)	20,945	32,772
	20,945	**32,772**

34.1 Lease liabilities

	Note	2020	2019
Balance as at the beginning of the year		32,772	-
Recognition of lease liability on initial application of SLFRS 16		-	56,211
Additions from entering to new lease agreements	19.2	10,025	2,034
Leases cancelled/terminated		(362)	-
Interest expense for the year	14.2	5,515	5,443
Repayment during the year		(27,005)	(30,916)
Balance at the end of the year		**20,945**	**32,772**

34.2 Amounts recognised in profit or loss

For the year ended 31 December

	2020 Rs. ' 000	2019 Rs. ' 000
Interest on lease liabilities	5,515	5,443
Depreciation of right-of-use assets	24,205	17,159
	29,720	**22,602**

34.3 Amounts recognised in statement of cash flows

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company
- short-term lease payments and payments for leases of low-value assets as operating activities.

The Company has not restated the comparative information.

	2020 Rs. ' 000	2019 Rs. ' 000
Total cash outflow for leases	(27,005)	(30,916)

KPMG Chartered Accountants

For the year ended 31 December 2020

35 RELATED PARTY DISCLOSURES

35.1 Parent and ultimate controlling party

The Company's immediate controlling party is Orient Insurance PJSC.

35.2 Transactions with key management personnel (KMPs)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and its parent Orient Insurance PJSC and ultimate parent company Al-Futtaim Company LLC (including Executive and Non-Executive Directors) and Chief Executive Officer.

35.3 Compensation of KMPs

	2020 Rs. ' 000	2019 Rs. ' 000
Short term employment benefits	26,691	24,655
Post employment benefits	580	674
	27,271	**25,329**

The short term employment benefits include only the directors fees and emoluments paid to executive directors. Where applicable such fees are paid directly to the companies that the Directors represent. There are no short-term, long-term, post - employment, terminal and share-based payments linked to the remuneration of the directors and no ex-gratia payments were made to directors during the year. Further, the Company does not provide any non-cash benefit to the KMPs.

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2020.

35.4 Transactions with Related Parties

Details of related party transactions are reported below.

Company	Relationship	Nature of the transaction	Transactions during the year 2020 Rs. ' 000	Transactions during the year 2019 Rs. ' 000	Balance as at 31 December 2020 Rs. ' 000	Balance as at 31 December 2019 Rs. ' 000
Al Futtaim Group - UAE	Ultimate Parent	Services obtained by the Company	30,473	20,507	(27,097)	(12,445)
		Amount paid to Parent Company	(15,821)	(32,151)		
AMW Capital Leasing PLC	Common ultimate parent	Fixed deposits	(3,310)	3,524	220,577	223,887
		Insurance premium due in respect of customer policies	-	-	32,692	38,477
		Lease payments	(6,810)	(1,555)	-	6,810
		Insurance premium income in respect of own policies	1,174	1,490	-	-
		Vehicle hire charges paid	-	(2,574)	-	-
		Commission expense paid	(23,108)	(25,123)	-	-
Associated Motorways (Pvt) Limited	Common ultimate parent	Insurance premium due in respect of own policies	-	-	(1,202)	837
		Insurance premium income	28,932	37,572	-	-
		Claim expenses paid	(35,200)	(52,075)	-	-
					224,970	**257,566**

For the year ended 31 December 2020,

36 FINANCIAL RISK REVIEW

This note presents information about Company's exposure to financial risks and management of capital.

36.1 Business Risk

The Company being in the insurance industry, business risk is the insurance risk that the Company is exposed to as a result of the insurance contracts undertaken. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim. Therefore, the objective is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

36.1.1 Insurance contracts

Following table summarizes the outstanding claims position as at 31st December,

Rs. ' 000	2020		
	Gross Claim	**Reinsurance**	**Net**
Provision for reported claims	347,170	(55,829)	291,341
Incurred But Not Reported (IBNR)	64,188	(23,487)	40,701
Total	**411,358**	**(79,316)**	**332,042**

Rs. ' 000	2019		
	Gross Claim	**Reinsurance**	**Net**
Provision for reported claims	278,457	(43,167)	235,290
Incurred But Not Reported (IBNR)	60,097	(23,234)	36,863
Total	**338,554**	**(66,401)**	**272,153**

36.1.2 Estimation for claim reserve

The table below shows the sensitivity of net profit before tax (PBT) and the sensitivity of net assets (NA) as a result of adverse development in the net loss ratio by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity.

The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the presentation of the sensitivity analysis in the table below, each additional percentage point increase in the loss ratio would lead to a linear impact on net profit before tax and net assets.

Sensitivity of PBT and net assets due to increase in net claim ratio

	2020 **Rs. ' 000**	**2019** **Rs. ' 000**
(+) 1% in claims ratio		
Net impact to PBT	(13,551)	(13,539)
Impact to Net Assets	(9,757)	(9,748)

For the year ended 31 December 2020,

36 FINANCIAL RISK REVIEW (Contd)

36.1.3 Re insurance risk

As at 31 December 2020, 78% of our reinsurance receivables were due from reinsurers with a rating of "A-" or better and from the National Insurance Trust Fund (NITF). There were no collateral against reinsurance receivables as at reporting date. The ratings of reinsurer's and their related rating agencies are as follows:

Reinsurers	Rating	Rating Agency
Swiss-Re	AA-	S & P
Partner-Re	A+	A.M Best
ARIG	BBB	A.M Best
Korean-Re	A	A.M Best
Trust-Re	BBB+	A.M Best
Milli Re	BB+	A.M Best
Liberity	BBB+	Fitch
Scor Global	AA-	A.M Best
Saudi Re	BBB+	S & P
GIC	A-	A.M Best
R & V	AA-	S & P
Helvetia	A	S & P
QBE Underwriting Limited	A+	S & P
Navigators Underwriting Agency Limited	A+	A.M Best
Chaucer Syndicates Limited	A+	S & P
Sirius International Managing Agency Limited	A-	S & P
Hannover Re	AA	A.M Best
Antares Managing Agency Limited	A	A.M Best
SCOR Global P&C	AA-	A.M Best
ADNIC international Division Dubai	A-	S & P
Starr International Insurance Singapore Pte Ltd	A	A.M Best
Navigators Underwriting Agency Limited	A-	A.M Best
Hardy (Underwriting Agencies) Limited	A+	A.M Best
Axis	A+	S & P
Hiscox (Nasco Facilities with Lloyds)	A	A.M Best
Novae (Nasco Facilities with Lloyds)	A	A.M Best
Lansforsakringar	a3	Moody's
Canopius Reinsurance Limited	A-	A M Best
Echo Re	A-	S & P
Generali	A+	A.M Best
Gulf Re	A	A.M Best
Arch re	AA-	A.M Best
ACE Insurance Ltd	AA-	S&P
Barents Re	A	A.M Best
SCR RE	B++	A.M Best
Africa Re	A	A.M Best
Oman Re - Qatar	B+	A.M Best
Halvetia	A	S & P
Mapfre Re	A	A.M Best

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36 FINANCIAL RISK REVIEW (Contd)

36.1.4 Concentration Risk

Concentration risk within the insurance business based on the Gross Written Premium is as follows

Rs. ' 000	2020			
Class	Gross Written Premium	Reinsurance	Net Written Premium	%
Fire	120,998	110,449	10,549	1%
Motor	1,377,872	59,600	1,318,272	90%
Marine	15,229	10,909	4,320	0%
Casualty	97,701	62,192	35,509	2%
Engineering	34,266	29,785	4,481	0%
Medical	95,074	-	95,074	6%
	1,741,140	**272,935**	**1,468,205**	
Motor / Non Motor Composition				
Motor	1,377,872	59,600	1,318,272	90%
Non Motor	363,268	213,335	149,933	10%
	1,741,140	**272,935**	**1,468,205**	

Rs. ' 000	2019			
Class	Gross Written Premium	Reinsurance	Net Written Premium	%
Fire	101,588	94,829	6,759	0%
Motor	1,341,700	58,497	1,283,203	89%
Marine	17,188	12,304	4,884	0%
Casualty	101,246	30,614	70,632	5%
Engineering	34,226	29,697	4,528	0%
Medical	68,068	-	68,068	5%
	1,664,016	**225,941**	**1,438,075**	
Motor / Non Motor Composition				
Motor	1,341,700	58,497	1,283,203	89%
Non Motor	322,316	167,444	154,872	11%
	1,664,016	**225,941**	**1,438,075**	

For the year ended 31 December 2020,

36 FINANCIAL RISK REVIEW (Contd)

36.2 Credit risk

Credit risk' is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Company is exposed to credit risk on securities issued by third parties. The debt security investments are broadly categorized into investments in government securities and investments in corporate debt securities.

36.2.1 Credit Quality analysis

The tables below set out information about the credit quality of financial investments (government securities and deposits with Banks and Financial Institutional) and the allowance for impairment loss held by the Company against the assets.

2020

Rs. ' 000	Loans and receivables	Cash and cash equivalents	Total	(%)
Maximum exposure to credit risk	**1,827,619**	**32,258**	**1,859,877**	**100%**
Carrying amount	**1,827,619**	**32,258**	**1,859,877**	
AAA	-	143	**143**	0%
AA+ to AA -	108,609	402	**109,011**	6%
A+ to A-	698,148	31,062	**729,210**	39%
BBB+ to BBB-	220,577	-	**220,577**	12%
CCC	-	163	**163**	0%
Government guaranteed	800,286	-	**800,286**	43%
Not rated	-	488	**488**	0%
Total	**1,827,619**	**32,258**	**1,859,877**	
Neither past due nor impaired	**1,827,619**	**32,258**	**1,859,877**	
AAA	-	143	**143**	0%
AA+ to AA -	108,609	402	**109,011**	6%
A+ to A-	698,148	31,062	**729,210**	39%
BBB+ to BBB-	220,577	-	**220,577**	12%
CCC	-	163	**163**	0%
Government guaranteed	800,286	-	**800,286**	43%
Not rated	-	488	**488**	0%
Total	**1,827,619**	**32,258**	**1,859,877**	
Past due but not impaired	**Nil**	**Nil**	**Nil**	
Impaired	**Nil**	**Nil**	**Nil**	

For the year ended 31 December 2020,

36 FINANCIAL RISK REVIEW (Contd)

36.2.1 Credit Quality analysis (Contd)

2019

Rs. ' 000	Loans and receivables	Cash and cash equivalents	Total	(%)
Maximum exposure to credit risk	**1,426,470**	**54,905**	**1,481,375**	**100%**
Carrying amount	**1,426,470**	**54,905**	**1,481,375**	
AAA	-	2,385	2,385	0%
AA+ to AA -	72,886	7,282	80,168	0%
A+ to A-	452,789	45,237	498,027	8%
BBB+ to BBB-	223,887	-	223,887	31%
Government guaranteed	676,908	-	676,908	15%
Not rated	-	-	-	46%
Total	**1,426,470**	**54,905**	**1,481,375**	
Neither past due nor impaired	**1,426,470**	**54,905**	**1,481,375**	
AAA	-	2,385	2,385	0%
AA+ to AA -	72,886	7,282	80,168	0%
A+ to A-	452,789	45,237	498,027	8%
BBB+ to BBB-	223,887	-	223,887	31%
Government guaranteed	676,908	-	676,908	15%
Not rated	-	-	-	46%
Total	**1,426,470**	**54,905**	**1,481,375**	
Past due but not impaired	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	

The following table provides information relating to credit risk exposure of other financial assets:

Rs'000	2020 Reinsurance receivable	2020 Premium receivable	2019 Reinsurance receivable	2019 Premium receivable
Maximum exposure to credit risk	**59,816**	**451,444**	**54,590**	**371,980**
Neither past due nor impaired	2,811	295,518	22,220	279,856
Past due but not impaired				
61-90 days	3,445	64,998	2,385	51,906
90-180 days	16,509	82,654	6,747	32,723
180 days +	37,051	24,413	23,238	12,454
Total	**57,005**	**172,065**	**32,370**	**97,083**
Impaired	-	(16,139)	-	(4,959)
Total	**59,816**	**451,444**	**54,590**	**371,980**

Credit risk relating to reinsurance receivable

There were no collateral against reinsurance receivables as at reporting date.

Credit risk of reinsurance receivables by rating class have been illustrated below in order to ensure that Company has significant control over managing them.

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36 FINANCIAL RISK REVIEW (Contd)

Credit risk relating to reinsurance receivable (contd)

Rs.Mn	2020				2019			
	On paid claims	On reserve	Total	%	On paid claims	On reserve	Total	%
AAA	-	-	-	0%	-	-	-	0%
AA	9	-	9	0%	156	702	859	2%
AA -	1,677	13,873	15,549	26%	1,968	6,464	8,432	15%
A +	127	4,497	4,624	8%	3,894	7,536	11,429	21%
A	451	5,996	6,448	11%	2,000	3,743	5,743	11%
A -	1,413	7,136	8,549	14%	1,363	3,588	4,951	9%
BBB +	-	1,907	1,907	3%	641	1,116	1,756	3%
BB+	66	718	784	1%	272	1,357	1,630	3%
BBB-	-	1,316	1,316	2%		932	932	2%
B+	2	-	2	0%	360	293	653	1%
NITF		14,623	14,623	24%	767	10,459	11,227	21%
Unrated	242	5,763	6,005	10%		6,978	6,978	13%
Total	**3,987**	**55,829**	**59,816**		**11,423**	**43,167**	**54,590**	
IBNR		23,487	23,487		-	23,234	23,234	
Total RI Receivable	**3,987**	**79,316**	**83,303**		**11,423**	**66,401**	**77,824**	

Credit risk relating to premiums receivable

Rs'000	2020				2019			
	Upto 30 Days	31-60 Days	Above 60 Days	Total	Upto 30 Days	31-60 Days	Above 60 Days	Total
Total Receivables	167,590	127,928	172,065	**467,583**	137,020	101,599	138,320	**376,939**

Credit risk relating to cash and cash equivalents

The Company held cash and cash equivalents of Rs. 32 million at 31 December 2020. The cash and cash equivalents are held with banks and financial institutional counterparties, which are rated BBB+ or better except for cash in hand of Rs 488,194.

36.2.2 Collateral of debt securities

Reverse repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 8% is maintained at all times. As at the Reporting date, Company holds treasury bills worth Rs. 849,312,228/- as collateral for reverse repo investments amounting to Rs.800,285,910/-.

36.2.3 Concentrations of credit risk

The Company actively manages its investment mix to ensure that there is no significant concentration of credit risk. The Company monitors concentrations of credit risk by sector and instruments. An analysis of concentrations of credit risk from financial investments is shown below.

For the year ended 31 December 2020,

36 FINANCIAL RISK REVIEW (Contd)

36.2.3 Concentrations of credit risk (Contd)

By instrument:

As at 31 December	2020 Rs. ' 000	%	2019 Rs. ' 000	%
Government securities and related institutions	800,286	44%	676,908	47%
Fixed deposits & Others	1,027,333	56%	749,562	53%
Total	**1,827,619**	**100%**	**1,426,470**	**100%**

36.3 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.

36.3.1 Maturity analysis for financial assets and financial liabilities

The table below summarises 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. Unearned premium reserve, deferred acquisition expenses and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	2020					
Rs'000	**Carrying amount**	**Up to one year**	**1 - 5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Financial assets						
Loans and receivables	1,827,619	1,824,601	3,018	-	-	1,827,619
Reinsurance receivable	83,303	83,303	-	-	-	83,303
Premiums receivable	451,444	451,444	-	-	-	451,444
Other financial assets	8,694	8,694	-	-	-	8,694
Cash and cash equivalents	32,258	32,258	-	-	-	32,258
Total undiscounted assets	**2,403,318**	**2,400,300**	**3,018**	**-**	**-**	**2,403,318**
Financial liabilities						-
Insurance contract liabilities	1,215,934	1,215,934	-	-	-	1,215,934
Reinsurance payable	53,106	53,106	-	-	-	53,106
Other financial liabilities	142,278	142,278	-	-	-	142,278
Lease Liabilities	20,945	6,982	6,982	-	-	13,963
Total undiscounted liabilities	**1,432,263**	**1,418,300**	**6,982**	**-**	**-**	**1,425,281**
Total liquidity excess	**971,055**	**982,000**	**(3,964)**	**-**	**-**	**978,037**

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36 FINANCIAL RISK REVIEW (Contd)

36.3.1 Maturity analysis for financial assets and financial liabilities (Contd)

	2019					
Rs'000	Carrying amount	Up to one year	1 - 5 years	Over 5 years	No Maturity Date	Total
Financial assets						
Loans and receivables	1,426,470	1,426,470	-	-	-	1,426,470
Available for sale	-	-	-	-	-	-
Reinsurance receivable	77,824	55,748	17,241	4,835	-	77,824
Premiums receivable	371,980	376,024	(4,020)	(24)	-	371,980
Other financial assets	5,512	5,512	-	-	-	5,512
Cash and cash equivalents	84,000	84,000	-	-	-	84,000
Total undiscounted assets	**1,965,786**	**1,947,754**	**13,221**	**4,811**	**-**	**1,965,786**
Financial liabilities						-
Insurance contract liabilities	1,030,070	1,030,070	-	-	-	1,030,070
Reinsurance payable	26,396	26,396	-	-	-	26,396
Other financial liabilities	89,663	89,663	-	-	-	89,663
Bank overdraft	28,578	28,578	-	-	-	28,578
Total undiscounted liabilities	**1,174,707**	**1,174,707**	**-**	**-**	**-**	**1,174,707**
Total liquidity excess	**791,079**	**773,047**	**13,221**	**4,811**	**-**	**791,079**

Financial assets pledged as collateral

There were no financial assets pledged as collateral during the year ended 31 December 2020.

36.4 Market risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company has assessed the market risk under main two categories namely;

i. Currency risk

ii. Interest rate risk

The table below sets out the allocation of assets and liabilities subject to market risk.

36.4.1 Exposure to interest rate risk

The following is a summary of the Company's interest rate gap position on non-trading portfolios.

Rs'000	2020					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Loans and receivables	1,827,619	1,277,558	262,963	284,080	3,018	-
Cash and cash equivalents	32,258	32,258	-	-	-	-
Bank overdraft	-		-	-	-	-

Rs'000	2019					
	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Loans and receivables	1,426,470	578,910	65,364	782,196	-	-
Cash and cash equivalents	84,000	84,000	-	-	-	-
Bank overdraft	28,578	28,578	-	-	-	-

For the year ended 31 December 2020,

36 FINANCIAL RISK REVIEW (Contd.)

36.4.1 Exposure to interest rate risk (Contd)

The Company's investment portfolio is analyzed based on the types of interest rates are as follow:

Instruments Rs'000	2020 Fixed Interest Rate	2020 Variable Interest Rate	2020 Non-Interest bearing	2019 Fixed Interest Rate	2019 Variable Interest Rate	2019 Non-Interest bearing
Government Securities	800,286	-	-	676,908	-	-
Fixed deposits	1,027,333	-	-	749,562	-	-
Total	**1,827,619**	-	-	**1,426,470**	-	-

36.4.2 Exposure to currency risks

As at the reporting date, net currency exposures representing the Company's equity were as follows.

Foreign currency exposures other than in respect of foreign operations

Foreign Currency Deposits Rs'000	2020 Amount in Foreign Currency	2020 LKR amount	2019 Amount in Foreign Currency	2019 LKR amount
USD Deposits	257	47,609	228	40,698

Sensitivity analysis

The table below shows the estimated impact on profitability and equity due to fluctuation of exchange rates on the USD bank balances.

Sensitivity of PBT and equity to changes in exchange rates

2020

Change in variables	Impact on profit before tax
Rs'000	
(+) 1%	476
(-) 1%	(476)

2019

Change in variables	Impact on profit before tax
Rs'000	
(+) 1%	**407**
(-) 1%	**(407)**

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37 DETERMINATION OF FAIR VALUES

This note explains the methodology for valuing our financial assets and liabilities and provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

37.1 Valuation Models

The Company measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 18 for financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

37.2 Valuation Framework

The Company has an established control framework with respect to the measurement of fair values. The Company has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements carried out by the treasury division, which include :

* Verification of observable pricing;
* Re-performance of model valuations;
* Quarterly calibration and back-testing of models against observed market transactions;
* Analysis and investigation of significant daily valuation movements; and
* Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS.

37.3 Fair Value Hierarchy

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in accordance with a fair value hierarchy consisting of three ''levels'' based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1
Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3
Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For the year ended 31 December 2020,

37 DETERMINATION OF FAIR VALUES (Contd.)

37.5 Fair values of financial assets and liabilities not carried at fair value

As at 31 December		2020		2019	
Rs. ' 000	Note	Fair Value	Carrying Value	Fair Value	Carrying Value
Loans and receivables :					
Fixed term deposit	18.1	1,027,333	1,027,333	749,562	749,562
Reverse repos	18.1	800,286	800,286	676,908	676,908
		1,827,619	**1,827,619**	**1,426,470**	**1,426,470**

37.5.1 Fixed term deposit

The fair values of fixed term deposits with remaining maturity of less than one year and variable rate loans and advances are estimated to approximate their carrying amounts. For fixed rate term deposits with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of term deposits of similar credit risks and maturity.

37.5.1 Reverse Repos

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

37.6 Other Financial Assets

Other financial assets which are not recorded at fair value in the statement of financial position are listed below.

		2020		2019	
	Note	Fair Value	Carrying Value	Fair Value	Carrying Value
Other financial assets :					
Reinsurance receivables	21	83,303	83,303	77,824	77,824
Premium receivables	22	451,444	451,444	371,980	371,980
Refundable deposits	23	8,694	8,694	5,512	5,512
Cash and cash equivalent	26	32,258	32,258	84,000	84,000
		575,699	**575,699**	**539,316**	**539,316**

The carrying amount of cash and bank balances approximate fair values due to the relatively short maturity of the financial instruments. For other receivables the carrying values have been considered as the fair value due to uncertainty of the timing of the cash flows.

For the year ended 31 December 2020,

37 DETERMINATION OF FAIR VALUES (Contd.)

37.7 Other Financial Liabilities

Carrying values of financial liabilities have been considered as the fair value, due to uncertainty of the timing of the cash flow.

	Note	2020 Fair Value	2020 Carrying Value	2019 Fair Value	2019 Carrying Value
Other financial liabilities :					
Reinsurance payables	29	53,106	53,106	26,396	26,396
Agency commission payables	31	102,305	102,305	73,385	73,385
Other financial liabilities	31	39,973	39,973	16,278	16,278
Lease Liabilities	34	20,945	20,945	32,772	16,278
Bank overdraft	26	-	-	28,578	28,578
		216,329	216,329	177,409	160,915

38 Comparative figures

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

39 Capital Commitments and contingent liabilities

There were no significant capital commitments as at the reporting date.

Litigation and claims

There have been no material Contingent liabilities outstanding as at the reporting date except for the below;

41.1 Case No CHC 354/2018/MR.

The independent Loss Adjuster engaged by the Company has confirmed that the above mentioned case is pending in Commercial High Court. Next court hearing date is 9 March 2021.

A policyholder ("plaintiff") had filed an action against the Company on 6 June 2018 in Commercial High Court Colombo, for losses and damages for rejecting claims relating to liability insurance policy taken from the Company. The Company has denied the claim of the plaintiff and is defending the matter in consultation with the Loss Adjuster. The outcome of this cannot be assessed as at reporting date. Based on the internal assessment carried out by the Board and confirmation provided by an independent Loss Adjuster, no provision was required to be made in the financial statements as at reporting date.

40 Events after the reporting date

There have been no material events occurring after the reporting date which require disclosure or adjustment in the financial statements.

For the year ended 31 December 2020,

41 Director's assesment of COVID 19 impact on going concern

The World Health Organization has declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 200 countries now affected.

Sri Lanka was in a lockdown position with to curfew being imposed till 11 May 2020. Therefore the business operations and activities of the Company were impacted. The Company has been taking various precautionary measures to protect employees and their families, and the eco system in which they interact, while at the same time ensuring business continuity.

As a step in this direction and taking into account the directives issued by the Government of Sri Lanka, the Company had suspended operations on 18 March 2020 and restarted our operation in limited manner on 27 April 2020. The Company is regularly monitoring the situation and operations are being increased upto full operational level in a phased manner.

The Management of Company had revised the business plans to incorporate the potential implications of COVID 19 outbreak on business operations.

The Board is confident that although COVID 19 had impacted to the business, it will not impact the going concern ability of the Copmany as the Board of Directors had revised plans to optimize costs and increase GWP by way of promotional activities going forward. The Company will continue to monitor any material changes on future economic conditions and amend the projections accordingly, if required.

42 Director's Responsibility

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

NOTES

ORIENT INSURANCE LIMITED
NO. 133, NEW BULLERS ROAD, COLOMBO - 04