

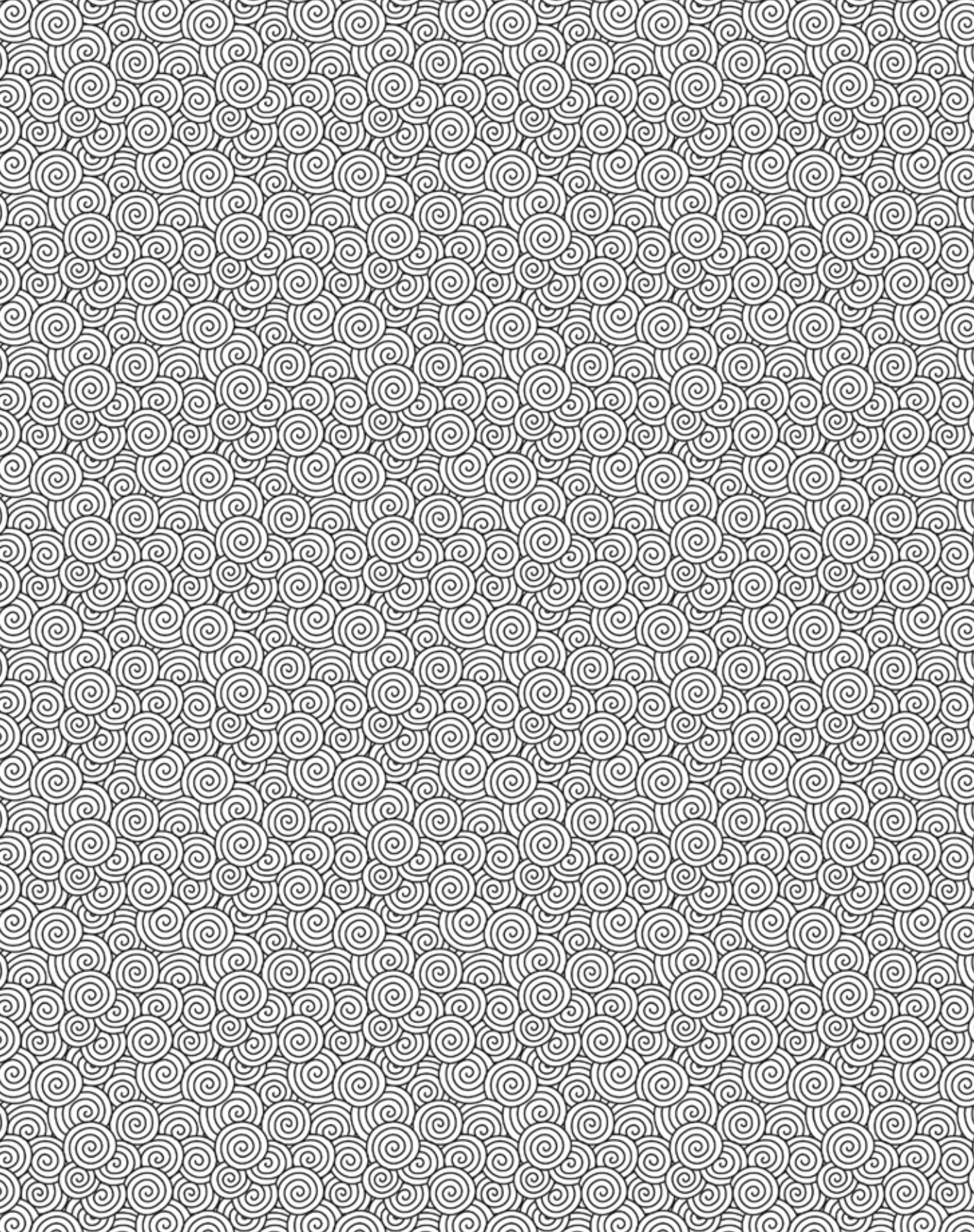


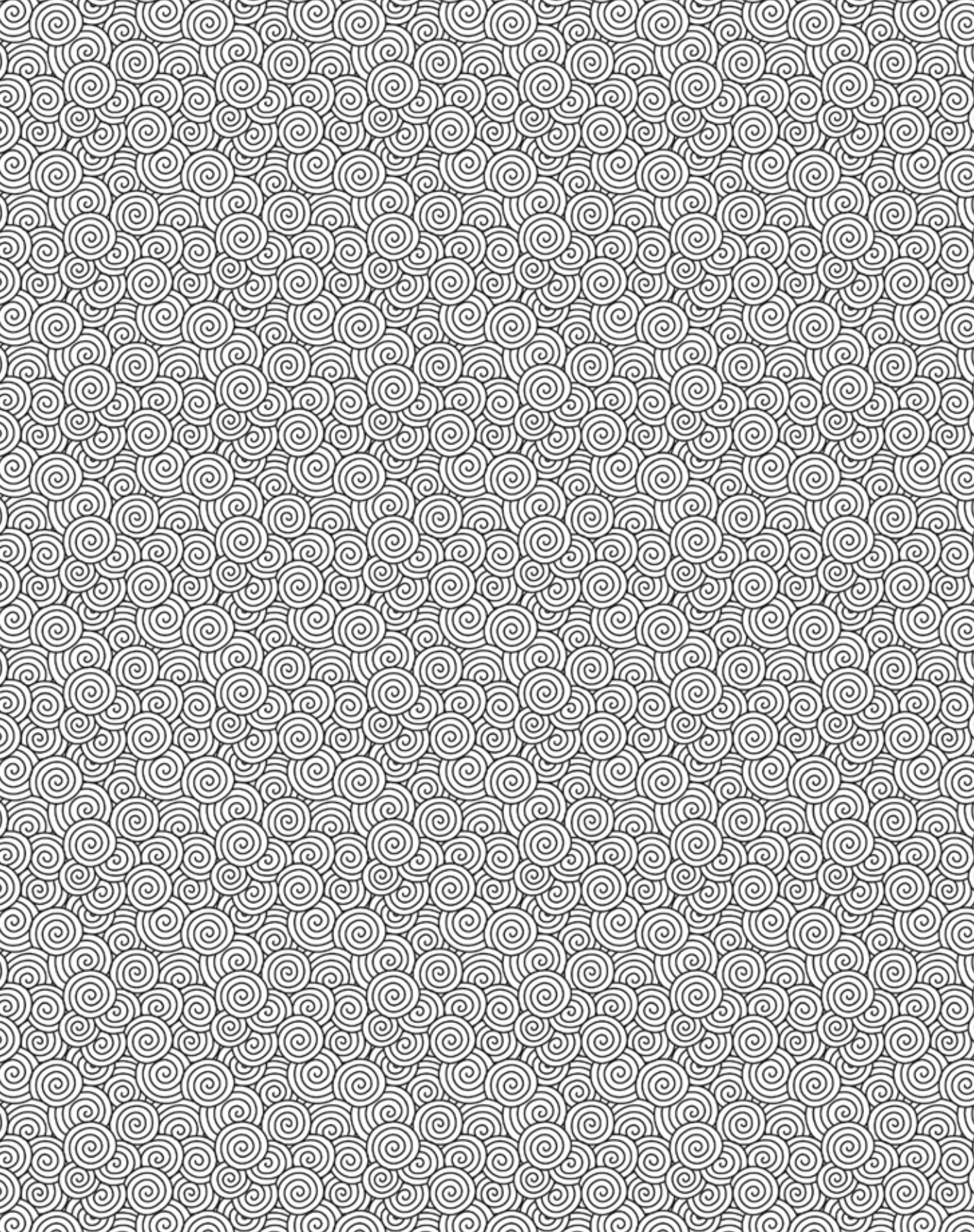
With Strength
Undiminished

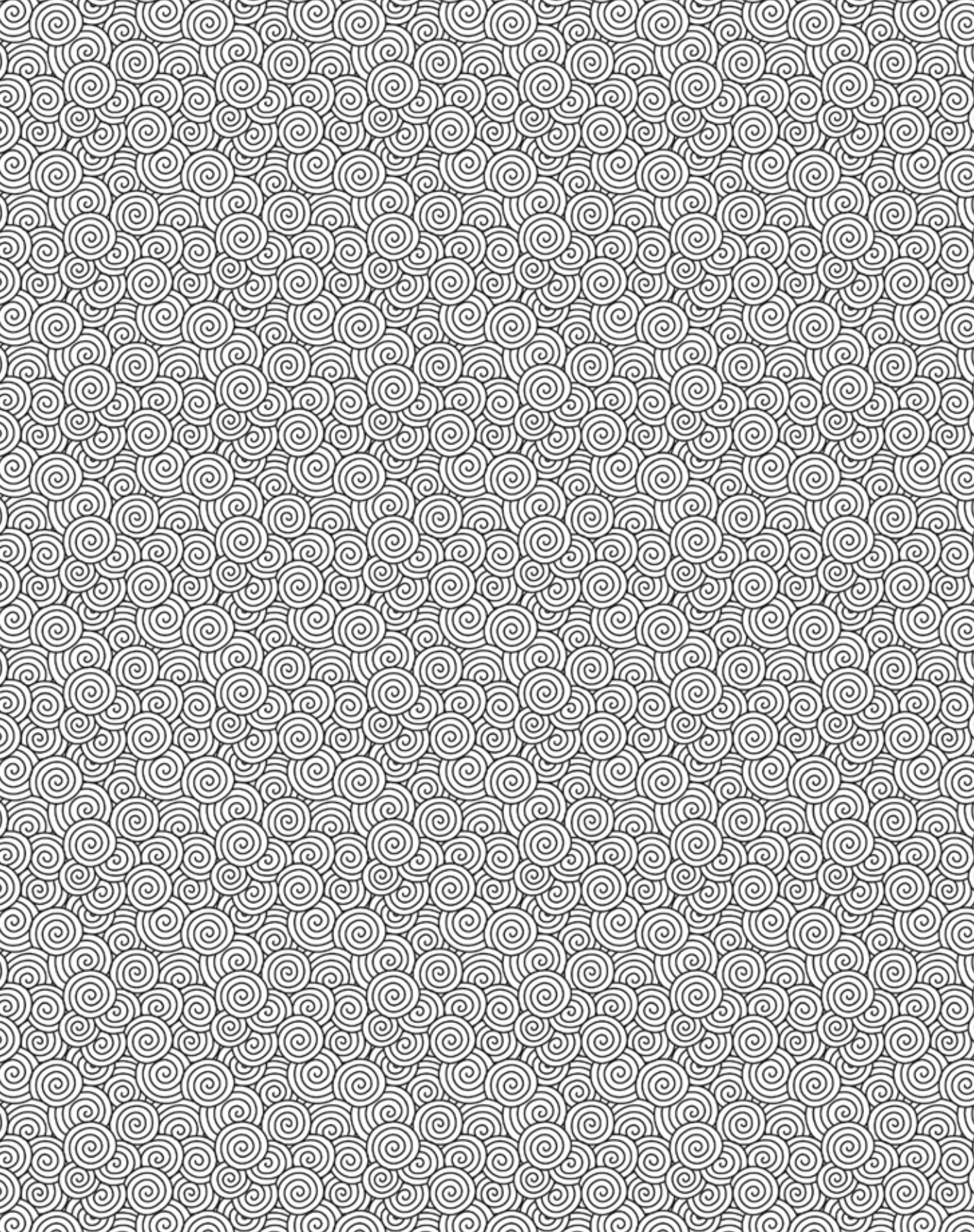


Sri Lanka Insurance
Corporation Ltd

ANNUAL REPORT 2013







WITH STRENGTH
UNDIMINISHED



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WITH STRENGTH UNDIMINISHED

With over half a century of enterprise single mindedly focused on evolving and providing the ultimate insurance portfolio, Sri Lanka Insurance Corporation Ltd., today brings to bear all of its undiminished strength as an exciting new era unfolds.

Restructure within the industry and the segregation of our Life and General Insurance arms of business pose no hindrance to a strongly founded operation...this is SLICL!



Vision

To be the trusted insurer to the nation.

Mission

To be a customer-focused company that is trusted, which constantly innovates in providing insurance services of best value to our customers, whilst rewarding our employees and adding value to our shareholders.

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Management Reports 1.0.0

1.1.0 Chairman's Message

In 2013, Sri Lanka Insurance Corporation Ltd. (SLICL) continued to demonstrate its stability, strength and long term sustainability. Having established itself as one of the most respected players in the insurance industry, SLICL has an unparalleled assets base of over Rs. 143.56 billion with a life fund of over Rs. 66.5 billion and over half a million policies in force. It is the only insurer in Sri Lanka to be ranked AAA by RAM Ratings Lanka Ltd., and AA(Ika) by the global rating agency Fitch Ratings (London).

1.1.1 Performance

The Company recorded stellar performance in 2013 recording a profit before taxation of Rs. 6.35 billion for the year, the highest ever in the history of the insurance industry. Life and general insurance premiums recorded commendable growth rates as well, with all indicators moving in the right direction.

Gross Written Premium (GWP) grew to Rs. 8.4 billion for life and Rs. 12.95 billion for general (non-life). The combined GWP grew by 5.84%. SLICL is the market leader in motor insurance with a market share of 21.61% as per the figures shared by the insurance players in the industry. Whilst the industry accounts for a motor ratio of 60.76%, ours stands at a strong 56.34%. We have made substantial progress in strengthening our life insurance business as well.

Our progressive business approach enabled us to benefit from the opportunities that arose in our rapidly growing nation. Our diversification strategy also made a key contribution on achieving an unprecedented consolidated profit during the year.



“The Company recorded stellar performance in 2013 recording a profit before taxation of Rs. 6.35 billion for the year, the highest ever in the history of the insurance industry”

1.1.2 Recognition

The SLICL Annual Report 2012 was successful in winning a Bronze Award in the Asia Pacific region under the Insurance Category at the 2012 Vision Awards, organised by the League of American Communications Professionals (LACP).

1.1.3 Outlook

The regulatory changes that are currently being implemented would have a positive effect on the insurance industry and encourage market consolidation. These include the risk-based (RBC) capital regime, segregation of composites into life and non-life, an increase in minimum regulatory capital and public listing.

The split of life and non-life business from 2015 would promote greater transparency and policyholder protection. The mandatory public listing by 2016 will also enhance transparency and encourage better governance.

Premium growth is likely to continue, supported by low penetration in an economy that is still growing, though at a slower pace.

1.1.4 Appreciation

As I conclude I convey my gratitude to all my colleagues on the Board, Managing Director and his staff, field sales personnel, strategic sales partners, insurance brokers and all other stakeholders for their unwavering support in making 2013 another year of momentous accomplishment.

A handwritten signature in black ink, appearing to read 'H. K. Upali Dharmadasa', with a stylized flourish at the end.

H. K. Upali Dharmadasa

Chairman

21st March 2014

1.2.0 Managing Director's Review

I am pleased to present the Annual Report of Sri Lanka Insurance Corporation Ltd. (SLICL) for the financial year 2013. SLICL is the largest composite insurance provider in Sri Lanka. Our performance during the year has reaffirmed our status as the most robust insurance company in the industry.

1.2.1 Excellent Performance

Your Company recorded an impressive profit before tax of Rs. 6.35 billion for the year, an increase Year-on-Year. This is undoubtedly one of the highest profits achieved in the history of our Company and also in the insurance industry in Sri Lanka. The life insurance premium grew by a commendable 13.95% to Rs. 8.40 billion whilst general insurance premium increased to Rs. 12.95 billion during the same period. The combined Gross Written Premium (GWP) grew by a healthy 5.84% as well.

Year after year, we have continued to declare unprecedented bonuses to our policy holders, reinforcing their trust in us. This is consequent to the excellent management of our well-matured life insurance fund and prudent investments. I am pleased to announce that we have declared a bonus of Rs. 4.5 billion for the year which is the highest ever bonus in the history of the insurance industry of Sri Lanka. The cumulative life insurance bonus paid out during the past nine years has surpassed a massive Rs. 25.9 billion, making us the largest bonus paying insurance company in the nation.



1.2.2 Regulatory Changes

In order to strengthen customer confidence in the industry, several new regulations were introduced under the Regulation of Insurance Industry (Amendment) Act No. 03 of 2011. Accordingly, a Risk Based Capital (RBC) framework was introduced to protect the interest of the stakeholders and to minimise the risk of possible financial crisis. Capital adequacy requirements and the solvency positions are regulated by this framework as well. The Act also mandates composite insurance companies to segregate into two segments, as life insurance and general insurance.

1.2.3 Our Operations

Understanding the changing dynamics in the post-conflict economy, we played a vital role catering to the evolving needs with competitive prices, whilst preserving the credibility of our contractual obligations to the policyholders. As the leading insurer of the nation we give much emphasis to managing the risks of the Company, particularly the investment risk. This is of paramount importance in the context of turbulent market conditions, characterised by highly volatile returns, reduced diversification benefits and wide dispersion in market sentiments. The main focus of risk management at SLICL is to promptly identify, measure, manage, report and monitor risks that affect the investment objectives of the Company. We also maintain a funding cushion of over Rs. 3 billion in liquid securities to meet obligations and also a portfolio of readily marketable Treasury Bonds and Bills as well.

In keeping pace with mobile technology, we tied up with a leading mobile service provider to offer greater convenience to our life insurance customers in making premium payments. This facility has enabled us to define an advanced level of efficiency and convenience across the customer engagement value chain for insurance services.

The evolving regulatory environment has propelled insurance companies to replace their disparate legacy IT systems and embrace new technologies. In this context, we implemented the SAP Treasury Module in 2011, which has minimised operational risk of the Company to a great extent. The SAP Financial Module is scheduled to be implemented in year 2014.

As the leading insurer, we contribute towards a sustainable society through prevention and reduction of risk and through partnering economic development. *Abimansala* is one such project we support which has established several care homes for disabled war heroes of our country. The many projects we support are detailed in the Sustainability Review of the Report.

1.2.4 Acknowledgement

As we conclude another excellent year, I extend my appreciation to the Board of Directors for their strategic direction and guidance. I sincerely thank the staff members for their dedication and commitment, the field sales staff, agency force and brokers for their diligence and hard work at all times. I am grateful to our loyal customers for placing their trust and confidence in us.

As we move forward, we will continue to focus on delivering unparalleled value to our customers and exceeding the expectations of all stakeholders as the trusted insurer to the nation.



Piyadasa Kudabalage

Managing Director

21st March 2014

1.3.0 Management Discussion and Analysis

1.3.1 Macro Economic Landscape

1.3.1.1 Global Economic Scenario

Five years after the global financial crisis, the world economy showed signs of recovery in year 2013. With much impetus coming from advanced economies, the global economy recorded a growth of 3% in 2013.

A major impulse to global growth stemmed from the United States, which grew at 3% in the second half of 2013. The project growth rate for USA is 2.75% in 2014, on account of moderate fiscal consolidation, accommodative monetary conditions, recovery of the real estate sector, higher household wealth and easier bank lending conditions.

Growth in Euro strengthened and turned positive in 2013. A strong reduction in the pace of fiscal tightening is expected to aid economic growth in the region in 2014.

Emerging markets and developing economies continued to contribute to over two-thirds of global growth, and their growth is projected to increase from 4.7% in 2013 to 4.9% in 2014. China is expected to grow by 7% in 2014, based on rapid credit growth and implementing measures to put the economy onto a more balanced and sustainable growth path. India is expected to record a real GDP growth of 5.4% in 2014, based on revival of investments and export growth.

1.3.1.2 Sri Lanka Economic Synopsis

GDP growth of Sri Lanka rebounded to high growth trajectory of 7.3% in 2013, compared to 6.3% in 2012. The conducive economic environment, stable macroeconomic conditions and favourable weather conditions positively impacted GDP growth. The recovery reflects strengthened domestic demand and resurgence in exports and tourism. Economic growth was largely driven by the

services sector which accounts for approximately 60% of GDP. The faster growth in sub sectors including wholesale and retail trade, hotels and restaurants, transport, banking, insurance, and real estate enabled the service sector to record a growth of 6.4% from 4.6% a year earlier. Industry grew by 9.9%, slightly less than 10.3% in 2012 on account of the slower growth in mining and quarrying and construction. Favourable weather helped to maintain agricultural sector growth at a relatively favourable 4.7% during the year.

Trade account deficit was significantly narrowed due to increased growth in export earnings and decline in import expenditure. Receipts on account of workers' remittances and earnings from tourism cushioned the trade deficit further during the year.

1.3.1.2.1 Economic Growth

As confirmed by the Department of Census and Statistics, Sri Lanka's GDP growth in the fourth quarter of 2013 amounted to 8.2% significantly higher than 6.3% in the same quarter 2012. This resulted in a GDP growth of 7.3% for the financial year 2013, up from 6.3% the previous year.

The agricultural sector which accounts for 9% of total GDP increased to 10.4% in the 4th quarter 2013 compared to 0.3% in 2012. This is largely attributed to the 57% increase in the paddy segment, amidst favourable weather conditions. However, the overall growth of the agricultural sector for the year declined to 4.7% in 2013, from 5.2% in 2012.

The industry sector accounting for 33% of total GDP, rose 10.7% in the 4th quarter 2013 compared to 13.4% in the same quarter 2012. This was driven by a 13% growth in the construction segment. The overall growth of the industry sector for the year 2013 was 9.9% down from 10.3% in 2012.

The services sector which accounts for 58% of total GDP grew by 6.5% in 4th quarter 2013 as against 3.7% in the 4th quarter 2012. This was mainly on account of the import trade segment which grew by 2.0% in the same quarter. The overall growth of the industry sector was 6.4% up from 4.6% in 2012.

1.3.1.2.2 Investment and Savings

The total investment income of the insurance sector grew by 23% to Rs. 29 billion in 2013. This is significantly higher than the growth of 3.65% recorded in 2012. The increase is attributed to the growth of investment income in Government Securities and corporate debt securities. Total investment income of the long-term insurance sector rose by 25% compared to the marginal growth of 2% in 2012. The total investment income in the general insurance sector increased by 18.4% in 2013, in comparison to 7.9% in 2012.

The profit before tax of the insurance sector increased by 11.4% in the year under review compared to a decline of 2% the previous year.

1.3.1.2.3 Inflation Rate

Inflation trended downward in 2013, averaging 6.9% on an annual average basis for the year. This was the fifth consecutive year in which inflation remained at a single digit.

The rate of inflation has a bearing on the insurance industry. In a climate of rising inflation the demand for life insurance diminishes due to the decline in purchasing power of individuals. Hence, the income earned from new business will reduce and the customer base too will erode as a result.

1.3.1.2.4 Unemployment Rate

The unemployment rate is the number of people actively looking for a job as a percentage of the labour force. This rate rose to 4.4% in 2013 from its historic low in the previous year, mainly due to the entry of new job seekers to the labour market.

1.3.1.2.5 External Trade and the Balance of Payment

The trade deficit narrowed by 19.2% to US Dollars 7,609 million in 2013 from US Dollars 9,417 million in 2012. This was consequent to the impressive growth in export earnings and the decline in import expenditure in the year under review. Receipts on account of workers' remittances and earnings from tourism also cushioned the trade deficit substantially during the year.

The gradual recovery in advanced economies caused global trade to rebound strongly particularly during the 4th quarter of 2013. Sri Lanka's exports responded positively to these favourable developments, by recording a growth of 6.4% in 2013. Industrial exports, which accounts for around three fourths of total export was the largest contributor to export earnings during the year.

Import expenditure declined by 6.2% mainly due to lower petroleum imports. The was largely on account of the reduction in expenditure on intermediate goods, such as fuel, textiles and textile articles, fertilizer, diamonds and precious stones. However, the import expenditure on consumer goods, which accounts for around 18% of total imports, increased by 6.3% to US Dollars 3,182 million in 2013.

The overall balance of the balance of payment recorded a surplus of US Dollars 985 million in 2013, compared to a surplus of US Dollars 151 million recorded in 2012. This resulted in the increase of gross official reserves to US Dollars 7.5 billion equivalent to 5 months of imports at the end of 2013.

1.3.1.2.6 Economic Outlook - 2014

The World Bank cites that Sri Lanka would continue to grow at 7.3% in 2014 as the economy was sustained by new capacity from infrastructure investments and rebuilding after the cessation of the war. This forecast is far above the South Asian average of 5.2%, as well as the growth estimates of other South Asian nations such as India at 5.7%, Pakistan at 4%, and Bangladesh at 5.4%.

The projected GDP growth of Sri Lanka by the Central Bank of Sri Lanka is slightly higher at 7.8% for 2014. However, a relatively protracted recovery in high-income countries and tightening of international financial conditions would limit a more robust rebound for Sri Lanka within the forecast horizon.

The risks to the outlook include weathering global commodity prices, maintaining fiscal consolidation, declining exports-to-GDP and managing the economic fundamentals in the context of currency fluctuations of major trading partners. Also if the growth in two key export sectors, tea and apparel remains stagnant, there is a risk that exports to GDP ratio will be a continued decline as well.

1.3.2 Insurance Industry

The insurance industry which accounts for 3% of the total asset base of the financial sector, recorded a growth in terms of premium income and the asset base during 2013. This was largely attributable to the improved business environment that prevailed during the year. The soundness of the industry was further strengthened during the period.

There were 22 insurance companies in operation, of which 12 were composite insurers providing both general and life insurance business, 7 companies offering only general insurance and 3 companies solely engaged in life insurance business. There were 54 insurance broking companies registered with the Insurance Board of Sri Lanka (IBSL) as well. The total Gross Written Premium (GWP) amounted to Rs. 87.15 billion while total assets stood at Rs. 301.92 billion as at the year end 2012. Insurance penetration as a percentage of GDP was 1.15 and insurance density was Rs. 4,287.28 in year 2012.

1.3.3 Financial Performance of SLICL ('The Company')

1.3.3.1 Company Performance Overview

1.3.3.1.1 Financial Results

Total assets of SLICL reached Rs. 143.56 billion as at 31st December 2013 compared to Rs. 132.1 billion in 2012. The Company recorded its highest ever Shareholders' Fund of Rs. 53.18 billion and Life Fund of Rs. 66.51 billion in 2013. Shareholders' Fund and the Life Fund for the corresponding period in 2012 amounted to Rs. 48.19 billion and Rs. 60.08 billion respectively.

The combined Gross Written Premium (GWP) increased by 5.84% to Rs. 21.35 billion, compared to Rs. 20.2 billion in 2012. The combined net profit after tax amounted to Rs. 4.7 billion as against Rs. 4.2 billion in the previous year.

The life insurance premium recorded a growth of 13.96% to Rs. 8,398 million compared to Rs. 7,369, million in 2012. The general insurance premium increased moderately by 1.17% to Rs. 12,953 million in 2013 from Rs. 12,804 million in 2012.

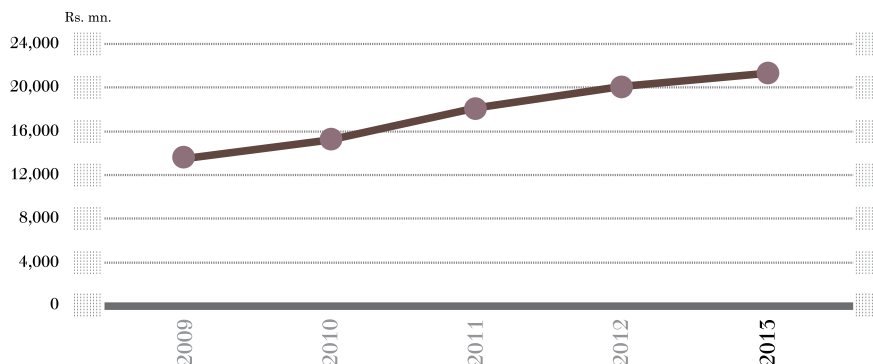
1.3.3.1.2 Solvency Ratio

SLICL maintained the required solvency margins during the financial years 2013 and 2012. Accordingly, the solvency ratio of the life insurance business was 11.48 while for general insurance business it was 4.93 for the financial year under review. The solvency ratios for life insurance and non-life insurance businesses for the corresponding financial year were 10.14 and 3.25 respectively. The admissible assets of life insurance amounted to Rs. 73,346 million compared to Rs. 65,176 million in 2012. The liabilities stood at Rs. 48,539 million as at end 2013, compared to Rs. 44,914 million in 2012. Total admissible assets of the general insurance business stood at Rs. 30,327 million at year end, compared to Rs. 26,431 million in 2012. The recorded liabilities is Rs. 16,498 million in 2013 as against Rs. 17,273 million in 2012.

1.3.3.1.3 Combined Business Performance

	SLFRS			SLAS	
	2013 Rs. '000	2012 Rs. '000	Restated 2011 Rs. '000	2010 Rs. '000	Restated 2009 Rs. '000
Revenue	27,980,865	25,644,316	17,207,928	35,011,286	20,529,262
Gross Written Premium	21,550,869	20,172,623	18,220,673	15,276,496	13,584,399
Net Earned Premium	17,805,056	16,768,442	14,422,101	11,979,746	11,367,130
Benefits, Losses and Expenses	(16,467,823)	(15,625,259)	(7,718,624)	(16,768,863)	(15,678,414)
Investment and Other Income	10,175,809	8,875,874	2,785,827	23,031,540	9,167,130
Interest Expense	(138)	(223)	(37)	(210)	(3,697)
Operating and Administrative Expenses	(5,157,884)	(4,155,575)	(4,054,181)	(3,208,095)	(2,016,878)
Profit before Taxation	6,354,868	5,863,255	5,433,086	15,034,118	2,830,271
Taxation	(1,700,039)	(1,627,413)	(1,220,547)	(1,994,915)	(1,308,980)
Profit after Taxation	4,654,830	4,235,842	4,214,539	13,039,203	1,521,291

Combined Gross Written Premium



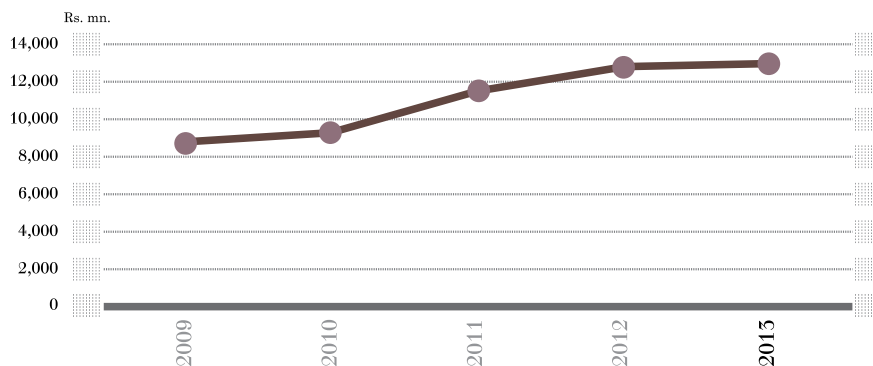
As illustrated above, the combined Gross Written Premium of SLICL has increased by a staggering 56.45% over the five-year period commencing 2009 to 2013. Accordingly, the GWP has grown to Rs. 21,351 million in 2013 compared to Rs. 13,584 million in 2009. The investment income and other income increased by 14.65% to Rs. 10,176 million compared to Rs. 8,876 million in 2012. The profit after tax increased by a whopping 205.97% as well over the five year period.

1.3.3.2 General Insurance Business Performance

1.3.3.2.1 Profitability of General Insurance Business

	SLFRS			SLAS	
	2015 Rs. '000	2012 Rs. '000	Restated 2011 Rs. '000	2010 Rs. '000	Restated 2009 Rs. '000
Gross Written Premium	12,955,151	12,805,592	11,477,600	9,266,637	8,764,542
Net Earned Premiums	9,504,974	9,487,217	7,828,645	6,034,185	6,592,541
Net Claims Incurred	(4,934,075)	(6,194,011)	(4,970,962)	(2,885,793)	(5,379,207)
Operating and Administration Expenses	(3,551,580)	(2,528,520)	(2,453,660)	(1,917,779)	(2,186,107)
Investment and Other Income	2,516,798	2,064,835	(245,498)	10,112,693	1,940,038
Interest Expense	(51)	(110)	(12)	(98)	(1,935)
Profit before Taxation	3,742,059	2,829,411	158,513	11,543,207	965,330
Taxation	(803,033)	(900,971)	(407,432)	(843,740)	(233,096)
Profit after Taxation	2,933,034	1,928,440	(248,919)	10,499,467	732,232

Gross Written Premium - General Insurance Business



For the five-year period ended 2013, the GWP of the general insurance business has reflected an increasing trend. Accordingly, GWP increased by a substantial 47.79% to Rs. 12,953 million in 2013 from Rs. 8,765 million in 2009. Investment income and other income also rose from Rs. 2,065 million in 2012 to Rs. 2,517 million in 2013. The profit after tax for the current financial year grew by a staggering 300.56% over the five-year period as well.

1.3.3.2.2 Stability of General Insurance Business

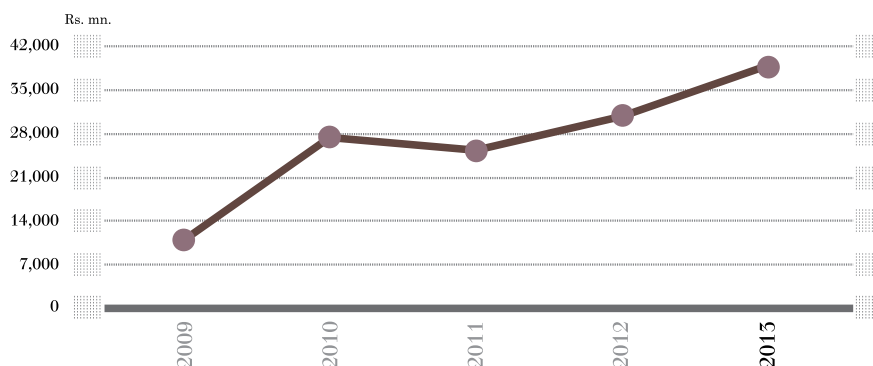
As per Section 26 (1) of the Regulation of Insurance Industry Act, insurers are required to maintain sound solvency for both life and general insurance businesses. Accordingly, SLICL has maintained sound solvency margins for both life and general business over the period as depicted below:

Stability of General Insurance Business

	SLFRS			SLAS	
	2015 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000
Net Asset Value	58,909,625	50,748,097	25,298,629	27,523,020	10,934,409
Solvency Ratio	4.93	3.25	1.94	2.11	3.93

The available for sale (AFS) Reserve has been taken into consideration in ascertaining the Net Asset Value.

Net Asset Value - General Insurance



The solvency ratio of general insurance business increased from 3.25 times in year 2012 to 4.93 times in the year 2013. The stability of the general insurance business also improved during the years 2013 and 2012 in terms of the solvency of the business and the Net Asset Value.

1.3.3.2.3 Approved Assets - General Insurance Business

	2015 Rs. million	2012 Rs. million	2011 Rs. million	2010 Rs. million	2009 Rs. million
Approved Assets for Technical Reserves	22,760	20,720	17,983	15,030	10,956
Technical Reserve Values	11,881	12,570	11,740	11,001	10,862
Approved Assets in Excess of Technical Reserves	10,879	8,150	6,243	4,029	94

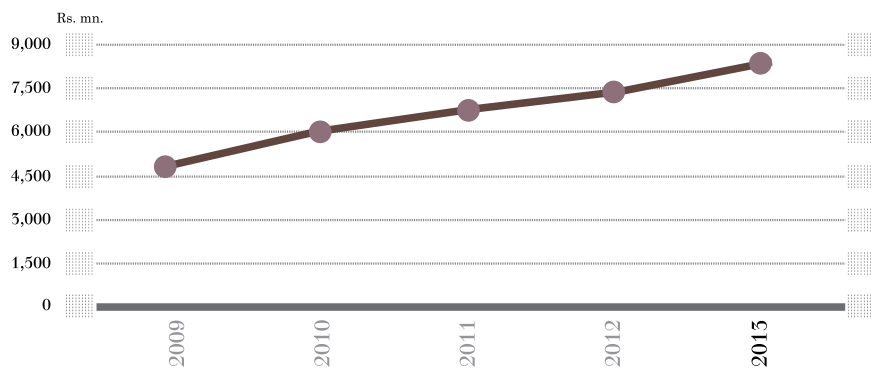
1.3.3.3 Life Insurance Business Performance

1.3.3.3.1 Profitability of Life Insurance Business

	SLFRS			SLAS	
	2015 Rs. '000	2012 Rs. '000	Restated 2011 Rs. '000	2010 Rs. '000	Restated 2009 Rs. '000
Gross Written Premium	8,397,718	7,369,032	6,743,073	6,009,859	4,819,860
Net Earned Premiums	8,300,082	7,281,225	6,593,457	5,945,561	4,769,590
Investment and Other Income	7,659,011	6,811,040	3,031,325	13,026,350	7,227,092
Claims Incurred	(4,870,410)	(4,089,231)	(3,592,818)	(4,957,675)	(3,831,985)
Commission Expenses	(1,053,299)	(1,088,644)	(933,627)	(648,033)	(547,848)
Management Expenses	(2,307,020)	(2,147,075)	(1,924,534)	(1,483,218)	(1,317,279)
Increase in Life Fund before Taxation	7,728,364	6,767,314	3,173,803	11,882,985	6,299,570
Taxation	(897,006)	(726,442)	(813,114)	(1,151,175)	(1,075,883)
Increase in Life Fund	6,831,358	6,040,872	2,360,689	10,731,810	5,223,687

Increase in the life fund is calculated before transferring the amount attributable to policyholders.

Gross Written Premium - Life Insurance Business

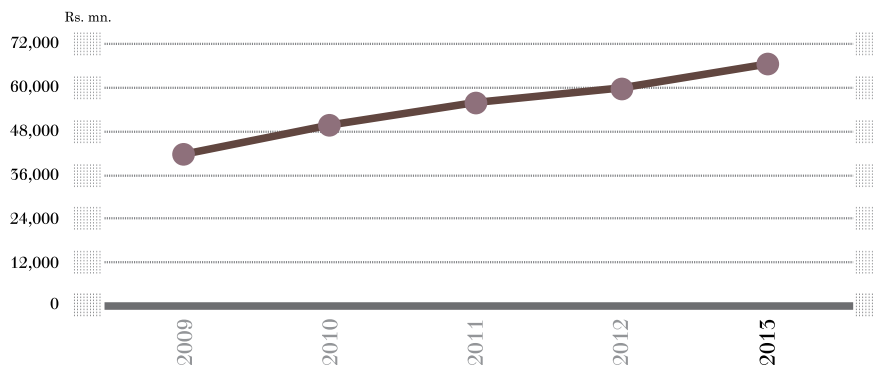


The GWP of the life insurance business has increased substantially over the five year period as illustrated above. It reflects a 74.23% growth from Rs. 4,820 million in 2009 to Rs. 8,598 million in 2013. The investment income and other income of the life insurance business also swelled by 12.45% from Rs. 6,811 million in 2012 to Rs. 7,659 million in 2013.

1.3.3.3.2 Stability of Life Insurance Business

	SLFRS			SLAS	
	2015 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000
Life Fund	66,511,606	60,084,899	55,860,476	49,569,355	41,484,784
Net Asset Value	14,573,046	17,547,244	16,627,365	31,295,966	1,564,528
Solvency Ratio	11.48	10.14	9.95	6.11	6.75

Increase in Life Fund



The life solvency ratio of the life insurance business stood at 11.48 times in 2013 compared to 10.14 times in 2012. The two-digit solvency rate indicates a very high level of stability for the business in terms of solvency.

It is a noteworthy achievement that SLICL has recorded the highest life fund in the industry amounting to Rs. 66,512 million in 2013 and Rs. 60,084 million in 2012. The life fund recorded an increase of 60.33% from years 2009 to 2013.

1.3.3.3 Approved Assets of Life Insurance Business

	2013 Rs. million	2012 Rs. million	2011 Rs. million	2010 Rs. million	2009 Rs. million
Approved Assets for Life Fund	69,740	61,428	57,911	52,247	44,918
Life Fund Values	66,511	60,085	55,860	49,569	41,484
Approved Assets in Excess of Life Fund	3,229	1,343	2,051	2,678	3,434

1.3.4 Business Strategy and Operational Performance

The Business Strategy of SLICL continued to focus on the identified businesses and achieved success in all areas mentioned therein. These include the following:

- a. **Focus on Core Business** - The business strategy was targeted to drive the core-business functions with especially dedicated team of professionals and support teams. SLICL geared itself by planning and setting up separate business entities to manage other strategic investments, enabling to maintain an undiluted focus on its core business activities.
- b. **People as the Engine of Growth** - Adopted best practices pertaining to Human Resource Management to optimise employee contribution towards the growth of the Company. Areas such as training and development were prioritised to motivate and equip staff members to reach higher goals and meet challenges effectively.
- c. **Strategic Investments** - The following table highlights the strategic investments made by the Company.

Subsidiaries - as at 31.12.2013

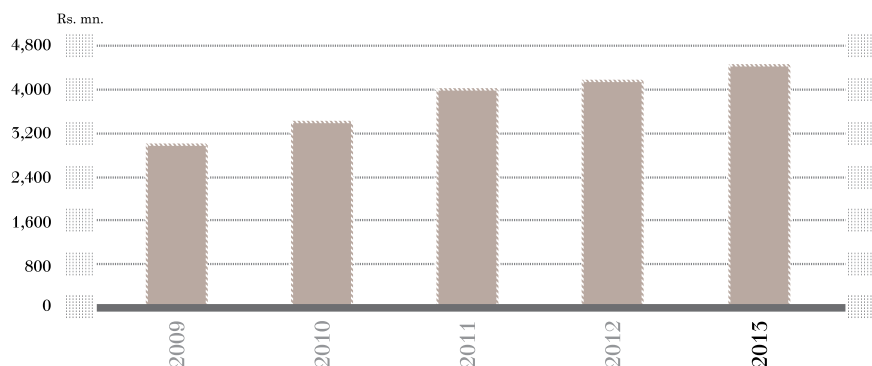
Company	No. of Shares	SLICL Holding %	Acquisition Cost Rs.	Book Value Rs.	Market Value Rs.
Litro Gas Lanka Ltd.	55,976,853	99.94	3,510,062,869	3,510,062,869	—
Litro Gas Terminal Lanka (Pvt) Ltd.	158,710,945	100.00	5,280,187,533	5,280,187,533	—
The Lanka Hospitals Corporation PLC	122,177,993	54.61	2,925,566,890	2,925,566,890	4,948,208,717
Canwill Holdings (Pvt) Ltd.	500,000,000	41.67	5,000,000,000	5,000,000,000	—
Management Services Rakshana (Pvt) Ltd.	5	100.00	50	50	—
Canowin Hotels & Spas (Pvt) Ltd. [Formerly known as 'Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.]	87,008,686	100.00	870,086,860	870,086,860	—
			17,585,904,202	17,585,904,202	4,948,208,717

Face Value of Bonus

SLICL has consistently declared an increasing bonus to its policyholders. Accordingly, the bonus declared for the financial year 2013 amounted to Rs. 4.5 billion reflecting a growth of 6.67%.

Year	Face Value of Bonus Rs. million
2009	3,000
2010	3,438
2011	4,014
2012	4,183
2013	4,462

Face Value of Bonus

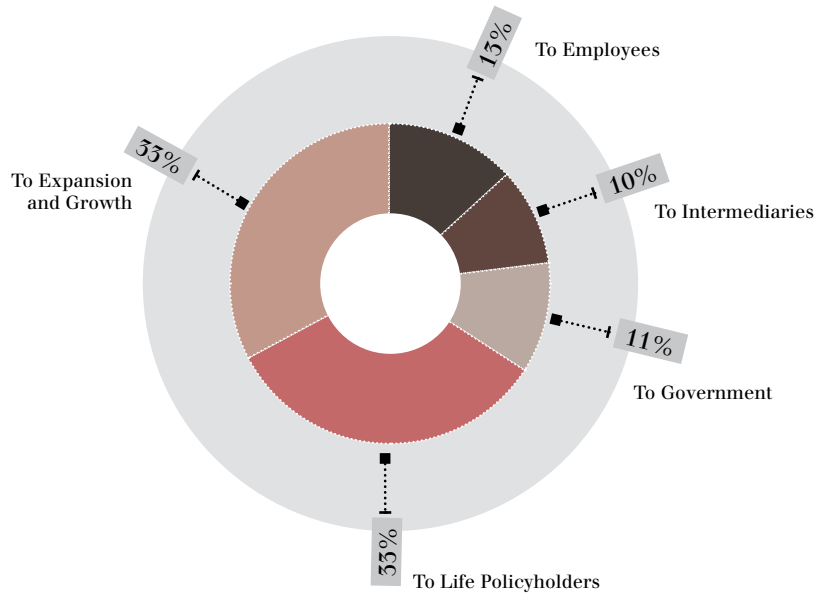


Value Added Statement - SLICL

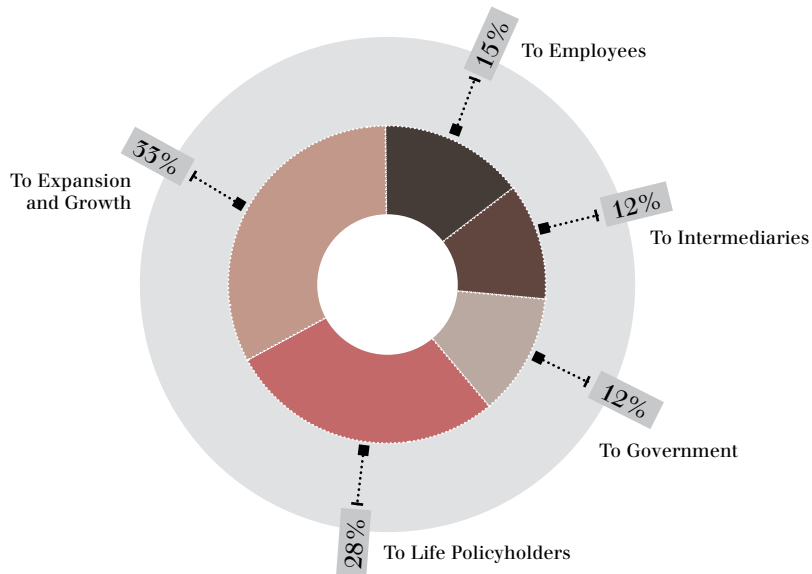
	2015 Rs. million	2012 Rs. million
Net Earned Premium	17,805	16,768
Investment and Other Income	10,176	8,875
	28,410	25,643
Less		
Net Claims and Benefit	9,804	10,283
Cost to External Services	2,755	2,005
Value Addition	15,442	13,355

	2015 Rs. million	2012 Rs. million
Distribution of Value Added		
To Employees		
Salaries and Other Benefits	2,007	1,957
To Intermediaries		
Acquisition Cost	1,554	1,608
To Government		
Income Tax	1,700	1,627
To Life Policyholders		
Increase in Life Insurance Fund	5,109	3,733
To Shareholders		
Dividend Paid	—	—
To Expansion and Growth		
Retained as Depreciation	418	193
Retained as Reserves	4,654	4,235
	15,442	13,353

Distribution of Income - 2013



Distribution of Income - 2012



The value added statement depicts the manner in which value addition is distributed among Employees, Intermediaries, Government, Life Policyholders and for Expansion and Growth. The Company has increased its value addition from Rs. 13,353 million in 2012 to Rs. 15,442 million in the year 2013.

1.3.5 Investments

1.3.5.1 Investment Strategy

The investment strategy of SLICL is focused on achieving the optimal balance between safety, income and asset growth. It is aimed at meeting the obligations of the Fund, based on prudent investment management principles within applicable regulations of the IBSL.

1.3.5.2 Investment Committee

The Investment Committee is responsible for the management of SLICL's investment portfolio, reviewing and monitoring the strategic asset allocation, effective matching of assets and liabilities and capitalising the tactical investment opportunities. The Committee adheres to the Asset Manager's Code of the CFA Institute and comprises of the following individuals.

Board Members:

- Mr. P Kudabalage (Managing Director of the Company and the Chairman of the Investment Committee)
- Mr. Upali Dharmadasa (Chairman of SLICL)
- Mr. Mohan de Alwis (Former Managing Director/CEO)
(Resigned w.e.f. 20th December 2013)

Investment Managers:

- Mr. Dhanuka Liyanagamage (Assistant General Manager - Investments)

Other Members:

- Mr. Ranjith Perera (Senior Deputy General Manager - Finance)
- Mr. Chaminda Gunasinghe (Assistant General Manager - Finance)

Invitees:

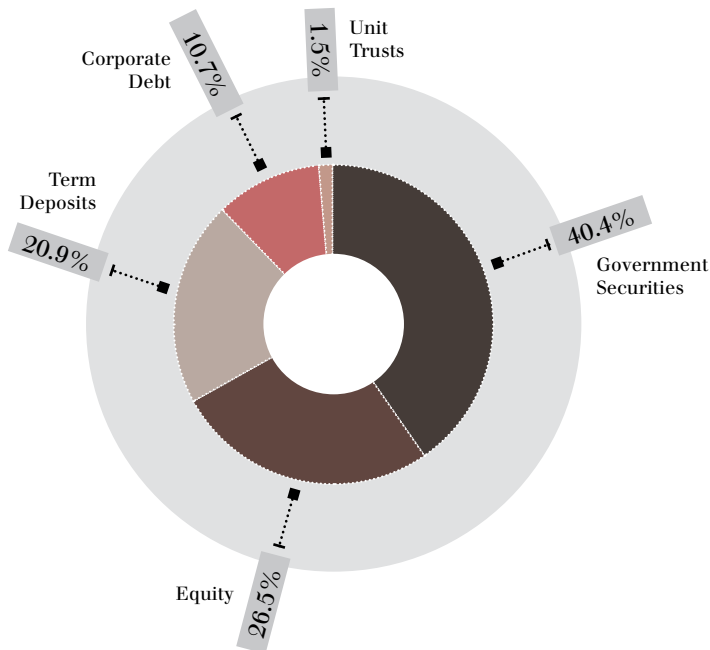
- Mr. Jaap Plugge - (Consultant Actuary)
- Mr. Nalin Subasinghe - (Assistant General Manager - Actuarial)

The quorum of the Investment Committee is three members including at least one Board Member.

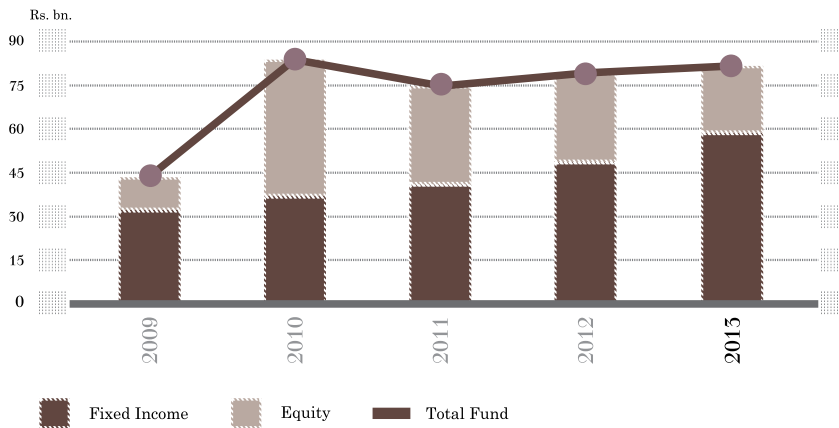
1.3.5.3 Asset Allocation

Life Fund

Life Fund - Composition of the Fund



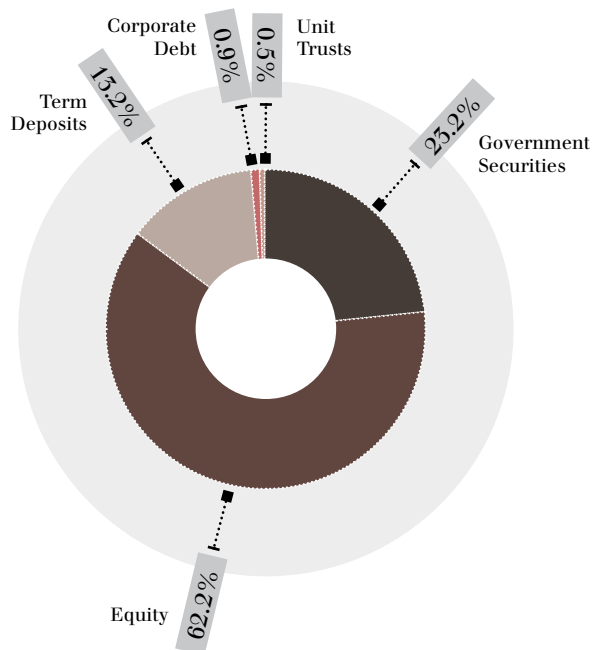
Growth of Investable Assets - Life Fund



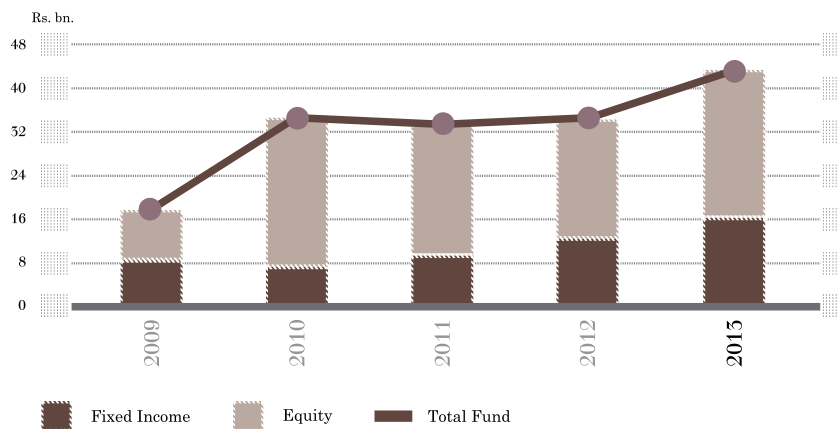
SLFRS figures since 2010.

General Fund

General Fund - Composition of the Fund



Growth of Investable Assets - Non-Life Fund



SLFRS figures since 2010.

1.3.5.4 Asset - Liability Matching

Life Fund: Matching the maturity structure of life fund is a challenging task in the context of a relatively less developed fixed income securities market.

However, the significant amount of listed debentures offered during the year enabled to mitigate this risk to a considerable extent. Almost all these issues were heavily oversubscribed as the investors moved to reap the benefit of income tax waivers granted. Total funds raised via listed debentures by corporates during the year crossed Rs. 68 billion. Of this, SLICL was able to invest Rs. 3.8 billion in listed debentures with maturities ranging up to 10 years.

With many firms opting to raise funds through this route, there is a high probability of more listed debentures being issued in the ensuing year.

Further, the investments in Government Securities exceeded Rs. 10 billion during the year with maturities extending up to 20 years. A few 30 year Treasury Bond issues are scheduled for 2014, where the Company intends to invest in order to reduce the asset-liability mismatch in the life fund.

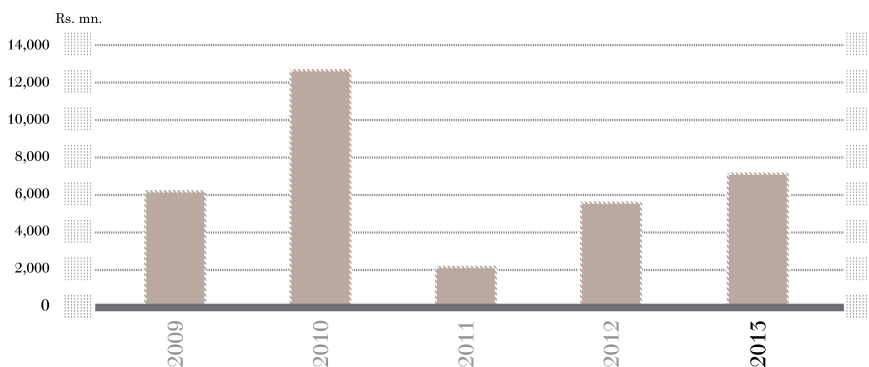
General Fund: Unlike life fund assets, obligations of the general fund are short-term in nature and hence major portion of the fund was invested in short-term assets.

1.3.5.5 Investment Performance

The Company achieved healthy returns during 2013 for both life and general funds under prudent and dynamic investment management mechanisms, whilst avoiding undue risks. This is a commendable performance in an environment where the performance of the equity market was subdued.

SLICL recorded a total investment income of Rs. 9.2 billion during the year.

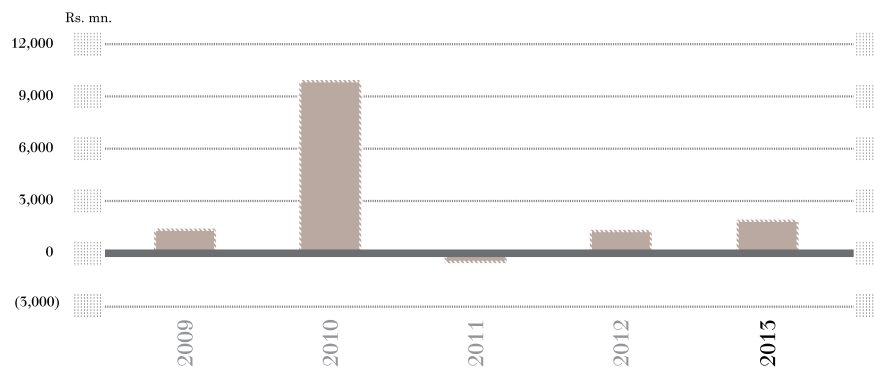
Investment Income - Life Fund



SLFRS figures since 2010.

The life fund recorded a healthy investment income of Rs. 7.2 billion in 2013 which is a substantial 27.0% increase compared to the previous year.

Investment Income - General Fund



SLFRS figures since 2010.

The general fund recorded an investment income of Rs. 2.0 billion in 2013 yielding a significant growth of 41.7% year-on-year.

Investments

<i>(Rs. '000)</i>	2015	2012	2011	2010
At Cost				
Listed Subsidiaries	2,925,567	2,925,567	2,925,567	2,925,567
Unlisted Subsidiaries	14,660,337	13,790,250	8,790,250	7,040,250
Available-For-Sale				
Listed Shares	24,798,653	22,423,654	22,748,462	33,286,320
Unlisted Shares	124,480	90,581	81,554	113,137
Unit Trusts	1,426,408	1,437,209	2,270,657	2,250,138
Listed Debentures	7,190,339	3,424,049	2,972,856	2,075,449
Treasury Bills	483,700	—	—	—
Treasury Bonds	5,418,642	11,144,843	11,964,725	5,848,601
Fair-Value-Through-Profit-or-Loss				
Listed Shares	5,956,726	10,953,886	20,795,497	28,030,158
Held-To-Maturity				
Treasury Bills	—	969,775	192,899	190,787
Treasury Bonds	19,324,293	14,402,918	18,240,876	21,742,403
Loans & Receivables				
Unlisted Debentures	1,890,781	2,274,245	2,015,204	1,562,458
Term Deposits	22,864,910	16,290,231	7,080,518	9,396,500
Development Bonds	5,254,857	5,106,038	4,586,578	4,498,515
Commercial Papers	—	206,807	332,352	—
Trust Certificates	37,481	60,767	53,260	57,609
Reverse Repos	12,530,569	7,852,673	3,065,689	279,251
Total	124,887,745	113,353,493	108,116,944	119,297,144

1.3.5.6 International Ratings

SLICL is the only insurer in the country to obtain the highest financial rating of AAA from RAM Ratings Lanka for its paying ability. In addition, Fitch Ratings also endowed the highest financial rating among insurers for its financial strength.

The claims paying rating of SLICL has been confirmed as AAA with a stable outlook, by RAM Ratings based on its competitive position, state ownership and capitalisation. The AAA (Triple A) rating denotes the superior long-term claims payment ability of the Company. A similar rating was given for the year 2010 by RAM Ratings Lanka Ltd for its claims paying ability.

Fitch Ratings has affirmed SLICL's National Insurer Financial Strength Rating and National Long-Term Rating as 'AA(lka)'.

SLICL will continue to be rated by these international rating agencies to ensure that the Company stays abreast with the best practices in the industry whilst meeting all its financial liabilities to customers and the shareholders.

2005	2006	2007	2008	2009	2010	2011	2012	2013
Fitch Ratings	Fitch Ratings	Fitch Ratings	Fitch Ratings	Fitch Ratings	Fitch Ratings	Fitch Ratings	Fitch Ratings	Fitch Ratings
National Insurer Financial Strength Rating: AA-(sri)	National Insurer Financial Strength Rating: AA-(sri)	National Insurer Financial Strength Rating: AA-(lka)	National Insurer Financial Strength Rating: AA-(lka)	National Insurer Financial Strength Rating: AA-(lka)	National Insurer Financial Strength Rating: AA(lka)	National Insurer Financial Strength Rating: AA(lka)	National Insurer Financial Strength Rating: AA(lka)	National Insurer Financial Strength Rating: AA(lka)
National Long-Term Rating: A+(sri)	National Long-Term Rating: A+(sri)	National Long-Term Rating: A+(lka)	National Long-Term Rating: A+(lka)	National Long-Term Rating: AA-(lka)	National Long-Term Rating: AA-(lka)	National Long-Term Rating: AA(lka)	National Long-Term Rating: AA(lka)	National Long-Term Rating: AA(lka)
Outlook: Stable	Outlook: Stable	Outlook: Stable	Outlook: for both Positive	Outlook: for both Stable	Outlook: for both Stable	Outlook: Stable	Outlook: Stable	Outlook: Stable
			RAM Ratings	RAM Ratings	RAM Ratings	RAM Ratings	RAM Ratings	RAM Ratings
			Claims Paying Ability: AA-	Claims Paying Ability: AA-	Claims Paying Ability: AAA	Long-Term Claims Paying Ability: AAA	Long-Term Claims Paying Ability: AAA	Long-Term Claims Paying Ability: AAA
			Outlook: Stable	Outlook: Stable	Outlook: Stable	Short-Term Claims Paying Ability: P1	Short-Term Claims Paying Ability: P1	Short-Term Claims Paying Ability: P1
						Outlook: Stable	Outlook: Stable	Outlook: Stable

1.3.6 Current Status

Currently SLICL is evaluating the possible modes of segregating the composite insurance business into its two segments as required by the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. This will result in the segregation of the composite insurance business into two separate companies for life and general insurance.

Sustainability Report

2.0.0

The insurance industry has a vested interest in embracing sustainability. The industry has the capacity to influence individuals and businesses to be more sustainable through underwriting and investment practices. At the same time, financial repercussions of unsustainable business practices also have a bearing on the insurance industry. Sustainability offers countless prospects for innovating risk management services and new insurance products. The launch of the principles for sustainable insurance at the UN Conference on Sustainable Development (Rio+20) is a further evolution of this important movement to build a green economy. Developed by the UN Environment Programme's Finance Initiative, these principles form the framework for the global insurance industry to address environmental, social and governance risks and opportunities.

As the premier insurer in the country, we are committed to serving our nation and its people by providing innovative and customer-friendly insurance solutions. While doing so, we uphold our reputation as a committed and responsible organisation contributing towards social and economic upliftment of Sri Lanka. Our actions impact both the society and the environment. Therefore, we are driven to create sustainable value for the communities around us and the environment in which we operate. Our stakeholders include customers, employees, business partners and society. They are an integral part of our success. As such, we took several initiatives this year to partner our stakeholders more vigorously as detailed in the ensuing pages of this report.

2.1.0 Customers

During our 52 years, we have secured a strong and loyal customer base through our caring and trusted service. Customers play an integral role in sustaining our business model. Therefore, we continually strive to deliver an unparalleled service and nurture strong relationships with our customers.

2.1.1 Insurance Premium Payments through Dialog eZ Cash

In order to add value to our customers, we tied up with Dialog's eZ Cash payment network, to provide enhanced convenience to our life insurance customer base, when making their premium payments.

Customers are now able to make premium payments via mobile money at any of the 14,000 plus eZ Cash merchants spread across the country which is accessible 365 days.

The tie-up with Dialog eZ Cash was a timely and apt partnership in the present context where communication is speeding ahead searching for avenues of customer convenience within all spheres of the business world. Our customers are able to experience this modern easy payment mode which will enable them to make timely premium payments to secure policies and ensure that policies are in force at a time of need.

This partnership has enabled SLICL and Dialog to deliver an excellent customer service and has defined an advanced level of efficiency and convenience across the customer engagement value chain for insurance services.

2.1.2 Motor Plus Loyalty Rewards

The Motor Plus Loyalty Rewards scheme was launched to provide a host of benefits to our loyal customer base. The scheme attracted 14 new prestigious merchants to its line of merchants offering during the year.

The new additions include DSI Tyres, Aitken Spence Hotels, Anilana, Citrus Hotels, Mallika Hemachandara Jewellers, Adidas, Hameedia, Singer Homes, Singer Plus, Anton PVC Pipes, Lanka Hospitals and Nawaloka Hospitals.

The Company had initially tied up with some of Sri Lanka's premier brands to provide rewards to the Motor Plus Loyalty customers. Senok Auto Mobiles Ltd., Senok Aviation, Michelin Tyres, Lucas Battery, Sunlanka Auto Traders, Kingsbury Hotel, Cinnamon & Chaya Hotel chain, Gallery Boutique, DSI, Rocell Bathware were some such partners.

SLICL customers are entitled to these rewards at the time of renewal or purchasing a new policy. A booklet containing the available discounts and rewards are made available to the customers as well.

2.1.3 Expansion of Branch Network

We augmented our branch network to create greater accessibility to our customers during the year. Two branches in Hambantota and Katunayake Export Processing Zones were opened increasing the total branch network to 112. Branches in Giriulla, Galgamuwa, Baddegama and Wellawaya were renovated to create a customer-friendly ambiance and to enhance the quality of service offered.

The Embilipitiya Branch was relocated to offer greater customer convenience and to cater to people in the area in an effective manner. In addition, training programs were conducted for branch staff members to enhance their technical knowledge in offering unparalleled customer service.

2.1.4 Life Decentralisation Process

We embarked on a decentralisation process to speed up the service offered by us contributing to increased customer convenience. Under life decentralisation process the authority limits of regional offices were increased up to Rs. 1 million and up to Rs. 700,000/- for selected branches. Due to enhanced efficiency towards life policy holders, a total of 49,527 life policies were executed by the branches during the year.

2.1.5 Speedy Motor Claims Settlements

In order to speed up motor claim settlements, more branches were authorised to release claim payments facilitating policy holders to obtain claim settlements from their nearest branch. As a result, 40,650 claims were settled by the branches in 2013.

2.1.6 Deyata Kirula Exhibition

SLICL was the main sponsor of the Deyata Kirula exhibition held at the Hardy College grounds, Ampara. This was the largest ever national event of its kind in Sri Lanka. The exhibition effected massive infrastructure development to the Eastern regional hub in Ampara.

A large scale life insurance awareness campaign was carried out by SLICL in the East parallel to the national exhibition. The campaign was designed to highlight the importance of life insurance and the benefits it brings to individuals and loved ones in times of adversity. The campaign was a resounding success with many individuals investing in life policies of the Company.

The SLICL stall at the Deyata Kirula exhibition was structured as a replica of its head office building at Vauxhall Street, Colombo 2. This is a historical monument instrumental in providing protection to people of Sri Lanka for over 5 decades. Several talent competitions and quiz programs were conducted at the stall which attracted massive crowds during the exhibition.

2.2.0 Employees

Our reputation and success as a leading national brand is rooted in our ability to attract, select, motivate, develop and retain the best individuals. We need talented individuals who are able to deliver to their fullest potential, given the right opportunities, and support, to excel in their current and future roles.

Operating in an increasingly competitive environment necessitates continuous supply of talented individuals for future business leadership roles. Creating an environment in which individuals are developed as future leaders is a challenge for organisations. Therefore, developing our people is critical in meeting our business objectives. We also recognise that engaging and communicating with employees is an integral aspect of ensuring sustainable performance.

2.2.1 Employee Analysis

Gender Analysis

Gender	No. of Employees	
	2015	2012
Male	1,284	1,274
Female	1,145	1,147

Analysis by Category

Employee Category	No. of Employees	
	2015	2012
Senior Managerial	68	72
Managerial and Executive	751	747
Non-Executive	1,220	1,357
Other	388	225

Staff Retention Rate

	2009	2010	2011	2012	2013
Number of Staff	2,063	2,281	2,476	2,421	2,427
Staff Retention Rate (%)	91.70	95.50	91.50	92.30	94.57

Human Resource Management is driven by four key best practices at SLICL as detailed below.

2.2.2 Investment in Human Capital to Develop and Retain Best Talent

Human capital is the cornerstone of an organisation. However, its value is dependent on the technical know-how and job specific competencies of employees. As such, we have in place a training requirement identification program and customised training and development programmes to develop our employees. A talent pool within the organisation is identified, to be groomed as future leaders of the Company.

Retaining the best talent within an organisation is important for sustainability and competitiveness of the organisation. Therefore, we have developed different strategies to retain and develop the best talent of the Company.

Investment in Training and Development

	2015 Rs.	2012 Rs.
In-house Training	2,295,147	1,515,854
External Training	2,082,263	2,915, 461
Conferences	962,922	362,080
Overseas Training	6,213,164	7,533,386
Insurance and Professional Education	331,728	3,708,332
Professional Memberships	1,689,516	747,722

Training Programmes

	2015	2012
Number of Programmes	76	119
Number of Hours	569.0 Hours	994.5 Hours

2.2.3 People Engagement

The commitment and involvement of our employees is key to our success. We believe that the ‘success story’ of SLICL is its people.

2.2.3.1 Policies and Procedures on HR Practices

A Human Resources policy manual has been implemented with the objective of streamlining the existing procedures and providing an enriched service to our staff members. These policies were introduced as a result of the first ever, 3-year collective agreement signed by the Management with two trade unions; namely, Rakshana Sewaka Sangamaya and Sri Lanka Nidahas Sewaka Sangamaya on 27th January 2011.

The policies provide guidelines in relation to the following key HR aspects:

- **Staff Promotions**

Structured and organised promotion plans to develop and retain the best talent within the organisation where individual employees are evaluated based on technical competencies, skills and other competencies.

- **Staff Transfers**

Annual staffs transfer procedures to mobilise employees in the most effective manner that supports business growth. The policy is focused on identifying and solving employee grievances in a manner that is mutually beneficial to the organisation and the employees.

- **Personal Loans**

Personal loans policy to provide housing and vehicle loans to employees at concessionary rates to fulfill their personal requirements.

- **Overtime**

Revising the former overtime policy to implement an overtime procedure that is cost-effective to the organisation and the most beneficial to employees.

- **Grievance Handling**

Grievance handling policy is implemented to solve employee grievances to the best extent possible.

- **Medical Scheme**

The present medical scheme provides superior benefits to our employees in line with market rates.

2.2.3.2 People Development

We believe that our people make the difference in making SLICL the market leader in the industry. Thus developing and retaining the best talent within the organisation is vital for the success of the organisation. A number of programmes were developed with the objective of developing people to achieve higher standards. These include the following:

Management Development Programmes

Developing the next level of junior managers is essential for the sustainability and growth of business. Therefore, a series of management development programmes were developed by liaising with leading educational institutions to develop skills and competencies of our junior managers.

International Exposure

Employees are being given foreign exposure with the objective of developing them to achieve higher standards of performance. Such learning opportunities are given to the identified competent staff members who have the potential to be groomed to take future leadership roles of the organisation.

	2015	2012
Technical	10	9
Sales and Marketing	2	2
ICT	1	3
Finance	2	1
Other	0	4

Developing Credible Successors

Operating in an increasingly competitive business world necessitates the supply of a talented workforce for the future business leadership. We believe retention of the best talent within the organisation is a key success factor to maintain the market leadership in the insurance industry. Therefore, we have developed clear career paths for employees in different functionalities, as part of the Company's promotion policy. Since we work with a diversified workforce of different generations, career management takes into account the requirements of all these groups.

Induction Programmes

	2015	2012
Number of Programmes	20	23
Number of Hours	80	80.5

Language Development

Language development clubs such as Toastmasters are in place to enhance language and presentation skills of employees, which we believe is significant in the corporate world.

2.2.4 Employee Recognition

'Harasara-Pranama'

Every employee is an asset. Therefore they should be recognised at different junctures in their career. *'Harasara-Pranama'* is a programme organised annually to recognise employees who have served the Company for long years and to show our gratitude and honour. Employees who have completed 25 and 35 years were awarded with commemorative gold coins for their devoted services.

2.2.5 Employee Programmes

We value our people and we ensure they are looked after well. We understand the link between performance and satisfaction and continuously strive towards achieving higher levels of satisfaction for our employees. The following programs are conducted annually to achieve this.

- Wesak/Christmas programmes;
- annual sports festivals/new year programmes;
- educational sessions with popular artists to improve artistic knowledge;
- relief schemes to provide a helping hand in natural disasters; and
- scholarship programmes for employees.

We provide a range of welfare facilities to our employees to keep their motivational levels high. These include both statutory and non-statutory welfare schemes like house-hold appliances at concessionary rates and company maintained holiday bungalows at concessionary rates. Statutory welfare schemes include payments made on time to Employees' Trust Fund, Employees' Provident Fund, Gratuity Payment and maternity leave. Other non-statutory welfare schemes include gymnasium facilities, canteen facilities, in-house medical centre facilities, medical schemes and insurance at concessionary rates on account of special milestones. Several welfare facilities are also offered through numerous societies namely, the Thrift Society, Sports Society and Literary Society.

2.3.0 Business Partners

Our business partners play an integral role as we strive to nurture strong and loyal relationships with our customers. Our key business partners include reinsurers, brokers, advisors and suppliers. We have put in place internal policies and procedures to guide us and our business partners in maintaining compliance with laws and regulations and also to uphold the integrity and ethical practices. We aim to maximise value of our business partners and optimise their outcomes.

2.3.1 Million Dollar Round Table Conference, Pennsylvania, USA

Top life insurance sales achievers of SLICL qualified for the elite Million Dollar Round Table (MDRT) Annual Conference 2013 held in Pennsylvania, USA. The MDRT groups together the cream of insurance advisors globally. In order to qualify, Sri Lankan advisors have achieved a premium production of Rs. 4,186 million for MDRT membership, Rs. 12,558 million for ‘Court of the Table’ and Rs. 25,116 million for ‘Top of the Table’ membership within the year 2012. This is the most innovative and prestigious business forum in the financial services profession, attracting nearly 4,000 attendees from around the globe. Participation at the Million Dollar Round Table is a seal of excellence for the public assuring that they are working with the best in the business for life insurance solutions.

At MDRT, the honour of bearing the National Flag of Sri Lanka was bestowed on to Mr. G.T. Senarathna a member of the Sri Lanka Insurance Corporation Team. Further, two members of the Company, Mr. R. H. Noor and Mrs. W. T. R. F. Malalanayake were produced to the prestigious ‘Court of the Table’ forum this year.

2.3.2 Sri Lanka Insurance Corporation’s Awards Night Honours the Best of the Best

Sri Lanka Insurance Corporation Awards Night - Star Awards 2012, was held on 3rd September 2013 at the BMICH to felicitate the best performing sales personnel of the company. The event was patronised by distinguished participation of the Board of Directors and the top management of SLICL. Insurance Ombudsman Dr. Wickrama Weerasooriya graced the occasion as the chief guest.

Over 1,300 attendees were present at the ceremony. A total of 566 Insurance advisors and team leaders were awarded for their excellent sales performance.

2.4.0 Society

As a responsible corporate citizen, we strive to create a significant impact on the community within which we operate. In our long years of serving the nation, we are fortunate to have served and supported our people in numerous ways. In return, we have earned the trust and appreciation of the communities around us. This year too, we continued to embark on several initiatives to add value to the community as detailed below:

2.4.1 ‘Abimansala’ - A Project that gives Love and Life to Dependent War Heroes

In order to contribute towards the upliftment of the society, we supported the Abimansala project of the Government which is geared to assist war heroes of our country. Abimansala is a project that provides a series of care homes for the disabled soldiers of Sri Lanka. This was initiated by H.E. President Mahinda Rajapakse and is spearheaded and guided by the Secretary of Defense and Urban Development, Mr. Gotabaya Rajapaksa, while construction is carried out by the Sri Lanka Army.

The project which commenced in Anuradhapura is now a home for 52 dependent war heroes. The second project which was launched in Udumulla, provides lifelong care to 48 war heroes in the South. The third and fourth phases of the project are scheduled to be set up in Kurunegala and in the Northern Provinces respectively.

These homes provide 24-hour care to the residents and is equipped with the state-of-the-art services including medical laboratories, traditional herbal treatment facilities, auditorium, sports facilities, entertainment, library facilities and also hydrotherapy and physiotherapy facilities. The war heroes are given the best medical and personal care throughout their lives.

2.4.2 ‘*Suba Pathum*’ - A tribute to Outstanding Students

In our effort to nurture an academically sound generation we embarked on a national scholarship program titled ‘Sri Lanka Insurance Life *Suba Pathum*.’ This is geared to provide financial assistance to students who have excelled at the Grade 5 Scholarship exams, G.C.E (O/L), and G.C.E (A/L) examinations. A total of three hundred top ranking students will receive Sri Lanka Insurance Life Suba Pathum Scholarships.

Cash awards of Rs. 20,000, Rs. 40,000 and Rs. 50,000 will be awarded to each of the top 4 students from each district who sat for the Grade 5 Scholarship exams, G.C.E (O/L), and G.C.E (A/L) examinations respectively. This will be in effect for students who sit the examinations from 2013 onwards.

2.4.3 Gangarama Nawam Maha Perahera

SLICL has been a pioneer in supporting this sacred event for many years. This year too Sri Lanka Insurance Corporation came forward with a free personal accident insurance cover of Rs. 5 million, covering all participants and spectators of this event.

2.4.4 Sri Lanka Insurance Corporation Brings Relief and Smiles to Many Pilgrims during Poson

Sri Lanka Insurance Corporation once again provided assistance to pilgrims during Poson season in Anuradhapura. Continuing this valuable service for twenty long years, the Company assisted pilgrims who were misplaced or lost in the crowds to be united with their families. This valuable service saw over two thousand people who were lost re-united with their families.

2.4.5 *Sooriya Mangalya* - 2013

In our effort to keep the Sri Lankan traditions and rituals alive to be handed down to our future generations, we partnered the *Sooriya Mangalya* 2013, organised by ITN. This event was held at Riffle Ground, Kundasale and Kandy.

2.4.6 Carlton Super Sevens Rugby Tournament 2013

We strongly believe in developing the future generation to be holistic individuals with strong personalities. Therefore, sports play a vital role in developing the physical, mental and emotional wellbeing of children enabling them to become healthy well rounded adults.

In this context, we stepped forward yet again to power a spectacular sporting event in the country ‘Carlton Super Sevens Rugby Tournament 2013’ which aims to inculcate the habit of sport among Sri Lankan youth and to elevate Sri Lankan Rugby beyond local shores.

Carlton Super 7’s brought together youth from all corners of the country with 10 teams representing the ten provinces of the country. We truly believe that this sporting event would instill right values while encouraging teamwork.

2.5.0 Government and the Economy

2.5.1 Taxation

The Company has contributed Rs. 3,171 million as taxes to the Government in the year 2013 compared to Rs. 3,026 million in 2012. These taxes include income tax, value added tax, stamp duty, nation building tax etc.

	2009 Rs. '000	2010 Rs. '000	2011 Rs. '000	2012 Rs. '000	2013 Rs. '000
VAT	766,018	816,031	1,074,671	1,121,183	1,186,288
NBT	173,490	261,317	299,707	258,914	267,011
WHT	20,613	44,637	17,089	–	–
RST	5,868	6,374	8,879	10,095	9,751
ESC	120,000	120,000	120,000	–	–
ST	5,417	5,562	7,987	8,175	8,186
IT	1,322,893	1,860,560	1,220,547	1,627,413	1,700,039
SRL	25,309	18,187	4,803	–	–
TOTAL	2,439,608	3,132,667	2,753,682	3,025,780	3,171,275

Abbreviations:

VAT - Value Added Tax
 NBT - Nation Building Tax
 WHT - Withholding Tax
 RSF - Road Safety Fund
 ESC - Economic Service Charge
 ST - Stamp Duty
 IT - Income Tax
 SRL - Social Responsibility Levy

2.6.0 Global Reporting Initiative (GRI) G3 Index

GRI Indicator	Report Section	Page
1. Strategy and Analysis		
1.1 Statements of Chairman and the MD-CEO	Chairman's Message	01
	MD's Review	06
1.2 Description of key impacts, risks and opportunities	Chairman's Message	01
	MD's Review	06
	Management Discussion and Analysis	10
	Risk Management	78
2. Organisational Profile		
2.1 Name of the organisation	Sri Lanka Insurance Corporation Ltd.	
2.2 Primary brands, products and/or services	Life and Non-life Insurance	
2.3 Operational structure of the organisation	Corporate Governance Report	64
2.4 Location of organisation's headquarters	No. 21, Vauxhall Street, Colombo 02	
2.5 Number and name of countries with operation	Sri Lanka and Maldives	

GRI Indicator	Report Section	Page
2.6 Nature of ownership and legal form	SLICL was established under the provisions of Insurance Corporation Act No. 2 of 1961 as a State-Owned Corporation. In 1993, the Corporation was converted to a fully Government-owned limited liability company of which the sole shareholder of 100% shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government-owned Business Under-takings into Public Companies Act, No. 23 of 1987. Under the privatisation programme of the Government, the Company was privatised in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the Companies Act No. 07 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatisation, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka and the balance shares are held by the employees and ex-employees.	
2.7 Markets served	Management Discussion and Analysis	10
2.8 Scale of the reporting organistaion	<p>Number of employees - 2,427</p> <p>Twenty largest shareholders - 99.99% of the Ordinary shares in issued and fully paid up as at 31st December 2013 are held by the Secretary to the Treasury and the balance shares are held by employees and ex-employees of the Company.</p> <p>Total Assets - Rs. 143.56 billion.</p>	
2.9 Significant changes during the reporting period	Nil	

GRI Indicator	Report Section	Page
2.10 Awards received in the reporting period	<p>The Company won ‘The Best Insurance Company in Sri Lanka’ title at the World Finance Insurance Awards 2012, a Merit Award at the National Best Quality ICT Awards (NBQSA) 2012 and two prestigious awards at the 2011 Vision Awards which is organised by the League of American Communications Professionals (LACP).</p> <p>Fitch Ratings National Insurer Financial Strength Rating: AA(Ika) National Long-Term Rating: AA (Ika) Outlook: Stable</p> <p>RAM Ratings Long-Term Claims Paying Ability: AAA Short-Term Claims Paying Ability: P1 Outlook: Stable</p>	
3. Report Parameters - Report Profile		
3.1 Reporting period	For the year ended 31st December 2013	
3.2 Date of most recent previous report	For the year ended 31st December 2012	
3.3 Reporting cycle	Annual	
3.4 Contact point	<p>Sri Lanka Insurance Corporation Ltd. No. 21, Vauxhall Street, Colombo 2.</p> <p>Tel: +94 11 2357457 Fax: +94 11 2447742 Web: www.srilankainsurance.com</p>	
3.5 Defining Report Content	We have identified the Government, customers, employees, business partners and the community and environment as the major stakeholders of the Company.	
3.6 Report scope and boundary	This is our fourth sustainability reporting and this is based on the Global Reporting Initiative (G3) Guidelines for Sustainability.	

	GRI Indicator	Report Section	Page
5.7	Limitations on scope/ boundary	No External Assurance Report was obtained.	
5.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Financial Reports.	
5.9	Data measurement techniques	Not applicable.	
5.10	Explanation of the effect of any re-statement	No re-statement.	
5.11	Significant changes	None.	
Report Parameters - GRI Content Index			
5.12	Location of the standard disclosures in the report	Global Reporting Initiative (GRI) G3 Index.	
5.13	External assurance for the report	No External Assurance Report was obtained.	
4. Governance and Commitments			
4.1	Governance structure of the organisation	Corporate Governance Report.	64
4.2	Indicate whether the Chairman of the Board is also the Chief Executive Officer	Role of the Chairman and Chief Executive Officer is clearly separated.	

GRI Indicator	Report Section	Page
4.3 Independent and/or Non-Executive Directors	Corporate Governance Report.	64
4.4 Mechanisms for shareholders and employees to provide recommendations or directions to the Board	There is a mechanism for employees to provide recommendations to the Board by way of Employee Forums. Employees can forward their views, opinions, suggestions and grievances etc., to HR Division and the same would reach the top management or the Board as per the standard protocol of the Company, according to their importance and priority .	
4.5 Linkage between compensation for members of the Board, Senior Managers and Executives, and the organisation's performance.	Board members are appointed by His Excellency the President Mahinda Rajapakse in his capacity as the Minister of Finance and one Director represents the Secretary to the Treasury as the major shareholder of the Company and as such no Remuneration Committee is appointed to make recommendations to the Board on the Company's framework of Executive Directors' remuneration. However, the Board has appointed a HR Subcommittee and the Committee met five times during 2013.	
4.6 Processes in place for the Board to ensure conflicts of interest are avoided	Annually obtained.	
4.7 Process for determining the qualifications and expertise of the members of the Board for guiding the organisation's strategy	His Excellency the President Mahinda Rajapakse appointed the Board Members in his capacity as the Minister of Finance and the Board Members possess requisite educational and professional qualifications along with the relevant experience.	

	GRI Indicator	Report Section	Page
4.8	Statement of mission or values	Mission and Vision Statements.	
4.9	Review of performance by the Board	Corporate Governance Report.	64
4.10	Evaluating Board performance	Corporate Governance Report.	64
4.11	Precautionary approach	<p>The Board of Directors bestows the overall strategic direction and risk appetite for the Company including financial objectives. The general management carves out the strategic plan in achieving these slated goals and objectives including measuring the organisation's progress towards achieving its mission.</p> <p>Board of Directors is mainly responsible for establishing the risk management process and evaluating and monitoring the activities of the Company. The Board of Directors gives significant oversight to risk management and is conscious of and concurs with the Company's risk appetite. Audit and Compliance Committee, Risk Management Committee, Investment Committee, Internal Audit Department, Actuarial Department and the respective managers of the Company assist the Company's risk management philosophy, promote compliance with its risk appetite and manage risks within their spheres of responsibility in line with risk tolerance.</p>	

GRI Indicator	Report Section	Page
	<p>The Risk Management Committee, Audit and Compliance Committee together with the Board of Directors play a significant role in risk management by establishing the correct environment or tone-at-the-top. The Risk Management Committee being a formally constituted committee of the Board of Directors recommends to the Board and then formally announces, implements and maintains a sound system of risk oversight and management independent from the audit function. The main role of the Internal Audit Department regarding risk management is to provide objective assurance to the Board of Directors of the effectiveness of the Company's risk management activities thereby to ensure that the key business risks are being managed properly and that the system of internal control is working efficiently. Investment Committee oversees the investment risk including concentration risk, credit risk, liquidity risk, market risk and interest risk. In addition, Messrs KPMG, the External Auditor for the Company who is reporting to shareholders also plays an essential role in the risk management process of the Company.</p>	
<p>4.12 Externally developed charters, principles, or other initiatives to which the organisation subscribes or endorses</p>	<p>Not reported.</p>	
<p>4.13 Memberships in associations</p>	<p>Members of the Insurance Association of Sri Lanka (IASL), Chamber of Commerce, Employers' Federation of Ceylon (EFC), Sri Lanka Insurance Institute and the British Council Library.</p>	

	GRI Indicator	Report Section	Page
	Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report.	36
4.15	Basis for identification and selection of stakeholders	Sustainability Report.	36
4.16	Approaches to stakeholder engagement	Sustainability Report.	36
4.17	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report.	36
5.	Management Approach and Performance per Category Economic Performance Indicators		
EC1	Economic value generated and distributed	Value Added Statement.	24
EC3	Company's defined benefit plan obligations	Notes to the Financial Statements.	150-277
EC4	Significant financial assistance received from Government	Did not receive any significant financial assistance from the government.	
EC5	Standard entry level wage compared to local minimum wage	Wages are competitive with the market rates. Wages Boards have been established for over 43 trades such as manufacturers of tea, rubber, garments etc., and the minimum wages payable and conditions of employment applicable to those trades are published in the Gazette. A minimum salary is not applicable to employees covered under the Shop and Office Act and therefore can be decided by the employer and employee.	

	GRI Indicator	Report Section	Page
EC9	Significant indirect economic impact (additional)	Island-wide insurance solutions, taxes to the Government exchequer and fees to the IBSL.	
Environmental Performance Indicators			
EN7	Initiatives to reduce indirect energy consumption and reduction achieved (additional)	Sustainability Report.	36
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No non-compliances during the year.	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operation, and transporting members of the work force	None.	
Social Performance Indicators - Labour Practices and Decent Work			
LA1	Breakdown of total workforce	Sustainability Report.	36
LA2	Employee turnover	Sustainability Report.	36

	GRI Indicator	Report Section	Page
LA6	Percentage of total workforce represented in Worker Health and Safety Committee	Since 2007, the Health and Safety Committee of the Company held many meetings specially identifying the requirements under the OHSAS 18001 which is the internationally recognized assessment specification for occupational health and safety management systems. As part of this many awareness programmes were conducted on health and safety.	
LA7	Rates of occupational diseases	None.	
LA8	Training in occupational diseases	None.	
LA10	Employee training	Sustainability Report.	36
LA11	Programmes for skill management and lifelong learning	Sustainability Report.	36
LA12	Employee receiving regular performance and career development reviews	Sustainability Report.	36
LA13	Employees according to diversity	Sustainability Report.	36
LA14	Basic salary of men and women	No gender differentials at SLICL.	
Society Performance Indicators			
HR4	Total number of incidents of discrimination and actions taken	None reported during the year.	
HR6	Operations identified as having significant risk for incidents of child labour	Strictly no child labour at SLICL.	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	Strictly no forced labour at SLICL.	

	GRI Indicator	Report Section	Page
SO4	Actions taken in response to incidents corruption	None reported during the year.	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	No contributions to political parties during the year.	
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	None reported during the year.	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None reported during the year.	
Product Responsibility Performance Indicators			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	None reported during the year.	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report.	36
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing, communications, including advertising, promotion, and sponsorship	The compliance framework has identified anti-competitive laws and assigned responsibilities accordingly to mitigate such risk. The Compliance Department is currently working on familiarising with the revisions of the existing 40+9 Recommendations of the Financial Action Task Force on anti-money laundering.	

	GRI Indicator	Report Section	Page
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning market communications, including advertising, promotion, and sponsorship by type of outcomes	None reported during the year. SLICL has complied with Directive No. 01 dated 14th October 2004, Circular 01 dated 6th August 2001 and Directive No. 3 dated 4th August 2005 and other rules and regulations as amended, issued by the IBSL.	
PR8	Substantial complaints regarding breaches of customer privacy	None reported during the year.	
PR9	Total number of substantial complaints regarding breaches of customer privacy and losses of customer data.	None reported during the year.	

		C	C+	B	B+	A	A+
Mandatory	Self-Declared			X			
Optional	Third Party Checked						
	GRI Checked						

Corporate Governance - Board at the Helm of Stewardship 3.0.0

As the topmost decision-making body, SLICL has a Board of Directors comprising six Directors. They strive to maintain the highest standards of corporate governance as prescribed in the applicable codes for ensuring long-term success of the Company in creating value in the interest of all the stakeholders. Risk management, actuarial valuations, internal audit and system of internal controls strengthen corporate governance standards in SLICL.

Information relating to the Directors including what is required to be disclosed as per the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, June 2008 (available at www.sec.gov.lk) is given below. There were no instances of non-compliance with any of the applicable rules.

In discharging its duties, the Board has approved an effective business strategy and is driving and monitoring its implementation. A CEO and a management team (as detailed on pages 73 - 75) with the required experience and knowledge to implement the strategy have been appointed. A formal succession plan too is in place. Risk management function was further streamlined during the year (Refer pages 78 - 103). As detailed in the report of the Audit and Compliance Committee on pages 104 - 108, SLICL has an effective system of internal controls. Compliance function ensures compliance with all applicable laws, rules, regulations and ethical standards. Periodic actuarial valuations are undertaken of the life fund and also to determine the policyholders' and shareholders' portion of the surplus. Board ensures adoption of appropriate accounting policies and comprehensive disclosure of financial information.



The number of Board Meetings held during 2013 and the details of attendance of each Director at these meetings are given below:

Board Meetings - 2013

Name of the Director	No. of Meetings	
	Held	Attended
Mr. A.M.M. De Alwis	9	7
Mr. P. Kudabalage	9	9
Mr. C.N.V. Selvanayagam	9	2
Mr. K.A.D.D. Perera	9	0
Dr. B.M.S. Batagoda	9	2
Mr. H.K.U. Dharmadasa - Chairman (appointed w.e.f. 21st May 2013)	9	7
Mr. N.D.P. Dehigama (appointed w.e.f. 21st May 2013)	9	6
Mr. H.I. Balapatabendi (appointed w.e.f. 21st May 2013)	9	5
Mr. S.V.R. Samarasinghe (appointed w.e.f. 21st May 2013)	9	4
Mrs. I.T.K. Illangamudali (appointed w.e.f. 04th June 2013)	9	5

Mr. K.A.D.D. Perera, Dr. B.M.S. Batagoda and Mr. C.N.V. Selvanayagam ceased to be Directors w.e.f. 21st May 2013. Mr. A.M.M. De Alwis resigned w.e.f. 20th December 2013. Mr. P. Kudabalage was appointed as the Managing Director w.e.f. 01st January 2014.

3.1.0 Board of Directors

Director		Executive/ Non-Executive Status	Independence/ Non-Independence*
Mr. H.K. Upali Dharmadasa Chairman		Non-Executive	Independent
Mr. Piyadasa Kudabalage Managing Director		Executive	Non-Independent

Profile

Mr. Upali Dharmadasa is a high-profile industrialist, with strong leadership qualities, proven strategic abilities and an inherent and abiding interest in all matters concerning business and cricket. He counts over 32 years of experience in higher management.

Mr. Upali Dharmadasa is the Managing Director of Nawaloka Group of Companies which consists of Nawaloka Piling (Pvt) Ltd., Nawaloka Timber Stores (Pvt) Ltd., Nawaloka Polysacks (Pvt) Ltd., Nawaloka Industries (Pvt) Ltd., New Nawaloka Trading Co. (Pvt) Ltd., Nawaloka Developments (Pvt) Ltd. and Nawaloka Restaurant (Pvt) Ltd.

He is the Chairman of Sri Lanka Timber Merchant Association.




In the Diplomatic field he is the Honorary Consul General for the Kingdom of Morocco in Sri Lanka. His involvement at the administrative level at Sri Lanka Cricket started in 1989 when he served as a Vice-President and subsequently as President of BCCSL then known as Board of Control for Cricket in Sri Lanka. Thereafter, he was the Chairman of the Interim Committee and also was the President of Sri Lanka Cricket.

He also served as a Director of the Industrial Development Board. Mr. Dharmadasa is a product of Ananda College and completed his education at Wandsworth Technical College, United Kingdom.

Mr. Piyadasa Kudabalage, a Chartered Accountant by profession, is the Managing Director of Sri Lanka Insurance Corporation Ltd. He holds a Bachelor of Commerce (Hons) Degree from the University of Kelaniya and is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, the Institute of Certified Management Accountants of Sri Lanka and the Institute of Certified Professional Managers.

Mr. Kudabalage is the Managing Director/Chief Executive Officer of Litro Gas Lanka Ltd., Litro Gas Terminal Lanka (Pvt) Ltd, Canwill Holdings (Pvt) Ltd, Sinolanka Hotels & Spa (Pvt) Ltd, Taprobane Hotels & Spa (Pvt) Ltd., Helanco Hotels & Spa (Pvt) Ltd. and Canowin Hotels and Spas (Pvt) Ltd. He is the Chairman of the People's Merchant Finance PLC. He also serves the Boards of Peoples' Bank, Colombo Dockyard PLC, Sri Lanka Insurance Corporation (Pvt) Ltd. – Maldives, Management Services Rakshana (Pvt) Ltd., People's Leasing & Finance PLC, People's Leasing Property Development Ltd, People's Microfinance Ltd., Ceybank Asset Management Ltd., and a Senior Partner of M/s P. Kudabalage & Company, Chartered Accountants.

He has well over 30 years experience in the mercantile sector and held several senior positions in Kahawatta Plantations Ltd., Janatha Estate Development Board and Jay Cey Group of Companies and a directorate in Malwatte Valley Plantation Ltd.

Director		Executive/ Non-Executive Status	Independence/ Non-Independence*
Mr. Himashe Isuru Balapatabendi		Non-Executive	Independent
Mr. Sanjay V.R. Samarasinhe		Non-Executive	Independent
Mr. Nayana D.P. Dehigama		Non-Executive	Independent

Profile

Mr. Balapatabendi holds a L.L.M. (Master of Law) from the University of Pittsburgh School of Law, Pittsburgh, Pennsylvania, United States of America and is an Attorney-at-law of the Supreme Court, Sri Lanka. He is a product of Royal College and at both Royal College and at Sri Lanka Law College he was an active athletic excelled in rugby and swimming. He has functioned as a State Counsel-Attorney General's Department of Sri Lanka and as Diplomat and Head of Chancery - Embassy of Sri Lanka in The Hague, Netherlands (2008-2010). He also serves as an advisor to Hon. Deputy Minister of Investment Promotion. He serves the Board of Seylan Bank PLC as well.

Mr. Sanjay Samarasinhe is a product of St.Thomas' College and holds a Bachelor's Degree in Business Administration from Middlesex University, London - United Kingdom. He serves on the Boards of Oracle Trading Lanka (Pvt) Ltd. and SHS Investments and Construction (Pvt) Ltd. He is the Co-ordinating Secretary to Hon. Namal Rajapaksa (MP) and the Media Secretary to Hon. Minister of Ports and Highways. He was an active member of the St. Thomas' College athletics team and represented Sri Lanka at the World Scholar Athletic Games held in Rhode Island, USA - 2000.

Mr. Dehigama is a well-known entrepreneur and the Founder Chairman/Managing Director of Epic Lanka Group of Companies, the renowned technology group with a proven track record of 15 years. This diversified Group consists of Epic Lanka (Pvt.) Ltd., Epic Lanka Technologies (Pvt.) Ltd., Epic Technologies (Pvt.) Ltd. (BOI venture), Prime Cost International (Pvt.) Ltd., InTech Solutions(Pvt.) Ltd. (BOI venture), and Epic Malaysia Sdn Bhd. (MSC venture). Mr. Dehigama possesses over 20 years of managerial experience in the ICT industry in Sri Lanka and has managed many large IT projects in the country.

He is currently reading for his Doctoral Degree at the School of Management of the Asian Institute of Technology (AIT) in Thailand. Having acquired professional qualifications in electronics and telecommunications engineering, he subsequently obtained a Postgraduate Diploma in Marketing Management and an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is a member of the Industry Consultative Board of the Management of Technology Department, University of Moratuwa and also takes part in research committees in national universities. He also served as a member of the Committee for Promoting Techno-Entrepreneurship at National Science Foundation of Sri Lanka. He has also served in a few national level IT related committees.

Having won the Sri Lankan Entrepreneur of the Year - Silver Award for 3 consecutive years and the Gold Award as the winner of Western Province in the Extra Large category in 2011 and 2012, he also won the Sri Lankan Entrepreneur - Platinum Award in 2012. He also won the most coveted Asia-Pacific Young Entrepreneur Award 2010 organised by the Confederation of Asia-Pacific Chambers of Commerce and Industry where the best entrepreneurs of over 25 countries competed. He is the Immediate Past Chairman of Chamber of Young Lankan Entrepreneurs (COYLE), the vibrant forum of local entrepreneurs of the new generation. He serves the Board of Litro Gas Lanka Ltd. as well.

Director		Executive/ Non-Executive Status	Independence/ Non-Independence*
Ms. I.T.K. Illangamudali		Non-Executive	Independent

**His Excellency The President in his capacity as the Minister of Finance and Planning appointed the Board members of SLICL. As Non-Executive Directors are not engaged in the day-to-day operations of the Company and therefore are capable of forming an independent view on affairs of the Company, they are considered as Independent Directors.*

Two Board sub-committees; namely, Audit and Compliance Committee (ACC) and the Human Resources Committee (HRC) also met regularly during the year 2013 as depicted below:

ACC Meetings - 2013

Name of Director	No. of Meetings	
	Held	Attended
Mr. A.M.M. De Alwis	4	2
Mr. P. Kudabalage	4	4
Mr. C.N.V. Selvanayagam	4	0
Mr. K.A.D.D. Perera	4	0
Dr. B.M.S. Batagoda	4	1
Mr. H.I. Balapatabendi	4	3
Mrs. I.T.K. Illangamudali	4	3

Mr. A.M.M. De Alwis resigned w.e.f. 20th December 2013. Mr. K.A.D.D. Perera, Dr. B.M.S. Batagoda and Mr. C.N.V. Selvanayagam ceased to be Directors w.e.f. 21st May 2013, Mr. H.I. Balapatabendi was appointed w.e.f. 21st May 2013 and Mrs. I.T.K. Illangamudali was appointed w.e.f. 04th June 2013.

 Profile

Ms. I.T.K. Illangamudali, a Chartered Accountant by profession, is a member of the Sri Lanka Government Accountants Service and serves as a Deputy Director in the Department of Treasury Operations under the Ministry of Finance and Planning. She is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and holds a Postgraduate Diploma in Public Management from the Institute of Development Administration, Sri Lanka. Ms. Illangamudali is also a Board member of Polipto Lanka (Pvt) Ltd.

HR Meetings - 2013

Name of Director	No. of Meetings	
	Held	Attended
Mr. A.M.M. De Alwis	5	4
Mr. P. Kudabalage	5	4
Mr. C.N.V. Selvanayagam	5	1
Mr. K.A.D.D. Perera	5	0
Dr. B.M.S. Batagoda	5	2
Mr. H.K.U. Dharmadasa	5	2
Mr. N.D.P. Dehigama	5	3

Mr. A.M.M. De Alwis resigned w.e.f. 20th December 2013. Mr. K.A.D.D. Perera, Mr. C.N.V. Selvanayagam and Dr. B.M.S Batagoda ceased to be Directors w.e.f. 21st May 2013. Mr. H.K.U. Dharmadasa and Mr. N.D.P. Dehigama were appointed w.e.f. 21st May 2013.

In addition during the year under review, a Risk Management Committee, which is a formerly constituted committee of the Board of Directors of the Company was appointed with a broader membership representing different spectrum of risk managers including finance, investments, actuarial, reinsurance, compliance, internal audit, human resources management and ICT etc., details of which are given in the Enterprise Risk Management Report.

Other than the above mentioned three Board sub-committees, Operations Review and Advisory Committee (ORAC) - The Management Committee, Investment Committee, Marketing Committee, TIRRIFICS Meeting and Legal Committee consisting of the senior management meet at regular intervals and as and when required to ensure good governance within the Company.

All members of the Board possess extensive knowledge and experience in various facets of financial management and provide financial acumen and balance of the Board.

Board members receive Board papers, agendas and minutes of previous Board meetings well in advance of the Board meetings to be held.

Mr. Isuru Balapatabendi and Mr. Nayana D.P. Dehigama, Directors retire in terms of Article 98 of the Articles of Association of the Company at the forthcoming AGM and being eligible, offer themselves for election.

Directors are provided with adequate training opportunities for continuous development and are frequently updated on the latest developments and issues facing the Company and the industry. A summary of Directors' duties has been made available to Directors. Company Secretaries, Varners International (Pvt) Ltd., attend all Board meetings and advise Board members on regulatory and compliance matters and ensure that Board procedures are adhered to.

Board carried out an annual appraisal of its members' performance.

3.2.0 Senior Management Team



P. Kudabalage
Managing Director
BCom, FCA, FCMA, FCPM
(Appointed as Managing
Director w.e.f. 1st Jan. 2104)



**Deepthi P.
Lokuarachchi**
Chief Executive Officer
LLB, Attorney at Law, ACIL,
Chartered Insurer
(Appointed w.e.f. 21st Apr. 2014)



Viyani Gunathilaka
Chief Officer -
Administration
SLAS Class - I,
BSc. (Bus. Admin.), MPA (Aus.)
(Ceased w.e.f. 14th Oct. 2015)



Suresh Paranavithana
Chief Officer - Life
FCIL, MBA, Dip. M, FCIM,
M.I. Mgt, CMA(Aus)



Ainsley J. Alles
Chief Officer - General
FCIL and Chartered Insurer,
FIIH, ANZIIF (Fellow),
MBA, EDBA, FCPM
(Resigned w.e.f. 21st April 2014)



Ranjith Perera
Senior DGM - Finance
BSc (Hons) (Pub. Admn. Sp.),
MBA, PG. Dip. in Corp.
Finance, FCMA, FCA



Niroshini Pethiyagoda
DGM - Marketing
MBA (MGSM, Syd),
FCIM (UK), DipM (UK)
Chartered Marketer



Ajith Wijayasundara
DGM - ICT
BSc (Eng), MBA



**Nilanga
Wickramasinghe**
AGM - National Sales (Life)
PG. Dip. in MGT., CIAM, Dip.
LIM, LUTCF (USA), Chartered
Insurance Agency Manager



Pubudu Wimalaratne
AGM - National Sales
(General)
ACIL, AIII, Chartered Insurer
(Resigned w.e.f. 2nd Sep. 2015)



Hasantha Perera
AGM - ICT - Operations
MSc (IT),
MSC (Const. P. Mgmt.), MBA,
BSc (Eng.), AIPMSL, AIESL,
Dip. in Credit Mgmt. (IBSL)



Rasika Ranatunga
AGM - Facilities
Management
Member (ASHRAE) (USA),
Member (ASHRAE) (SL), Dip.
HVAC (USA)



Dayaratne Perera
AGM - Life (Technical)
BSc (Hons), FCII, Dip. in BA,
Chartered Insurer
MBA, AUKAP (UK)



Mahen Peiris
AGM - Legal
LLB (Colombo), Attorney-at-
Law of the Supreme Court of
Sri Lanka



Jerome Vincent
AGM - Sales Dev. and
Admin
BCom (Sp.) Hons., MBA (USJ),
Dip. in Journalism,
Dip. in Marketing (UK) MCIM



Dr. Sherica Fernando
AGM - Medical
MBBS (SL), MSc, Community
Medicine (SL), ACII (UK),
MRCGP (INT)(UK)



Prabath Pussadeniya
AGM - HRD
BSc, PGC (PIM), NDTD
(SLITAD), AM (SLITAD)
(Resigned w.e.f. 31st Oct. 2015)



Parakrama Ambanpola
AGM - Branch
Administration
(Retired w.e.f. 24th Oct. 2015)



Nalin Subasinghe
AGM - Actuarial and Risk
Management
BSc (Hons. Maths Special),
Dip. in Computer Studies



Champa Kannangara
AGM - ICT Systems
Development
BSc, Msc (Comp.Sc.), MBCS



Chaminda Gunasinghe
AGM - Finance
B.B. Mgt. (Accountancy) Spl.
Hons, FCA, ACMA, MBA



Dhanuka Liyanagamage
AGM - Investments
BSc (Eng) (Hons), CFA, Member
of the CFA Institute (USA) and
CFA Sri Lanka Society



Chaminda Athauda
AGM - Life (Technical)
BSc.(Hons), ACII(UK), AIII,
ANZIIF (Senior Associate),
Chartered Insurer



Rodney Wanigasekara
AGM - Internal Audit
FCA, Certified Public
Accountants (USA), MIPA (Aus.),
BSc. [Bus. Admin. (Sp.)]



Jeewani Gunawardena
AGM - Internal Audit
FCA, MBA



Namalee Silva
AGM - Marketing
and Corporate
Communications
MCIM (UK), ACIB (UK),
Chartered Marketer, Prof. Dip.
In Marketing - CIM



Lalith De Silva
AGM - Motor/Branch
Administration (Cover up)
Post Graduate Dip. In Finance
and Bus. Administration, MBA
(Appointed as AGM - Motor
w.e.f. 21st Aug. 2015)



Malaka M. Bandara
AGM - Management
Accounting & Budgetary
Control
BSc. - Accountancy (Sp.), ACA

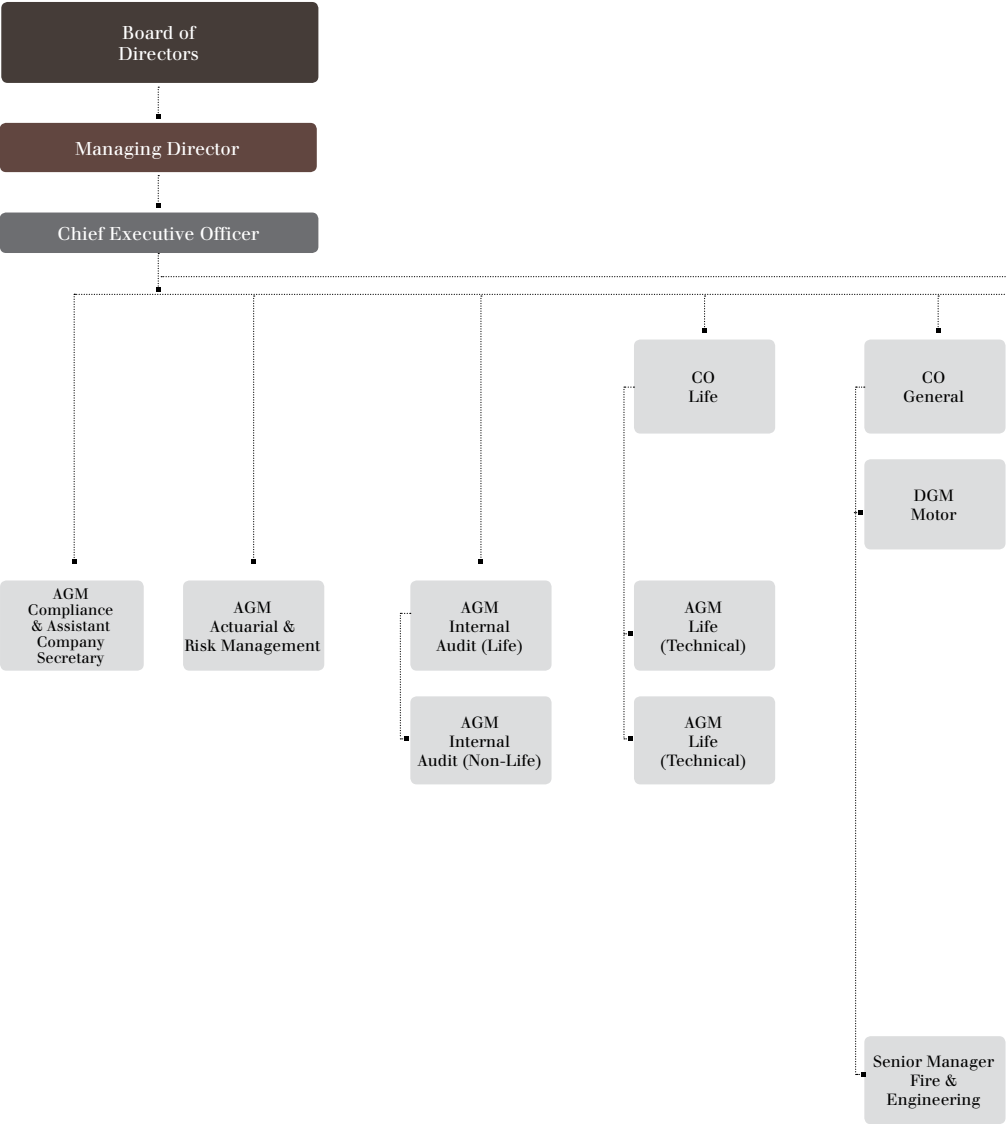


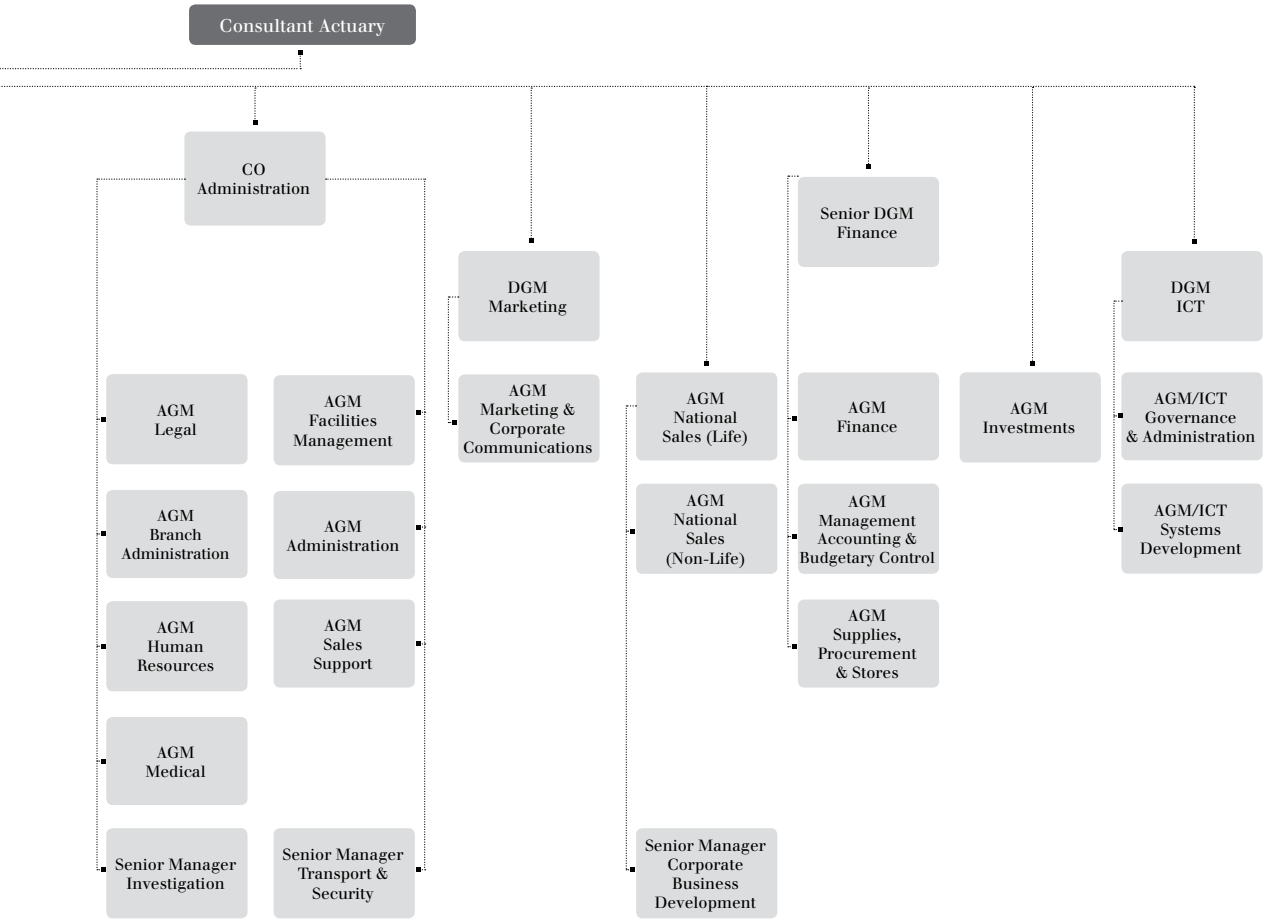
Anil Fernando
AGM - Supplies,
Procurement & Stores
FCA, ACMA,
BSc. - Accountancy (Sp.)
(Resigned w.e.f.
11th Jan. 2014)



**Ruwani
Dharmawardena**
AGM - Compliance
and Assistant Company
Secretary
LLB (Hons), Attorney-at-Law,
PG.Dip. in Bus. Mgt. (ICFAL),
Dip. in Mgt. (CMA), Dip. in
HRM (UK)

3.3.0 Organisational Structure





Enterprise Risk Management

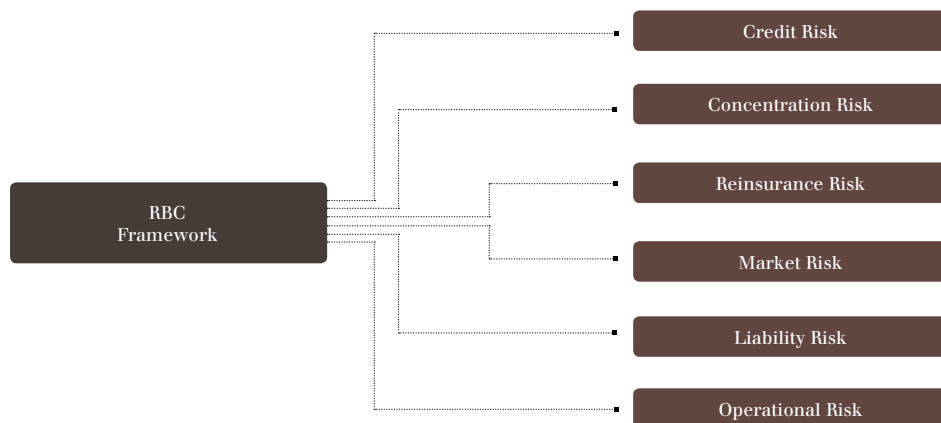
4.0.0

Introduction

Sri Lanka Insurance Corporation Ltd. (SLICL) being the largest composite insurer in Sri Lanka has always given its paramount importance to the risk management function and this is endorsed by stable earnings, improved credit ratings and enhanced shareholder values achieved by the Company over the years: Life insurance business has maintained a solvency ratio of 11.48 and general insurance business a solvency ratio of 4.93 for the year 2013; SLICL is the only insurer in the country who got the highest financial rating of AAA from RAM Ratings Lanka for its claims paying ability and also SLICL has got the highest financial rating among insurers from Fitch Ratings for its financial strength; and Net Asset Value of the Company stands at Rs. 53,175 million as at 31st December 2013.

To comply with the future Risk Based Capital (RBC) framework, SLICL has been producing results from the second quarter 2013 for internal analysis. Further, to fulfil the requirements of RBC, SLICL is also formulating and centralising its risk management function so as to ensure optimum utilisation of capital within the Company structure. In so far, as the test run is concerned, the results produced up to the end of 2013 are reflective of a position which exceeds the minimum threshold stipulated by the RBC framework.

The following mind map illustrates the main areas of risk management as per the RBC framework:

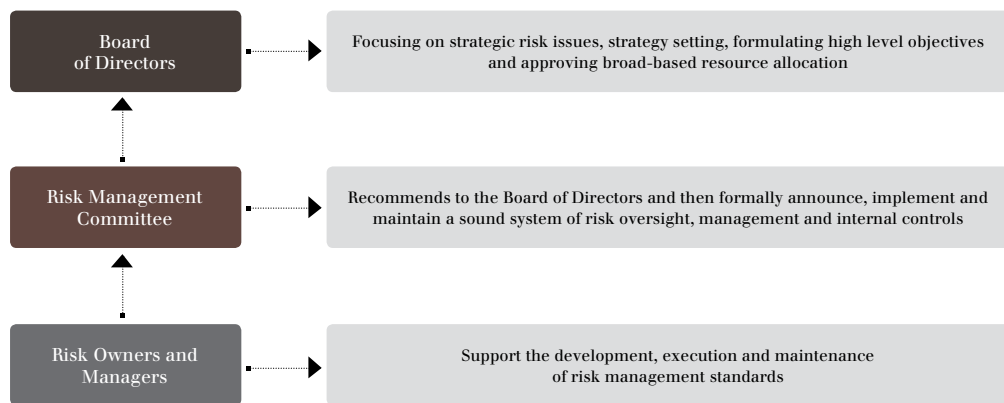


During the year under review, several initiatives were taken to view different types of risks holistically as opposed to independently/silo view and in the right direction, a Risk Management Committee, which is a formally constituted committee of the Board of Directors of the Company was appointed with a broader membership representing different spectrum of risk managers including finance, investments, actuarial, reinsurance, compliance, internal audit, human resources management and ICT etc. All these departments have embedded ERM into their daily operations.

With a rising focus on risk management throughout highly regulatory sectors, many organisations have concluded that there should be an increasing focus on risk management at Board level. This is consistent with the view that these organisations should have a separate Board level committee overseeing the risk management function, rather than merely relying on internal control systems comprising internal audit, legal or compliance departments.

Due to diverse reasons, to mention a few, growing complexity of risk management function, the increasing number of external guidance sources specifically dealing with risk management and the emergence of risk management as a discipline in its own rights compel for highly regulated large entities such as SLICL for considering a proper segregation of the roles between the Audit and Risk Committees. Accordingly, independently from the Audit and Compliance Committee, the Risk Management Committee will oversee the risk management function of the Company.

As explained earlier, there is a regulatory driver and a business desire for risk management and the chart below outlines our approach to risk management.



The ensuing paragraphs deal with the risk management function of SLICL. The ERM function is structured based on four broader categories of enterprise risk management covering areas pertaining to Insurance Risks, Investment Risks, Operations Risks and Regulatory Risks.

4.1.0 Insurance Risk Management

4.1.1 Life Insurance Risk

SLICL is a company which has kept to its commitments to its stakeholders for over 52 years in the insurance industry and is a home grown respected and trusted insurance company.

A life insurance company faces risk in relation to its product design, underwriting and claims processes, investment, expenses and human resources. In order to face these risks, the Company has adopted, tried and tested the best risk management practices to identify risk, quantify the impact of risk, develop measures to mitigate risks and to periodically review the risks in the light of changing market and operational conditions. The risk management practices are applied across the Board to product development, underwriting, claims settlement, holistically to underwriting and claims settlement, investment strategy and human resources.

Product Development

SLICL provides a basket of insurance products, to cater to the needs of any policyholder, and any given stage of their life. The process of life insurance product development goes through a comprehensive risk management process at each stage of product development where risks are identified, the impact of the risks are assessed, the measures to mitigate the risk and minimise the impact of the risk are put in place and the risks are reviewed on a periodic basis. Extensive profit testing in the Model Office environment is the way that SLICL optimises all stakeholders' benefits. The RBC framework is one of the elements in the Profit Testing and Model Office framework.

The life insurance products are developed by a Product Development committee, comprising representatives of Sales, Marketing, Actuarial and Life Operations. The detailed product development work which includes pricing, sales volume, expenses built in is discussed in detail from a risk management perspective by a multidisciplinary team, and the final product is given the clearance by the Managing Director of the Company. All products developed by the

committee are reviewed and approved by the Consultant Actuary and a separate team reviews on a quarterly basis the progress of the selling and distribution of these products to customers.

Underwriting

With regard to risk management in the underwriting process, a team headed by the Assistant General Manager - Life (Technical), who is a Chartered Insurer identifies and analyses the impact of risks associated with the operational risks in the underwriting process which are reviewed periodically in consultation with the team of medical and non-medical underwriters to identify process improvements and risk mitigation measures on a quarterly basis.

The team visits the branches in order to ensure that the practices adopted by the head office are implemented and controlled accordingly to minimise the operational risks in the underwriting process across the entire head office and island-wide branch office network.

Claims

With regard to the risk management in the life claims settlement process a separate team headed by a different Assistant General Manager - Life (Technical), who is also a Chartered Insurer identifies and analyses the impact of risks associated with the operational risks in the claims process which are reviewed periodically in consultation with the team of claims managers to ensure efficient settlement processes are followed in settling claims. The claims are processed and settled centrally and regular reviews are conducted with the claims managers to discuss the operational risks and issues thereby to ensure departmental efficiency is maintained. Effective mechanisms are in place to track and avoid illegitimate claims.

Risk Management in Both Underwriting and Claims Settlement

Every half yearly, the teams comprising of the underwriting managers and claims managers have discussions with the Chief Officer - Life Insurance, where detail operational issues which include operational risks are discussed and solutions and measures to mitigate such risks are developed and adopted to eliminate or minimise the risks that are taken.

Insurance Liability Risk Management

Under the SLFRS 4, disclosures pertaining to risk management objectives/policies/methods, sensitivity to insurance risk, concentration of insurance risk and claims development information covering all periods for which material claims are outstanding (5 years approximately) are required to be made.

Life Insurance Risk

The risks associated with life insurance include *inter alia*:

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

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

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

Sensitivities Analysis for Life Insurance Risk

Assumptions used in determining life insurance contract liability are below tabulated:

Assumption	Description
Mortality	Guidelines provided by RII Act No. 43 of 2000, which are - - A67/70 for non-annuity business - a(90) for annuity business
Investment return	Guidelines provided by RII Act No. 43 of 2000, minimum interest used for 31st December 2013 valuation is 3.5% which is consistent with last 5 years valuation.

The total liability set up under above guidelines is Rs. 55,465 million.

Under the RBC road test the results as at 31st December 2013 are as follows. The total liability under RBC guidelines for base scenario is Rs. 15,233 million.

Assumption	Change in Assumption	Impact on liability (Rs. million)
Mortality	+10%	527
	-10%	(554)
Investment return	Up shock scenario under RBC	(5,142)
	Down shock scenario under RBC	7,900

Concentration of Insurance Risk

‘Concentration Risk’ is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

- From a market risk perspective, although we have invested significantly in the financial sector, our portfolio is diversified and contains huge margins.
- From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behaviour risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that SLICL is not exposed to significant concentrations of insurance risk.

4.1.2 General Insurance Risk Management

Insurance Liability Risk Management

Under the SLFRS 4, disclosures pertaining to risk management objectives/policies/methods, sensitivity to insurance risk, concentration of insurance risk and claims development information covering all periods for which material claims are outstanding (5 years approximately) are required to be made.

General Insurance Risk

‘General Insurance Risk’ includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Therefore, appropriate mechanisms are in place to manage the premium and claims liability risks which are two aspects of the general insurance risks.

The following provides an overview of the Company's main lines of business:

- Motor includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance.
- Property includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake, windstorm and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) and marine (cargo and hull).
- Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, and errors and omissions liability.
- Special lines include Directors and officers, credit and surety, crime and fidelity, accident and health, and crop.
- Worker injury includes workers compensation and employers liability.

The Company's underwriting strategy is to take advantage of the diversification of general insurance risks across industries and geographic regions in which the Company operates. The Company seeks to optimise shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Company's underwriting is a robust governance process.

Sensitivities Analysis for General Insurance Risk

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

linear impact on net income before tax and net assets. In addition, the Company monitors insurance risk by evaluating extreme scenarios, taking into account non-linear effects of reinsurance contracts.

	Change in assumptions	Reported Gross Claim Outstanding Rs.	Reported Net Claim Outstanding Rs.	Impact on gross liabilities Rs.	Impact on net liabilities Rs.	Impact on profit before tax Rs.	Impact on equity Rs.
31.12.2013	+1%	5,228,781,275	4,222,395,691	52,287,813	42,223,957	(42,223,957)	(30,401,249)

Concentration of Insurance Risk

In addition to the specific risks insured, each line of business could expose the Company to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to senior management.

The table below shows the Company's concentration of risk within the General Insurance business by line of business based on direct written premiums before reinsurance and after reinsurance.

Class	GWP Rs. '000	Reinsurance Rs. '000	NWP Rs. '000	% of NWP
Motor	7,332,414	170,004	7,162,410	72.91
Fire	1,867,397	1,688,446	178,951	1.82
Marine	377,535	275,849	101,686	1.04
Other	3,375,804	995,367	2,380,437	24.23

Claims Development Information

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

	2008 Rs.	2009 Rs.	2010 Rs.	2011 Rs.	2012 Rs.	2015 Rs.
Gross reserves for losses and loss adjustment expenses	5,782,351,147	6,146,598,255	6,759,172,152	7,898,096,692	8,720,582,620	7,817,800,656
Reinsurance recoverable	(1,040,331,345)	(942,908,191)	(1,361,271,745)	(1,168,930,136)	(1,509,187,974)	(1,160,448,524)
Net reserves for losses and loss adjustment expenses	4,741,999,802	5,205,690,062	5,397,900,587	6,729,166,557	7,211,394,645	6,657,352,112
Cumulative paid as of December 31:						
One year later	3,222,935,171	2,777,515,593	2,874,874,128	3,632,757,028	4,545,085,355	4,481,213,520
Two years later	4,101,276,130	3,522,688,732	3,714,910,249	4,903,405,392	5,908,837,239	
Three years later	4,160,309,849	3,570,404,152	3,788,276,570	4,980,092,970		
Four years later	4,188,657,034	3,589,944,991	3,806,053,537			
Five years later	4,205,812,905	3,615,680,225				
Six years later	4,224,342,726					
Cumulative Reported as of December 31:						
One year later	4,188,828,995	3,679,732,673	3,877,357,626	4,740,384,794	5,765,265,148	5,564,858,084
Two years later	4,496,362,437	3,890,505,082	4,091,340,643	5,147,257,128	6,199,143,542	
Three years later	4,482,803,954	3,805,274,933	4,020,496,575	5,195,146,471		
Four years later	4,445,625,420	3,705,919,728	3,995,269,295			
Five years later	4,407,452,519	3,711,999,165				
Six years later	4,373,846,298					

4.2.0 Investment Risk Management

Investment risk management is of paramount importance in current turbulent markets characterised by high volatility of asset returns, reduced diversification benefits due to high correlations, and wider dispersion in market sentiments and views.

The aim of the investment risk management at SLICL is to promptly identify, measure, manage, report and monitor risks that affect the achievement of investment objectives. This includes taking, avoiding, mitigating and adjusting the risk profile to maintain the appropriate balance among asset growth as well as income to meet the obligations of the Fund, based on prudent risk management principles within the context of applicable IBSL insurance regulations.

4.2.1 Interest Rate Risk

‘Interest Rate Risk’ is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves while credit spread risk describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free interest rate yield curve.

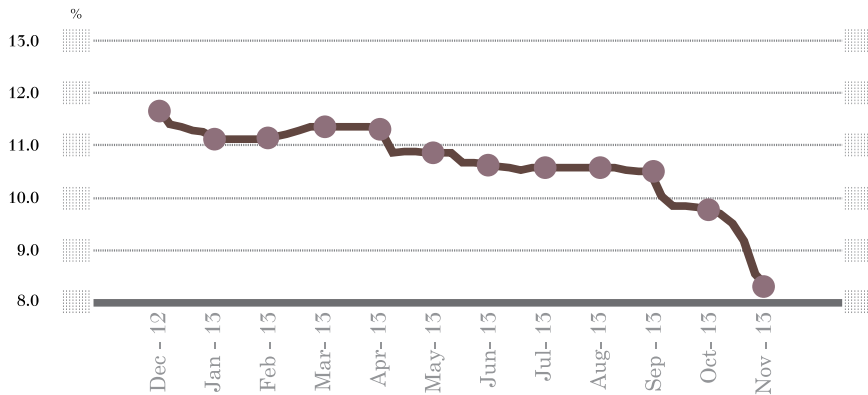
Interest rate risk is managed over each major maturity bucket and adheres to the aggregated positions with risk limits.

Key policy rates, i.e. Reverse Repo rate and Repo rate were changed 3 times during the year and remained at 8.00% and 6.50% respectively at the end of 2013 showing the intention of the Central Bank of Sri Lanka (CBSL) to keep it low. Further, Treasury Bill rates saw a steep decline towards the end of the year with the benchmark 364-day rate falling from 11.69% to 8.29% during the year. With the inflation under control while the Government is curtailing its local borrowings, the interest rates are expected to decrease further in the short to medium term.

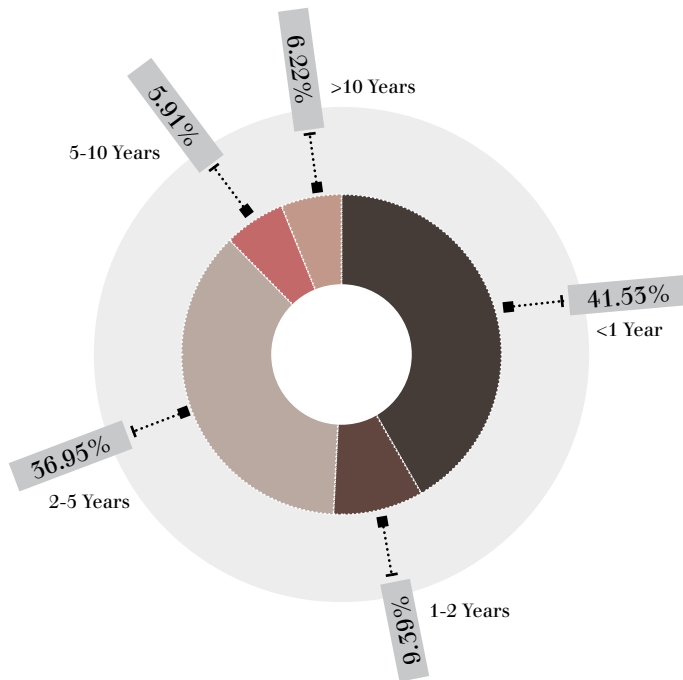
The lack of long-term Fixed Income instruments yielding at acceptable levels of returns has brought in an Asset Liability Duration mismatch for the Life Fund. However, having analysed the situation, the Investment Committee proactively lengthened the duration of the Fixed Income portfolio by investing in some long-term instruments, which yielded attractive returns as well, mitigating the pressure on interest income while closely monitoring the duration mismatches.

In the last years, SLICL has anticipated the fact that long-term interest rates could be declining and in the absence of long-term instruments and a proper regulatory regime (the latter comes with RBC) has protected the Life Fund by slowly increasing the funds.

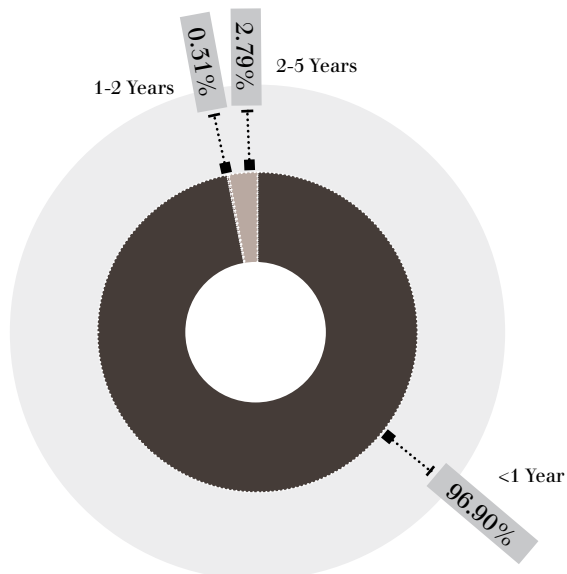
1-Year T-Bill Rate



Maturity Profile - Life Fund



Maturity Profile - General Fund



4.2.2 Market Risk

‘Market Risk’ is the risk incurred by the equity portfolio due to the volatility of the stock prices.

SLICL mitigates the market risk by diversifying the equity portfolio into different sectors and companies.

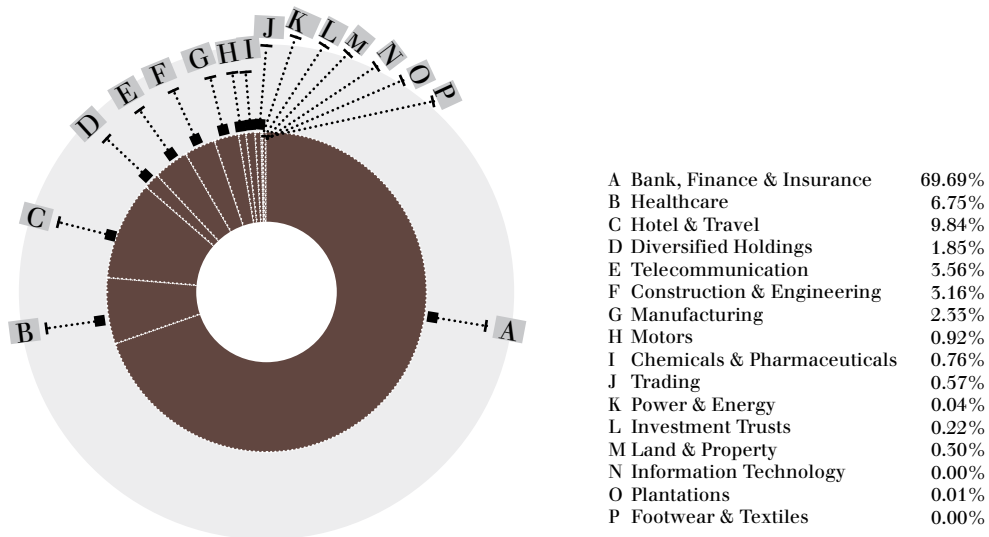
The lackluster performance of the equity market experienced in 2012 continued in 2013 as well though managed to close the year down with a marginal 4.78% gain (7.77% including dividends). However, as it appears that the market has bottomed out and become attractive in terms of valuations, a rebound is expected during 2014. This will be further supported by the developing low interest rate regime which will divert the investors to extend their positions more towards equities.

All Share Price Index



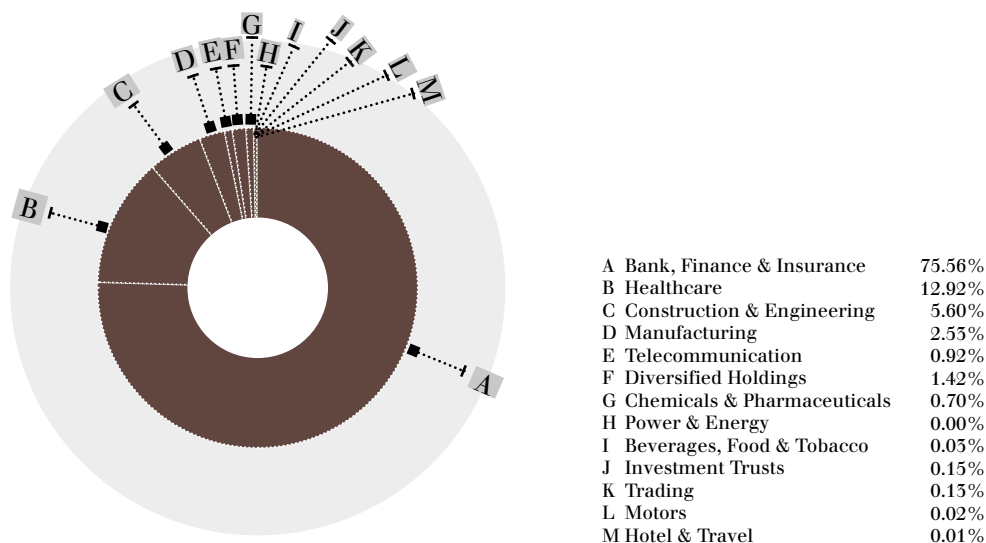
The Colombo Stock Exchange continued to attract foreign investors with a net foreign inflow of Rs. 33 billion during the year. Although, this seemed somewhat lower than previous year's figure of Rs. 39 billion, it is still a significant achievement. Interest in fundamentally strong counters, particularly bluechips, has remained buoyant as foreign investments have flowed steadily into these counters.

Sector Allocation - Listed Equity - Life Fund



** Including The Lanka Hospitals Corporation PLC which is a Subsidiary of SLICL*

Sector Allocation - Listed Equity - General Fund



**Including The Lanka Hospitals Corporation PLC which is a Subsidiary of SLICL*

4.2.3 Credit Risk and Concentration Risk

‘Credit Risk’ is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations.

Credit risk is monitored and managed at each borrower’s level, as well as at the portfolio level in order to ensure a well-balanced portfolio, with a view to limiting concentrations in terms of risk quality, industry, maturity and large exposure. SLICL has established its own limits on concentration in investments by single issuers and certain asset classes and also limits investments in illiquid instruments.

- No investment has been made in Term Deposits other than in Licensed Commercial Banks and Licensed Specialised Banks.

- Investment grade credit rating for both the entity and the instrument by a recognised credit rating agency is expected for all investments in Corporate Debentures and Commercial Papers.
- No debt investment has been made in any of the Related Companies.
- A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

4.2.4 Liquidity Risk

‘Liquidity Risk’ is the risk that the SLICL does not have sufficient liquidity to meet its obligations when they fall due, or would have to incur excessive costs to do so.

Life Fund:

Traditionally, the fund needed a minimal liquidity. Annual cash inflows from premium income and other have exceeded cash outflows. This reflects the growing volume of business, the longer term nature of liabilities and the rollover in portfolio assets from maturing securities and other forms of principal payments.

However, in upcoming years greater than historical volumes of maturities and cash outflows are expected representative of a new phase in the fund’s policy maturity cycle. Treasury Bonds may be used to match these anticipated exceptional cash outflows by coinciding maturities. These outflows are all managed from the Model Office system Prophet. Modelling is done on a monthly projection basis and, especially in months where liquidity issues may arise, additional analyses are performed. Together with multiple scenarios’ regarding new business, claims, policyholders’ behaviour and other parameters, this risk is well monitored.

Short-term allocation included a funding cushion of over Rs. 3 billion in liquid securities to meet policy obligations, tax obligations and investment opportunities.

SLICL has maintained the required solvency margins during the financial year 2013, pertaining to life insurance business and the solvency ratio is 11.48. In addition, the life insurance business has maintained the admissible assets amounting to Rs. 73,345 million (Rs. 65,176 million - 2012) while recording the liabilities of Rs. 48,539 million (Rs. 44,914 million - 2012) for the year 2013.

General Fund:

Because of the uncertainty of cash outflows, liquidity remained an essential consideration for the General fund. It was important for the fund to maintain a portfolio of short-term securities, as an immediate liquidity reserve.

The fund also maintains a portfolio of readily marketable Treasury Bonds, together with a laddered maturity schedule and matching asset maturities against seasonal cash flow requirements (if appropriate).

4.3.0 Operational Risk Management

“Operational Risk” is the risk associated with the people, processes and systems of SLICL. With tight management and constant improvement of procedures, processes, systems and internal and external audit, the operational risk is managed to a minimum.

4.3.1 ICT Risk

Information Communication Technology related risk profile was built and in the process of addressing all identified ICT risks. Special attention is given to the IT Security, Management Information and ICT Operational related risk areas.

Building a comprehensive Business Continuity Plan (BCP) and Information Technology Disaster Recovery Plan (IT/DRP) are the identified major activities during the year 2013/14. SLICL established a comprehensive online IT Disaster Recovery (DR) site to facilitate proper business continuity and recovery planning. In addition to the above, major focus is given to mitigate continuous network and perimeter level related risks.

4.3.2 Reputational Risk

‘Reputational Risk’ is defined as the risk arising from negative perception on the part of customers, shareholders, investors or regulators that can unfavourably affect the Company’s capacity to uphold existing, or establish new, business relationships is monitored. Mainly the responsibility for the identification, escalation and resolution of reputational risk issues resides with the businesses. The responsibility of controls groups such as compliance, legal and internal controls is to ascertain that such issues have been suitably identified, escalated and resolved by the business. The Company has a sound system of internal controls to ensure that the reputation risk is mitigated. The Company is committed to comply with all applicable laws, rules & regulations and company policies.

4.3.3 Risk in Fraud and Misconduct

Corporate Fraud and Misconduct remain a constant threat to public trust and confidence and the company is aware of importance of anti-fraud measures to address the risk. Presently the company has effective fraud management systems in place across its operations which provide SLICL with tools to manage risks in a manner consistent with the regulatory requirements as well as the entity’s business needs and customer expectations.

Company’s Internal Audit function acts as one of the key functions in antifraud activities, supporting management’s approach to preventing, detecting and responding to fraud and misconduct. Further, Compliance Department gives immense contribution towards implementing antifraud laws and regulations into internal control systems and conducts regular awareness training programs. Both internal audit and compliance functions do report independent views of Company’s risk management of fraud and misconduct with their recommendations and preventive measures to the Audit and Compliance Committee.

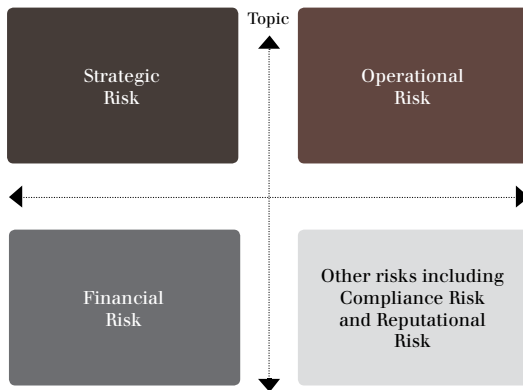
Effective mechanisms are in place to track and avoid illegitimate claims in Life and General Insurance business. The claim and underwriting processes are backed by an internal independent Investigation Department with specialised team of senior officials and the Company seeks external professional expertise's services as and when appropriate.

SLICL has laid down procedures formally to respond and take corrective actions for detected frauds through well qualified internal and external inquiry and prosecution officials monitored by the HR Department.

4.3.4 Human Resources (HR) Risk

Though traditionally risk specialists have paid little attention to human resources and human resources calamities in the recent past human resources management has gained its recognition on ERM. HR plays a dual role in risk management: first people are a source of risk due to diverse reasons like shortage of skilled people and key employees leaving the organisations etc., and secondly people are important in managing risks.

HR risk management is important from the perspective of strategic risk (e.g. overreaching human capital strategy), operational risk (e.g. gaps in talent supply and demand), financial risk (e.g. delayed services and compensation etc.) and other risks including compliance (e.g. unions and health and safety etc.) and reputational risk, as depicted below:



Below it is discussed the challenges encountered by the HR Department in managing HR risk and its impact on business results.

a. Retaining Talent

Retaining the best talent is of paramount importance to be in cutting edge in the industry. When recruiting new staff, techniques such as aptitude tests, language tests, and assessment centres and scenario analysis would be in place in addition to panel interview. This would ensure that candidate's knowledge, skills and attitudes are systematically evaluated.

Turnover will be reduced if employees are able to continue their professional growth within the organisation. HR has identified the need of introducing an effective performance evaluation system and an employee recognition plan to motivate and retain key performers by providing training opportunities to further enhance their knowledge and skills.

b. Maintaining Industrial Peace

Identifying the importance of industrial peace, the management has entered into collective agreements with the two main trade unions in order to maintain a cordial relationship with the employees.

c. Staff Grievances

By appointing committees for staff promotions, transfers and grievances the Company was able to handle staff burdens which were a massive challenge to the HR Department.

Every employee at SLICL was given an opportunity to apply for promotions annually based on the criteria stipulated in the annual promotion policy. Moving away from the traditional promotion methodologies we ensure that employee's knowledge, skills and attitudes are systematically evaluated during the promotion process.

d. Department Structuring and Restructuring Projects

Departmental restructuring processes are carried out to identify areas for improvement and further the work processes are being streamlined to be in par with industry changes.

4.3.5 Health and Safety Risk

With regard to the "health and safety risk", as a minimum, we comply with all local health and safety legislation but will go beyond those requirements should it be necessary to do so in order to deliver the corporate objectives of the company.

4.3.6 Operational Risk Pertaining to Investments

With the implementation of SAP Treasury Module, the operational risk was all but eliminated. With this pilot project being successful, the fully pledged SAP Financial Module is planned to be implemented in 2014.

4.4.0 Regulatory Risk Management

The latest view is that for highly regulated businesses like insurance, compliance programmes can no longer just be ‘adequate’ rather the expectation is that the Company commits the appropriate talent and resources to compliance management solutions and to establish and maintain a ‘strong’ culture of compliance and ethics. Consequently, the insurance industry is now looking at an integrated Governance, Risk & Compliance (GRC) process and architecture for addressing the changing business environment. At SLICL the Compliance Department having valuable resources consisting of a lawyer and two chartered accountants ensures compliance with applicable laws, rules, regulations and principles of good governance in line with the said premise of GRC.

Regulatory risk brings in certain costs and risks including the risk of non-compliance and the risk of introduction of new laws, rules and regulations or changes to the existing laws, rules and regulations. The latest and prominent examples of regulatory changes which had major implications for insurers include the introduction of the new amendment to the Insurance Industry Act No. 43 of 2000.

The risk based capital framework has been introduced to the insurance industry to protect the interest of the stakeholders and minimise the risk of failure of the Industry. All insurers are proposed to transition by 2016 for Risk Based Capital Regime. The Company has been reporting under both Solvency Rules and RBC Rules during the parallel run period from March 2014 onwards.

In the insurance industry, it has been made mandatory by the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 (RII 2011) for the existing insurers to segregate their long term (LTIB) and general insurance (GIB) into two separate companies within 4 years from 2011 and accordingly to be listed within 5 years from 2011. The Company is working on the said segregation process to achieve its purpose efficiently. A committee representing different spectrum of senior managers has been appointed to address the matters pertaining to the said segregation.

SLICL is equipped with a comprehensive compliance framework. ‘Compliance programme’ designed for the use of the staff and management is available in the ‘compliance web page’ on the Company intranet for which internal staff has access from their individual computers. The main objectives of the ‘compliance web page’ are ‘identification, documentation and communication (basically through Company intranet and Lotus Notes) of up-to-date information about the relevant statutory, regulatory compliance obligations to the staff and management.

Plethora of laws, rules and regulations, to mention a few, the Companies Act No. 07 of 2007, Inland Revenue Act No. 10 of 2006 as amended, Electronic Transactions Act No. 19 of 2006, Intellectual Property Act No. 36 of 2003 and Arbitration Act No. 11 of 1995 are applicable for the insurance industry and the said laws have been captured and available in the compliance web page. Effective compliance risk management is a collaborative process that pulls together and leverages all the diverse control function within the organisation such as risk management, internal control, legal and human resources etc.

At SLICL, the Compliance Department has identified the divisional responsibilities pertaining to the applicable laws, rules and regulations and implements a collaborative process in meeting compliance requirements.

As a proactive measure, the Compliance Department guides the management on anticipated regulations of the future, since a proactive business process management solution will provide the Company with the necessary tools to address new regulations cost-effectively.

Further, we have identified the risk of anti-money laundering (AML) and the Compliance Department has educated the staff on the importance of combating money laundering when selling insurance products. In addition, the AML function was audited by the Internal Audit Department during the year under review in line with the AML laws, rules and regulations.

In addition, various compliance regulations in the insurance industry require the senior management and other stakeholders to be trained on compliance requirements. The Compliance Department conducts trainings on department-wise and also educates the senior management by way of 'Compliance Tips' through the internal communication platforms. The Company is working on enhancing its information technology infrastructure and in future that would facilitate the utilisation of skilled compliance capital to focus on compliance management more efficiently.

Audit and Compliance Committee Report

5.0.0

The Audit and Compliance Committee (ACC) comprised of two Non-Executive Directors; namely, Ms. I.T.K. Illangamudali and Mr. H.I. Balapatabendi. Executive Director, Managing Director/CEO, Senior DGM-Finance and AGMs-Internal Audit also attend the meetings of the ACC by invitation. In addition, the Chief Actuary and Senior Consultant, Compliance and other senior officials participate in the meetings when called upon by the Committee. The Engagement Partner and the Audit Team Manager of the Company's External Auditors, Messrs KPMG, too attend meetings on the invitation of the Committee. Messrs Varners International (Pvt) Ltd. acts as the Secretary of the meetings.

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

Terms of Reference

The terms of reference of the Audit and Compliance Committee of SLICL are clearly defined in the Charter of the Board's Audit and Compliance Committee which is based on the guiding principles and best practices on audit committees including the 'Code of Best Practice on Corporate Governance' jointly issued by the Securities and Exchange Commission of Sri Lanka ('SEC') and The Institute of Chartered Accountants of Sri Lanka, 2008. The Committee is responsible for the Board of Directors and reports its activities regularly to the Board.

Meetings of the Committee

During the financial year ended 31st December 2013, 4 meetings of the Committee were held. The proceedings of the Committee meetings are recorded with adequate details and are reported regularly to the Board of Directors. The attendance of the committee members at the meeting is stated below. On the invitation of the Committee, the Engagement Partner of the Company's External Auditors Messrs KPMG, attended one committee meeting during the year.

Name of Director	Total ACCM No. of Meetings	
	Held	Attended
Dr. B.M.S. Batagoda (Chairman, Member and Non-Executive Director) <i>(Ceased to be a Director with effect from 21st May 2013)</i>	4	1
Ms. I.T.K. Illangamudali (Chairman, Member and Non-Executive) <i>(Appointed to the Board as a Director with effect from 4th June 2013)</i>	4	3
Mr. H.I. Balapatabendi (Member and Non-Executive) <i>(Appointed to the Board as a Director with effect from 21st May 2013)</i>	4	3
Mr. A.M.M. De Alwis (MD/CEO By invitation) <i>(Ceased to be a Director with effect from 20th December 2013)</i>	4	3
Mr. P. Kudabalage (Managing Director by Invitation) <i>(Appointed as the Managing Director with effect from 1st January 2014)</i>	4	4

Role of the Audit and Compliance Committee

The ACC continues to assist the Board of Directors in fulfilling effectively its responsibilities relating to financial and other connected affairs of the Company. The Committee has been empowered to;

1. Ensuring that a good financial reporting system is in place in order to give accurate, appropriate and timely information to the management, regulatory authorities and the shareholders in compliance with the Companies Act, No. 07 of 2007, Sri Lanka Accounting Standards (SLAS), Regulation of Insurance Industry Act, No. 43 of 2000 as amended and Statement of Recommended Accounting Practice - ICASL etc.
2. Ensuring that appropriate plans, internal controls and procedures are in place and monitoring the Internal and External Audit Programme, reviewing the Internal and External Audit/Inspection Reports, following up their findings and recommendations.
3. Ensuring that the strategies, plans, manning and organisation for internal auditing and the methodologies promulgated as best practice are carried out.
4. Reviewing the suitability and the quality of accounting policies and any changes in accounting policies and practices and their adherence to Statutory and Regulatory compliance and applicable Accounting Standards.
5. Carrying out appropriate investigations to mitigate the fraud risk.

Internal Audit

The Company has its own Internal Audit Department. Internal Audit Department is headed by two qualified Chartered Accountants. The internal audit programme was presented and approved by the ACC and Committee regularly reviews and monitors the internal audit and the inspection function.

External Audit

The ACC reviews the audit and non-audit services provided by the External Auditors to ensure that such services do not impair the independence of the External Auditors.

The ACC has noted the declaration dated 6th February 2014 from Messrs KPMG, as required by the Companies Act No. 07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka.

The ACC has recommended to the Board of Directors that Messrs KPMG be reappointed as Auditors for the financial year ended 31st December 2014 at the next Annual General Meeting. The ACC recommends the fees payable to the statutory auditors for approval.

The Auditors, Management Letter together with the Management's responses thereto and Annual Accounts were reviewed with the Auditors.

Non-Audit Services

Non-audit services amounting to Rs. 3,864,950 were provided by the External Auditors during the year under review.

Good Governance

The Committee monitored on a continuous basis the maintenance of the highest standards in Corporate Good Governance. All staffs have been encouraged to resort to whistle-blowing in the strictest confidence, when they suspect wrong doings or other improprieties. Appropriate procedures are in place to conduct independent investigations into all such reported incidents. Staffs have been assured of maintenance of strict confidentiality of the identity of whistle-blowers.

Conclusion

The ACC is satisfied that the Company's internal controls are effectively implemented and the Company's assets are sufficiently safeguarded. The Committee is satisfied that the Internal Audit Department and External Auditors have been effective and independent throughout the year. In addition, the Committee is also satisfied with the appropriateness of application of the accounting policies and thus gives a reasonable assurance that the Financial Statements of the Company are reliable. Further, the Committee is satisfied that the Compliance Framework of the Company ensures that the Company complies with all applicable laws, rules and regulations and corrective and preventive actions are taken with regard to the reported non-compliances.

The Audit and Compliance Committee (ACC) approved this report on 21st March 2014.



I.T.K. Illangamudali

Chairman - Audit and Compliance Committee

21st March 2014

Financial Reports

6.0.0

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6.1.0 Annual Report of the Board of Directors of the Company

6.1.1 General

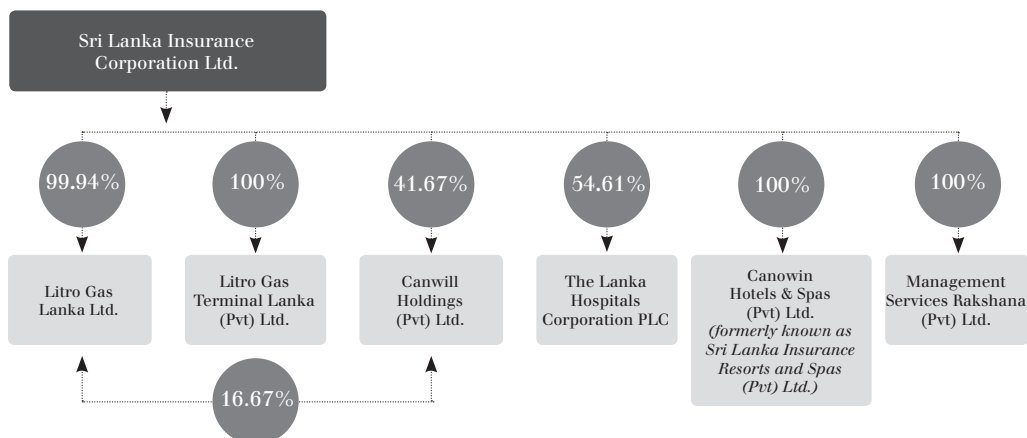
The Board of Directors of the Company has pleasure in presenting their Annual Report to the members together with the Audited Financial Statements for the year ended 31st December 2013 of the Company and the Group and the Auditor's Report on those Financial Statements confirming the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000 and Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 and amendments made thereon.

As at 31st December 2013, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Litro Gas Terminal Lanka (Pvt) Ltd., Canowin Hotels and Spas (Pvt) Ltd. [formerly known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.], and Management Services Rakshana (Pvt) Ltd., are fully-owned subsidiaries of the Company. SLICL has 99.94% shareholding of Litro Gas Lanka Ltd. and 54.61% shareholding of The Lanka Hospitals Corporation PLC. SLICL held 41.67% shareholding of Canwill Holding (Pvt) Ltd. (Currently holds 53.12%).

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

This Report was approved by the Board of Directors on 13th May 2014.



6.1.2 Principal Activities of the Company and the Group

The principal activities of the Company are to transact life and non-life insurance in Sri Lanka. There were no major changes to the principal activities of the Company during the year under review.

Litro Gas Terminal Lanka (Pvt) Ltd., is involved in storage/terminalling of Liquid Petroleum Gas (LPG) and Litro Gas Lanka Ltd., provides the importation and distribution of LPG in domestic, commercial and bulk form.

The Lanka Hospitals Corporation PLC provides health care services and Management Services Rakshana (Pvt) Ltd., provides the payroll management.

Primary business of Canwill Holding (Pvt) Ltd., is to manage/invest in hotel projects. Canowin Hotels and Spas (Pvt) Ltd. [formerly known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.] primarily owns and manages the outlets of Southern Express Way.

6.1.3 Directors' Responsibility for Financial Reporting

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

The Directors are of the view that Statement of Financial Position, Statement of Income, Statement of Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes thereto on pages 150 to 277 have been prepared in conformity with the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 and the Companies Act No. 07 of 2007.

6.1.4 Financial Statements and Auditor's Report

The Financial Statements for the year ended 31st December 2013 are prepared based on the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.

The Financial Statements of the Group and the Company signed by the Chief Financial Officer and the Directors are given on pages 130 to 277.

The Company's Financial Statements are audited by Messrs KPMG and Auditors' Report issued for the financial year 2013 are on pages 127 to 129 on this Annual Report. In accordance with the Companies Act No. 07 of 2007, a resolution relating to their reappointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

6.1.5 Fees on Audit and Other Related Services

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

	2013 Rs. '000	2012 Rs. '000
Statutory Audit Fees	3,600	3,250
Audit-Related Services	1,244	1,480
Non-Audit-Related Services	3,864	2,350

6.1.6 Accounting Policies

The significant accounting policies adopted in preparation of these Financial Statements are given on pages 150 to 182 of the Annual Report.

6.1.7 Risk and Internal Control

The Board of Directors of the Company has implemented and oversees the risk management function of the Company. The policies and procedures on risk management are discussed under the risk management chapter in this Report which details the role of the risk management committee.

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

The Board is satisfied with the effectiveness of the internal controls and risk management functions of the Company, for the year under review.

6.1.8 Going Concern

The Board is expected that the Company and the Group have adequate resources to continue its operations in foreseeable future by considering the financial positions and performance, cash flows, regulatory and statutory factors and adopts the going concern basis in preparing Financial Statements.

6.1.9 Turnover/Gross Written Premium (GWP)

The total turnover of the Company recorded Rs. 21,350 million for the year under review and Rs. 20,173 million for the comparative figure.

The total GWP Rs. 21,350 million comprised of life insurance Gross Written Premium of Rs. 8,398 million and non-life insurance Gross Written Premium of Rs. 12,953 million for the year 2013. The reported value for total Gross Written Premium

in 2012 was Rs. 20,173 million out of which life insurance Gross Written Premium was Rs. 7,369 million and non-life insurance Gross Written Premium of Rs. 12,804 million for the last year. A detailed analysis of the total GWP achieved by the Company is given in Note 30 on page 229 of the Financial Statements.

6.1.10 Financial Results and Appropriations

	2013 Rs. million	2012 Rs. million
Profit Before Taxation (PBT)	6,354	5,863
Income Tax Expenses	1,700	1,627
Profit After Taxation	4,655	4,236
Transfer from Life Insurance Surplus	5,461	500
Realisation of Revaluation Surplus	30	–
Transfer of Fair Value Gain on Investment Property	189	–
Inappropriate Profit Brought Forward	14,317	12,889
Profits Available for Appropriation	24,652	17,625
Appropriations		
Dividend Paid	1,200	1,001
Transferred to Surplus from Life Insurance Business	1,721	2,307
Inappropriate Profit Carried Forward	21,731	14,317

6.1.11 Dividends

The Company has declared a Final Dividend of Rs. 1.67 per share (Totalling a sum of Rs. 1,002,000,000/-) for the year ended 31st December, 2013. The dividend of Rs. 2.00 per share amounting to Rs. 1,200 million has been declared for the year 2012. The dividend are subject to 10% withholding tax.

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

6.1.12 Provision for Taxation

The tax position in the Company is disclosed in the Note 38 (Page 235) in the Financial Statements.

6.1.13 Reserves

The movement in reserves during the financial year is set out in the Statement of Changes in Equity given in pages 138 to 139.

6.1.14 Insurance Liabilities and Provisions

The Directors have taken all reasonable steps to ensure adequate provisioning for unearned premiums and claims outstanding including provisions for Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) in non-life insurance. The Directors have also consulted an Independent Actuary in the process of valuing IBNR and IBNER reserves and his report is given on page 126.

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

As at the date of this Report, the Directors are not aware of any circumstances, which would render inadequate provisions made in the Financial Statements.

6.1.15 Investments

The amount of investments held by the Company as at 31st December 2013 amounted to Rs. 94,771 million (2012 - Rs. 88,875 million). A detailed breakup of the investments held is disclosed in Note 5 in the Financial Statements on page 184.

6.1.16 Property, Plant & Equipment

The details of Property, Plant & Equipment are shown in Note 7 on pages 196 to 204.

6.1.17 Market Value of Freehold Properties

The Company uses the cost method as the accounting policy for recording Property, Plant & Equipment other than land and buildings. The Company's policy for revaluing the assets is once in every two years. Accordingly, the land and buildings were revalued in the financial year 2012 by Messrs Sunil Fernando Associates (Pvt) Ltd. Such assets were valued on an open market value for existing use basis. The results of such revaluation were incorporated in the Financial Statements from its effective date which is 31st December 2012.

6.1.18 Events Occurring after the Reporting Date

There have not been any material events that occurred subsequent to the Reporting Date which require adjustments to or disclosure in the Financial Statements.

6.1.19 Related Party Transactions

The related party transactions as per the Sri Lanka Accounting Standard (LKAS) 24, - 'Related Party Disclosures', which is adopted in the preparation of the Financial Statements are given on page 244 of this Annual Report.

6.1.20 Directors' Interest in Contracts

The Directors' interests in contracts are disclosed in Note 244 of the Financial Statements. Directors do not hold any shareholding of the Company.

6.1.21 Directors' Remunerations

The Directors' fees and emoluments paid during the year is Rs. 27.8 million and the figure reported in the last year is Rs. 23.09 million.

6.1.22 Stated Capital

The stated capital stood at the Financial Statements is Rs. 6,000 million of the Company in compliance with the Companies Act No. 07 of 2000. As at 31st December 2013, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

6.1.23 Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments payable to the Government of Sri Lanka, the Insurance Board of Sri Lanka (IBSL) and entitled by the employees have been made on time.

6.1.24 Intangible Assets

Intangible assets as at 31st December 2013 have recorded in the Financial Statements of the Company on page 206.

6.1.25 Environment

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

6.1.26 Compliance with Laws and Regulations

The Company has complied with all applicable laws and regulations during the financial year. The compliance department monitors the compliance functions of the Company and reports to the Audit and Compliance Committee.

6.1.27 The Approval of the Financial Statements

The Audited Financial Statements were approved by the Board of Directors on 21st March 2014.

6.1.28 Board of Directors

Mr. H.K. Upali Dharmadasa - Chairman

Mr. P. Kudabalage - Managing Director

Mr. Isuru Balapatabendi

Mr. S.V.R. Samarasinghe

Mr. Nayana D.P. Dehigama

Mrs. I.T.K. Illangamudali

Mr. A.M.M. De Alwis resigned w.e.f. 20th December 2013.

Mr. P. Kudabalage was appointed to the Board w.e.f. 14th May 2010 and assumed duties as the Managing Director w.e.f. 01st January 2014.

6.1.29 Annual General Meeting

The Annual General Meeting will be held on Friday, 20th June 2014 at 10.00 a.m. at the Auditorium of the Company at its Registered Office at No. 21, Vauxhall Street, Colombo 2.

By Order of the Board,



Varners International (Pvt) Ltd.
Company Secretaries



P. Kudabalage
Managing Director



I.T.K. Illangamudali
Director

21st March 2014

6.2.0 Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Report of the Auditors on pages 127 to 129 of the Annual Report.

Directors are of the view that the Financial Statements have been prepared under the Generally Accepted Accounting Principles and in conformity with the requirements of SLFRSs/LKASs, the Companies Act, No. 07 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

The Directors confirm that appropriate Accounting Policies have been consistently applied and supported by prudent judgments and estimates in the preparation of Financial Statements. Further, the Directors ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. In addition, the Directors have confirmed that the Company maintains sufficient accounting records to disclose, with reasonable accuracy of the financial position of the Company.

In addition, the Directors have taken all reasonable steps to ensure adequate provisioning for Unearned Premium, Unexpired Risks, Outstanding Claims including Claims Incurred But Not Reported, Incurred But Not Enough Reported and Receivables.

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

The Directors adopted a report from the actuary on which bonus payable to policyholders and the surplus available to shareholders in Life Insurance business were determined.

By Order of the Board,



Varners International (Pvt) Ltd.
Company Secretaries

21st March 2014

6.3.0 Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of Sri Lanka Insurance Corporation Ltd., (the Company), and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31st December 2013 are prepared and presented in conformity with the requirements stipulated in Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000. The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the relevant regulators.

We confirm that to the best of our knowledge the Financial Statements, significant accounting policies and other financial information included in this Annual Report fairly represent in all material respects the financial condition, results of the operations and the cash flow of the Company during the year under review. In addition, we confirm that the Company has adequate resources to continue in operations and has applied the going concern basis in preparing these Financial Statements.


The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities. As the Company's Chief Executive Officer and Chief Financial Officer we are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting. Management has a system of internal controls designed to provide reasonable assurance that the Financial Statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that the financial records are reliable and form a proper basis for preparing the Financial Statements, and that the assets are properly accounted for and safeguarded.

The Board of Directors has appointed an Audit and Compliance Committee, which is made up of unrelated and Independent Directors. The Audit and Compliance Committee's responsibilities include reviewing the Financial Statements and recommending them to the Board of Directors for approval.

The Financial Statements have been audited, on behalf of the shareholders, by M/s KPMG, the independent auditor, in accordance with the applicable laws, rules & regulations and applicable accounting standards. The Independent Auditor has full and free access to the Audit and Compliance Committee and may meet with or without the presence of management.

We confirm to the best of our knowledge that -

- I. the Company has complied with all applicable laws, rules & regulations and guidelines;
- II. there is no material non-compliance;
- III. all taxes, duties and all statutory payments by the Company and all contributions and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for;
- IV. reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets; and
- V. the equity capital meets the set minimum capital requirements in accordance with the applicable regulations.



Ranjith Perera

Snr. Deputy General Manager-Finance/
Chief Financial Officer



Deepthi Lokuarachchi

Chief Executive Officer

21st March 2014

6.4.0 Certificate of Actuary of the Insurer



CERTIFICATE OF ACTUARY OF THE INSURER

As under section 48 of the regulation of insurance industry Act No. 43 of 2000.

I, Jacobus Simon Albert Plugge, being the actuary, to the best of my knowledge certify the following:

- a. that I have included each and every policy for which there is a policy liability in conducting the valuation of liabilities for the purposes of section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Long Term Insurance) Rules, 2002;
- b. that I have taken all reasonable steps to ensure the accuracy and completeness of the policies mentioned in item (a) above;
- c. that I have complied with the provisions of the said Act in item (a) above;
- d. that I have complied with provisions of the Solvency Margin (Long Term Insurance) Rules, 2002 and guidance notes/guidelines prescribed by the Board there under in the determination of the net amount of liabilities;

e. that in my opinion that the net liability so determined by me, in the Form H-LT - the valuation balance sheet, is adequate to meet the insurer's future commitments under the insurance contracts, and the policyholder's reasonable expectations.

1. NAME AND ADDRESS OF ACTUARY WITH PHONE NUMBER AND EMAIL:

Jacobus Simon Albert Plugge
Nauernaschevaartdijk 32
1551 BA Westzaan
The Netherlands
+31-75-6223530
jaap@plugge.nl

2. SIGNATURE:



3. PLACE: Colombo, Sri Lanka

4. DATE: March 12th, 2014

Zaandijkerweg 1, 1521 AX Wormerveer telnr 075-6573090
Rabobank 37.01.03.882 KvK Amsterdam 35.02.95.69 VAT nr Sri Lanka 409190570-7000

6.5.0 Certification of Incurred But Not (Enough) Reported Claims



We hereby certify that the 75% confidence level IBNR provision of LKR 2,434,956,421 is adequate in relation to the Claim Liability of Sri Lanka Insurance Corporation Limited as at 31st December 2013, net of reinsurance (Undiscounted). This IBNR provision, together with the Case Reserve held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31st December 2013, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). We hereby certify that the UPR provision of LKR 5,471,155,366 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of Sri Lanka Insurance Corporation Limited as at 31st December 2013, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

We have relied upon information and data provided by the management of the above company and we have not independently verified the data supplied, beyond applying checks to satisfy ourselves as to the reasonability of the data.

Matthew Maguire

Fellow of the Institute of Actuaries of Australia (FIAA)

For and on behalf of NMG Consulting Dated 7 March 2014

Dated 7 March 2014

6.6.0 Independent Auditors' Report



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

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TO THE MEMBERS OF SRI LANKA INSURANCE CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Sri Lanka Insurance Corporation Limited (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statements of financial position as at December 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 150 to 277 of the annual report.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

1. According to the judgment delivered by Supreme Court of Sri Lanka on 04th June 2009, the legal ownership of the majority of the shares of the Company was vested in the Secretary to the Treasury to be held on behalf of the Government of Sri Lanka. Further, according to the said judgment, the Secretary to the Treasury was directed to cause profits of the Company during the period Distilleries Company of Sri Lanka PLC was the parent of the Company, be computed and the profits attributable to the previous parent be settled. No adjustments have been made in the financial statements pending determination of the aforesaid attributable profits.
2. In the absence of confirmation of balances, we were unable to satisfy ourselves as the completeness, existence and accuracy of amount due from the Distilleries Company of Sri Lanka PLC Group of Companies disclosed in Note 15 to the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters disclosed in the aforesaid paragraphs 1 and 2, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters disclosed in the aforesaid paragraphs 1 and 2, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153 (2) to 153 (7) of the Companies Act No. 07 of 2007. Pursuant to section 47 (2) of the Regulation of Insurance Industry Act No. 43 of 2000, we also report, so far as appears from our examination, proper accounting records have been maintained as required. by the relevant rules made by the Insurance Board of Sri Lanka.



Chartered Accountants
Colombo

21st March 2014

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

6.7.0 Statement of Financial Position

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Assets					
Financial Investments	5	94,771,272	88,784,965	94,771,272	88,784,965
Investments in Subsidiaries	6	–	–	17,585,904	16,715,818
Property, Plant & Equipment	7	30,812,895	26,407,002	8,265,863	8,467,152
Investment Properties	8	1,333,645	1,325,154	549,600	549,600
Leasehold Property	9	190,473	177,102	21,075	21,344
Intangible Assets	10	3,119,603	3,142,690	120,041	148,722
Loans to Policyholders	11	1,578,196	1,539,431	1,578,196	1,539,431
Reinsurance Receivable	12	1,446,243	1,825,182	1,446,243	1,825,182
Premium Receivable from Policyholders	13.1	2,354,544	1,071,800	2,354,544	1,071,800
Premium Receivable from Agents, Brokers and Intermediaries	13.2	675,597	1,339,565	675,597	1,339,565
Deferred Tax Assets	14	56,876	48,116	56,469	47,960
Other Assets	15	6,378,029	5,009,923	2,860,377	3,013,208
Deferred Expenses	16	246,895	221,436	246,895	221,436
Cash and Cash Equivalents	17	29,257,992	21,938,782	13,024,534	8,354,036
Total Assets		172,222,260	152,851,148	143,556,610	132,100,219
Liabilities and Shareholders' Equity					
Equity					
Stated Capital	18	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	19	8,752,045	9,161,368	5,411,866	5,632,161
Available-For-Sale Reserve	20	15,364,711	12,521,041	15,364,711	12,521,041
Revenue Reserves	21	33,278,963	25,665,603	26,398,587	24,034,629
Total Equity Attributable to Equity Holders of the Company		63,395,719	53,348,012	53,175,164	48,187,831
Non-Controlling Interest		7,054,574	1,647,284	–	–
Total Equity		70,450,293	54,995,296	53,175,164	48,187,831

As at 31st December	Note	Consolidated		Company	
		2015	2012	2015	2012
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities					
Insurance Provision - Life	22	69,079,061	62,526,048	69,079,061	62,526,048
Insurance Provision - Non-Life	23	13,288,956	14,297,803	13,288,956	14,297,803
Reinsurance Payable		897,082	1,091,327	897,082	1,091,327
Current Tax Liabilities	24	2,778,544	1,608,096	1,739,675	1,071,066
Deferred Tax Liabilities	25	2,808,569	2,575,674	935,656	988,746
Retirement Benefit Obligations	26	635,244	547,212	463,117	401,759
Other Liabilities	27	11,787,935	14,791,472	3,616,178	3,247,962
Financial Liabilities	28	496,776	398,220	361,721	287,677
Total Liabilities		101,771,967	97,835,852	90,581,446	83,912,388
Total Liabilities and Equity		172,222,260	152,831,148	143,556,610	132,100,219

Notes to the Financial Statements as set out on pages 150 to 277 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No. 07 of 2007.



Chief Financial Officer

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

Signed for and on behalf of the Board by,



Managing Director



Director

Colombo
21st March 2014

6.8.0 Statement of Income

<i>For the Year ended 31st December</i>	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Revenue	29	60,074,705	55,277,741	27,980,852	25,644,314
Gross Written Premium	30	21,262,140	19,998,873	21,350,869	20,172,623
Net Change in Reserve for Unearned Premium		(581,750)	(716,927)	(581,750)	(716,927)
Gross Earned Premium		20,680,390	19,281,946	20,769,119	19,455,696
Premium Ceded to Reinsurers		(3,227,303)	(3,080,169)	(3,227,303)	(3,080,169)
Net Change in Reserve for Unearned Reinsurance Premium		263,241	392,915	263,241	392,915
Net Earned Premium		17,716,327	16,594,691	17,805,056	16,768,441
Revenue from Other Operations		52,139,598	29,811,329	–	–
		49,855,925	46,406,020	17,805,056	16,768,441
Other Revenue					
Investment Income	31	8,895,213	7,301,111	9,275,562	7,301,112
Fees and Commission Income	32	27,881	54,255	27,881	54,255
Net Realised Gains	33	39,906	938,606	39,906	938,606
Net Fair Value Gains and Losses		(12,671)	(155,195)	(12,671)	(155,195)
Other Income	34	1,268,450	1,392,151	845,117	737,095
		10,218,780	9,530,928	10,175,796	8,875,873
Total Net Revenue		60,074,705	55,936,949	27,980,852	25,644,314
Benefits, Losses and Expenses					
Net Benefits and Claims	35	(9,804,484)	(10,283,243)	(9,804,484)	(10,283,243)
Underwriting and Net Acquisition Costs (Including Reinsurance)	36	(1,553,928)	(1,608,550)	(1,553,928)	(1,608,550)
Change in Contract Liabilities - Life Fund		(5,109,549)	(3,733,466)	(5,109,549)	(3,733,466)
Other Operating and Administrative Expenses	37	(6,542,048)	(6,151,870)	(5,158,022)	(4,155,799)
Cost of Services of Subsidiaries		(23,267,517)	(23,918,618)	–	–

<i>For the Year ended 31st December</i>	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Net Benefits, Losses and Expenses		(46,277,526)	(45,695,747)	(21,625,983)	(19,781,058)
Profit Before Taxation		13,797,179	10,241,202	6,354,869	5,863,256
Income Tax Expense	38	(3,658,388)	(2,598,318)	(1,700,039)	(1,627,413)
Net Profit for the year		10,138,791	7,642,884	4,654,830	4,235,843
Attributable to:					
Equity Holders of the Company		9,681,178	7,467,653	4,654,830	4,235,843
Non-Controlling Interest		457,613	175,231	–	–
Profit for the Year		10,138,791	7,642,884	4,654,830	4,235,843
Basic Earnings Per Share (Rs.)	39	16.14	12.45	7.76	7.06
Dividend Per Share (Rs.)	40	1.67	2.00	1.67	2.00

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

6.9.0 Statement of Comprehensive Income

For the Year ended 31st December

Profit for the Year

Other Comprehensive Income

Gain on Revaluation of Property, Plant and Equipment

Deferred Tax Effect on Revaluation of Property, Plant & Equipment

Net Change in Fair Value of Available-For-Sale Financial Assets

Actuarial Gains/(Losses) on Retirement Benefit Obligations

Tax on Actuarial Gains/(Losses)

Transfer to Life Fund - Other Comprehensive Income (Relating to Policy Holders)

Other Comprehensive Income for the Year, Net of Tax

Total Comprehensive Income for the Year

Total Comprehensive Income Attributable to:

Equity holders of the Company

Non-Controlling Interest

Total Comprehensive Income for the Year

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
	10,138,791	7,642,884	4,654,850	4,255,843
	212,925	4,671,096	–	4,671,096
	(25,551)	(375,626)	–	(375,626)
	2,843,670	(669,735)	2,843,670	(669,735)
	6,957	1,723	5,992	–
	538	428	–	–
	–	(271,418)	–	(271,418)
	3,038,339	3,356,468	2,849,662	3,354,317
	13,177,130	10,999,352	7,504,492	7,590,160
	12,635,592	10,825,512	7,504,492	7,590,160
	541,538	173,840	–	–
	13,177,130	10,999,352	7,504,492	7,590,160

6.10.0 Statement of Changes in Equity

Consolidated

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000
Balance as at 1st January 2012	6,000,000	4,658,021
Total Comprehensive Income for the Year		
Profit for the Period	–	–
Other Comprehensive Income	–	4,523,347
Total Comprehensive Income for the Year	–	4,523,347
Transaction with Owners of the Company Recorded Directly in Equity		
Effect of Change in Percentage Holding in Subsidiaries	–	–
Transfer to Life Fund (Relating to Policyholder)	–	–
Transfer from Life Insurance Surplus	–	–
Change in Fair Value Measurements Applicable to Life Contract Liability	–	–
Surplus Attributable to Shareholders of Life Insurance	–	–
Dividend Paid	–	–
	–	–
Balance as at 31st December 2012	6,000,000	9,161,368
Balance as at 1st January 2013	6,000,000	9,161,368
Total Comprehensive Income for the Year		
Profit for the Year	–	–
Other Comprehensive Income	–	102,325
Total Comprehensive Income for the Year	–	102,325
Transaction with Owners of the Company Recorded Directly in Equity		
Effect of Change in Percentage Holding in Subsidiaries	–	–
Deferred Tax on Revaluation Surplus	–	(291,355)
Realisation of Revaluation Surplus	–	(30,320)
Transfer of Fair Value Gain on Investment Property	–	(189,975)
Change in Fair Value Measurements Applicable to Life Contract Liability	–	–
Transferred from Life Insurance Surplus	–	–
Surplus Attributable to Shareholders of Life Insurance	–	–
Dividend Paid	–	–
Dividends of Subsidiaries to Non- Controlling Interest	–	–
	–	(511,648)
Balance as at 31st December 2013	6,000,000	8,752,045

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

General Reserve Rs. '000	Available-For-Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non-Controlling Interest Rs. '000	Total Equity Rs. '000
643,442	13,190,779	6,189,916	12,856,828	45,518,986	1,522,687	45,041,673
–	–	–	7,467,652	7,467,652	175,231	7,642,883
–	(669,737)	–	3,575	3,857,185	(1,424)	3,855,761
–	(669,737)	–	7,471,227	11,324,837	173,807	11,498,644
–	–	–	(3,574)	(3,574)	(49,210)	(52,784)
–	–	271,418	–	271,418	–	271,418
–	–	(500,000)	500,000	–	–	–
–	–	–	(762,377)	(762,377)	–	(762,377)
–	–	2,307,406	(2,307,406)	–	–	–
–	–	–	(1,001,279)	(1,001,279)	–	(1,001,279)
–	–	2,078,824	(3,574,635)	(1,495,812)	(49,210)	(1,545,022)
643,442	12,521,041	8,268,740	16,753,420	53,548,011	1,647,284	54,995,295
643,442	12,521,041	8,268,740	16,753,420	53,548,011	1,647,284	54,995,295
–	–	–	9,681,178	9,681,178	457,613	10,138,791
–	2,843,670	–	8,420	2,954,415	83,924	3,038,339
–	2,843,670	–	9,689,598	12,635,593	541,538	13,177,131
–	–	–	(68,857)	(68,857)	5,068,857	5,000,000
–	–	–	289,484	(1,869)	–	(1,869)
–	–	–	30,320	–	–	–
–	–	–	189,975	–	–	–
–	–	–	(1,317,160)	(1,317,160)	–	(1,317,160)
–	–	(5,461,681)	5,461,681	–	–	–
–	–	1,721,809	(1,721,809)	–	–	–
–	–	–	(1,200,000)	(1,200,000)	–	(1,200,000)
–	–	–	–	–	(203,104)	(203,104)
–	–	(3,739,872)	1,663,635	(2,587,886)	4,865,753	2,277,867
643,442	15,364,711	4,528,868	28,106,652	63,595,718	7,054,575	70,450,293

Company

	Stated Capital Rs. '000
Balance as at 1st January 2012	6,000,000
Total Comprehensive Income for the Year	
Profit for the Year	–
Other Comprehensive Income for the Year	–
Total Comprehensive Income for the Year	–
Transaction with Owners of the Company Recorded Directly in Equity	
Transfer from Life Insurance Surplus	–
Transfer to Life Fund (Relating to Policyholder)	–
Surplus Attributable to Shareholders from Life Insurance	–
Change in Fair Value Measurements Applicable to Life Contract Liability	–
Dividend Declared and Paid	–
	–
Balance as at 31st December 2012	6,000,000
Balance as at 1st January 2013	6,000,000
Total Comprehensive Income for the Year	
Profit for the Year	–
Other Comprehensive Income for the Year	–
Total Comprehensive Income for the Year	–
Transaction with Owners of the Company Recorded Directly in Equity	
Transfer from Life Insurance Surplus	–
Change in Fair Value Measurements Applicable to Life Contract Liability	–
Realisation of Revaluation Surplus	–
Amount Transfer on Investment Property	–
Surplus Attributable to Shareholders from Life Insurance	–
Dividend Declared and Paid	–
	–
Balance as at 31st December 2013	6,000,000

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Available-For- Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
	1,336,691	643,442	13,190,779	6,189,916	14,457,661	41,818,490
	–	–	–	–	4,235,842	4,235,842
	4,295,470	–	(669,735)	–	–	3,625,735
	4,295,470	–	(669,735)	–	4,235,842	7,861,577
	–	–	–	(500,000)	500,000	–
	–	–	–	271,418	–	271,418
	–	–	–	2,307,406	(2,307,406)	–
	–	–	–	–	(762,377)	(762,377)
	–	–	–	–	(1,001,279)	(1,001,279)
	–	–	–	2,078,824	(3,571,062)	(1,492,235)
	5,632,161	643,442	12,521,041	8,268,739	15,122,448	48,187,831
	5,632,161	643,442	12,521,041	8,268,739	15,122,448	48,187,831
	–	–	–	–	4,654,830	4,654,830
	–	–	2,843,670	–	5,992	2,849,662
	–	–	2,843,670	–	4,660,821	7,504,492
	–	–	–	(5,461,681)	5,461,681	–
	–	–	–	–	(1,317,160)	(1,317,160)
	(30,320)	–	–	–	30,320	–
	(189,975)	–	–	–	189,975	–
	–	–	–	1,721,809	(1,721,809)	–
	–	–	–	–	(1,200,000)	(1,200,000)
	(220,295)	–	–	(3,739,872)	1,445,008	(2,517,159)
	5,411,866	643,442	15,364,711	4,528,867	21,226,278	53,175,164

6.11.0 Cash Flow Statement

<i>For the Year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Cash Flows from Operating Activities				
Premium Received from Customers	20,648,417	19,350,804	20,648,417	19,350,804
Reinsurance Premium Paid	(3,091,309)	(2,352,299)	(3,091,309)	(2,352,299)
Insurance Claims and Benefits Paid	(11,121,142)	(10,989,034)	(11,121,142)	(10,989,034)
Reinsurance Receipts in Respect of Claims and Benefits	494,544	480,454	494,544	480,454
Cash Receipts from Debtors	31,163,171	25,881,067	–	–
Cash Paid to and on Behalf of Employees	(1,761,484)	(1,784,539)	(1,761,484)	(1,784,539)
Interest Received	8,527,290	8,569,979	6,879,751	7,373,648
Dividend Received	1,435,954	1,927,551	1,816,390	1,927,551
Other Operating Cash Payments	(26,271,054)	(17,796,785)	(4,990,794)	(4,845,038)
Cash Flows from Operating Activities	20,024,387	23,287,198	8,874,373	9,161,547
Retiring Gratuity Paid	(12,873)	(9,279)	–	–
Income Tax Paid	(2,275,409)	(2,085,883)	(1,093,030)	(1,171,086)
Net Cash Flows from Operating Activities	17,736,106	21,192,036	7,781,343	7,990,461
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(62,297,361)	(56,227,925)	(62,297,361)	(56,227,925)
Proceeds from Financial Investments	60,422,919	54,293,041	60,422,919	54,293,041
Proceeds from Disposal of Property, Plant & Equipment	34,893	–	30,320	–
Acquisition of Property, Plant & Equipment	(7,513,898)	(7,030,924)	(196,144)	(182,009)
Cash Received from Consolidation	–	–	–	–
Net Cash Flows Used in Investing Activities	(9,353,447)	(8,965,808)	(2,040,267)	(2,116,893)

<i>For the Year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Cash Flows from Financing Activities				
Dividend Paid	(1,200,000)	(1,001,278)	(1,200,000)	(1,001,278)
Net Flows Used in Financing Activities	(1,200,000)	(1,001,278)	(1,200,000)	(1,001,278)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	37,996	37,996	55,379	37,996
Net Increase/(Decrease) in Cash and Cash Equivalents	7,220,655	11,262,946	4,596,455	4,910,286
Cash and Cash Equivalents at the Beginning of the Year	21,540,562	10,277,616	8,066,358	3,156,072
Cash and Cash Equivalents at the End of the Year	28,761,216	21,540,562	12,662,813	8,066,358
Cash and Cash Equivalents at the End of the Year				
Cash at Bank and in Hand	767,825	947,673	493,965	501,362
Short-Term Investments	28,490,167	20,991,109	12,530,569	7,852,673
Bank Overdraft	(496,776)	(398,220)	(361,721)	(287,677)
	28,761,216	21,540,562	12,662,813	8,066,358

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

6.12.0 Statement of Financial Position - Segmental Review

As at 31st December

	2015						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Assets							
Financial Investments	21,128,252	73,645,020	–	–	–	–	94,771,272
Investments in Subsidiaries	16,235,493	1,457,914	–	2,000,000	12,000,000	(31,693,407)	–
Property, Plant & Equipment	8,209,893	55,969	3,226,050	10,121,304	9,199,678	–	30,812,895
Investment Properties	549,600	–	–	–	784,045	–	1,333,645
Leasehold Property - Land	21,075	–	147,717	–	21,680	–	190,472
Intangible Assets	120,041	–	6,480	–	277	2,992,805	3,119,603
Policyholders and Other Loans	–	1,578,196	–	–	–	–	1,578,196
Reinsurance Receivable	1,406,265	39,978	–	–	–	–	1,446,243
Premium Receivable from Policyholders	2,702,587	327,754	–	–	–	–	3,030,141
Deferred Tax Assets	–	56,469	–	–	407	–	56,876
Other Assets	762,217	2,373,771	652,032	2,618,284	445,403	(473,677)	6,378,030
Deferred Expenses	246,896	–	–	–	–	–	246,896
Cash and Cash Equivalents	6,360,906	6,663,628	1,063,877	11,469,132	3,700,449	–	29,257,992
Total Assets	57,743,026	86,196,699	5,096,155	26,208,720	26,151,940	(29,174,279)	172,222,260

2012							
Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000	
21,463,057	67,321,906	—	—	—	—	88,784,966	
11,115,407	5,707,914	—	2,000,000	7,000,000	(25,823,320)	—	
8,410,143	57,012	2,816,578	9,343,476	5,779,796	—	26,407,003	
549,600	—	—	—	775,554	—	1,325,154	
21,344	—	133,855	—	21,903	—	177,102	
148,721	—	1,192	—	379	2,992,597	3,142,690	
—	1,539,451	—	—	—	—	1,539,451	
1,724,758	100,443	—	—	—	—	1,825,182	
2,411,365	—	—	—	—	—	2,411,365	
—	47,960	—	—	156	—	48,116	
1,271,933	1,915,928	414,431	1,551,735	728,357	(872,462)	5,009,922	
221,436	—	—	—	—	—	221,436	
2,460,686	5,893,350	1,001,511	6,824,972	5,758,263	—	21,938,782	
49,798,430	82,583,945	4,367,567	19,720,183	20,064,408	(23,703,385)	152,831,148	

As at 31st December

	2015						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Liabilities and Equity							
Liabilities							
Insurance Provision - Life	–	69,079,061	–	–	–	–	69,079,061
Insurance Provision - Non-Life	13,288,956	–	–	–	–	–	13,288,956
Reinsurance Payable	878,615	18,467	–	–	–	–	897,082
Current Tax Liabilities	887,282	852,393	–	1,058,869	–	–	2,778,544
Deferred Tax Liabilities	935,656	–	278,099	1,582,042	9,125	–	2,804,922
Retirement Benefits Obligations	241,626	221,490	66,880	81,255	23,995	–	635,244
Other Liabilities	2,368,654	1,523,134	569,291	7,102,121	698,409	(473,675)	11,787,935
Financial Liabilities	232,612	129,109	135,055	–	–	–	496,776
Total Liabilities	18,833,401	71,823,634	1,049,325	9,804,287	731,527	(473,675)	101,768,519
Equity							
Stated Capital	6,000,000	–	2,671,543	1,947,109	24,870,087	(29,488,739)	6,000,000
Capital Reserve	5,370,974	40,892	1,020,455	3,893,533	–	(1,587,596)	8,738,258
Available-For-Sale Reserves	5,092,637	10,272,074	–	–	–	–	15,364,711
Revenue Reserves	22,446,014	4,060,080	354,852	10,563,791	550,326	(4,680,408)	33,294,654
Non-Controlling Interest	–	–	–	–	–	7,056,139	7,056,139
Total Equity	38,909,625	14,373,045	4,046,850	16,404,432	25,420,413	(28,700,604)	70,453,742
Total Liabilities and Equity	57,743,026	86,196,699	5,096,155	26,208,720	26,151,939	(29,174,279)	172,222,260

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

2012							
Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000	
–	62,526,048	–	–	–	–	62,526,048	
14,297,802	–	–	–	–	–	14,297,802	
921,937	169,390	–	–	–	–	1,091,327	
598,359	472,707	–	537,030	–	–	1,608,096	
988,747	–	231,360	1,355,568	–	–	2,575,675	
209,614	192,146	51,504	73,406	20,543	–	547,212	
1,869,277	1,553,331	344,981	6,000,212	5,896,127	(872,462)	14,791,466	
164,598	123,079	110,543	–	–	–	398,220	
19,050,333	65,036,701	738,388	7,966,216	5,916,670	(872,462)	97,835,846	
6,000,000	–	2,671,543	1,947,109	14,000,000	(18,618,652)	6,000,000	
5,591,269	40,892	858,344	4,184,886	–	(1,514,023)	9,161,368	
4,131,800	8,389,241	–	–	–	–	12,521,041	
15,025,028	9,117,111	99,292	5,621,972	147,738	(4,345,532)	25,665,609	
–	–	–	–	–	1,647,284	1,647,284	
30,748,097	17,547,244	3,629,179	11,753,967	14,147,738	(22,830,923)	54,995,303	
49,798,431	82,583,945	4,367,567	19,720,183	20,064,408	(23,703,385)	152,831,148	

6.13.0 Statement of Income - Segmental Review

For the Year ended 31st December

	2015						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
Gross Written Premium	12,953,151	8,397,718	-	-	-	(88,729)	21,262,140
Net Change in Reserves for Unearned Premium	(581,750)	-	-	-	-	-	(581,750)
Gross Earned Premium	12,371,400	8,397,718	-	-	-	(88,729)	20,680,390
Premium Ceded to Reinsurers	(3,129,667)	(97,636)	-	-	-	-	(3,227,303)
Net Change in Reserve for Unearned Reinsurance Premium	263,241	-	-	-	-	-	263,241
Net Earned Premium	9,504,974	8,300,082	-	-	-	(88,729)	17,716,327
Revenue from Other Operations	-	-	4,071,915	29,038,945	79,155	(1,050,418)	32,139,598
Total Revenue	9,504,974	8,300,082	4,071,915	29,038,945	79,155	(1,139,146)	49,855,925
Benefits and Losses							
Insurance Claims and Benefits (Net)	(4,934,074)	(4,870,410)	-	-	-	-	(9,804,484)
Underwriting and Net Acquisition Costs	(500,629)	(1,033,299)	-	-	-	-	(1,533,928)
Other Insurance Related Costs	-	-	-	-	-	-	-
Increase in Life Insurance Fund	-	(5,109,549)	-	-	-	-	(5,109,549)
Cost of Services of Subsidiaries	-	-	(1,691,624)	(22,481,096)	(27,410)	932,613	(25,267,517)
Total Benefits and Losses	(5,434,703)	(11,033,258)	(1,691,624)	(22,481,096)	(27,410)	932,613	(39,735,478)

			2012				
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
	12,803,592	7,369,052	–	–	–	(173,750)	19,998,873
	(716,927)	–	–	–	–	–	(716,927)
	12,086,665	7,369,052	–	–	–	(173,750)	19,281,946
	(2,992,362)	(87,807)	–	–	–	–	(3,080,169)
	392,915	–	–	–	–	–	392,915
	9,487,217	7,281,225	–	–	–	(173,750)	16,594,692
	–	–	3,405,865	26,401,311	4,155	–	29,811,329
	9,487,217	7,281,225	3,405,865	26,401,311	4,155	(173,750)	46,406,020
	(6,194,011)	(4,089,232)	–	–	–	–	(10,283,242)
	(519,906)	(1,088,644)	–	–	–	–	(1,608,550)
	–	–	–	–	–	–	–
	–	(3,733,466)	–	–	–	–	(3,733,466)
	–	–	(1,547,801)	(22,365,807)	(5,010)	–	(23,918,618)
	(6,713,917)	(8,911,342)	(1,547,801)	(22,365,807)	(5,010)	–	(39,543,876)

For the Year ended 31st December

	2015						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
Other Revenue							
Investment Income	2,064,663	7,210,899	–	–	–	(380,348)	8,895,213
Fees and Commission Income	16,348	11,533	–	–	–	–	27,881
Net Realised Gains	135,303	(95,397)	–	–	–	–	39,906
Impairment Loss on Available-for-Sale Financial Investments	(12,671)	–	–	–	–	–	(12,671)
Other Income	315,156	551,962	29,674	407,574	253,615	(267,529)	1,268,450
Expenses							
Other Operating, Investment Related and Administrative Expenses	(2,851,002)	(2,307,020)	(1,666,456)	(458,185)	246,641	473,975	(6,542,047)
Profit before Taxation							
	3,736,069	2,618,801	743,509	6,527,239	551,998	(380,436)	13,797,180
Income Tax Expense	(803,033)	(897,006)	(66,738)	(1,727,077)	(149,415)	(15,120)	(3,658,388)
Net Profit after Taxation/ Transfer to Shareholders' Fund							
	2,933,035	1,721,795	676,772	4,800,162	402,584	(395,556)	10,138,791

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 150 to 277 which form an integral part of the Financial Statements.

				2012			
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
	1,511,635	5,789,477	–	–	–	–	7,301,112
	–	54,255	–	–	–	–	54,255
	484,374	454,232	–	–	–	–	938,606
	(42,528)	(112,667)	–	–	–	–	(155,195)
	111,354	625,741	24,676	419,570	244,560	(53,750)	1,392,151
	(2,008,724)	(2,147,075)	(1,443,776)	(746,662)	(13,135)	207,500	(6,151,870)
	2,829,411	3,035,846	438,964	3,708,412	250,570	–	10,241,202
	(900,971)	(726,442)	(52,908)	(835,823)	(82,174)	–	(2,598,318)
	1,928,440	2,307,404	386,056	2,872,589	148,396	–	7,642,885

6.14.0 Notes to the Financial Statements

1. Corporate Information

1.1 General

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

The Consolidated Financial Statements of the Company as at and for the year ended 31st December 2015 comprise the Company and its subsidiaries Management Services Rakshana (Private) Ltd., The Lanka Hospitals Corporation PLC, Litro Gas Lanka Ltd., Litro Gas Terminal Lanka (Pvt) Ltd., Canwill Holdings (Pvt) Ltd. and Canowin Hotels & Spas (Pvt) Ltd. (together referred to as the 'Group' and individually as 'Group entities').

599,598,516 number of ordinary shares (99.99%) of the Parent Company is owned by Secretary to the Treasury and rest owned by employees of the Company.

1.2 Principal Activities and Nature of Operations

The principal activities of the Group are to undertake and carry on all classes of insurance businesses, healthcare services, provide bulk storage facilities for liquid petroleum gas (LPG) and to import, process, store, distribute and sell liquid petroleum gas (LPG), provide other incidental services, investment promotion in relation to leisure sector and controlling and monitoring subsidiaries as a holding company and engage in business of hospitality trade.

1.3 Responsibility for Financial Statements

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

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (Corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- Financial instruments designated at 'Fair-Value-Through-Profit-or-Loss' are measured at fair value
- Available-For-Sale financial assets are measured at fair value
- Land and buildings are measured at revalued amounts
- Policyholders' liability have been measured at actuarial-determined values
- The liability for defined benefit obligations are actuarially valued and recognised as the present value of the defined benefit obligation

The Group presents its Statement of Financial Position broadly in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legal enforceable 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.

2.3 Supplementary Statements - Statement of Financial Position of Life Insurance

Supplementary Statement of Financial Position of the Life Insurance Fund together with the notes are disclosed continuing the past practice which is a requirement of the Statement of Recommended Practice (SoRP) for insurance contracts then applicable, adopted by The Institute of Chartered Accountants of Sri Lanka.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional currency.

Except as indicated, financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand.

2.5 Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Comparative Information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.8 Going Concern

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

2.9 Date of Authorisation of Issue

The Financial Statements were authorised for issue by the Board of Directors on 21st March 2014.

3. Significant Accounting Policies

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

3.1 Basis of Consolidation

(i) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

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

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Acquisitions of Non-Controlling Interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

(iv) Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an Available-For-Sale financial asset depending on the level of influence retained.

(v) Transactions Eliminated on Consolidation

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

3.2 Foreign Currency Transactions

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

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on the retranslation are recognised in profit and loss.

3.3 Insurance Contracts

As permitted by SLFRS 4 - 'Insurance Contracts', the Group continues to apply the existing accounting policies for insurance contracts that were applied prior to the adoption of SLFRS.

3.3.1 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 those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

3.4 Intangible Assets

3.4.1 Software

3.4.1.1 Basis of Recognition

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

3.4.1.2 Subsequent Expenditure

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.

3.4.1.3 Amortisation

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

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

3.4.1.4 Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the derecognition of such intangible assets is included in profit or loss when the item is derecognised.

3.4.2 Goodwill

Goodwill that arises on the acquisition of the subsidiaries is presented with intangible assets. The measurement of goodwill at initial recognition is given Note in 3.1. (i) to the Financial Statements.

3.4.2.1 Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses.

3.4.2.2 Impairment of Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised in profit and loss. Impairment losses relating to goodwill cannot be reversed in the future.

3.4.2.3 Other Intangible Assets

Other intangible assets that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

3.5 Property, Plant & Equipment

3.5.1 Basis of Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost/revaluation 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 Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

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 & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

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

3.5.2 Subsequent Costs

The cost of replacing a part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of Property, Plant & Equipment is expensed as incurred.

3.5.3 Revaluations

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverse a revaluation decrease of the same asset previously recognised in profit and loss, in which case the increase is recognised in profit and loss. A revaluation deficit is recognised in profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.5.4 Depreciation

Items of Property, Plant & Equipment are depreciated on a straight-line basis in profit and loss over the estimated useful of each component.

Items of Property, Plant & Equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

Buildings	20 years
Furniture & Fittings	10 years
Electrical Generators	10 years
Office & Other Equipment	10 years
Air Condition Plant	10 years
Passenger Lifts	6 2/3 years
Electrical Fixtures & Fittings	6 2/3 years
Computers & Computer Equipment	4 years
Motor Vehicles	4 years

3.5.5 Derecognition

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

3.5.6 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred on Property, Plant & Equipment, awaiting capitalisation.

3.5.7 Leased Assets - Lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

Leased Assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating Lease

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit and loss on a straight-line basis over the lease term.

3.6 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit and loss.

3.7 Financial Instruments

3.7.1 Non-Derivative Financial Assets

3.7.1.1 Initial Recognition and Measurement

The Group initially recognises loans and receivables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at Fair-Value-Through-Profit-or-Loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

At inception a financial asset is classified into one of the following categories:

- Fair-Value-Through-Profit-or-Loss (FVTPL);
- Loans and Receivables (L&R);
- Held-To-Maturity investments (HTM); and
- Available-For-Sale (AFS) financial assets, as appropriate.

The Group determines the classification of its financial assets at initial recognition.

The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Group's ability. Financial assets are classified as at Fair-Value-Through-Profit-or-Loss where the Group's investment strategy is to manage financial investments on a fair value basis. The Available-For-Sale and Held-To-Maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the settlement date, i.e. the date that the Group receives/settles money for the sale/purchase of the financial asset. However, when it comes to investment in quoted equities and corporate debt, the transaction date (i.e. trade date) is used to recognise/derecognise the asset.

The Group's existing types of financial assets and their classifications are shown in the table below:

Financial Asset	Category
Treasury Bonds	Available-For-Sale / Held-To-Maturity
Treasury Bills	Available-For-Sale / Held-To-Maturity
Listed Shares	Fair-Value-Through-Profit-or-Loss / Available-For-Sale
Unlisted Shares	Available-For-Sale
Unit Trusts	Available-For-Sale
Listed Debentures	Available-For-Sale
Unlisted Debentures	Loans and Receivables
Term Deposits	Loans and Receivables
Trust Certificates	Loans and Receivables
Development Bonds	Loans and Receivables
Commercial Papers	Loans and Receivables
Policy Loans	Loans and Receivables
Staff and Advisor Loans	Loans and Receivables

3.7.1.2 Subsequent Measurement

(a) Financial Assets at Available-For-Sale Financial Assets (AFS)

Available-For-Sale financial investments include equity, debt securities and Unit Trusts. Equity investments classified as Available-For-Sale are those that are neither classified as Fair-Value-Through-Profit-or-Loss nor designated at Fair-Value-Through-Profit-or-Loss. Debt securities in this category are those that are intended to be held for an indefinite period of time till maturity and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, Available-For-Sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income (OCI) in the Available-For-Sale reserve.

Interest earned whilst holding Available-For-Sale investments is reported as 'Interest Income' using the Effective Interest Rate (EIR). Dividends earned whilst holding Available-For-Sale investments are recognised in the Statement of Income as 'Investment Income' when the right of the payment has been established. When the asset is derecognised, the cumulative gain or loss is recognised in the investment income.

If the asset is determined to be impaired, the cumulative loss is recognised in the Statement of Income in the 'Investment Income' and removed from the Available-For-Sale reserve and this process is irreversible.

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

For a financial asset that is reclassified out of the Available-For-Sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the Income Statement.

(b) Financial Assets at Fair-Value-Through-Profit-or-Loss (FVTPL)

Financial assets at Fair-Value-Through-Profit-or-Loss include financial assets held for trading and those designated upon initial recognition at Fair-Value-Through-Profit-or-Loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

For investments designated as at Fair-Value-Through-Profit-or-Loss, the following criteria must be met:

The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis.

The assets and liabilities are part of a Group's financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Group's investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in the Statement of Income.

Interest is accrued and presented in 'Investment Income' or 'Finance Cost', respectively, using the EIR. Dividend income is recorded in the 'Investment Income' when the right to the payment has been established.

The Group evaluates its financial assets at Fair-Value-Through-Profit-or-Loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to Loans and Receivables, Available-For-Sale or Held-To-Maturity depends on the nature of the asset.

(c) Financial Assets at Held-To-Maturity Financial Assets (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held-To-Maturity when the Group has both the intention and ability to hold until maturity. After initial measurement, Held-To-Maturity financial assets are measured at amortised cost, using the EIR, less impairment.

The EIR amortisation is included in 'Investment Income' in the Statement of Income.

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Loans and Receivables - (L & R)

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accordingly, the Group has decided to classify unquoted corporate debt, development bonds and term deposits under this category since there is no active market for these instruments.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, Loans and Receivables are measured at amortised cost, using the EIR, less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment Income' in the Statement of Income.

Gains and losses are recognised in the Statement of Income when the investments are derecognised or impaired, as well as through the amortisation process.

The fair values of these assets policy loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar assets. The fair value of fixed rate assets are estimated by discounting cash flows at the interest rates paid or charged on assets of similar policies currently being issued. The carrying values of assets with variable rates are considered as approximate to their fair value.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits and Reverse Repurchase agreements with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.7.1.3 Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition 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 consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

3.7.2 Non-Derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at Fair- Value-Through-Profit-or-Loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less 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 loans and borrowings, bank overdrafts, and trade and other payables.

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

3.7.3 Stated Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.7.4 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.

3.7.5 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.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument (Categorise as Level 1). 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.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique (Categorise as Level 2). Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability (Categorise as Level 3). All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3.7.6 Identification and Measurement of Impairment

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.7.6.1 Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as a part of investment income in the Statement of Comprehensive Income.

Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Investment Income' in the Statement of Comprehensive Income.

The Group has not experienced any indication of impairment and thus no impairment losses were recognised during the financial year.

3.7.6.2 Available-For-Sale Financial Assets (AFS)

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

In the case of debt instruments classified as Available-For-Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Investment Income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Income, the impairment loss is reversed through the Statement of Other Comprehensive Income.

3.7.7 Offsetting of Financial Investments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable 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 liability simultaneously.

3.8 Deferred Expenses

3.8.1 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to Non-Life Insurance Contracts. No DAC is calculated for Life Insurance Contracts as the acquisition costs are incurred in line with the revenues earned.

In line with the available regulatory Guidelines from the Insurance Board of Sri Lanka (IBSL), the DAC is calculated based on the 365 basis.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying amount, an impairment loss is recognised in the Statement of Comprehensive Income. No such indication of impairment was experienced during the year.

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

3.9 Reinsurance

The Company cedes insurance risk in the normal course of business to recognised reinsurers through formal reinsurance arrangements.

Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in profit and loss.

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

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

3.10 Premium Receivable

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

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Board of Sri Lanka (IBSL), all Non-Life Insurance Policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled.

The Company account for life insurance premiums on accrual basis with the implementation of SLFRS/LKAS. Accordingly, due life insurance premiums (only the premiums due in the 30 day grace period) are recognised at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

Reinsurance Commission - Unearned commission reserve (UCR) - Non-Life.

3.11 Other Assets

3.11.1 Other Receivables and Dues from Related Parties

Other receivables and dues from related parties are recognised at cost less allowances for bad and doubtful receivables.

3.11.2 Inventories

Inventories include all consumable items which are stated at lower of cost and net realisable value.

3.12 Liabilities and Provisions

3.12.1 Insurance Contract Liabilities

3.12.1.1 Insurance Provision - Life Insurance

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Board of Sri Lanka (IBSL) based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IBSL specified guidelines and current assumptions which vary based on the contract type.

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

As required by the SLFRS 4 - 'Insurance Contracts', the Company performed a Liability Adequacy Test (LAT) in respect of life insurance contract liabilities with the assistance of an external actuary. In performing the liability adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

3.12.1.2 Insurance Provision - Non-Life Insurance

Non-Life Insurance contract liabilities include the outstanding claims provision including IBNR and IBNER, the provision for unearned premium and the provision for premium deficiency.

The 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 valuation of Unearned Premium Reserve are measured in accordance with Guidelines of the Regulation of Insurance Industry Act No. 43 of 2000 (i.e. based on the 365 basis).

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve are actuarially computed.

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.

As required by the SLFRS 4 - 'Insurance Contracts', the Company performed a Liability Adequacy Test (LAT) in respect of non - life insurance contract liabilities with the assistance of the external actuary.

3.12.1.3 Title Insurance Reserve

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognised in the first year of the policy given the higher probability of claims occurring in that year. From the 2nd year onwards, profit is recognised by amortising the premium received and will be distributed throughout the remaining period of the policy using the straight-line method. Profit for the first year will only be recognised in the 2nd year and thereafter it is periodically recognised.

If the corresponding loan of the Title Insurance Policy issued is settled before the maturity, full premium of such policies remaining as at the date of settlement of such loan is recognised in profit and loss upon confirmation of the same by the respective Bank.

3.13 Employee Benefits

3.13.1 Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.13.2 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss when incurred.

Employees' Provident Fund

All employees of the Group are members of the Employees' Provident Fund (EPF). The Group and employees contribute 15% and 10% respectively of the salary to EPF.

Employees' Trust Fund

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

3.13.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined

benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty.

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

The liability is not externally funded.

Actuarial Gains and Losses

The remeasurement of the net defined benefit obligation, which comprises actuarial gains and losses are recognised immediately in Other Comprehensive Income.

3.14 Provisions

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

3.15 Revenue Recognition

3.15.1 Insurance Premiums

3.15.1.1 Life Insurance Business

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

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

3.15.1.2 Non-Life Insurance Business

Gross written premiums - non-life insurance comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross Written Premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

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

3.15.2 Reinsurance Premiums

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

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 deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 365 basis in accordance with the Regulation of Insurance Industry Act No. 43 of 2000).

3.16 Fees and Commission Income

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

3.17 Interest

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

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

3.18 Dividends

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

3.19 Profit/Loss on Sale of Property, Plant & Equipment

Profit/loss on Sale of Property, Plant & Equipment is recognised in the period in which the sale occurs and is classified under other income.

3.20 Benefits, Claims and Expenses

3.20.1 Gross Benefits and Claims

3.20.1.1 Life Insurance Business

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

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

3.20.1.2 Non-Life Insurance Business

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

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

Whilst the Directors consider that the provisions for claims are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for that period.

The methods used to estimate claims and the estimates made are reviewed regularly.

3.20.1.3 Reinsurance Claims

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

3.21 Net Deferred Acquisition Expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.22 Actuarial Valuation of Life Insurance Fund

The Directors agree to the long-term insurance provision for the Company at the year-end on the recommendations of the Independent Consultant Actuary following his annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Independent Consultant Actuary.

3.23 Other Expenses

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment has been charged to the Statement of Comprehensive Income .

3.24 Income Tax Expense

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

3.24.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the Statement of Comprehensive Income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

3.24.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the Statement of Financial Position, the Group has deferred tax liabilities arising from Property, Plant & Equipment only.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be fully utilised. Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

3.24.3 Premium Income (GWP) and other Sundry Sales Related Taxes

Revenues, expenses and assets are recognised net of the amount of sales taxes and premium taxes except where the premium or sales tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as a part of the cost of acquisition of the asset or as a part of the expense item, as applicable.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority are included as a part of receivables or payables in the Statement of Financial Position.

3.24.4 Withholding Tax on Dividends

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

3.24.5 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed receivable ESC amount can be carried forward and set-off against the income tax payable as per the relevant provisions in the Act.

However, with the amendment made by Inland Revenue, if the Company in relation to any relevant quarter commencing on or after April 01, 2012, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act No. 10 of 2006 for the year of assessment 2011/2012, is more than zero, the relevant turnover for such quarter shall be deemed to be zero.

3.25 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resources to be allocated to the segments and to assess its performance, and for which discrete finance information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Accordingly, segmental information of the Group reflects non-life insurance and life insurance. Inter-segment transfers are based on fair market prices.

3.26 Earnings Per Share (EPS)

The Group presents basic and diluted earnings per share data for its ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares determined in accordance with LKAS 33.

3.27 Proposed Dividends

Dividend proposed by the Board of Directors after the reporting date is not recognised as a liability and is only disclosed as a Note to the Financial Statements. Provision for dividend is recognised only at the time the dividend proposed by the Board of Directors is approved by the shareholders at the Annual General Meeting.

3.28 Capital Commitments and Contingencies

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

3.29 Events Occurring after the Reporting Date

All material Post-Statement of Financial Position events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.30 Cash Flow Statement

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

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

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

3.31 Changes in Accounting Policies and Disclosures

LKAS 19 - 'Employee Benefits' (Revised 2013)

The Group applied LKAS 19 (Revised 2013) in the current period in accordance with the transitional provisions set out in the revised standard. Some of the key changes that impacted the Group include the following:

The Group previously recognised only the net cumulative unrecognised actuarial gains and losses of the previous period, which exceeded 10% of the greater of the defined benefit obligation and the fair value of the plan assets in accordance with LKAS 19.

As a consequence, the Group's Statement of Financial Position did not reflect a significant part of the unrecognised net actuarial gains and losses.

This method is no more allowed under revised LKAS 19 and hence Group changed its accounting policy to recognised actuarial gains and losses in the period in which they occur in total in Other Comprehensive Income Statements.

4. Standards Issued But Not yet Effective

The following SLFRS have been issued by The Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements.

(i) SLFRS 9 - Financial Instruments: Classification and Measurement SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This Standard was originally effective for annual periods commencing on or after 1st January 2015. However, effective date has been deferred subsequently.

(ii) SLFRS 13 - Fair Value Measurement SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This Standard will be effective for the financial period beginning on or after 1st January 2014.

However, use of fair value measurement principles contained in this Standards are currently recommended.

In addition to the above, following Standards will also be effective for the annual periods commencing on or after 1st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three Standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27 - Consolidated and Separate Financial Statements, LKAS 28 - 'Investments in Associates', LKAS 31 - 'Interest in Joint Ventures' and SIC - 12 and SIC-13 which are on consolidation of Special Purpose Entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 - establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these Standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

As at 31st December

Group/Company	Note	2015		2012	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000

5. Financial Investments

Held-To-Maturity (HTM) Financial Assets	5.1	19,324,293	20,708,066	15,372,693	15,609,379
Loans and Receivables (L & R)	5.2	30,048,050	30,043,868	23,938,051	23,924,734
Available-For-Sale (AFS) Financial Assets	5.3	39,442,223	39,442,223	38,520,336	38,520,336
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets	5.4	5,956,726	5,956,726	10,953,885	10,953,885
Total Financial Investments		94,771,272	96,150,883	88,784,965	89,008,334

5.1 Held-To-Maturity (HTM) Financial Assets

Treasury Bills		–	–	969,775	974,700
Treasury Bonds		19,324,293	20,708,066	14,402,918	14,634,679
		19,324,293	20,708,066	15,372,693	15,609,379

5.2 Loans & Receivables (L & R)

Unlisted Debentures	5.2.1	1,890,781	1,886,620	2,274,245	2,260,928
Term Deposits		22,864,910	22,864,910	16,290,231	16,290,231
Development Bonds		5,254,857	5,254,857	5,106,038	5,106,038
Trust Certificates		37,481	37,481	60,767	60,767
Commercial Papers		–	–	206,770	206,770
		30,048,050	30,043,868	23,938,051	23,924,734

As at 31st December

	Maturity Date	2015			Maturity Date	2012		
		Carrying Value	Fair Value	Face Value		Carrying Value	Fair Value	Face Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
Commercial Bank of Ceylon PLC	15.05.2016	141,608	151,784	125,000	15.05.2016	141,608	124,824	125,000
Senkadagala Finance PLC*	-	-	-	-	02.12.2014	67,841	66,803	67,000
People's Leasing & Finance PLC	26.04.2014	515,375	515,375	500,000	26.04.2014	519,496	519,496	500,000
Merchant Bank of Sri Lanka PLC	-	-	-	-	31.08.2013	103,312	103,911	100,000
Abans PLC**	-	-	-	-	31.03.2014	100,033	99,641	100,000
Abans PLC**	-	-	-	-	06.06.2014	100,033	99,306	100,000
Lankem Ceylon PLC	08.04.2016	200,064	200,064	200,000	08.04.2016	200,083	200,083	200,000
Singer (Sri Lanka) PLC	30.04.2015	255,327	255,327	250,000	30.04.2015	256,706	256,706	250,000
Central Finance PLC	24.05.2015	528,015	528,015	500,000	24.05.2015	534,703	534,703	500,000
Siyapatha Finance Ltd. (Formerly; Sampath Leasing & Factoring Ltd.)	17.12.2015	50,336	55,999	50,000	17.12.2015	50,360	55,385	50,000
National Development Bank PLC	30.06.2016	200,056	200,056	200,000	30.06.2016	200,070	200,070	200,000
		1,890,781	1,886,620	1,825,000		2,274,245	2,260,928	2,192,000

*Prematurely settled on 22.11.2013

**Prematurely settled on 12.12.2013

As at 31st December

	Note	2015		2012	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000

5.3 Available-For-Sale (AFS) Financial Assets

Listed Shares	5.3.1	24,798,653	24,798,653	22,423,654	22,423,654
Unlisted Shares	5.3.2	124,480	124,480	90,581	90,581
Unit Trusts	5.3.3	1,426,408	1,426,408	1,437,209	1,437,209
Listed Debentures	5.3.4	7,190,339	7,190,339	3,424,049	3,424,049
Treasury Bills		483,700	483,700	-	-
Treasury Bonds		5,418,642	5,418,642	11,144,843	11,144,843
		39,442,223	39,442,223	38,520,336	38,920,336

As at 31st December

	2015		2012	
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares
				Carrying Value Rs. '000
				Fair Value Rs. '000

5.3.1 Listed Shares

Banks, Finance and Insurance

Commercial Bank of Ceylon PLC	74,802,912	9,058,633	9,058,633	73,571,026	7,577,816	7,577,816
DFCC Bank	26,509,832	3,433,023	3,433,023	26,509,832	2,995,611	2,995,611
Seylan Bank PLC	26,396,608	1,715,140	1,715,140	25,999,999	1,443,000	1,443,000
Hatton National Bank PLC	47,635,487	7,002,417	7,002,417	47,635,487	7,050,052	7,050,052
National Development Bank PLC	17,193,914	2,759,623	2,759,623	17,193,914	2,372,760	2,372,760
Sector Total		23,966,836	23,966,836		21,439,239	21,439,239

Construction and Engineering

Colombo Dockyard PLC	3,592,998	682,670	682,670	3,592,998	807,706	807,706
Sector Total		682,670	682,670		807,706	807,706

Telecommunications

Sri Lanka Telecom PLC	3,032,200	112,191	112,191	3,032,200	133,417	133,417
Sector Total		112,191	112,191		133,417	133,417

Manufacturing

Blue Diamonds Jewellery Worldwide PLC	10,559,100	36,957	36,957	10,559,100	43,292	43,292
Sector Total		36,957	36,957		43,292	43,292
Total Investment in Listed Shares		24,798,633	24,798,633		22,423,654	22,423,654

As at 31st December

	No. of Shares	2015 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000
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5.3.2 Unlisted Shares

Associated Newspapers of Ceylon Ltd.	61,206	4,784	4,784	61,206	4,978	4,978
Fitch Ratings Lanka Ltd.	62,500	965	965	62,500	901	901
Ceybank Asset Management Ltd.	759,998	85,227	85,227	759,998	64,759	64,759
Texpro Industries Ltd.	2,250,000	15,005	15,005	2,250,000	13,005	13,005
National Asset Management Ltd.	1	–	–	1	–	–
VINC Advertising (Pvt) Ltd.	250,000	–	–	250,000	–	–
Ceylon Asset Management Co. Ltd.	1,250,000	22,500	22,500	1,250,000	6,958	6,958
Total Investment in Unlisted Shares		124,480	124,480		90,581	90,581

As at 31st December

	No. of Units	2015 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	2012 Carrying Value Rs. '000	Fair Value Rs. '000
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5.3.3 Unit Trusts

Ceybank Unit Trust	35,628,291	867,946	867,946	35,628,291	865,592	865,592
Ceylon Income Fund	27,004,714	556,462	556,462	27,004,714	559,163	559,163
Comtrust Equity Fund	12,016,650	202,000	202,000	12,016,650	212,454	212,454
		1,426,408	1,426,408		1,437,209	1,437,209

As at 31st December

As at 31st December	2015				2012			
	Maturity Date	Carrying Value	Fair Value	Face Value	Maturity Date	Carrying Value	Fair Value	Face Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
5.3.4 Listed Debentures								
Banks, Finance and Insurance								
Bank of Ceylon	29.11.2017	507,014	507,014	500,000	29.11.2017	507,014	507,014	500,000
Bank of Ceylon	24.10.2018	294,944	294,944	287,970	-	-	-	-
Bank of Ceylon	24.10.2025	68,768	68,768	67,050	-	-	-	-
Hatton National Bank PLC	12.06.2018	541,256	541,256	516,717	-	-	-	-
Hatton National Bank PLC	51.05.2021	224,457	224,457	478,459	51.05.2021	202,206	202,206	478,459
Hatton National Bank PLC	50.08.2025	90,506	90,506	126,888	-	-	-	-
Hatton National Bank PLC	51.05.2024	456,742	456,742	1,562,794	51.05.2024	410,579	410,579	1,562,794
Commercial Bank of Ceylon PLC	18.12.2016	285,032	285,032	250,000	18.12.2016	285,147	285,147	250,000
National Development Bank PLC	19.12.2015	755,715	755,715	750,000	-	-	-	-
Seylan Bank PLC	21.02.2018	475,905	475,905	449,520	-	-	-	-
Sampath Bank PLC	11.10.2017	45,201	45,201	56,600	11.10.2017	37,937	37,937	56,600
Sampath Bank PLC	04.12.2018	545,585	545,585	540,190	-	-	-	-
Nations Trust Bank PLC	-	-	-	-	19.08.2015	215,419	215,419	200,000
Nations Trust Bank PLC	04.08.2016	209,041	209,041	200,000	04.08.2016	209,016	209,016	200,000
DFCC Vardhana Bank PLC	07.09.2016	148,190	148,190	148,148	07.09.2016	148,205	148,205	148,148
Pan Asia Banking Corporation PLC	18.05.2017	207,784	207,784	200,000	18.05.2017	209,950	209,950	200,000
The Housing Development Finance Corporation Bank of Sri Lanka	25.10.2018	103,970	103,970	100,000	-	-	-	-
Merchant Bank of Sri Lanka PLC	15.11.2014	148,245	148,245	140,000	15.11.2014	148,251	148,251	140,000
People's Leasing & Finance PLC	26.05.2018	125,960	125,960	105,900	-	-	-	-
LB Finance PLC	-	-	-	-	22.09.2015	49,887	49,887	50,000
LB Finance PLC	28.11.2018	225,565	225,565	220,670	-	-	-	-
Lanka ORIX Leasing Company PLC	50.06.2015	105,846	105,846	100,000	50.06.2015	105,866	105,866	100,000
Senkadagala Finance PLC	10.12.2018	100,865	100,865	100,000	-	-	-	-
Citizens Development Business Finance PLC	19.12.2018	57,556	57,556	57,350	-	-	-	-
Sector Total		5,294,118	5,294,118	6,518,256		2,529,457	2,529,457	5,666,001

As at 31st December

As at 31st December	2015				2012			
	Maturity Date	Carrying Value	Fair Value	Face Value	Maturity Date	Carrying Value	Fair Value	Face Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
Diversified Holdings								
Hayleys PLC	09.07.2016	80,800	80,800	80,800	–	–	–	–
Sector Total		80,800	80,800	80,800		–	–	–
Heathcare								
Nawaloka Hospitals PLC	30.09.2021	155,484	155,484	150,000	–	–	–	–
Sector Total		155,484	155,484	150,000		–	–	–
Trading								
Abans PLC	20.12.2018	401,907	401,907	400,000	–	–	–	–
Sector Total		401,907	401,907	400,000		–	–	–
Beverages, Food and Tobacco								
The Lion Brewery Ceylon PLC	17.06.2016	109,195	109,195	105,600	–	–	–	–
The Lion Brewery Ceylon PLC	17.06.2017	109,260	109,260	105,600	–	–	–	–
The Lion Brewery Ceylon PLC	17.06.2018	145,769	145,769	140,800	–	–	–	–
Sector Total		364,222	364,222	352,000		–	–	–
Land and Property								
Urban Development Authority*	05.10.2015	895,808	895,808	871,480	05.10.2015	894,592	894,592	871,480
Sector Total		895,808	895,808	871,480		894,592	894,592	871,480
Total Investment in Listed Debentures		7,190,539	7,190,539	8,172,536		3,424,049	3,424,049	4,537,481

* Treasury Guaranteed.

	Note	2015		2012	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000

5.4 Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets

Listed Shares	5.4.1	5,956,726	5,956,726	10,953,885	10,953,885
		5,956,726	5,956,726	10,953,885	10,953,885

Fair-Value-Through-Profit-or-Loss investments and Available-For-Sale investments are measured at fair value. Held-To-Maturity and Loans and Receivables are measured at amortised cost.

As at 31st December

	No. of Shares	2015 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000
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5.4.1 Listed Shares

Banks, Finance and Insurance

Sampath Bank PLC	587,487	66,609	66,609	968,536	193,707	193,707
Seylan Bank PLC (NV)	559,000	11,057	11,057	550,000	12,250	12,250
Pan Asia Banking Corporation PLC	1,594,666	21,617	21,617	1,394,666	26,499	26,499
Nations Trust Bank PLC	-	-	-	2,754,729	154,265	154,265
Hatton National Bank PLC (NV)	-	-	-	104,496	11,756	11,756
LB Finance PLC	1,842,900	188,160	188,160	1,842,900	272,749	272,749
People's Merchant Finance PLC	1,500	17	17	1,500	23	23
Nations Lanka Finance PLC	979,500	6,954	6,954	979,500	9,697	9,697
Union Bank of Colombo PLC	11,100	184	184	11,100	153	153
Sector Total		294,599	294,599		681,099	681,099

Beverage, Food and Tobacco

Distilleries Company of Sri Lanka PLC	-	-	-	2,878,600	477,848	477,848
Raigam Wayamba Salterns PLC	1,700,000	3,740	3,740	1,700,000	4,250	4,250
Cargills (Ceylon) PLC	-	-	-	776,000	112,908	112,908
Sector Total		3,740	3,740		595,006	595,006

Diversified Holdings

Hemas Holdings PLC	5,160,700	175,464	175,464	6,655,700	179,164	179,164
John Keells Holdings PLC	611,176	137,515	137,515	9,409,034	2,069,046	2,069,046
Expo Lanka Holdings PLC	1,071,600	8,037	8,037	1,071,600	7,608	7,608
Richard Pieris & Company PLC	2,450,000	15,309	15,309	2,450,000	19,197	19,197
Vallibel One PLC	1,121,800	18,598	18,598	1,121,800	20,417	20,417
Softlogic Holdings PLC	15,812,400	132,824	132,824	15,812,400	169,195	169,195
The Colombo Fort Land & Building PLC	5,020,600	85,181	85,181	5,020,600	106,929	106,929
Sector Total		572,727	572,727		2,571,554	2,571,554

<i>As at 31st December</i>	2015			2012		
	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Footwear and Textiles						
Hayleys MGT Knitting Mills PLC	78,800	875	875	78,800	914	914
Sector Total		875	875		914	914
Hotels and Travels						
Aitken Spence Hotel Holdings PLC	7,268,727	543,701	543,701	8,815,100	650,554	650,554
Asian Hotels & Properties PLC	10,055,900	653,634	653,634	10,055,900	763,245	763,245
John Keells Hotels PLC	72,847,800	910,598	910,598	72,847,800	1,005,300	1,005,300
Anilana Hotels & Properties PLC	2,500,000	19,000	19,000	–	–	–
Sector Total		2,126,932	2,126,932		2,419,097	2,419,097
Healthcare						
Asiri Surgical Hospital PLC	–	–	–	15,493,000	144,085	144,085
Sector Total		–	–		144,085	144,085
Manufacturing						
Sierra Cables PLC	800	1	1	800	2	2
Lanka Cement PLC	509,700	3,564	3,564	509,700	4,842	4,842
ACL Cables PLC	2,100,200	136,513	136,513	2,748,400	185,242	185,242
Tokyo Cement Company (Lanka) PLC	3,306,572	94,237	94,237	3,005,975	86,873	86,873
Tokyo Cement Company (Lanka) PLC (NV)	3,207,320	75,372	75,372	4,005,600	77,269	77,269
Royal Ceramics PLC	4,915,279	422,542	422,542	4,915,279	486,415	486,415
Lanka Walltiles PLC	807,600	43,287	43,287	807,600	48,456	48,456
Samson International PLC	37	3	3	37	3	3
Sector Total		775,321	775,321		889,102	889,102
Investment Trusts						
Renuka Holdings PLC	2,122,698	64,955	64,955	2,122,698	75,568	75,568
Ceylon Guardian Investments Trust PLC	–	–	–	472,100	86,866	86,866
Sector Total		64,955	64,955		162,434	162,434

<i>As at 31st December</i>		2015			2012	
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Motors						
United Motors Lanka PLC	24,200	2,807	2,807	24,200	2,565	2,565
CM Holdings PLC	571,428	48,000	48,000	400,000	58,400	58,400
Diesel & Motor Engineering PLC	515,466	151,739	151,739	515,466	189,280	189,280
Sector Total		202,546	202,546		250,245	250,245
Trading						
Singer Sri Lanka PLC	177,500	15,798	15,798	177,500	18,815	18,815
Brown & Company PLC	906,990	77,094	77,094	906,990	112,467	112,467
TESS Agro PLC	35,173,600	45,726	45,726	26,380,200	63,312	63,312
Sector Total		138,617	138,617		194,594	194,594
Telecommunications						
Dialog Axiata PLC	12,572,823	113,155	113,155	96,906,280	804,322	804,322
Sri Lanka Telecom PLC	17,713,735	655,408	655,408	17,713,735	779,404	779,404
Sector Total		768,564	768,564		1,583,726	1,583,726
Plantations						
Talawakelle Tea Estates PLC	105,600	2,534	2,534	105,600	2,608	2,608
Sector Total		2,534	2,534		2,608	2,608
Power and Energy						
Lanka IOC PLC	271,362	8,935	8,935	13,694,700	265,677	265,677
Laugfs Gas PLC	7,800	222	222	7,800	199	199
Sector Total		9,176	9,176		265,876	265,876
Information Technology						
PC House PLC	876,700	526	526	876,700	4,734	4,734
Sector Total		526	526		4,734	4,734
Chemicals and Pharmaceuticals						
Lankem Ceylon PLC	516,500	64,046	64,046	516,500	85,223	85,223
CIC Holdings PLC	5,848,894	184,747	184,747	5,848,894	246,329	246,329
Sector Total		248,793	248,793		331,552	331,552

<i>As at 31st December</i>	2015			2012		
	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Land and Property						
Overseas Reality PLC	5,472,500	64,258	64,258	5,472,500	49,654	49,654
Sector Total		64,258	64,258		49,654	49,654
Construction and Engineering						
Colombo Dockyard PLC	5,592,548	682,584	682,584	5,592,548	807,605	807,605
Sector Total		682,584	682,584		807,605	807,605
Total Investment in Listed Shares		5,956,726	5,956,726		10,953,885	10,953,885

5.5 Movement of Carrying Values in Financial Investments

	Available- For-Sale Financial Assets	Fair-Value- Through- Profit-or-Loss Financial Assets	Held-To- Maturity Financial Assets	Loans and Receivables	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1st January 2012	40,058,254	20,795,497	18,435,769	14,067,923	93,355,445
Purchases	912,746	–	2,677,962	47,650,154	51,220,862
Maturities	(917,500)	–	(6,135,880)	(38,140,619)	(45,193,999)
Disposals	(930,808)	(8,365,690)	–	–	(9,296,498)
Net Fair Value Loss Recorded in Other Comprehensive Income	(669,735)	–	–	–	(669,735)
Impairment Loss	(155,195)	(1,475,922)	–	–	(1,631,117)
Amortisation	164,694	–	538,603	7,507	710,804
Foreign Currency Translation Adjustments	142,105	–	–	883,521	1,025,626
Interest/Coupon Receipts	(64,222)	–	(141,765)	(510,434)	(716,421)
As at 31st December 2012	38,520,336	10,953,885	15,372,693	23,938,051	88,784,965

	Available- For-Sale Financial Assets Rs. '000	Fair-Value- Through- Profit-or-Loss Financial Assets Rs. '000	Held-To- Maturity Financial Assets Rs. '000	Loans and Receivables Rs. '000	Total Rs. '000
As at 1st January 2015	58,520,536	10,955,885	15,572,693	23,958,051	88,784,965
Purchases	4,515,538	96,276	9,601,256	47,403,683	61,414,733
Maturities	(6,298,700)	—	(6,125,000)	(42,298,374)	(54,722,074)
Disposals	—	(4,655,841)	—	—	(4,655,841)
Net Fair Value Gain Recorded in Other Comprehensive Income	2,831,003	—	—	—	2,831,003
Impairment Loss	—	(437,595)	—	—	(437,595)
Interest Amortisation	163,150	—	431,165	(3,385)	590,929
Foreign Currency Translation Adjustments	—	—	—	(14,723)	(14,723)
Interest/Coupon Receipts	(87,103)	—	44,199	1,022,779	979,875
As at 31st December 2015	59,442,223	5,956,726	19,324,293	30,048,030	94,771,272

	Note	2015 Rs. '000	2012 Rs. '000
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6. Investment in Subsidiaries

At cost

Listed Subsidiaries	6.1	2,925,567	2,925,567
Unlisted Subsidiaries	6.2	14,660,337	13,790,251
		17,585,904	16,715,818

As at 31st December

	Note	2015		2012	
		No. of Shares	Holding % Cost Rs. '000	No. of Shares	Holding % Cost Rs. '000

6.1 Listed Subsidiaries

The Lanka Hospitals PLC	122,177,995	54.61	2,925,567	122,177,995	54.61	2,925,567
			2,925,567			2,925,567

As at 31st December

	Note	No. of Shares	2015 Holding %	Cost Rs. '000	No. of Shares	2012 Holding %	Cost Rs. '000
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6.2 Unlisted Subsidiaries

Litro Gas Lanka Ltd.		55,976,855	99.94	5,510,065	55,976,855	99.94	5,510,065
Litro Gas Terminal Lanka (Pvt) Ltd.		158,710,945	100.00	5,280,188	158,710,945	100.00	5,280,188
Management Services Rakshana (Pvt) Ltd.	6.2.1	5	100.00	-	5	100.00	-
Canwill Holdings (Pvt) Ltd.	6.2.2	500,000,000	41.67	5,000,000	500,000,000	71.45	5,000,000
Canowin Hotels & Spas (Pvt) Ltd.	6.2.3	87,008,686	100.00	870,087	1	100.00	-
				14,660,557			15,790,251

6.2.1 Management Services Rakshana (Pvt) Ltd. is a wholly owned subsidiary of Sri Lanka Insurance Corporation Ltd., with a stated capital of Rs. 50/-.

6.2.2 During the year Canwill Holdings (Pvt) Ltd. has issued 500,000,000 new ordinary shares to Employees' Provident Fund resulting in a dilution of SLIC holding to 41.67%.

6.2.3 During the year Canowin Hotels & Spa (Pvt) Ltd., has issued 87,008,685 new ordinary shares to SLIC.

	Note	No. of Shares	2015 Effective Holding %	Cost Rs. '000	No. of Shares	2012 Effective Holding %	Cost Rs. '000
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6.3 Investments in Sub-Subsidiaries

Sino Lanka Hotels & Spa (Pvt) Ltd.		7,000,000,050	58.55	7,000,000	7,000,000,050	100.00	7,000,000
Lanka Hospital Diagnostic (Pvt) Ltd.	6.3.1	5,000,002	54.61	50,000,020	-	-	-
				57,000,020			7,000,000

6.3.1 The Lanka Hospital Diagnostic (Pvt) Ltd. is a sub subsidiary, during the year the Company has issued new ordinary shares (5,000,002) of Rs. 50,000,020/- and The Lanka Hospitals PLC has fully subscribed the shares.

As at 31st December

2013	2012
Rs. '000	Rs. '000

7. Property, Plant & Equipment

7.1 Consolidated

Carrying Amount	23,396,579	21,642,113
Work-in-Progress (Note 7.1.a)	7,416,516	4,764,889
	30,812,895	26,407,002

	Land	Buildings on Freehold Land	Building on Leasehold Land	Equipment	Furniture & Fittings	Motor Vehicle
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000

Cost/Valuation

Balance as at 1st January 2013	4,580,894	3,055,805	3,449,662	3,146,994	548,517	995,654
Additions During the Year	716,734	187,139	4,423	498,215	60,300	170,396
Revaluation	–	–	212,925	–	–	–
Disposals/Transfers	–	–	–	–	(204)	(34,771)
Balance as at 31st December 2013	5,297,628	3,242,944	3,667,010	3,645,210	608,613	1,131,279

Depreciation

Balance as at 1st January 2013	–	142,796	118,202	2,001,682	310,665	414,671
Depreciation Charge for the Year	–	142,347	68,200	216,282	37,553	173,417
Revaluation	–	–	–	–	–	–
Disposals	–	–	–	–	(182)	(4,451)
Balance as at 31st December 2013	–	285,143	186,402	2,217,964	348,036	585,637

Carrying Amount

As at 31st December 2013	5,297,628	2,957,801	3,480,608	1,427,246	260,577	547,643
As at 31st December 2012	4,580,894	2,913,009	3,331,460	1,145,313	237,852	580,983

During the year, Group has acquired Property, Plant & Equipment amounting to Rs. 2,896 million (2012 - Rs. 1,075 million).

Property, Plant & Equipment includes fully-depreciated assets having a gross carrying amount of Rs. 286.5 million (2012 - Rs. 1,001.9 million).

Electrical Generators	Fixtures & Fittings	Passenger Lifts	Air-cond. Plant	Plant & Machinery	Storage Tanks, Pipe Lines and Pumping Stations	LPG Cylinders	Others	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
76,511	258,034	–	188,015	953,570	6,954,150	6,339,877	124,497	30,672,180
4,803	798	–	13,643	476,465	95,711	648,303	18,981	2,895,912
–	–	–	–	–	–	–	–	212,925
–	–	–	–	–	–	(2,109)	–	(37,084)
81,314	258,832	–	201,658	1,430,035	7,049,861	6,986,071	143,478	33,743,933
8,680	9,224	–	–	295,573	2,150,447	3,507,416	70,712	9,030,067
7,251	37,429	–	19,674	33,905	208,268	372,372	13,309	1,330,008
–	–	–	–	–	–	–	–	–
(7,580)	–	–	–	–	–	(508)	–	(12,722)
8,351	46,653	–	19,674	329,478	2,358,716	3,879,280	84,021	10,347,354
72,964	212,179	–	181,984	1,100,556	4,691,146	3,106,792	59,457	23,396,579
67,831	248,810	–	188,015	657,997	4,803,703	2,832,461	53,785	21,642,113

7.1.a Capital Work-in-Progress

The movement in capital work in progress account is as follows:

<i>As at 31st December</i>	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
At Beginning of the Year	4,764,889	38,322	–	–
Cost Incurred during the Year	4,216,485	5,500,890	–	–
Amount Capitalised during the Year	(1,565,058)	(774,323)	–	–
At End of the Year	7,416,316	4,764,889	–	–

The capital work in progress consist of the partly completed property at No. 116, Galle Road, Colombo 03; Hyatt Regency Colombo Hotel Rs. 7,218,568/-.

7.1.b Assets Revaluation

Sri Lanka Insurance Corporation Ltd.

SLIC has revalued its land and buildings as at 31st December 2012 by Messrs Sunil Fernando Associates (Pvt) Ltd. Assets were valued using cost approach basis. The surplus arising from the revaluation was transferred to the revaluation reserve. SLIC value of the lands and buildings are stated below:

Location	Land Rs. 000	Building Rs. 000	Revalued Amount Rs. 000
Land situated at No. 288, Union Place, Colombo 2	1,262,450	40,194	1,302,644
Land & Building situated at No. 267, Union Place, Colombo 2	244,530	450,953	695,483
Land & Building situated at No. 21, Vauxhall Street, Colombo 2	1,682,500	1,939,936	3,622,436
Land & Building situated at Thelawala, Katubedda, Moratuwa	133,200	26,653	159,853
Land & Building situated at Lake Road, 4th Lane, Anuradhapura	6,000	5,284	11,284
Land & Building situated at Main Street, 2nd Lane, Anuradhapura	61,075	10,903	71,978
Land & Building situated at 571, Hospital Road, Jaffna	99,570	26,775	126,345
Land & Building situated at No. 25, Kande Veediya, Kandy	98,700	36,189	134,889
Land & Building situated at No. 20, Rajapaksha Broadway, Negombo	47,500	15,870	63,370
Land & Building situated at No. 7, Hakmana Road, Matara	119,725	30,910	150,635
Land & Building situated at No. 60/1, Park Road, Nuwara Eliya	103,010	5,198	108,208

Location	Land Rs. 000	Building Rs. 000	Revalued Amount Rs. 000
Land & Building situated at No. 16/1, Dambulla Road, Kurunegala	–	58,948	58,948
Land & Building situated at No. 14A, Pulathisigama, Hingurakgoda	3,212	1,384	4,596
Land & Building situated at No. 46, Main Street, Trincomalee	77,650	12,610	90,260
Land & Building situated at No. 77, Ratnapura Road, Awissawella	76,875	4,260	81,135
Land situated at Baudhdhaloka Mawatha, Gampaha	61,350	–	61,350
Land & Building situated at No. 14, River Side Road, Kalutara	27,855	–	27,855
Land & Building situated at No. 32, Negombo Road, Marawila	7,500	4,275	11,775
Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy	8,400	7,136	15,536
Land & Building situated at No. 97, New Road, Ambalangoda	84,000	39,850	123,850
Land & Building situated at No. 211/C, Colombo Road, Pilimatalawa	18,000	12,569	30,569
Land situated at No. 42, Kurunegala Road, Chilaw	27,353	–	27,353
Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya.	18,818	1,040	19,858
Land & Building situated at Bogahahena, Dikwella Road, Beliatta	38,335	–	38,335
Land & Building situated at No. 68, Ragala Road, Rikillagaskada	17,080	5,943	23,023
Land situated at Gorakadeniya, Yatinuwara, Kandy	23,725	–	23,725
Land & Building situated at No. 69, Kothmale Road, Nawalapitiya	10,000	10,269	20,269
Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota	5,250	–	5,250
Land & Building situated at No. 6, Wadugodapitiya Veediya, Kandy	29,750	15,273	45,023
Land & Building situated at No. 389, Main Street, Kegalle	26,153	10,590	36,743
Land situated at Kachchery Junction, Kandy Road, Jaffna	9,400	–	9,400
	4,428,966	2,773,012	7,261,978

The Lanka Hospitals Corporation PLC

The buildings of The Lanka Hospitals Corporation PLC were revalued as at 31st December 2013 by Messrs A.A.M. Fathihu - F.I.V. (Sri Lanka) incorporated valuer. Such assets were valued on market approach (Direct Comparison Method) and Cost Approach Basis. The surplus arising from the revaluation was transferred to the revaluation reserve and the value of the buildings of the Company has been reflected in the Financial Statements at the revalued amount.

If The Lanka Hospitals Corporation PLC has included its revalued assets at cost less depreciation in its Financial Statements, the carrying value would be as follows:

(a) Freehold Lands

<i>Location</i>	<i>Extent (Perches)</i>	<i>Cost of Land Rs. '000</i>
Narahenpita		
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	10.25	7,461
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	10.00	5,257

(b) Buildings on Leasehold Land

	<i>Cost Rs. '000</i>	<i>Accumulated Depreciation Rs. '000</i>	<i>Net Book Value Rs. '000</i>
Building on Leasehold Land	1,432,066	358,100	1,073,965

7.1.c Depreciation

Sri Lanka Insurance Corporation Ltd.

Property, Plant & Equipment includes fully-depreciated assets having a gross carrying amount of Rs. 286.5 million (2012 - Rs. 929.8 million).

The Lanka Hospitals Corporation PLC

Depreciation expense of Rs. 92,537,707/- (2012 - Rs. 119,224,864/-) has been charged under 'cost of service' and Rs. 127,957,387/- (2012 - Rs. 135,869,012/-) under depreciation on Property, Plant & Equipment' in the statement of comprehensive income.

7.1.d Leasehold Land

Sinolanka Hotels & Spa (Pvt) Ltd.

The Sinolanka Hotels & Spa (Pvt) Ltd. is entered into an agreement dated 16th July 2012 with the Urban Development Authority (hereafter referred to as the ‘Lessor’), whereby Lessor allocated to the Company (hereafter referred to as the ‘Lessee’) a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising in extent 0.6057 Hectares together with the partly constructed building thereon, for an annual nominal lease of Rs. 10,000/- for a term of period of 99 years for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of nominal annual lease for the period of 99 years in one lump sum of Rs. 990,000/- which was made during the period under review.

Upon the termination of the lease by effluxion of time, the Lessor may grant to the Lessee or its successors a renewal of the lease for a further period of 99 years or for a period to be mutually agreed upon by the Lessor and Lessee.

In the event of termination or determination of the lease at the expiration of the said term as the case may be and on lessee yielding the demised premises with all buildings and with all furniture and fixtures and everything standing thereon to the Lessor, the Lessor shall purchase the building and everything standing thereon at the market value prevailing at the time.

In addition to the aforesaid lease agreement, the Government Valuation Department determined a value of Rs. 5.0 billion to be paid by the Company as full and final consideration to the Secretary to the Treasury in respect of the said property situated at 116, Galle Road, Colombo 03. The Valuation Department further determined that the value attributable to the land in extend of 0.6057 hectares based on a 99 year lease for the purpose of constructing and operating a Luxury Hotel Complex amounted to Rs. 1.228 billion. The balance value is arranged to the immovable properties constructed on the said lease land.

7.1.e Freehold Land

Sinolanka Hotels & Spa (Pvt) Ltd.

The Sinolanka Hotels & Spa (Pvt) Ltd. has purchased three blocks of land with buildings attached to land, with the intention of demolishing the buildings in 2014 to facilitate the expansion of ballroom, car parking facilities, reorganisation of traffic circulation and compliance with the regulatory requirement. The total cost of the said land and buildings purchased during the year is Rs 1,139,357,179.30. The cost, of the buildings attached to the three blocks of land purchased with the intention of building a car park facilities expansion of ballroom and reorganisation of traffic circulation have been allocated to the hotel building under the capital work-in-progress since those facilities are not capable of

generating independent cash flows from continued use. The cost of the freehold land is determined based on the valuation determined by the Government Valuation Department which is Rs. 7 million per perch. The land extend of three blocks of land are Assessment No. 112 - 62.77 perches, Assessment No. 108 - 15 perches and Assessment No. 134 - 20.10 perches. The total additions to the freehold land above includes the direct cost related to the acquisition.

7.2 Property, Plant & Equipment

As at 31st December

	2015 Rs. '000	2012 Rs. '000
Company		
Carrying Amount	8,265,863	8,467,152
	8,265,863	8,467,152

	Land Rs. '000	Buildings on Freehold Land Rs. '000	Building on Leasehold Land Rs. '000	Equipment Rs. '000
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Cost/Valuation

Balance as at 31st December 2012	4,428,965	2,773,010	10,426	468,350
Additions During the Year	–	–	–	92,114
Disposals/Transfers	–	–	–	–
Balance as at 31st December 2015	4,428,965	2,773,010	10,426	560,464

Depreciation

Balance as at 31st December 2012	–	–	2,573	218,078
Depreciation Charge for the Year	–	138,651	439	55,285
Disposals/Transfers	–	–	–	–
Balance as at 31st December 2015	–	138,651	3,012	273,363

Carrying Amount

As at 31st December 2015	4,428,965	2,654,359	7,414	287,102
As at 31st December 2012	4,428,965	2,773,010	7,853	250,272

Furniture & Fittings	Motor Vehicles	Electrical Generators	Fixtures & Fittings	Air-cond. Plant	Others	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
197,720	346,269	76,511	258,054	188,015	9,008	8,756,308
29,393	42,744	4,803	798	13,643	7,309	190,804
–	(30,320)	–	–	–	–	(30,320)
227,113	358,693	81,314	258,852	201,658	16,317	8,916,792
50,513	–	8,680	9,224	–	88	289,156
16,782	91,214	7,251	37,429	19,674	2,629	369,353
–	(7,580)	–	–	–	–	(7,580)
67,295	83,634	15,931	46,653	19,674	2,717	650,929
159,817	275,059	65,384	212,179	181,984	13,599	8,265,863
147,207	346,269	67,831	248,810	188,015	8,920	8,467,152

During the year, Company has acquired Property, Plant & Equipment amounting to Rs. 190.804 million (2012 - Rs. 77.130 million).

Property, Plant & Equipment includes fully-depreciated assets having a gross carrying amount of Rs. 286.5 million (2012 - Rs. 929.788 million).

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

8. Investment Properties

Balance as at 1st January	1,325,154	359,625	549,600	359,625
Transfer from Property, Plant & Equipment	8,491	775,554	–	–
Fair Value Gains	–	189,975	–	189,975
Balance as at 31st December	1,333,645	1,325,154	549,600	549,600

Investment property held by SLIC located at No. 6, Sir Baron Jayathilake Mawatha, Colombo 1.

The investment property held by Canowin Hotels & Spas (Pvt) Ltd. (a subsidiary), was not revalued as at 31st December 2013, since the property commenced its operation on 6th December 2012 after the completion of the construction. Therefore, the cost of the investment property is considered the fair value as at 31st December 2013.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

9. Leasehold Property

Leasehold Right to Land (Note 9.1)	21,075	21,344	21,075	21,344
Advance Lease Premium (Note 9.2)	169,398	155,758	–	–
Balance as at 31st December	190,473	177,102	21,075	21,344

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

9.1 Leasehold Right to Land

Cost

Balance as at 1st January	28,015	28,015	28,015	28,015
Additions during the year	—	—	—	—
Balance as at 31st December	28,015	28,015	28,015	28,015

Amortisation

Balance as at 1st January	6,671	6,402	6,671	6,402
Amortisation of Leasehold Land	269	269	269	269
Balance as at 31st December	6,940	6,671	6,940	6,671
Net balance as at 31st December	21,075	21,344	21,075	21,344

The SLIC obtained leasehold rights to lands situated in Puttalam, Ratnapura, Paradise Island - Bentota, Nuwara-Eliya, Batticaloa for 99 years from Government of Sri Lanka. The leasehold right is amortised on '99'-year.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

9.2 Advanced Lease Premium

Balance at the beginning of the Period	155,758	119,991	—	—
Premium Paid during the Period	18,547	40,674	—	—
Amortised during the Period	(4,907)	(4,907)	—	—
Balance at the end of the Period	169,398	155,758	—	—

Canowin Hotels & Spas (Pvt) Ltd. (a subsidiary), have a leasehold property located at Southern Express Way, Welipenna has been leased from the Road Development Authority for a period of 99 years starting from 19th August 2011.

The Lanka Hospitals Corporation PLC is subsidiary, has entered into a 99-year lease agreement with the Urban Development Authority from 1999. In terms of this agreement a further sum of Rs. 268.92 million is payable by 2026. Lease rent on each instalment is carried forward and amortised over the 99-year period, in accordance with the said agreement.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
10. Intangible Assets				
Goodwill on Acquisition (Note 10.1)	2,992,805	2,992,805	–	–
Computer Software (Note 10.2)	126,798	149,885	120,041	148,722
	3,119,605	3,142,690	120,041	148,722

<i>As at 31st December</i>	Consolidated	
	2015 Rs. '000	2012 Rs. '000

10.1 Goodwill on Acquisition

Cost

Balance at 1st January	2,992,805	2,992,805
On Acquisition of Subsidiaries	–	–
Balance as at 31st December	2,992,805	2,992,805

The aggregated carrying amount of goodwill allocated to each unit is as follows:

	Rs. million
The Lanka Hospitals Corporation PLC	1,577
Litro Gas Lanka Ltd.	842
Litro Gas Terminal Lanka (Pvt) Ltd.	574
	2,993

There has been no permanent impairment of intangible assets that requires a provision. Methods used in estimating recoverable amounts are given below:

The recoverable amount of goodwill related to acquisition of The Lanka Hospitals Corporation PLC, Litro Gas Lanka Ltd. and Litro Gas Terminal Lanka (Pvt) Ltd. was determined based on Value in use.

Business growth-based on historical growth rate and business plan:

Inflation - as per the YoY inflation as per CBSL

Discount rate - Average market borrowing rate adjusted for risk premium

Margin - Based on current margin and business plan

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

10.2 Computer Software

Cost

Balance as at 1st January	171,318	65,224	170,104	65,224
Additions	11,585	106,094	5,340	104,880
On acquisition of Subsidiaries	-	-	-	-
Balance as at 31st December	182,901	171,318	175,444	170,104

Amortisation

Balance as at 1st January	21,453	3,319	21,582	3,319
Amortisation Charge	34,671	18,114	34,021	18,063
On Disposal of Subsidiaries	-	-	-	-
Balance as at 31st December	56,104	21,433	55,403	21,382
	126,798	149,885	120,041	148,722

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

11. Loans to Policyholders

Policyholder Loans	1,578,196	1,539,431	1,578,196	1,539,431
	1,578,196	1,539,431	1,578,196	1,539,431

The surrender value of the loans granted to policyholders as at 31st December 2013 amounted to Rs. 2,955 million (2012 - Rs. 2,838 million).

The Company grants policy loans at the market rate.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

12. Reinsurance Receivable

Reinsurance Receivables on Settled Claims	286,043	336,559	286,043	336,559
Reinsurance Receivables on Outstanding Claims	1,160,449	1,506,350	1,160,449	1,506,350
Impairment on Reinsurance Receivables	(249)	(17,727)	(249)	(17,727)
	1,446,243	1,825,182	1,446,243	1,825,182

Impairment of Reinsurance Receivables

The Board of Directors has assessed the potential impairment loss of reinsurance receivables as at the reporting date and adequate provision has been made in the Financial Statements.

The Carrying value of reinsurance receivables approximate the fair value at the reporting date.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

13. Premium Receivable

13.1 Premium Receivable from Policyholders

Premium Receivables from Policyholders	2,581,614	1,137,470	2,581,614	1,137,470
Impairment on Premium Receivables	(27,070)	(65,670)	(27,070)	(65,670)
Sub Total of Premium Receivable from Policyholders	2,554,544	1,071,800	2,554,544	1,071,800

13.2 Premium Receivable from Agents, Brokers and Intermediaries

Premium Receivables from Agents & Brokers	684,620	1,361,455	684,620	1,361,455
Impairment on Premium Receivables	(9,025)	(21,890)	(9,025)	(21,890)
Sub Total of Premium Receivable from Agents & Brokers	675,597	1,339,565	675,597	1,339,565
Total Premium Receivable	3,030,141	2,411,365	3,030,141	2,411,365

The Board of Directors has assessed the impairment loss on premium receivables as at the reporting date and adequate provisions have been made in the Financial Statements.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

14. Deferred Tax Assets

Deferred Tax Liability

Capital Allowances for Tax Purpose	(5,586)	(3,890)	(5,548)	(3,850)
Revaluation Deficit of Building	–	(1,991)	–	(1,991)
	(5,586)	(5,881)	(5,548)	(5,841)

Deferred Tax Assets

Defined Benefit Obligations	62,461	55,997	62,017	55,801
Net Deferred Tax Assets	56,876	48,116	56,469	47,960

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

15. Other Assets

Inventories (Note 15.1)	2,386,054	1,123,615	172,685	135,099
Other Receivables	1,764,949	1,110,165	1,665,776	1,075,039
Impairment on Other Receivables	(125,902)	(122,576)	(125,902)	(122,596)
	1,639,047	987,589	1,539,874	952,443
Amount due from Distilleries Company of Sri Lanka PLC	132,635	154,014	132,635	154,014
Staff Loans (Note 15.2)	563,578	474,448	563,578	474,448
Prepaid Staff Cost	221,383	241,590	221,383	241,590
Other Loans	171,415	225,942	171,415	225,942
Advance on Fixed Assets	58,807	157,918	58,807	157,918
Listed Shares Sales Proceeds Receivable	–	671,754	–	671,754
Trade and Other Receivables (Note 15.3)	1,177,102	949,915	–	–
ESC Receivable	28,008	23,138	–	–
	6,378,029	5,009,923	2,860,377	3,013,208

15.1 Inventories

Insurance	172,685	135,099	172,685	135,099
Healthcare	175,976	149,338	–	–
Energy	2,037,394	839,178	–	–
	2,386,054	1,123,615	172,685	135,099
Provision for Obsolete Inventories	–	–	–	–
	2,386,054	1,123,615	172,685	135,099

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

15.2 Loans Due from Employees

At the Beginning of the Year	474,448	242,898	474,448	242,898
Loans Granted during the Year	246,629	626,813	246,629	626,813
Recoveries during the Year	(169,899)	(298,006)	(169,899)	(298,006)
Fair Value Adjustment on Staff Loan	12,400	(97,257)	12,400	(97,257)
At the End of the Year	563,578	474,448	563,578	474,448

15.3 Trade and Other Receivables

Trade Receivable

Trade and Other Receivables	460,310	323,632	–	–
Provision for Doubtful Debts	(9,951)	(8,960)	–	–
Total Trade Receivables - Net	450,359	314,672	–	–
Deposit and Prepayments	214,930	411,359	–	–
Advances and Other Receivables	511,812	223,884	–	–
	1,177,101	949,915	–	–

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

16. Deferred Expenses - Insurance Contract

Reserve for Net Deferred Acquisition Expenses				
Reserve for Deferred Acquisition Expenses				
Balance as at 1st January	574,148	563,484	574,148	563,484
Increase in Deferred Acquisition Expenses	10,094	10,664	10,094	10,664
Balance as at 31st December	584,242	574,148	584,242	574,148
Reserve for Deferred Reinsurance Commission				
Balance as at 1st January	(152,712)	(139,917)	(152,712)	(139,917)
Increase in Deferred Acquisition Expenses	15,366	(12,795)	15,366	(12,795)
Balance as at 31st December	(137,347)	(152,712)	(137,346)	(152,712)
Total Reserve for Net Deferred Acquisition Expenses	246,895	221,436	246,895	221,436

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

17. Cash and Cash Equivalents

Cash in Hand and at Bank	767,825	947,673	493,965	501,363
Short-Term Investments	28,490,167	20,991,109	12,530,569	7,852,673
Total Cash and Cash Equivalents	29,257,992	21,938,782	13,024,534	8,354,036

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

18. Stated Capital

Issued and Fully Paid				
600,000,000 Ordinary Shares	6,000,000	6,000,000	6,000,000	6,000,000
	6,000,000	6,000,000	6,000,000	6,000,000

18.1 Right of Ordinary Shareholders

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of SLIC.

<i>As at 31st December</i>	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

19. Capital Reserve

Revaluation Reserve	19.1	8,752,045	9,161,368	5,411,866	5,632,161
		8,752,045	9,161,368	5,411,866	5,632,161

19.1 Reserve for Revaluation of Land and Building

Balance as at 1st January		9,161,368	4,638,021	5,632,161	1,336,692
Surplus on Revaluation of Land and Building		102,325	4,672,046	–	4,671,096
Deferred Tax on Revaluation Surplus		(291,353)	(272,271)	–	(375,626)
Realisation of Revaluation Surplus		(30,320)	(39,952)	(30,320)	–
Effect on Change in Tax Rate		–	163,524	–	–
Transfer of Fair Value Gain on Investment Property		(189,975)	–	(189,975)	–
Balance as at 31st December		8,752,045	9,161,368	5,411,866	5,632,161

<i>As at 31st December</i>	Note	Consolidated		Company	
		2015	2012	2015	2012
		Rs. '000	Rs. '000	Rs. '000	Rs. '000

20. Available-For-Sale Reserves

Balance as at 1st January		12,521,041	13,190,776	12,521,041	13,190,776
Other Comprehensive Income for the Year		2,845,670	(669,735)	2,845,670	(669,735)
Balance As At 31st December		15,364,711	12,521,041	15,364,711	12,521,041

Available-For-Sale reserves comprise of the impact arising from the changes in market values of financial assets classified under Available-For-Sale (AFS).

<i>As at 31st December</i>	Note	Consolidated		Company	
		2015	2012	2015	2012
		Rs. '000	Rs. '000	Rs. '000	Rs. '000

21. Revenue Reserve

General Reserve		643,442	643,442	643,442	643,442
Surplus from Life Insurance	21.1	4,528,867	8,268,739	4,528,867	8,268,739
Policyholder Reserve Fund	21.2	(510,889)	806,271	(510,889)	806,271
Retained Earnings	21.3	28,617,543	15,947,151	21,737,166	14,316,177
		33,278,963	25,665,603	26,398,587	24,034,629

21.1 Surplus from Life Insurance

Balance as at 1st January		8,268,739	6,189,915	8,268,739	6,189,915
Surplus Attributable to Shareholders from Life Insurance		1,721,809	2,307,406	1,721,809	2,307,406
Effect of Transition to SLFRS		–	271,418	–	271,418
Transferred to Shareholders		(5,461,681)	(500,000)	(5,461,681)	(500,000)
Balance as at 31st December		4,528,867	8,268,739	4,528,867	8,268,739

<i>As at 31st December</i>	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

21.2 Policyholder Reserve Fund

Balance as at 1st January		806,271	1,568,646	806,271	1,568,646
Change in Fair Value Measurements Applicable to Life Contract Liability	22	(1,317,160)	(762,375)	(1,317,160)	(762,375)
Balance as at 31st December		(510,889)	806,271	(510,888)	806,271

The Life Policyholder Reserve Fund includes the initial impact of the implementation of SLFRS/LKASs w.e.f. 1st January 2012.

<i>As at 31st December</i>		Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

21.3 Retained Earnings

Balance as at 1st January	15,947,151	11,288,183	14,316,177	12,889,018
Profit for the Year	9,681,178	7,467,652	4,654,830	4,235,843
Other Comprehensive Income	8,420	–	5,992	–
Surplus Attributable to Shareholders of Life Insurance	(1,721,809)	(2,307,406)	(1,721,809)	(2,307,406)
Effect of Acquisition of Subsidiary and Changes in Holding	(68,857)	–	–	–
Dividend Declared and Paid	(1,200,000)	(1,001,279)	(1,200,000)	(1,001,279)
Transfer from Life Division	5,461,681	500,000	5,461,681	500,000
Deferred Tax on Revaluation Surplus Transfer	289,484	–	–	–
Realisation of Revaluation Surplus on Disposal	30,320	–	30,320	–
Transfer of Fair Value Gain on Investment Property	189,975	–	189,975	–
Balance as at 31st December	28,617,543	15,947,151	21,737,166	14,316,177

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
22. Insurance Contract Liabilities - Life					
Life Insurance Fund as at 1st January		60,084,899	55,860,476	60,084,899	55,860,476
Movement of the Fund		6,831,358	6,040,872	6,831,358	6,040,872
Other Comprehensive Income for the Year		–	(271,418)	–	(271,418)
Transferred from Life Policyholders Reserve Fund	21.2	1,317,160	762,375	1,317,160	762,375
Transfers of Surplus from Life Insurance Business		(1,721,809)	(2,307,406)	(1,721,809)	(2,307,406)
Life Insurance Fund as at 31st December		66,511,608	60,084,899	66,511,608	60,084,899
Policyholder Outstanding Claims		2,567,453	2,441,149	2,567,453	2,441,149
		69,079,061	62,526,048	69,079,061	62,526,048

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating and non-participating life insurance products. Short duration contract liabilities are primarily accident and health insurance products. The insurance provision has been established based upon the following:

- Interest rate which is prescribed under IBSL guidelines.
- Mortality rates used are A 67/70 for non-annuity business and A 90 for annuity business which are prescribed under IBSL guidelines.
- Surrender rates based upon actual experience by geographic area and modified to allow for variation in policy form.

The amount of policyholder's reversionary bonus to be paid is determined annually by the Company. The bonus includes life policyholders share of net income that are required to be allocated by the insurance contract or, by insurance regulations.

The valuation of the Insurance Provision - Life Insurance Business, as at 31st December 2013 was made by Drs. J.S.A. Plugge, Fellow of the Dutch Actuarial Society (AAG) and Fellow of the Actuarial Association of Sri Lanka (AASL), for and on behalf of Sri Lanka Insurance Corporation Ltd. In accordance with the Consultant Actuary's Report, the sum of provision, Rs. 2,578.87 million (in 2012 Rs. 2,432.27 million), is included as the liability in respect of policyholders' Bonus. In the opinion of the consultant actuary, the admissible assets of the life insurance fund as at 31st December 2013 is adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under Section 26 of the Regulation of Insurance Industry Act No. 43 of 2000. The life fund also carried forward surplus for future growth and contingencies.

The Life Insurance Fund Assets including Shareholders' Transfer as at 31st December 2013 is Rs. 68,233.42 million (2012 - Rs. 62,392.31 million). The Board of Directors decided to transfer Rs. 1,721.81 million (2012 - Rs. 2,307.41 million) to Shareholders' Fund in the Statement of Financial Position in Life Insurance. Subsequent to this transfer, the Life Insurance Fund stands Rs. 66,511.61 million (2012 - Rs. 60,084.90 million).

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for Life Insurance Contract Liability was carried out by Drs. J.S.A. Plugge, Fellow of the Dutch Actuarial Society (AAG) and Fellow of the Actuarial Association of Sri Lanka (AASL) SA MAA, as at 31st December 2013 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. According to the Consultant Actuary's Report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2013. No additional provision was required against the LAT as at 31st December 2013.

23. Insurance Contract Liabilities - Non-Life

The Non-Life Insurance Reserves as shown in the Statement of Financial Position represents the following:

<i>As at 31st December</i>	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Reserves for Net Unearned Premium	23.1	5,054,687	4,851,537	5,054,687	4,851,537
Reserves for Title Insurance and Unexpired Risk Reserve	23.2	456,468	729,913	456,468	729,913
Reserves for Gross Outstanding Claims	23.3	7,817,801	8,716,553	7,817,801	8,716,553
		13,288,956	14,297,803	13,288,956	14,297,803

23.1 Reserve for Net Unearned Premium

Reserve for Unearned Premium

Balance as at 1st January		6,449,789	5,697,501	6,449,789	5,697,501
Transfer during the Year	29.1	446,390	752,288	446,390	752,288
Balance as at 31st December		6,896,179	6,449,789	6,896,179	6,449,789

Reserve for Unearned Reinsurance Premium

Balance as at 1st January		(1,598,252)	(1,205,337)	(1,598,252)	(1,205,337)
Transfer during the Year	29.3	(263,241)	(392,915)	(263,241)	(392,915)
Balance as at 31st December		(1,861,492)	(1,598,252)	(1,861,492)	(1,598,252)
Total Reserve for Net Unearned Premium		5,054,687	4,851,537	5,054,687	4,851,537

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
23.2 Reserve for Title Insurance and Unexpired Risk Reserve					
Reserve for Title Insurance					
Balance as at 1st January		301,108	336,469	301,108	336,469
Transfer during the Year	29.1	135,360	(35,361)	135,360	(35,361)
Balance as at 31st December		436,468	301,108	436,468	301,108
Reserve for Unexpired Risk Reserve					
Balance as at 1st January		487,847	348,156	487,847	348,156
Transfer during the Year		(487,847)	139,691	(487,847)	139,691
Balance as at 31st December		–	487,847	–	487,847
Reserve for Reinsurance Unexpired Risk Reserve					
Balance as at 1st January		(59,043)	(48,056)	(59,043)	(48,056)
Transfer during the Year		59,043	(10,986)	59,043	(10,986)
Balance as at 31st December		–	(59,043)	–	(59,043)
Total Reserve for Title Insurance and Unexpired Risk Reserve		436,468	729,913	436,468	729,913

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
23.3 Reserves for Gross Outstanding Claims				
Balance as at 1st January	6,239,151	5,891,381	6,239,151	5,891,381
Claims Incurred during the Year	5,330,509	6,588,213	5,330,509	6,588,213
Claims Paid during the Year	(6,340,879)	(6,240,444)	(6,340,879)	(6,240,444)
Balance as at 31st December	5,228,781	6,239,151	5,228,781	6,239,151
IBNR/IBNER Balance as at 1st January	2,477,202	2,112,715	2,477,202	2,112,715
Increase in IBNR/IBNER	111,817	364,486	111,817	364,486
IBNR/IBNER balance as at 31st December	2,589,019	2,477,202	2,589,019	2,477,202
Total Reserves for Gross Outstanding Claims	7,817,801	8,716,353	7,817,801	8,716,353

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the Balance Sheet date. The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for Non-Life Insurance Contract Liability was carried out by Mr. Matthew Maguire, Fellow of the Australian Actuarial Society (AAG) on behalf of the NMG Consulting as at 31st December 2013 as required by SLFRS 4 - 'Insurance Contracts'. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the Consultant Actuary's Report, the Company adequately satisfies the LAT as at 31st December 2013. No additional provision was required against the LAT as at 31st December 2013.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Reconciliation between Insurance Contract Liabilities Non-Life and Technical Reserves				
Insurance Contract Liabilities Non-Life	13,288,956	14,297,803	13,288,956	14,297,803
Reserve for Net Deferred Acquisition Expenses	(246,896)	(221,436)	(246,896)	(221,436)
Reinsurance on Claims Reserves	(1,160,449)	(1,506,350)	(1,160,449)	(1,506,350)
Technical Reserves	11,881,611	12,570,017	11,881,611	12,570,017

Claims Development Information

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

	2008 Rs.	2009 Rs.	2010 Rs.	2011 Rs.	2012 Rs.	2013 Rs.
Gross reserves for losses and loss adjustment expenses	5,782,331,147	6,146,598,253	6,759,172,132	7,898,096,692	8,720,582,620	7,817,800,636
Reinsurance recoverable	(1,040,331,345)	(942,908,191)	(1,361,271,745)	(1,168,930,136)	(1,509,187,974)	(1,160,448,524)
Net reserves for losses and loss adjustment expenses	4,741,999,802	5,203,690,062	5,397,900,387	6,729,166,557	7,211,394,645	6,657,352,112
Cumulative Paid as of 31st December:						
One year later	3,222,933,171	2,777,513,593	2,874,874,128	3,632,757,028	4,545,085,355	4,481,213,520
Two years later	4,101,276,130	3,522,688,732	3,714,910,249	4,905,405,392	5,908,837,239	
Three years later	4,160,309,849	3,570,404,152	3,788,276,570	4,980,092,970		
Four years later	4,188,637,034	3,589,944,991	3,806,053,537			
Five years later	4,205,812,905	3,615,680,225				
Six years later	4,224,342,726					
Cumulative Reported as of 31st December:						
One year later	4,188,828,993	3,679,732,673	3,877,357,626	4,740,584,794	5,765,263,148	5,564,838,084
Two years later	4,496,362,437	3,890,505,082	4,091,340,643	5,147,257,128	6,199,143,542	
Three years later	4,482,803,954	3,805,274,933	4,020,496,575	5,195,146,471		
Four years later	4,445,625,420	3,705,919,728	3,995,269,295			
Five years later	4,407,452,519	3,711,999,165				
Six years later	4,373,846,298					

<i>As at 31st December</i>	Consolidated		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000

24. Current Tax Liabilities

Balance as at 1st January	1,608,096	1,543,748	1,071,066	931,417
Income tax charge for the year	3,430,737	2,530,559	1,761,639	1,868,239
Income tax settlements made during the year	(2,260,289)	(2,466,211)	(1,093,030)	(1,728,590)
At the end of the year	2,778,544	1,608,096	1,739,675	1,071,066

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

25. Deferred Tax

Deferred Tax Liabilities

Capital Allowances for Tax Purposes	2,396,092	1,353,197	1,044,913	726,608
Revaluation Deficit of Building	600,057	1,059,954	–	375,626
	2,996,149	2,413,151	1,044,913	1,102,234

Deferred Tax Assets

Defined Benefit Obligations	(97,352)	(64,872)	(67,655)	(58,692)
Provision for Doubtful Debtors	(42,628)	(54,796)	(41,602)	(54,796)
Tax Loss carried forward	(45,626)	282,191	–	–
Provision for stocks	(2,174)	–	–	–
	(187,779)	162,523	(109,257)	(113,488)
Net Deferred Tax Liabilities	2,808,369	2,575,674	935,656	988,746

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

26. Employee Benefits

Balance as at 1st January	547,212	513,514	401,759	392,620
Current Service Cost	49,994	45,109	28,395	20,527
Interest Expenses	59,464	51,522	44,194	38,762
Actuarial Gains	(8,554)	(24,379)	(5,992)	(28,861)
	648,117	585,766	468,356	423,048
Benefits paid by the plan	(12,873)	(38,554)	(5,239)	(21,289)
Balance as at 31st December	635,244	547,212	463,117	401,759

26.1 The Groups Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by Messrs Actuarial & Management Consultants (Pvt) Ltd., 1st Floor, 434, R.A. De Mel Mawatha, Colombo 3. The actuarial valuation is performed annually. Principal actuarial assumptions used:

	2015 %	2012 %
Discount Rate	9 - 12	10 - 11
Salary Increment Rate	5 - 10	5 - 10
Staff turnover Factor	10	20
Retirement age; Female	60 years	60 years
Retirement age; Male	60 years	60 years
Retirement age; Minor Staff	57 years	57 years

The Group and Company recognise the actuarial gains/(losses) in the statement of other comprehensive income from the year ended 31st December 2013, in line with LKAS 19 - Employee Benefits which became effective from 1st January 2013. The prior year balance that was recognised in Profit and loss has not been restated since the effect is not material.

The Group's liability is not externally funded.

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

27. Other Liabilities

Policyholder Advance Payments	554,163	392,239	554,163	392,239
Payables				
Agency Commission Payable	867,984	882,677	867,984	882,677
Income Tax Payable	117,253	77,218	–	–
Economic Services Charge Tax	2,684	2,288	–	–
Others Including Accrued Expenses	1,989,925	1,973,041	1,989,925	1,571,893
Riot Fund	59,106	56,153	59,106	56,153
Trade Payable	2,477,590	1,601,514	–	–
VAT Payable	22,925	22,187	–	–
Provision for Assessment of VAT Liability	345,000	–	345,000	345,000
Other Payables	1,183,591	5,659,072	–	–
Advanced Received	43,735	24,835	–	–
Customer Deposit Payable	4,323,978	4,100,247	–	–
Total Other Liabilities	11,787,935	14,791,472	3,616,178	3,247,962

<i>As at 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

28. Financial Liabilities

Bank Overdraft	496,776	398,220	361,721	287,677
Total Financial Liabilities	496,776	398,220	361,721	287,677
Amount Payable within 1 Year	496,776	398,220	361,721	287,677

		Consolidated		Company	
	Note	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
29. Revenue					
Gross Written Premium	50	21,262,140	19,998,873	21,350,869	20,172,623
Net Change in Reserve for Unearned Premium	29.1	(581,750)	(716,927)	(581,750)	(716,927)
Gross Earned Premium		20,680,390	19,281,946	20,769,119	19,455,696
Premium Ceded to Reinsurers	29.2	(3,227,303)	(3,080,169)	(3,227,303)	(3,080,169)
Net Change in Reserve for Unearned Reinsurance Premium	29.5	263,241	392,915	263,241	392,915
Net Earned Premium	29.4	17,716,327	16,594,691	17,805,056	16,768,441
Income from Investments	51	8,895,213	7,301,112	9,275,562	7,301,112
Other Income		1,323,566	1,574,762	900,233	1,574,762
Hospital Revenue		3,081,541	2,688,572	–	–
Pharmacy Revenue		872,569	713,130	–	–
Room Rental and Services Charges		79,155	4,163	–	–
Revenue from Liquid Petroleum Gas (LPG) Activities		28,106,334	26,401,311	–	–
		60,074,705	55,277,741	27,980,852	25,644,316

Sino Lanka Hotels & Spa (Pvt) Ltd. is a subsidiary, in the process of constructing the Hyatt Regency Colombo Hotel.

		Consolidated		Company	
	Note	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
29.1 Net Change in Reserve for Unearned Premium					
Non-Life Insurance					
Change in Reserve for Unearned Premium	23.1	(446,390)	(752,288)	(446,390)	(752,288)
Transfer to Title Insurance Reserve	23.2	(155,560)	55,361	(155,560)	55,361
		(581,750)	(716,927)	(581,750)	(716,927)

<i>As at 31st December</i>		Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

29.2 Premiums Ceded to Reinsurers

Life Insurance	97,636	87,807	97,636	87,807
	97,636	87,807	97,636	87,807
Non-Life Insurance				
Fire	1,688,446	1,242,254	1,688,446	1,242,254
Motor	170,004	180,097	170,004	180,097
Marine	275,849	252,450	275,849	252,450
Miscellaneous	995,568	1,517,581	995,568	1,517,581
	3,129,667	2,992,362	3,129,667	2,992,362
Total Premium Ceded to Reinsurers	3,227,503	3,080,169	3,227,503	3,080,169

		Consolidated		Company	
	Note	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
29.3 Net Change in Reserve for Unearned Reinsurance Premium					
Non-Life Insurance					
Change in Reserve for Unearned Premium	23.1	263,241	392,915	263,241	392,915
		263,241	392,915	263,241	392,915
		(318,510)	(324,013)	(318,510)	(324,013)

	Consolidated/Company					
	2015			2012		
	Non-Life Rs. '000	Life Rs. '000	Total Rs. '000	Non-Life Rs. '000	Life Rs. '000	Total Rs. '000

29.4 Net Earned Premiums

Gross Written Premium	12,953,151	8,397,718	21,350,869	12,805,592	7,369,032	20,172,623
Change in Reserve for Unearned Premium	(446,390)	–	(446,390)	(752,288)	–	(752,288)
Gross Earned Premium	12,506,761	8,397,718	20,904,479	12,051,303	7,369,032	19,420,335
Premiums Ceded to Reinsurers	3,129,667	97,636	3,227,303	2,992,362	87,807	3,080,169
Change in Reserve for Unearned Reinsurance Premium	(263,241)	–	(263,241)	(392,915)	–	(392,915)
Gross Reinsurance Premium	2,866,426	97,636	2,964,063	2,599,447	87,807	2,687,254
Transfer to Title Insurance Reserve	155,360	–	155,360	(35,361)	–	(35,361)
	3,001,787	97,636	3,099,423	2,564,087	87,807	2,651,893
Net Earned Premium	9,504,974	8,300,082	17,805,057	9,487,217	7,281,225	16,768,441

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

30. Gross Written Premium

Life Insurance				
Group and Non-Group	8,003,952	6,859,028	8,092,681	7,032,778
Group Term Life Assurance	305,037	336,254	305,037	336,254
Gross Written Premium - Life Insurance	8,308,989	7,195,282	8,397,718	7,369,032
Non-Life Insurance				
Fire and Engineering Risk	1,867,398	1,360,740	1,867,398	1,360,740
General Accident	3,291,840	3,468,072	3,291,840	3,468,072
Marine	377,535	289,965	377,535	289,965
Workmen's Compensation	83,964	93,250	83,964	93,250
Motor	7,332,414	7,591,564	7,332,414	7,591,564
Gross Written Premium - Non-Life Insurance	12,953,151	12,803,591	12,953,151	12,803,591
Total Gross Written Premium	21,262,140	19,998,873	21,350,869	20,172,623

<i>For the year ended 31st December</i>	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

31. Investment Income

Interest Income	31.1	7,855,339	6,643,361	7,855,339	6,643,361
Dividends Income	31.2	1,436,041	1,927,551	1,816,390	1,927,551
Capital Losses	31.3	(437,595)	(1,311,228)	(437,595)	(1,311,228)
Rental Income from Investment Properties		41,428	41,428	41,428	41,428
		8,895,213	7,301,111	9,275,562	7,301,112

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

31.1 Interest Income

Financial Investments at Held-To-Maturity (HTM)

Treasury Bonds	2,138,965	2,098,047	2,138,965	2,098,047
Treasury Bills	33,583	89,573	33,583	89,573

Financial Investments at Loans and Receivables (L&R)

Development Bonds	219,588	243,960	219,588	243,960
Unlisted Debentures	280,024	290,238	280,024	290,238
Term Deposits	2,555,435	1,528,181	2,557,840	1,528,181
Commercial Papers	23,281	37,180	23,281	37,180
Trust Certificates	6,650	7,507	6,650	7,507

Financial Investments at Available-For-Sale (AFS)

Treasury Bonds	886,084	1,160,117	886,084	1,160,117
Treasury Bills	13,113	–	13,113	–
Listed Debentures	590,797	386,015	590,797	386,015

Cash and Cash Equivalents

Reverse Repurchase Agreements	1,101,754	797,464	1,101,754	797,464
Call & Savings Accounts	5,190	5,078	2,799	5,078

Other Fee Based Income

Participation Fees - Listed Debentures	861	–	861	–
Total Interest Income	7,855,339	6,643,361	7,855,339	6,643,361

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

31.2 Dividend Income

Financial Investments at Cost

Listed Subsidiaries	–	61,089	244,556	61,089
Unlisted Subsidiaries	–	740,740	155,993	740,740

Financial Investments at Available-For-Sale (AFS)

Listed Shares	1,161,635	659,823	1,161,635	659,823
Unlisted Shares	3,598	3,600	3,598	3,600
Unit Trusts	78,654	151,288	78,654	151,288

Financial Investments at Fair-Value-Through-Profit-or Loss (FVTPL)

Listed Shares	192,154	311,011	192,154	311,011
Total Dividend Income	1,456,041	1,927,551	1,816,590	1,927,551

31.3 Capital Gains/(Losses)

Financial Investments at Available-For-Sale (AFS)

Listed Shares	–	65,832	–	65,832
Unit Trusts	–	98,862	–	98,862

Financial Investments at Fair-Value-Through-Profit-or -Loss (FVTPL)

Listed Shares	(457,595)	(1,475,922)	(457,595)	(1,475,922)
Total Capital Gains/(Losses)	(457,595)	(1,311,228)	(457,595)	(1,311,228)

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

32. Fees and Commission Income

Reinsurance Commission	25,087	50,965	25,087	50,965
Policy Fees	2,795	3,290	2,795	3,290
	27,881	54,255	27,881	54,255

33. Net Realised Gains

Foreign Currency Gains	59,906	938,606	59,906	938,606
	59,906	938,606	59,906	938,606

34. Other Income

Rent Income	46,438	68,206	57,563	68,206
Interest on Policyholders and Other Loans	309,229	407,641	309,229	407,641
Sundry Income	904,195	901,763	474,227	261,248
Gains on disposal of Property, Plant & Equipment	8,588	14,541	4,298	–
	1,268,450	1,392,151	845,117	737,095

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

35. Net Benefit and Claims

(a) Gross benefits and claims paid

Non-Life Insurance

Fire	(228,919)	(357,437)	(228,919)	(357,437)
Motor	(4,104,179)	(4,076,991)	(4,104,179)	(4,076,991)
Marine	(166,597)	(96,442)	(166,597)	(96,442)
Miscellaneous	(1,841,183)	(1,603,574)	(1,841,183)	(1,603,574)
Total	(6,340,879)	(6,134,444)	(6,340,879)	(6,134,444)

Life Insurance

Death Claims	(259,916)	(172,487)	(259,916)	(172,487)
Policy Maturities	(4,135,785)	(3,740,130)	(4,135,785)	(3,740,130)
Surrenders	(308,768)	(286,612)	(308,768)	(286,612)
Disability, Ex-gratia, Annuities, Hospitalisation and Mortgage Protection	(95,548)	(95,132)	(95,548)	(95,132)
Total	(4,780,017)	(4,294,361)	(4,780,017)	(4,294,361)
Total Gross Benefits and Claims Paid	(11,120,896)	(10,428,805)	(11,120,896)	(10,428,805)

(b) Claims Ceded to Reinsurers

Claims Recovered from Reinsurers	461,340	563,600	461,340	563,600
Total Claims Ceded to Reinsurers	461,340	563,600	461,340	563,600

(c) Gross Change in Contract Liabilities

Change in Non-Life Insurance Contract Outstanding Claims Provision	772,003	(629,589)	772,003	(629,589)
Change in Premium Deficiency Provision	428,805	(128,705)	428,805	(128,705)
Total Gross Change in Contract Liabilities	1,200,808	(758,294)	1,200,808	(758,294)

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

(d) Change in Contract Liabilities Ceded to Reinsurers

Change in Non-Life Insurance Contract Outstanding Claims Provision	(345,735)	340,256	(345,735)	340,256
Total Change in Contract Liabilities Ceded to Reinsurers	(345,735)	340,256	(345,735)	340,256
Total Net Benefits and Claims	(9,804,484)	(10,283,243)	(9,804,484)	(10,283,243)

36. Underwriting and Net Acquisition Costs (Including Reinsurance)

Acquisition Cost	1,885,522	1,925,996	1,885,522	1,925,996
Net Change in Reserve for Deferred Acquisition Cost (DAC)	(10,094)	(10,664)	(10,094)	(10,664)
	1,875,428	1,915,332	1,875,428	1,915,332
Reinsurance Commission Received	306,135	319,577	306,135	319,577
Net Change in Reserve for Unearned Commission (UCR)	(15,366)	(12,795)	(15,366)	(12,795)
	321,500	306,782	321,500	306,782
	1,553,928	1,608,550	1,553,928	1,608,550

37. Other Operating and Administration Expenses

Audit Fees	6,609	5,819	3,600	3,250
Audit Related Fees	1,762	1,480	1,244	1,480
Fees for Non-Audit Services	1,638	2,820	3,864	2,350
Depreciation	393,780	252,066	369,353	245,304
Amortisation of Intangible Assets	34,021	62,920	34,021	34,021
Amortisation of Advanced Lease Premium	4,683	4,683	–	–
Amortisation of Leasehold Land	493	493	269	269
Staff Expenses	2,493,786	2,375,431	2,093,475	2,007,085

<i>For the year ended 31st December</i>	Consolidated		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

38. Income Tax Expense

Current Tax Expense

Current Tax Year	3,470,436	2,232,562	1,761,639	1,310,736
Over Provision in Previous Years	(10,768)	–	–	–
	3,459,668	2,232,562	1,761,639	1,310,736

Deferred Tax Expense

Origination/(Reversal) of Temporary Differences	198,720	365,756	(61,600)	316,677
Income Tax Expenses Reported in the Income Statement	3,658,388	2,598,318	1,700,039	1,627,413

38.1 Reconciliation of Effective Tax Rate

Profit for the year before Change in Contract Liabilities - Life Fund	9,764,379	7,969,312	9,764,379	7,969,312
Change in contract Liabilities - Life Fund	(5,109,549)	(3,733,466)	(5,109,549)	(3,733,466)
	4,654,830	4,235,846	4,654,830	4,235,846
Profit for the year	5,879,517	3,344,057	–	–
Current Tax Expense	3,658,388	2,594,138	1,700,039	1,627,413
Profit before Income Tax	14,192,736	10,174,041	6,354,869	5,863,259
At the statutory income tax rate of 28%	5,417,208	3,894,102	3,211,719	2,687,083
Income exempt from Tax	(927,043)	(922,557)	(596,143)	(658,651)
Aggregate Allowable Expenses	(1,033,617)	(964,178)	(1,005,882)	(963,965)
Aggregate Disallowable Expenses	3,602	226,648	151,946	246,270
Tax Loss Claimed	(484)	(1,608)	–	–
Deferred Taxation Charge/(Reversal)	198,720	365,912	(61,600)	316,677
Current Tax Expense	3,658,388	2,598,318	1,700,039	1,627,413

	Consolidated			
	2015		2012	
	Temporary Difference Rs. '000	Tax Effect Rs. '000	Temporary Difference Rs. '000	Tax Effect Rs. '000
38.2 Deferred Taxation				
Deferred Tax Liability				
Capital Allowances for Tax Purposes	5,065,272	1,222,507	3,700,095	875,365
Revaluation Deficit of Building	(505,424)	(271,049)	851,902	82,475
	4,759,848	951,258	4,551,997	957,838
Deferred Tax Assets				
Defined Benefit Obligations	2,219,632	610,797	1,541,159	425,284
Provision for Doubtful Debtors	148,579	41,603	195,700	54,796
	2,368,211	652,400	1,736,859	478,080
Net Deferred Tax Liability	2,391,637	298,858	2,815,138	479,758
Deferred Taxation Charge				
- Recognised in Statement of Other Comprehensive Income	-	198,720	-	365,756
- Recognised in Statement of Changes in Equity	-	-	-	375,626
	-	198,720	-	741,382

	Company			
	2015		2012	
	Temporary Difference Rs. '000	Tax Effect Rs. '000	Temporary Difference Rs. '000	Tax Effect Rs. '000
Deferred Tax Liability				
Capital Allowances for Tax Purposes	3,751,648	1,050,461	2,615,889	732,449
Revaluation surplus of Building	–	–	1,341,521	375,626
	3,751,648	1,050,461	3,957,410	1,108,075
Deferred Tax Assets				
Defined Benefit Obligations	463,116	129,673	401,759	112,493
Provision for Doubtful Debtors	148,579	41,603	195,700	54,796
	611,695	171,276	597,459	167,289
Net Deferred Tax Liability	3,139,953	879,185	3,359,951	940,786
Deferred Taxation Charge				
- Recognised in Statement of Other Comprehensive Income	–	(61,600)	–	316,677
- Recognised in Statement of Changes in Equity	–	–	–	375,626
	–	(61,600)	–	692,303

	Note	Consolidated		Company	
		2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000

For the year ended 31st December

38.2.1 Net Deferred Tax Liability

Net Deferred Tax Liability - Non-Life and others	25	2,808,369	2,575,674	935,656	988,746
Net Deferred Tax Asset - Life and Others	14	(56,876)	(48,116)	(56,469)	(47,960)
Net Deferred Tax Liability		2,751,493	2,527,558	879,186	940,786

The Company is liable to income tax of 28% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto. Current year tax charge consists of income tax charge on General Insurance and investment income in Life Insurance.

Litro Gas Terminal Lanka (Pvt) Ltd. and Litro Gas Lanka Ltd. business profits are exempted from income tax for a period of 15 years according to the agreement entered into by the Litro Gas Terminal Lanka (Pvt) Ltd. and Litro Gas Lanka Ltd. with Board of Investment of Sri Lanka. The said exemption period commenced in 2000 and will expire in 2015. Accordingly, the current year income tax represents the income tax charge on interest income received during the year and deferred tax credit calculated at the rate of 28%.

The Lanka Hospitals Corporation PLC, in accordance with and subject to the power conferred on the Board of Investment of Sri Lanka, under section 17 of the BOI Law No. 4 of 1978, the operating profits and income accruing to the Company is exempt from tax for a period of 12 years from 2002. However, income tax has been provided at the normal rates of tax on non-trading income which is taxable at a rate of 28% (2012 - 28%).

SinoLanka Hotels & Spa (Pvt) Ltd., under the Strategic Development Projects Act No. 14 of 2008, the provisions of the Inland Revenue Act relating to income tax shall not apply to the profit from business of the company for a period of 10 years. Interest income tax at 28%.

Canowin Hotels & Spas (Pvt) Ltd., is liable to income tax of 28% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto.

Canwill Holdings (Pvt) Ltd., the income tax provision of the company is calculated on their adjusted profits and income at 28% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto.

39. Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	Consolidated		Company	
	2015	2012	2015	2012
Amounts Used as the Numerators				
Net Profit Attributable to Ordinary Shareholders (Rs. '000)	9,681,178	7,467,652	4,654,830	4,235,843
Numbers of Ordinary Shares Used as Denominators				
Weighted Average Number of Ordinary Shares in Issue ('000)	600,000	600,000	600,000	600,000
Basic Earnings per Share (Rs.)	16.14	12.45	7.76	7.06

	Consolidated		Company	
	2015	2012	2015	2012
40. Dividend paid and proposed				
Dividend Paid/Proposed (Rs. '000)	1,002,000	1,200,000	1,002,000	1,200,000
Weighted Average Number of Ordinary Shares in Issue ('000)	600,000	600,000	600,000	600,000
Dividend per Share (Rs.)	1.67	2.00	1.67	2.00

41. Financial Assets and Liabilities

41.1 Accounting Classifications and Fair Value

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

As at 31st December

<i>As at 31st December</i>		2013					
	Note	Fair-Value-Through-Profit-or-Loss Rs. '000	Available-For-Sale Rs. '000	Held-To-Maturity Rs. '000	Loans and Receivables Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Financial Assets							
Listed & Unlisted Shares	5	5,956,726	24,925,133	–	–	30,879,860	30,879,860
Unit Trusts	5	–	1,426,408	–	–	1,426,408	1,426,408
Listed Debentures		–	7,190,339	–	–	7,190,339	7,190,339
Unlisted Debentures	5	–	–	–	1,890,781	1,890,781	1,886,621
Treasury Bills and Treasury Bonds	5	–	5,902,342	19,324,293	–	25,226,635	26,610,409
Term Deposits	5	–	–	–	22,864,910	22,864,910	22,864,910
Development Bonds	5	–	–	–	5,254,857	5,254,857	5,254,857
Trust Certificates		–	–	–	37,481	37,481	37,481
Loans to Life Policyholders	11	–	–	–	1,578,196	1,578,196	1,578,196
Reinsurance Receivable	12	–	–	–	1,446,243	1,446,243	1,446,243
Premium Receivable	13	–	–	–	3,030,141	3,030,141	3,030,141
Other Receivables	15	–	–	–	1,222,834	1,222,834	1,222,834
Cash and Cash Equivalents	17	–	–	–	29,257,992	29,257,992	29,257,992
Total Financial Assets		5,956,726	39,442,223	19,324,293	66,545,933	131,269,196	132,648,808

Financial Liabilities

Reinsurance Creditors		–	–	–	897,082	897,082	897,082
Trade Payable	27	–	–	–	2,477,590	2,477,590	2,477,590
Bank Overdraft	28	–	–	–	496,776	496,776	496,776
Total Financial Liabilities		–	–	–	3,871,448	3,871,448	3,871,448

As at 31st December

		2012					
	Note	Fair-Value Through- Profit-or-Loss Rs. '000	Available- For-Sale Rs. '000	Held-To- Maturity Rs. '000	Loans and Receivables Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Financial Assets							
Listed & Unlisted Shares	5	10,953,885	22,514,235	–	–	33,468,120	33,468,120
Unit Trusts	5	–	1,437,209	–	–	1,437,209	1,437,209
Listed Debentures		–	3,424,049	–	–	3,424,049	3,424,049
Unlisted Debentures	5		–		2,274,245	2,274,245	2,260,929
Treasury Bills and Treasury Bonds	5	–	11,144,843	15,372,693	–	26,517,536	26,754,222
Term Deposits	5	–	–	–	16,290,231	16,290,231	16,290,231
Development Bonds	5	–	–	–	5,106,038	5,106,038	5,106,038
Commercial Papers	5	–	–	–	206,770	206,770	206,770
Trust Certificates		–	–	–	60,767	60,767	60,767
Loans to Life Policyholders	11	–	–	–	1,539,431	1,539,431	1,539,431
Reinsurance Receivable	12	–	–	–	1,825,182	1,825,182	1,825,182
Premium Receivable	13	–	–	–	2,411,365	2,411,365	2,411,365
Other Receivables	15	–	–	–	1,075,829	1,075,829	1,075,829
Cash and Cash Equivalents	17	–	–	–	21,938,782	21,938,782	21,938,782
Total Financial Assets		10,953,885	38,520,336	15,372,693	52,667,873	117,514,787	117,738,157

Financial Liabilities

Reinsurance Creditors		–	–	–	1,091,327	1,091,327	1,091,327
Trade Payable	27	–	–	–	1,601,514	1,601,514	1,601,514
Bank Overdraft	28	–	–	–	398,220	398,220	398,220
Total Financial Liabilities		–	–	–	3,091,061	3,091,061	3,091,061

* The fair value of listed shares and unit trusts are estimated based on quoted market prices.

* The fair values of financial assets Held-To-Maturity (Treasury bills and bonds) are estimated based on quoted market prices.

* The fair values of unlisted floating rate debentures and development bonds are estimated as equal to the carrying values.

* The fair values of unlisted fixed rate debentures are arrived at discounting the future cash flows at market yields of comparable newly issued corporate debt instruments carrying similar maturities and credit ratings.

* The fair values of commercial papers, term deposits, loans to policy holders, reinsurance receivable, premium receivable and loans to staff are estimated as equal to carrying values as maturities do not exceed one year.

41.2 Fair Value Hierarchy for Assets Carried at Fair Value

The following note shows an analysis of financial investments recorded at fair value by level of the fair value hierarchy.

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation techniques.

Level	Fair Value Measurement Method
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	Techniques for which, all inputs that have a significant effect on the recorded fair value, are observable, either directly or indirectly.
Level 3	Techniques, which use inputs that have a significant effect on the recorded fair value, are not based on observable market data.

	Level 1	Level 2	Level 3	Total Fair Value
<i>As at 31st December 2013</i>	Rs. '000	Rs. '000	Rs. '000	Rs. '000

Available-For-Sale (AFS) Financial Assets

Listed Shares	24,798,653	–	–	24,798,653
Unlisted Shares	–	–	124,480	124,480
Unit Trusts	1,426,408	–	–	1,426,408
Listed Debentures	7,190,339	–	–	7,190,339
Treasury Bills	483,700	–	–	483,700
Treasury Bonds	5,418,642	–	–	5,418,642
Total	39,317,743	–	124,480	39,442,223

Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets

Listed Shares	5,956,726	–	–	5,956,726
Total	5,956,726	–	–	5,956,726
Total Financial Assets	45,274,469	–	124,480	45,398,949

	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
<i>As at 31st December 2012</i>				
Available-For-Sale (AFS) Financial Assets				
Listed Shares	22,423,654	–	–	22,423,654
Unlisted Shares	–	–	90,581	90,581
Unit Trusts	1,437,209	–	–	1,437,209
Listed Debentures	3,424,049	–	–	3,424,049
Treasury Bonds	11,144,843	–	–	11,144,843
Total	38,429,755	–	90,581	38,520,336
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets				
Listed Shares	10,953,885			10,953,885
Total	10,953,885	–	–	10,953,885
Total Financial Assets	49,383,640	–	90,581	49,474,221

41.3 The Maximum Credit Exposure

The carrying amount of the financial assets represent the maximum credit exposure. The maximum credit exposure to credit risk at the end of the reporting period was as follows:

		Consolidated		Company	
	Note	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Available-For-Sale	5	7,190,339	3,424,049	14,519,090	16,006,101
Loans and Receivables	5	24,793,173	18,832,013	30,010,548	23,877,284
Loans to Policyholders	11	1,578,196	1,539,431	1,578,196	1,539,431
Reinsurance Receivable	12	1,446,243	1,825,182	1,446,243	1,825,182
Premium Receivable from Policyholders	13.1	2,354,544	1,071,800	2,354,544	1,071,800
Premium Receivable from Agents, Brokers and Intermediaries	13.2	675,597	1,339,565	675,597	1,339,565
Other Receivables	15	1,222,834	1,075,829	772,475	761,157
Cash and Cash Equivalents	17	29,257,992	21,938,782	15,024,534	8,354,036
		100,389,336	84,046,667	83,705,519	70,147,249

42. Related Party Disclosures

42.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 (LKAS) - 'Related Party Transactions', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Chairman and the Board of Directors have been classified as Key Management Personnel of the Group.

Mr. Upali Dharmadasa

Mr. Mohan De Alwis (Resigned w.e.f. 20th December 2013)

Mr. Piyadasa Kudabalage

Mr. Isuru Balapatabendi

Mr. Nayana D.P. Dehigama

Mr. S.V.R. Samarasinghe

Ms. I.T.K. Illangamudali

42.1 (a) Key Management Personnel Compensation

Emoluments and compensation paid to Key Management Personnel are as follows:

<i>For the year ended 31st December</i>	Group		Company	
	2015 Rs. '000	2012 Rs. '000	2015 Rs. '000	2012 Rs. '000
Salaries and Short-Term Employee Benefits	142,569	132,479	27,803	23,098
Post Employment Benefits	7,868	7,129	–	–
Consultation Fee	7,143	5,952	–	–

42.1 (b) Other Transactions with Key Management Personnel

Sale of Goods and Services	–	–	179	258
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42.2 Transactions with Related Companies

Details of significant related party disclosures are as follows:

Name of the Company	Relationship
Management Services Rakshana (Pvt) Ltd.	Subsidiary
The Lanka Hospitals Corporation PLC	Subsidiary
Litro Gas Lanka Ltd.	Subsidiary
Litro Gas Terminal Lanka (Pvt) Ltd.	Subsidiary
Seylan Bank PLC	Affiliate Company
Ceybank Asset Management Ltd.	Affiliate Company
Ceylon Asset Management Co. Ltd.	Affiliate Company
Canwill Holdings (Pvt) Ltd.	Subsidiary
Canowin Hotels & Spas (Pvt) Ltd.	Subsidiary
Sino Lanka Resorts & Spa (Pvt) Ltd.	Subsidiary

For the year ended 31st December

	2013 Rs. '000	2012 Rs. '000
Nature of the Transaction		
Insurance Premium Received	105,120	66,529
Claims Paid	3,970	2,060
Investment in Ordinary Shares as at 31st December	16,821,545	16,854,148
Loans Granted	6,337	30,909
Advances Given	7,799	7,799
Loans Outstanding as at 31st December	23,447	26,491
Other Receivables as at 31st December	37	23,637
Payment of Emoluments	287,187	258,501
Payment of Expenses	29,679	9,225
Other Payables	38,069	33,750
Investment in Unit Trusts	1,437,209	1,437,209
Rent Charged	15,741	15,741

43. All the transactions with the Government of Sri Lanka and Government related entity which are significant for the users of this Annual Report are listed below:

(a) Outstanding Balances as at 31st December 2013

Nature of the Transaction/ Name of the Company/Entity	Bank of Ceylon Rs. '000	People's Bank Rs. '000	National Savings Bank Rs. '000	Regional Development Bank Rs. '000	People's Leasing & Finance PLC Rs. '000
Reverse Repo	49,536	–	6,480,024	–	–
Listed Debentures	870,726	–	–	–	125,960
Unlisted Debentures	–	–	–	–	515,375
Commercial Papers	–	–	–	–	–
Term Deposits	9,042,908	6,222,796	5,577,267	50,752	–
Asset-Backed Securities	–	–	–	–	–
Unit Trusts	–	–	–	–	–
Unlisted Shares	–	–	–	–	–
Listed Shares	–	–	–	–	–
	9,963,169	6,222,796	12,057,291	50,752	639,335

(b) Outstanding Balances as at 31st December 2012

Nature of the Transaction/ Name of the Company/Entity	Bank of Ceylon Rs. '000	People's Bank Rs. '000	National Savings Bank Rs. '000	Regional Development Bank Rs. '000	People's Leasing & Finance PLC Rs. '000
Reverse Repo	754,127	–	4,154,648	–	–
Listed Debentures	507,014	–	–	–	–
Unlisted Debentures	–	–	–	–	519,496
Commercial Papers	–	–	–	–	–
Term Deposits	6,113,664	3,281,915	4,132,671	60,279	–
Asset-Backed Securities	–	–	–	–	27,874
Unit Trusts	–	–	–	–	–
Unlisted Shares	–	–	–	–	–
Listed Shares	–	–	–	–	–
	7,374,805	3,281,915	8,287,319	60,279	547,370

Merchant Bank of Sri Lanka PLC Rs. '000	Urban Development Authority Rs. '000	People's Merchant Finance PLC Rs. '000	Sri Lanka Telecom PLC Rs. '000	Ceybank Asset Management Ltd. Rs. '000	HDFC Bank Rs. '000	Associated Newspapers of Ceylon Ltd. Rs. '000	Lanka Cement PLC Rs. '000
-	-	-	-	-	-	-	-
148,245	895,808	-	-	-	103,970	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	867,946	-	-	-
-	-	-	-	83,227	-	4,784	-
-	-	17	767,600	-	-	-	3,364
148,245	895,808	17	767,600	951,174	103,970	4,784	3,364

Merchant Bank of Sri Lanka PLC Rs. '000	Urban Development Authority Rs. '000	People's Merchant Finance PLC Rs. '000	Sri Lanka Telecom PLC Rs. '000	Ceybank Asset Management Ltd. Rs. '000	HDFC Bank Rs. '000	Associated Newspapers of Ceylon Ltd. Rs. '000	Lanka Cement PLC Rs. '000
-	-	-	-	-	-	-	-
148,231	894,592	-	-	-	-	-	-
105,294	-	-	-	-	-	-	-
206,807	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	865,592	-	-	-
-	-	-	-	64,759	-	4,978	-
-	-	23	912,821	-	-	-	4,842
458,333	894,592	23	912,821	930,352	-	4,978	4,842

44. Management of Insurance, Financial and Regulatory Risks

Introduction to the Overview

The Group is mainly exposed to the Financial Risks, Insurance Risks and Regulatory Risks. This note provides the Group's policies and procedures in measuring, managing and mitigating such risks. The Group has implemented a risk management framework and Board of Directors has overall responsibility for establishment and oversight of the Group's risk management functions.

44.1 Insurance Risk Management - Life

44.1.a Life Insurance Contracts

The following tables shows the concentration of life insurance based on the nature of the contract:

Concentration of Insurance Risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

1. From a market risk perspective, although we have invested significantly in the financial sector, our portfolio is diversified and contains huge margins.
2. From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behaviour risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that SLIC is not exposed to significant concentrations of insurance risk.

The risks associated with life insurance include:

- Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- Longevity risk is the risk that annuitants live longer than expected.
- Morbidity risk is the risk that policyholder health-related claims are higher than expected.

- Policyholder behaviour risk is the risk that policyholders' behaviour in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- Expense risk is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- Market risk is the risk associated with the Group's Statement of Financial positions where the value or cash flow depends on financial markets, which is analysed in the 'Market Risk' section in the Risk Review.
- Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations, which is analysed in the 'Credit Risk' section in the Risk Review.

Sensitivities Analysis for Life Insurance Risk

Provide assumptions used in determining life insurance contract liability.

Assumption	Description
Mortality	Guidelines provided by RII Act No. 43 of 2000, which are; <ul style="list-style-type: none"> - A67/70 for non-annuity business - a(90) for annuity business
Investment return	Guidelines provided by RII Act No. 43 of 2000, minimum interest used for 31st December 2013 valuation is 3.5% which is consistent with last 5 years valuation.

The total liability set up under above guidelines is Rs. 55,465 million.

SLIC is participating to the IBSL RBC road test and the results as at 31st December 2013 are as follows. The total liability under RBC guidelines for base scenario is Rs. 15,233 million.

Assumption	Change in Assumption	Impact on Liability
Mortality	10%	527 million
	-10%	(554) million
Investment return	Up shock scenario under RBC	(5,142) million
	Down shock scenario under RBC	7,900 million

Segregation of Policy Liability based on Product Category

31st December	2013			2012		
	Insurance Liabilities (with profits) Rs. '000	Insurance Liabilities (without profits) Rs. '000	Total Gross Insurance Liabilities Rs. '000	Insurance Liabilities (with profits) Rs. '000	Insurance Liabilities (without profits) Rs. '000	Total Gross Insurance Liabilities Rs. '000
Whole Life	52,740	30,909	83,649	58,147	30,437	88,584
Endowment Assurance	35,421,598	1,935,148	37,356,746	33,681,128	1,568,090	35,249,218
Term Assurance	–	646,181	646,181	–	629,977	629,977
Annuity	15,870,030	617,318	16,487,347	14,234,577	652,625	14,887,203
Rider Benefits	856,936	34,043	890,979	794,094	27,630	821,725
Total	52,201,503	3,263,599	55,464,902	48,767,945	2,908,759	51,676,705

The following table shows the participating and non-participating fund position of the Company. During the last quarter of the 2013, the Company introduced 'Yasas' single premium investment policy which boosted the non-participating portfolio. An investment target was set for 'Yasas' policy and it was achieved during last quarter of 2013 alone and contributed over Rs. 300 million to the Life GWP.

Participating Fund vs Non-Participating Fund

	Participating Rs. '000	Non- Participating Rs. '000	Total Rs. '000
2013	63,248,008	3,263,599	66,511,606
Percentage	95.09%	4.91%	
2012	57,176,139	2,908,759	60,084,898
Percentage	95.16%	4.84%	

44.2 Insurance Risk Management - Non-Life

44.2.a General Insurance Risk

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims.

The following provides an overview of the Group's main lines of business:

- Motor includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance.
- Property includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake, windstorm and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) and marine (cargo and hull).
- Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, and errors and omissions liability.
- Special lines include directors and officers, credit and surety, crime and fidelity, accident and health, and crop.
- Worker injury includes workers compensation and employers liability.

The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across industries and geographic regions in which the Group operates. The Group seeks to optimise shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process.

In addition to the specific risks insured, each line of business could expose the Group to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to senior management.

The table below shows the Group's concentration of risk within the General Insurance business by line of business based on direct written premiums before reinsurance and after reinsurance:

2015

Class	GWP Rs. '000	Reinsurance Rs. '000	NWP Rs. '000	%
Motor	7,332,414	170,004	7,162,410	72.91
Fire	1,867,397	1,688,446	178,951	1.82
Marine	377,535	275,849	101,686	1.04
Other	3,375,804	995,367	2,380,437	24.23

44.2.b Reinsurance Risk

The Group purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Group net exposure to large single and catastrophic losses. Retention limits on the excess-of-loss reinsurance programmes vary by product line.

The following table shows the credit ratings of the reinsurance companies with whom the Company has arrangements:

Name of the Company	Debit FSS Rating	Credit Credit Rating	Rating Agency
Federal Insurance Company Ltd.	A++	a++	AM Best
Warba Insurance Company Ltd.	BBB	BBB	Standard & Poor
Oriental Insurance	B++	bbb+	AM Best
India International	A-	A-	Standard & Poor
A.I.G. Europe (UK) Ltd.	A	a	AM Best
A.R.C.	B	bb	AM Best
Allianz Verticherungs	A+	aa-	AM Best
Arab Re. Co.	B+	bbb-	AM Best
Partner Reinsurance Europe Ltd. (Singapore Branch)	A+	aa-	AM Best
Best Re. - Malaysia	B+	B+	Standard & Poor
Taiping Reinsurance Co. Ltd.	A-	a-	AM Best
G.I.C.	A-	a-	AM Best
Korean Re.	A	a	AM Best
Kuwait Re.	A-	a-	AM Best
Munich Re. (U.K.)	A+	aa-	AM Best
Munich Re. (Germany)	A+	aa-	AM Best
New Reinsurance	A+	aa-	AM Best
PT Asuransi Jasa Indonesia	B++	bbb+	AM Best
R + V Reinsurance	AA-	AA-	Standard & Poor
Scor	A	a+	AM Best
Sirus International	A	a	AM Best
Sompo Japan Ltd.	A+	aa-	AM Best
Swiss Re.	A+	aa-	AM Best
The Fuji Fire & Marine	A	a	AM Best
TOA Re., Singapore	A+	aa-	AM Best
Tokio Marine (Japan)	A++	aa+	AM Best
Trust International.	A-	a-	AM Best
Zurich Insurance Services	AA+	AA+	Standard & Poor
AXA Corporate	A+		Standard & Poor
Mitsui Sumitomo	A+	aa	AM Best
Assurazioni Generali	A	a	AM Best
Asia Capital RE.Group (Pvt) Ltd.	A-	a-	AM Best
Malaysian Reinsurance Berhad	A-	a-	AM Best
National Insurance Trust Fund	Owned by Government of Sri Lanka		
Beazley Syndicate	A+	a+	AM Best
Catlin Switzerland Ltd.	A	a	AM Best

44.3 Financial Risk Management

The investment activities of the Company is exposed to the financial risks, which include the Credit Risks, Liquidity Risks and Market Risks. The Investment Committee of the Company is responsible in mitigating those risks and optimising the investment returns.

Investment risk management is of paramount importance in current turbulent markets characterised by high volatility of asset returns, reduced diversification benefits due to high correlations, and wider dispersion in market sentiments and views.

The aim of investment risk management is to promptly identify, measure, manage, report and monitor risks that affect the achievement of investment objectives. This includes taking, avoiding, mitigating and adjusting the risk profile to maintain the appropriate balance among asset growth as well as income to meet the obligations of the fund, based on prudent risk management principles within the context of applicable (IBSL) insurance regulations.

44.3.a Market Risks

Market risk is the risk of losses in positions arising from movements in market prices. This is mainly impact to stock prices being volatile the market. Market risk comprises foreign exchange rate, interest rate and market price risks.

The Company is maintaining the maximum exposure limit for the equity in managing the investment portfolio. Further the Company has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

44.3.b Interest Rate Risks

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves while credit spread risk describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free interest rate yield curve.

Interest rate risk is managed over each major maturity bucket and adherence to the aggregated positions with risk limits. The Investment Committee proactively managed the fixed income portfolio by strategically shifting from low-yielding investments to relatively high-yielding ones, mitigating the pressure on interest income while closely monitoring the duration mismatches.

Further, the Company has adopted the following policies to mitigate the interest rate risks:

1. The considerable portion of the investment are maintained with the risk free investments of Government Securities and same time adherence to the circulation issued by the IBSL in maintaining the risk-free investments.
2. The major part of the investment portfolio is maintained with the rated financial institutions or the rated instruments.
3. Investment Committee of the Group is making the investment decisions and approval from the Board is sought wherever necessary.

Following table summarises the exposure to the interest rate risk by the Company:

<i>31st December 2013</i>	100bps upward parallel shift of yield curve		100bps downward parallel shift of yield curve	
	Impact on Interest Income	Impact on Equity	Impact on Interest Income	Impact on Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Investments				
Held-To-Maturity (HTM)	–	–	–	–
Loans and Receivables (L & R)	68,310	–	(68,310)	–
Available-For-Sale (AFS)	3,481	(325,428)	(3,481)	343,198
Fair-Value-Through-Profit-or -Loss (FVTPL)	–	–	–	–
	71,791	(325,428)	(71,791)	343,198

Interest rate movements after reported equity in the following way:

- * Impact arising out of increase or decrease in net interest income is reported in the profit or loss.
- * Impact arising out of increase or decrease in fair values of Available-For-Sale financial instruments is reported in equity.
- * No floating rate debt instruments have been classified under HTM as at 31st December 2013.
- * No debt instruments have been classified under FVTPL as at 31st December 2013.

Portfolio Diversification of Equity Risks

Life Insurance Business

Sector	2015		2012	
	Market Value Rs. '000	%	Market Value Rs. '000	%
Bank, Finance and Insurance	15,052,915	69.69	13,867,030	54.15
Health Care	1,457,914	6.75	2,735,101	10.68
Hotel and Travel	2,125,682	9.84	2,417,717	9.44
Diversified Holdings	599,240	1.85	2,356,339	9.20
Telecommunication	768,564	3.56	1,398,467	5.46
Construction and Engineering	682,584	3.16	807,605	3.15
Manufacturing	503,682	2.33	584,854	2.28
Beverages, Food and Tobacco	–	0.00	498,061	1.94
Motors	199,759	0.92	247,680	0.97
Chemicals and Pharmaceuticals	163,661	0.76	218,214	0.85
Trading	122,820	0.57	175,779	0.69
Power and Energy	9,066	0.04	154,609	0.60
Investment Trusts	46,705	0.22	91,137	0.36
Land and Property	64,258	0.30	49,654	0.19
Information Technology	526	0.00	4,734	0.02
Plantation	2,534	0.01	2,608	0.01
Footwear and Textiles	875	0.00	914	0.00
Total	21,600,741	100.00	25,610,504	100.00

** Including The Lanka Hospitals Corporation PLC which is a Subsidiary of SLIC.*

General Insurance Business

Sector	2015		2012	
	Market Value Rs. '000	%	Market Value Rs. '000	%
Bank, Finance and Insurance	9,208,522	75.56	8,253,307	65.73
Health Care	1,575,156	12.92	2,198,361	17.51
Construction and Engineering	682,670	5.60	807,706	6.43
Manufacturing	308,595	2.53	347,540	2.77
Telecommunication	112,191	0.92	318,676	2.54
Diversified Holdings	173,487	1.42	215,215	1.71
Chemicals and Pharmaceuticals	85,132	0.70	113,338	0.90
Power and Energy	111	0.00	111,267	0.89
Beverages, Food and Tobacco	3,740	0.03	96,944	0.77
Investment Trusts	18,249	0.15	71,298	0.57
Trading	15,798	0.13	18,815	0.15
Motors	2,807	0.02	2,565	0.02
Hotel and Travel	1,250	0.01	1,380	0.01
Information Technology	–	0.00	–	0.00
Total	12,187,708	100.00	12,536,413	100.00

**Including The Lanka Hospitals Corporation PLC which is a Subsidiary of SLIC.*

44.3.c Credit Risks

The credit risk is the risk of investee companies, reinsurers and other counter party defaulting to meet its contractual obligations. Accordingly, it refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do. The risk is primarily that of the lender and include lost principal and interest, disruption to cash flows, and increased collection costs.

The Company has established its own limits on concentration in investments by single issuers and certain asset classes and also limits investments in illiquid instruments.

No investment has been made in Term Deposits other than in Licensed Commercial Banks and Licensed Specialised Banks.

Investment grade credit rating for both the entity and the instrument by a recognised credit rating agency is expected for all investments in Corporate Debentures and Commercial Papers.

No debt investment has been made in any of the related companies.

A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

Debt Securities Allocation According to Credit Ratings

Life Insurance Business

<i>As at 31st December</i>				
Rating	2015 Rs. million	% of Total	2012 Rs. million	% of Total
AAA	4,258	17	3,275	26
AA+	11,666	46	6,696	39
AA	871	3	1,072	9
AA-	1,650	6	352	3
A+	2,441	10	647	5
A	461	2	307	2
A-	717	3	2,067	17
BBB+	697	3	174	1
BBB	205	1	–	–
BBB-	245	1	210	2
Unrated	2,002	8	2,227	18
Total	25,192	100	17,025	100

* Credit Risk on Fixed Deposits is based on Credit risk of the Bank.

General Insurance Business

<i>As at 31st December</i>				
Rating	2015		2012	
	Rs. million	% of Total	Rs. million	% of Total
AAA	1,519	21	858	16
AA+	3,600	58	2,870	55
A+	174	3	74	1
AA	12	0	12	0
AA-	487	8	598	11
A-	327	5	515	10
BBB+	251	4	60	1
P-1 (Short Term)	–	–	207	29
Unrated	57	1	37	1
Total	6,208	100	5,231	100

* Credit Risk on Fixed Deposits is based on Credit Risk of the Bank.

Liquidity Risk

The risk of the Company being unable to meet obligations due to inadequate availability of liquid assets is referred to as liquidity risk.

The table below summarises the maturity profile of the financial investments of the Company based on remaining contractual obligations, including interest payable and receivable:

Maturity Analysis

Consolidated	Carrying Value Rs. '000	Up to 1 Year Rs. '000	1-2 Years Rs. '000	2-5 Years Rs. '000	5-10 Years Rs. '000	Over 10 Years Rs. '000	Total Rs. '000
Financial Investments							
Held-To-Maturity (HTM) Financial Assets	19,324,293	900,000	650,000	15,336,250	3,385,000	2,400,000	22,671,230
Loans and Receivables (L & R)	37,287,961	33,425,035	2,735,000	525,000	–	–	36,683,035
Available-For-Sale (AFS) Financial Assets	39,442,223	1,840,000	2,321,480	6,925,865	1,572,397	1,362,794	14,022,536
Fair-Value-Through Profit-or-Loss (FVTPL) Financial Assets	5,956,726	5,956,726	–	–	–	–	5,956,726
	102,011,203	42,119,762	5,706,480	22,787,095	4,957,397	3,762,794	79,533,528

Maturity Analysis

Company	Carrying Value Rs. '000	Upto 1 Year Rs. '000	1-2 Years Rs. '000	2-5 Years Rs. '000	5-10 Years Rs. '000	Over 10 Years Rs. '000	Total Rs. '000
Financial Investments							
Held-To-Maturity (HTM) Financial Assets	19,324,293	900,000	650,000	15,336,250	3,385,000	2,400,000	22,671,230
Loans and Receivables (L & R)	30,048,030	26,145,623	2,755,000	525,000	—	—	29,405,623
Available-For-Sale (AFS) Financial Assets	39,442,223	1,840,000	2,321,480	6,925,865	1,572,397	1,362,794	14,022,536
Fair-Value-Through Profit-or-Loss (FVTPL) Financial Assets	5,956,726	—	—	—	—	—	—
	94,771,272	28,885,623	5,706,480	22,787,095	4,957,397	3,762,794	66,099,389

45. Commitments, Contingencies and Guarantees

45.1 Capital Commitments

The Company does not have significant capital commitments as at the reporting date other than described below:

The Lanka Hospitals Corporation PLC an investment of Rs. 500 million is committed by the subsidiary Company, Lanka Hospital Diagnostic (Pvt) Ltd.

Litro Gas Terminal Lanka (Pvt) Ltd. financial commitments:

- The Company has an annual commitment to pay Rs. 16,506,875/- (excluding taxes) as lease rental for the use of land.
- The Company has paid Rs. 30,000,000/- (excluding taxes) as lease rental for the use of storage facility at Hambantota port as year one rental.

Litro Gas Lanka Ltd., there were capital commitments Rs. 772,862,425/- for new empty cylinders and new plant.

The following commitments for capital expenditure approved by the Directors as at 31st December 2013 have not been provided for Financial Statements of the subsidiary, SinoLanka Hotels & Spa (Pvt) Ltd.

	2013 Rs. '000	2012 Rs. '000
Approximate Amount Contracted for but not Incurred	4,624,912	2,395,546

45.2 Contingent Liabilities and Guarantees

There were no significant contingent liabilities and guarantees which no provision has been made in the accounts or approved by the Board but not contracted as at the reporting date that would require adjustments to or disclosure in the Financial Statements, other than described below:

45.2.1 Contingent Liabilities

Value Added Tax Assessments issued by the Commissioner General of Inland Revenue

In 2006, the Commissioner General of Inland Revenue has issued Value Added Tax Assessments on reinsurance claims received from foreign reinsurers, for the years of assessments 2004/05 and 2005/06 amounting to Rs. 318,099,913/- and Rs. 26,903,739/- respectively.

The Company has filed valid appeals against these assessments. The Board of Review by letter dated 21st July 2010 determined that the assessments are valid. The Company is making an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the Liability of Rs. 345 million pending the decision of the Court of Appeal. In the event, the decision of the Court of Appeal is unfavourable to the Company, an additional liability of Rs. 690 million from the year 2007 may arise.

On 2nd April 2013 Commissioner General of Inland Revenue issued Value Added Tax Assessments on financial services for the taxable periods from 1st January 2010 to 31st December 2010 amounting to Rs. 2,363 million. The Company has filed a valid appeal against these assessments.

(a) Commitment on Land Lease

The Lanka Hospitals Corporation PLC has entered into a 99-year lease agreement with the Urban Development Authority. In terms of this agreement annual lease premiums payable are as follows:

	Year Annual Lease Premiums Rs. '000
1999 to 2003	9,273 (Excluding Taxes)
2004 to 2025	18,547 (Excluding Taxes)
2026	9,273 (Excluding Taxes)

Premiums paid on each instalment is carried forward and amortised over the 99-year period, in accordance with the said agreement.

From the year 2027 Rs. 7,000/- per annum is payable as nominal ground rent for 5 years. Thereafter, the said ground rent will be revised every 5 years on the basis of an annual increase no greater than the average weighted deposit rate published by the Central Bank of Sri Lanka prevailing at the end of each year or 10% per annum whichever is lower.

The future aggregate minimum lease payments under non-cancellable operating lease by 2026 is as follows:

	2015 Rs. '000	2012 Rs. '000
No Later than 1 Year	185,467	18,547
Later than 1 Year and no Later than 5 Years	74,186	74,186
Later than 5 Years	139,099	157,646
	398,752	250,379

45.2.2 Guarantees

	2015 Rs. '000	2012 Rs. '000
Company		
Shell Brands International AG	–	112,500

Litro Gas Terminal Lanka (Pvt) Ltd., Operating lease with Land Reclamation Board

According to LKAS 17, the standard requires lease payments under an operating lease to be recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. The Company has an operating lease arrangement with Land Reclamation Board where the lease term is 50 years and the rental increases by 175% in every five years. However, the Company does not recognise the said lease on a straight-line basis since the Directors are of the view that this represents a more systematic basis of the time pattern of the benefit.

46. Events after the Reporting Date

Directors have resolved on 31st January 2014, to rebrand the proposed 'Hyatt Regency Colombo Hotel' as 'Grand Hyatt Colombo' with the consent of the Hotel Management Company, i.e. Messrs Haytt International South West Asia Ltd.

There were no other significant events after the reporting date.

Supplementary Information 7.0.0

7.1.0 Statement of Financial Position of the Life Insurance Fund

<i>As at 31st December</i>	Note	2013 Rs. '000	2012 Rs. '000
Assets			
Financial Investments	a	73,643,020	67,321,908
Investment in Subsidiaries	b	1,457,914	5,707,914
Policyholder Loans	c	1,578,196	1,539,431
Premium Receivable		327,754	–
Reinsurance Receivable		39,978	100,443
Deferred Tax Assets		56,469	47,960
Other Assets	d	2,573,771	1,915,928
Property, Plant & Equipment	e	55,969	57,012
Cash and Cash Equivalents		6,663,628	5,893,350
Total Assets		86,196,699	82,583,946
Equity and Liabilities			
Equity			
Revaluation Reserve		40,892	40,892
Revenue Reserves	f	4,060,079	9,117,111
Available-For-Sale Reserve	g	10,272,074	8,389,241
		14,373,045	17,547,244
Liabilities			
Insurance Contract Liabilities - Life	h	69,079,060	62,526,048
Reinsurance Payable		18,467	169,390
Retirement Benefit Obligations		221,490	192,146
Current Tax Payable		852,393	472,707
Other Liabilities	i	1,523,134	1,553,331
Financial Liabilities		129,109	123,079
Total Liabilities		71,823,653	65,036,701
Total Equity and Liabilities		86,196,699	82,583,946

The Notes form an integral part of these Financial Statements.

7.2.0 Notes to the Financial Statements - Life Insurance

		2015		2012	
	Note	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
a. Financial Investments					
Held-To-Maturity (HTM) Financial Assets	a.1	18,746,003	20,123,228	13,449,322	13,711,616
Loans and Receivables (L & R)	a.2	20,626,183	20,622,022	15,585,701	15,573,111
Available-For-Sale (AFS) Financial Assets	a.3	28,886,521	28,886,520	28,558,138	28,558,139
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets	a.4	5,384,313	5,384,313	9,728,745	9,128,745
Total Financial Investments		73,643,020	75,016,083	67,321,906	67,571,611

a.1 Held-To-Maturity (HTM) Financial Assets

Treasury Bills		–	–	969,775	974,700
Treasury Bonds		18,746,003	20,123,228	12,479,547	12,736,916
		18,746,003	20,123,228	13,449,322	13,711,616

a.2 Loans and Receivables (L & R)

Unlisted Debentures	a.2.1	1,590,689	1,586,528	1,874,094	1,861,504
Term Deposits		17,068,873	17,068,873	11,773,323	11,773,323
Development Bonds		1,966,621	1,966,621	1,910,410	1,910,410
Trust Certificates		–	–	27,874	27,874
		20,626,183	20,622,022	15,585,701	15,573,111

	2015				2012			
	Maturity Date	Carrying Value	Fair Value	Face Value	Maturity Date	Carrying Value	Fair Value	Face Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
Commercial Bank of Ceylon PLC	15.05.2016	141,608	151,784	125,000	15.05.2016	141,608	124,824	125,000
Senkadagala Finance PLC*	-	-	-	-	02.12.2014	67,841	66,803	67,000
People's Leasing and Finance PLC	26.04.2014	515,375	515,375	500,000	26.04.2014	519,496	519,496	500,000
Merchant Bank of SL	-	-	-	-	31.08.2015	103,312	103,911	100,000
Abans PLC**	-	-	-	-	31.03.2014	100,033	99,641	100,000
Singer Sri Lanka PLC	30.04.2015	255,327	255,327	250,000	30.04.2015	256,706	256,706	250,000
Central Finance PLC	24.05.2015	528,015	528,015	500,000	24.05.2015	534,703	534,703	500,000
Siyapatha Finance Ltd.	17.12.2015	50,336	55,999	50,000	17.12.2015	50,360	55,385	50,000
National Development Bank PLC	30.06.2016	100,028	100,028	100,000	30.06.2016	100,035	100,035	100,000
		1,590,689	1,586,528	1,525,000		1,874,094	1,861,504	1,792,000

*Prematurely settled on 22.11.2013.

**Prematurely settled on 12.12.2013.

	Note	2015		2012	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Listed Shares	a.3.1	14,758,515	14,758,515	13,290,741	13,290,741
Unit Trusts	a.3.2	1,209,103	1,209,103	1,224,755	1,224,755
Listed Debentures	a.3.3	7,116,244	7,116,244	3,349,946	3,349,947
Treasury Bills		483,700	483,700	-	-
Treasury Bonds		5,318,958	5,318,958	10,692,696	10,692,696
		28,886,521	28,886,920	28,558,138	28,558,139

	2015			2012		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000

a.3.1 Listed Shares

Bank, Finance & Insurance						
Commercial Bank of Ceylon PLC	40,219,594	4,870,593	4,870,593	39,557,241	4,074,396	4,074,396
DFCC Bank	26,509,852	5,453,023	5,453,023	26,509,852	2,995,611	2,995,611
Seylan Bank PLC	8,798,869	571,047	571,047	8,666,666	481,000	481,000
Hatton National Bank PLC	31,503,954	4,631,081	4,631,081	31,503,954	4,662,585	4,662,585
National Development Bank PLC	7,805,426	1,252,771	1,252,771	7,805,426	1,077,149	1,077,149
		14,758,515	14,758,515		13,290,741	13,290,741

	2015			2012		
	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000

a.3.2 Unit Trusts

Ceybank Unit Trust	33,055,291	852,641	852,641	33,628,291	865,592	865,592
Ceylon Income Fund	27,004,714	356,462	356,462	27,004,714	359,163	359,163
		1,209,103	1,209,103		1,224,755	1,224,755

	2015				2012			
	Maturity Date	Carrying Value	Fair Value	Face Value	Maturity Date	Carrying Value	Fair Value	Face Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000

a.3.3 Listed Debentures

Bank, Finance & Insurance								
Commercial Bank of Ceylon PLC	18.12.2016	285,052	285,052	250,000	18.12.2016	285,147	285,147	250,000
Sampath Bank PLC	11.10.2017	45,201	45,201	56,600	11.10.2017	57,957	57,957	56,600
Sampath Bank PLC	04.12.2018	545,585	545,585	540,190	–	–	–	–
Nations Trust Bank PLC	–	–	–	–	19.08.2015	215,419	215,419	200,000
Nations Trust Bank PLC	04.08.2016	209,041	209,041	200,000	04.08.2016	209,016	209,016	200,000
LB Finance PLC	–	–	–	–	22.09.2013	49,887	49,887	50,000
LB Finance PLC	28.11.2018	225,565	225,565	220,670	–	–	–	–
Lanka Orix Leasing Company PLC	30.06.2015	105,846	105,846	100,000	30.06.2015	105,866	105,866	100,000
Merchant Bank of Sri Lanka PLC	15.11.2014	148,245	148,245	140,000	15.11.2014	148,251	148,251	140,000
DFCC Vardhana Bank PLC	07.09.2016	74,095	74,095	74,074	07.09.2016	74,105	74,105	74,074
Pan Asia Banking Corporation PLC	18.05.2017	207,784	207,784	200,000	18.05.2017	209,950	209,950	200,000
Bank of Ceylon	29.11.2017	507,014	507,014	500,000	29.11.2017	507,014	507,014	500,000
Bank of Ceylon	24.10.2018	294,944	294,944	287,970	–	–	–	–
Bank of Ceylon	24.10.2025	68,768	68,768	67,050	–	–	–	–
Hatton National Bank PLC	31.05.2021	224,437	224,437	478,459	31.05.2021	202,206	202,206	478,459
Hatton National Bank PLC	31.05.2024	456,742	456,742	1,562,794	31.05.2024	410,579	410,579	1,562,794
Hatton National Bank PLC	12.06.2018	541,256	541,256	516,717	–	–	–	–
Hatton National Bank PLC	30.08.2023	90,506	90,506	126,888	–	–	–	–
Senkadagala Finance PLC	10.12.2018	100,865	100,865	100,000	–	–	–	–
Citizens Development Business Finance PLC	19.12.2018	37,556	37,556	37,350	–	–	–	–
National Development Bank PLC	19.12.2015	755,715	755,715	750,000	–	–	–	–
Seylan Bank PLC	21.02.2018	475,905	475,905	449,520	–	–	–	–
The Housing Development Finance Corporation Bank of Sri Lanka	25.10.2018	105,970	105,970	100,000	–	–	–	–
People's Leasing & Finance PLC	26.05.2018	125,960	125,960	105,900	–	–	–	–

	2015				2012			
	Maturity Date	Carrying Value	Fair Value	Face Value	Maturity Date	Carrying Value	Fair Value	Face Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
Diversified Holdings								
Hayleys PLC	09.07.2016	80,800	80,800	80,800	–	–	–	–
Heathcare								
Nawaloka Hospitals PLC	30.09.2021	155,484	155,484	150,000	–	–	–	–
Trading								
Abans PLC	20.12.2018	401,907	401,907	400,000	–	–	–	–
Beverages, Food and Tobacco								
The Lion Brewery Ceylon PLC	17.06.2016	109,195	109,195	105,600	–	–	–	–
The Lion Brewery Ceylon PLC	17.06.2017	109,260	109,260	105,600	–	–	–	–
The Lion Brewery Ceylon PLC	17.06.2018	145,769	145,769	140,800	–	–	–	–
Land and Property								
Urban Development Authority*	05.10.2015	895,808	895,808	871,480	05.10.2015	894,592	894,592	871,480
		7,116,244	7,116,244	8,098,462		3,349,946	3,349,946	4,463,407

* Treasury Guaranteed.

a.4 Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets

Listed Shares	a.4.1	5,384,313	5,384,313	9,728,747	9,728,747
		5,384,313	5,384,313	978,745	9,728,745

Fair-Value-Through-Profit-or-Loss Investments and Available-For-Sale Investments are measured at fair value. Held-To-Maturity and Loans & Receivables Investments are measured at amortised cost.

	2015			2012		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
a.4.1 Listed Stocks						
Banks, Finance and Insurance						
Sampath Bank PLC	587,487	66,609	66,609	968,536	193,707	193,707
Seylan Bank PLC (NV)	559,000	11,057	11,057	550,000	12,250	12,250
Pan Asia Banking Corporation PLC	1,594,666	21,617	21,617	1,594,666	26,499	26,499
Nations Trust Bank PLC	–	–	–	1,096,200	61,587	61,587
LB Finance PLC	1,842,900	188,160	188,160	1,842,900	272,749	272,749
Nation Lanka Finance PLC	979,500	6,954	6,954	979,500	9,697	9,697
Investment Trusts						
Ceylon Guardian Investment Trust PLC	–	–	–	200,000	56,800	56,800
Renuka Holdings PLC	1,526,516	46,705	46,705	1,526,516	54,337	54,337
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	–	–	–	2,320,200	585,153	585,153
Cargills (Ceylon) PLC	–	–	–	776,000	112,908	112,908
Diversified Holdings						
Hemas Holdings PLC	5,160,700	175,464	175,464	6,655,700	179,164	179,164
John Keells Holdings PLC	611,176	157,515	157,515	9,409,034	2,069,047	2,069,047
Vallibel One PLC	65,900	1,081	1,081	65,900	1,199	1,199
Colombo Fort Land & Building PLC	5,020,600	85,181	85,181	5,020,600	106,929	106,929
Footwear & Textiles						
Hayleys MGT Knitting Mills PLC	78,800	875	875	78,800	914	914

	2015			2012		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Hotel & Travel						
Aitken Spence Hotel Holdings PLC	7,268,727	543,701	543,701	8,815,100	650,554	650,554
Asian Hotels & Properties PLC	10,055,900	653,654	653,654	10,055,900	763,243	763,243
John Keells Hotels PLC	72,747,800	909,548	909,548	72,747,800	1,005,920	1,005,920
Anilana Hotels & Properties Ltd.	2,500,000	19,000	19,000	-	-	-
Healthcare						
Asiri Surgical Hospital PLC	-	-	-	15,493,000	144,085	144,085
Manufacturing						
Sierra Cables PLC	800	1	1	800	2	2
Lanka Cement PLC	509,700	3,364	3,364	509,700	4,842	4,842
ACL Cables PLC	2,100,200	136,513	136,513	2,748,400	185,242	185,242
Tokyo Cement Company(Lanka) PLC	2,015,412	57,582	57,582	1,830,375	52,898	52,898
Tokyo Cement Company (Lanka) PLC (NV)	3,207,320	75,372	75,372	4,003,600	77,269	77,269
Royal Ceramics PLC	2,183,279	187,762	187,762	2,183,279	216,145	216,145
Lanka Walltiles PLC	807,600	43,287	43,287	807,600	48,456	48,456
Trading						
Brown & Company PLC	906,990	77,094	77,094	906,990	112,467	112,467
TESS Agro PLC	35,173,600	45,726	45,726	26,380,200	63,312	63,312
Motors						
CM Holdings PLC	571,428	48,000	48,000	400,000	58,400	58,400
Diesel & Motor Engineering PLC	315,466	151,739	151,739	315,466	189,280	189,280

	No. of Shares	2015 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000
Telecommunications						
Dialog Axiata PLC	12,572,823	113,155	113,155	74,585,920	619,063	619,063
Sri Lanka Telecom PLC	17,713,735	655,408	655,408	17,713,735	779,404	779,404
Plantations						
Talawakelle Tea Estates PLC	105,600	2,534	2,534	105,600	2,608	2,608
Power and Energy						
Lanka IOC PLC	271,362	8,955	8,955	7,964,400	154,509	154,509
Laugfs Gas PLC	3,900	111	111	3,900	99	99
Information Technology						
PC House PLC	876,700	526	526	876,700	4,734	4,734
Chemicals and Pharmaceuticals						
CIC Holdings PLC	3,409,594	163,661	163,661	3,409,594	218,214	218,214
Land and Property						
Overseas Reality (Ceylon) PLC	3,472,300	64,258	64,258	3,472,300	49,654	49,654
Construction and Engineering						
Colombo Dockyard PLC	3,592,548	682,584	682,584	3,592,548	807,605	807,605
		5,384,313	5,384,313		9,728,745	9,728,745

	2013 Rs. '000	2012 Rs. '000
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b. Investments in Subsidiaries

At Cost	1,457,914	5,707,914
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	Note	2013 Carrying Value Rs. '000	Fair Value Rs. '000	2012 Carrying Value Rs. '000	Fair Value Rs. '000
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At Cost

Listed Subsidiaries	b.1	1,457,914	2,676,943	1,457,914	2,591,016
Unlisted Subsidiaries	b.2	–	–	4,250,000	–
		1,457,914	2,676,943	5,707,914	2,591,016

	2013 No. of Shares	Cost Rs. '000	2012 No. of Shares	Cost Rs. '000
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b.1 Listed Subsidiaries

At Cost

The Lanka Hospitals Corporation PLC	66,097,350	1,457,914	66,097,350	1,457,914
	–	1,457,914	–	1,457,914

b.2 Unlisted Subsidiaries

Canwill Holdings (Pvt) Ltd.	–	–	250,000,000	2,500,000
Litro Gas Lanka Ltd.	–	–	17,616,853	1,750,000
	–	–	–	4,250,000

	2013 Rs. '000	2012 Rs. '000
c. Policyholder Loans	1,578,196	1,539,431
	1,578,196	1,539,431

The surrender value of loans granted to policyholders as at 31st December 2013 amounted to Rs. 2,955 million (2012 - Rs. 2,838 million).

The Company grants policy loans at the market rate.

If the total receivable of the loan including interest due and accrued exceeds the surrender value, then the policy terminates and becomes void. The Company has the first lien on all policies which are subject to policy loans and this mitigates the Company's credit exposure on Policy Loans.

	2013 Rs. '000	2012 Rs. '000
d. Other Assets		
Inventories	10,573	5,554
Other Debtors and Receivables	1,131,210	121,988
Other Loans	734,994	700,390
Listed Shares Sale Proceeds Receivables	–	671,754
Amount Due from General Division	275,611	174,651
Prepaid Benefit on Loans	221,583	241,590
	2,373,771	1,915,928

e. Property, Plant & Equipment

Cost

<i>As at 31st December</i>	Land	Buildings	Equipment	Furniture & Fittings	Generator	Electrical Fixtures	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2013	36,153	20,859	218,077	50,361	8,681	9,376	87	343,595
Additions	–	–	–	–	–	–	–	–
Disposals/Transfers	–	–	–	–	–	–	–	–
Balance as at 31st December 2013	36,153	20,859	218,077	50,361	8,681	9,376	87	343,595

Depreciation

Balance as at 01st January 2013	–	–	218,077	50,361	8,683	9,374	87	286,583
Depreciation Charge for the Period		1,043						1,043
Balance as at 31st December 2013		1,043	218,077	50,361	8,683	9,374	87	287,625

Carrying Amount

As at 31st December 2013	36,153	19,816	–	–	–	2	–	55,969
As at 31st December 2012	36,153	20,859	–	–	–	2	–	57,012

f. Available-For-Sale Reserve

Life Policyholders are entitled to Rs. 8,692,622,741/- and Shareholders are entitled for Rs. 1,579,199/- respectively.

	Note	2015 Rs. '000	2012 Rs. '000
g. Revenue Reserve			
General Reserve		42,101	42,101
Surplus from Life Insurance	g.1	4,528,867	8,268,739
Policyholder Reserve Fund	g.2	(510,888)	806,271
		4,060,079	9,117,111

g.1 Surplus from Life Insurance

Balance as at 1st January	8,268,739	6,189,915
Surplus attributable to Shareholders from Life Insurance	1,721,809	2,307,406
Other Comprehensive Income for the year	–	271,418
Transferred to Shareholders	(5,461,681)	(500,000)
Balance as at 31st December	4,528,867	8,268,739

g.2 Policyholder Reserve Fund

Balance as at 1st January	806,271	1,568,646
Change in Fair Value measurements applicable to Life Contract liability	(1,317,160)	(762,375)
Balance as at 31st December	(510,888)	806,271

	Note	2013 Rs. '000	2012 Rs. '000
h. Insurance Liabilities			
Life Provision			
Life Assurance Fund		60,084,898	55,860,475
Movement of the Fund		6,851,358	6,040,872
Other Comprehensive Income for the Year		–	(271,418)
Transferred from Life Policyholders Reserve Fund		1,317,160	762,375
Transfers of Surplus from Long-Term Insurance Business		(1,721,809)	(2,307,406)
		66,511,608	60,084,898
Policyholder Outstanding Claims		2,567,453	2,441,149
		69,079,060	62,526,048

i. Other Liabilities

Agency Commission Payable	134,690	222,311
Premium Received in Advance	241,263	299,480
Trade Creditors and Accrued Expenses	1,147,181	1,051,540
	1,523,134	1,553,331

7.3.0 Ten Year Summary

7.3.1 Statement of Income

	2015 Rs. '000	2012 Rs. '000	2011 (Restated) Rs. '000
Non-Life			
Gross Written Premium	12,953,151	12,803,592	11,477,600
Net Earned Premiums	9,504,974	9,487,217	7,828,645
Net Claims Incurred	(4,934,074)	(6,194,011)	(4,970,962)
Operating and Administration Expenses	(2,850,951)	(2,008,614)	(2,129,670)
Investment and Other Income	2,516,799	2,064,835	(245,498)
Interest Expense	(51)	(110)	(12)
Profit Before Taxation	3,736,069	2,829,411	158,513
Taxation	(803,033)	(900,971)	(407,432)
Profit After Taxation	2,933,035	1,928,440	(248,919)
Long Term			
Gross Written Premium	8,597,718	7,369,032	6,743,073
Net Written Premium	8,500,082	7,281,225	6,593,457
Investment and Other Income	7,658,997	6,811,040	3,236,025
Claims Incurred	(4,870,410)	(4,089,232)	(3,592,818)
Commission Expenses	(1,053,299)	(1,088,644)	(933,627)
Management Expenses	(2,506,933)	(2,146,961)	(2,129,210)
Increase in Life Fund Before Taxation	(5,109,549)	(3,733,466)	2,102,772
Taxation	(897,006)	(726,442)	(813,114)
Special Grant from Gen. Business/Adjustments	–	–	–
Transfer of Surplus to General Fund	–	–	–
Increase in Life Fund	1,721,795	2,307,406	4,463,461

	2010	2009	2008	2007	2006	2005	2004
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	9,266,637	8,764,542	9,140,844	8,845,352	6,643,634	6,621,006	5,351,162
	6,034,185	6,592,541	6,478,099	5,262,586	4,031,808	4,280,599	3,386,583
	(2,885,793)	(5,379,207)	(4,819,146)	(3,866,706)	(3,509,847)	(2,313,991)	(2,642,581)
	(1,917,779)	(2,186,107)	(2,006,750)	(2,217,357)	(1,443,369)	(1,467,795)	(1,207,624)
	10,112,693	1,940,038	1,202,306	974,643	1,475,458	715,804	1,182,605
	(98)	(1,935)	(16,225)	—	—	—	—
	11,343,207	965,330	838,283	153,167	554,051	1,214,617	718,983
	(843,740)	(233,096)	(254,598)	83,336	5,652	(134,189)	(87,211)
	10,499,467	732,232	583,685	236,503	559,703	1,080,428	631,772
	6,009,859	4,819,860	4,497,919	4,477,632	3,923,374	3,550,511	3,245,456
	5,945,561	4,769,590	4,381,490	4,356,180	3,848,363	3,438,723	3,180,326
	13,026,350	7,227,092	5,398,818	4,480,740	3,908,694	3,267,900	2,638,266
	(4,957,675)	(3,831,985)	(3,289,846)	(2,502,466)	(2,188,818)	(2,064,039)	(1,382,438)
	(648,033)	(547,848)	(552,689)	(492,431)	(395,926)	(346,135)	(359,917)
	(1,483,218)	(1,317,279)	(2,037,946)	(1,679,168)	(1,294,991)	(1,033,132)	(1,494,255)
	11,882,985	6,299,570	3,899,827	4,162,855	3,877,322	3,263,316	2,581,983
	(1,151,175)	(1,075,883)	(793,213)	(634,884)	(556,641)	(312,587)	178,552
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	10,731,810	5,223,687	3,106,614	3,527,971	3,320,681	2,950,729	2,760,535

	2015 Rs. '000	2012 Rs. '000	2011 (Restated) Rs. '000
Total Business			
Revenue	27,890,852	25,644,316	17,207,927
Gross Written Premium	21,350,869	20,172,624	18,220,673
Net Earned Premiums	17,805,056	16,768,442	14,422,101
Benefits, Losses and Expenses	(9,804,484)	(10,283,242)	(8,563,780)
Investment and Other Income	10,175,796	8,875,874	2,990,528
Interest Expense	(158)	(225)	(37)
Operating and Administrative Expenses	(5,158,160)	(4,155,575)	(4,258,880)
Profit Before Taxation	6,354,869	5,863,259	5,435,089
Taxation	(1,700,039)	(1,627,413)	(1,220,547)
Profit After Taxation	4,654,830	4,235,846	4,214,542

2010	2009	2008	2007	2006	2005	2004
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
43,777,495	22,506,632	17,460,713	15,074,148	13,264,324	11,703,025	10,387,780
15,239,001	13,584,399	13,638,763	13,322,984	10,567,008	10,171,517	8,596,618
11,942,251	11,362,130	10,859,589	9,618,766	7,880,171	7,719,321	6,566,909
(22,203,564)	(16,673,008)	(13,450,368)	(12,537,143)	(10,683,110)	(8,867,951)	(8,170,413)
28,538,494	10,945,554	6,601,124	5,455,383	5,384,152	3,983,705	3,820,871
38,522	(7,231)	(130,184)	—	—	—	—
(3,185,308)	(2,776,014)	(2,248,664)	(1,748,956)	(1,470,521)	(1,307,872)	(1,676,936)
15,130,395	2,851,431	1,631,497	788,051	1,110,692	1,527,203	540,431
(1,860,560)	(1,322,893)	(1,047,811)	(551,548)	(550,989)	(446,776)	91,341
13,269,836	1,528,566	583,685	236,503	559,703	1,080,427	631,772

7.3.2 Statement of Financial Position

	2015 Rs. '000	2012 Rs. '000	2011 (Restated) Rs. '000
Assets			
Property, Plant & Equipment	52,337,013	27,909,258	16,531,061
Investments	94,771,272	88,784,965	93,335,443
Other Assets	45,113,975	36,136,924	21,494,742
Total Assets	172,222,260	152,831,147	131,361,246
Equity and Liabilities			
Share Capital	6,000,000	6,000,000	6,000,000
Capital Reserve	8,738,238	9,161,368	4,638,021
General Reserve	643,442	643,442	643,442
Available-for-Sale Reserve	15,364,711	12,521,041	13,190,776
Revenue Reserve	32,651,211	25,022,161	19,046,744
Non-Controlling Interest	7,056,139	1,647,284	1,522,687
Total Capital and Reserves	70,453,741	54,995,296	45,041,670
Liabilities			
Insurance Provision - Long Term	69,079,061	62,526,048	58,494,522
Insurance Provision - Non-Life	13,288,956	14,297,803	13,132,830
Other Liabilities	19,400,502	21,012,000	14,692,223
Total Liabilities	101,768,519	97,835,851	86,319,575
Total Equity and Liabilities	172,222,260	152,831,147	131,361,246

	2010 (Restated) Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000
	15,955,573	6,926,428	4,748,020	3,785,584	3,826,497	3,118,738	3,036,336
	98,061,820	56,626,575	43,191,685	40,303,650	32,919,361	21,532,711	22,876,599
	25,282,853	11,545,918	16,818,869	14,008,393	15,815,698	21,905,509	17,558,524
	139,300,246	75,098,921	64,758,574	58,097,627	52,559,556	46,556,958	43,471,459
	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	500,000
	5,359,282	1,457,507	1,448,135	536,339	536,339	–	–
	643,442	643,442	601,342	601,342	601,342	601,342	6,101,342
	25,704,419	–	–	–	–	–	–
	20,990,007	3,481,934	1,487,222	1,095,375	1,258,871	1,099,169	9,706
	2,041,104	911,246	–	–	–	–	–
	60,738,254	12,494,129	9,536,699	8,233,056	8,396,552	7,700,511	6,611,048
	52,573,602	43,956,012	39,470,887	35,654,300	31,947,127	28,496,288	25,926,748
	11,772,953	11,804,983	10,636,192	9,887,724	8,342,175	6,255,057	7,657,600
	14,215,436	6,843,796	5,114,796	4,322,547	35,820,829	3,912,201	3,276,063
	78,561,991	62,604,792	55,221,875	49,864,571	44,163,004	38,856,447	36,860,411
	139,300,245	75,098,921	64,758,574	58,097,627	52,559,556	46,556,958	43,471,459

	2015 Rs. '000	2012 Rs. '000	2011 (Restated) Rs. '000
Long Term - Supplemental			
Assets			
Property, Plant & Equipment	55,969	57,012	46,553
Investments	73,643,020	73,029,822	72,799,868
Other Assets	12,555,679	9,497,112	4,850,532
Total Assets	86,196,699	82,583,945	77,696,953
Liabilities			
Long-Term Insurance Funds	69,079,806	62,526,048	58,494,521
Other Liabilities	2,743,847	2,510,653	2,575,067
Equity Attributable to Shareholders			
Capital Reserve	40,892	40,892	16,106
Revenue Reserve	14,332,153	17,506,352	16,611,259
Total Liabilities	86,196,699	82,583,945	77,696,953

	2010 (Restated) Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000
	53,543	63,305	107,748	134,488	140,960	151,205	107,400
	74,540,011	42,219,092	30,815,851	28,201,706	21,325,082	18,113,080	16,636,161
	11,865,314	6,216,560	11,054,551	9,079,332	11,993,334	11,876,465	10,629,713
	86,458,668	48,498,957	41,978,150	37,415,526	33,459,376	30,140,750	27,373,274
	52,573,602	43,956,013	39,470,892	35,654,300	31,947,127	28,496,288	25,926,748
	2,589,100	2,978,417	2,516,258	1,761,226	1,512,249	1,644,462	1,446,526
	16,106	9,372	—	—	—	—	—
	31,279,861	1,555,156	—	—	—	—	—
	86,458,669	48,498,957	41,987,150	37,415,526	33,459,376	30,140,750	27,373,274

7.4.0 Glossary

This Glossary was developed basically based on the definitions given in the Statement of Recommended Practice for Insurance Contracts issued by the Institute of Chartered Accountants of Sri Lanka.

Actuary

Actuary is a person who provides solutions to insurance-related problems using mathematics, statistics and financial theory. The actuary will study significant data such as mortality, sickness, injury and disability rates and use that information to assist those involved with insurance.

Acquisition Expenses

All expenses mainly incurred in acquiring new business premiums and conservation of renewal business. Broad in scope, it includes cost of soliciting business, issuance of policies, collection of premiums, agents' compensation, field supervision, advertising, and any other expenses reasonably attributable to acquisition and conservation of written premiums.

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are

specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Approved Assets

Assets that represent the technical reserves and the long-term insurance fund as per the Determination made under the Regulation of Insurance Industry Act No. 43 of 2000.

Bancassurance

A partnership between a bank and an insurance company whereby the insurance company uses the bank sales channel to sell its insurance products.

Beneficiary

In life insurance business, the person named in the policy by the policyholder (insured) to whom the insurance money is paid at the death of the insured.

Claim

The amount payable under a contract of insurance arising from the concurrence of an insured event.

Claims Incurred

A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

Claims Incurred but not Reported

Claims arising out of events which have occurred by the reporting date, but have not reported to the insurer at that date.

Claims Outstanding - Non-Life Insurance Business

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the reporting date including IBNR claims and claims handling expenses, less amounts already paid in respect of those claims.

Claims Outstanding - Life Insurance Business

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Co-Insurance

An arrangement whereby two or more insurance undertakings enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

Commissions

A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Deferred Acquisition Costs - Non-Life Insurance Business

Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the reporting date which are carried forward from one accounting period to subsequent accounting periods.

Deferred Acquisition Costs - Life Insurance Business

Acquisition costs relating to contracts in force at the reporting date which are carried forward from one accounting period at subsequent accounting periods in the expectation that they will be recoverable out of future margins within insurance contracts after providing for contractual liabilities.

7.5.0 Branch Offices

1. Akkaraipattu

145, Main Street,
Akkaraipattu - 2
Tel: 067-2279627

2. Akuressa

40 2/1, Matara Road
Tel: 041-2283590,
041-5674482

3. Ambalangoda

299, Wickramasuriya Road
Tel: 091-2258339,
091-5678298

4. Ambalantota

156/8, Tissa Road
Tel: 047-2223255,
047-5670906

5. Ampara

01, Inginiyagala Road
Tel: 063-2222073,
063-5670307

6. Anamaduwā

70, Puttalam Road
Tel: 032-2263033,
032-5675227

7. Anuradhapura

Maithripala Senanayaka
Mawatha,
Tel: 025-2222167

8. Avissawella

77, Ratnapura Road
Tel: 036-2222311,
036-5672324

9. Baddegama

60/1/1, Galle Road
Tel: 091-5624502,
091-2292503

10. Badulla

14, R.H. Gunawardena
Mawatha
Tel: 055-2230972

11. Balangoda

60/1/1,
Barns Ratwatte Mawatha
Tel: 045-2287670,
045-5678445

12. Bambalapitiya

316, Galle Road
Tel: 011-5632790,
011-5673296

13. Bandaragama

72, Jayakody Building,
Horana Road
Tel: 038-2293940

14. Bandarawela

250/1/A, Badulla Road
Tel: 057-2223526,
057-5670703

15. Batticaloa

30, Pioneer Road
Tel: 065-2224470

16. Battaramulla

119, Pannipitiya Road
Tel: 011-2866357,
011-5634629

17. Beliatta

74, Tangalle Road
Tel: 047-2243211,
047- 5670908

18. Beruwala

167/1, Galle Road
Tel: 034-2276409,
034 - 5674655

19. Bibile

Opposite R.S. Office
Tel: 055-5675673

20. Chankanai

45, Ponnalai Road
(Main Street)
Tel: 021-2250462

21. Chavakachcheri

A/09, Kandy Road
Tel: 021-2270711

22. Chilaw

431/1, Kurunegala Road
Tel: 032-2222371,
032-5671749

23. City Office

288, Union Place
Colombo 02
Tel: 011-5677136,
011-2357562

24. Dambulla

642, Anuradhapura Road
Tel: 066-2284616,
066-5671624

25. Dehiwala

Ramanayaka Auto Mobile
(Pvt) Ltd.
121 1/1, Galle Road
Tel: 011-5744962

26. Deniyaya

122, Rathna Mahal,
Main Street
Tel: 041-2273565,
041-5674483

27. Dikwella

95, Matara Road
Tel: 041-2255630,
041-5674476

28. Digana

42, Gonawala Road,
Digana, Rajawella
Tel: 081-5630744,
081-2576814

29. Eheliyagoda

281, Fancy Mahal
Building, Main Street
Tel: 036-2259014

30. Elpitiya

1st Floor, Royal Building,
Ambalangoda Road
Tel: 091-2291365,
091-5673672

31. Embilipitiya

77, Pallegama
Tel: 047-2230389,
047-5672205

32. Fort

96/1-6B, Front Street,
Consistory Building,
1st Floor, Colombo 11
Tel: 011-5741820

33. Galewela

59-A, Kurunegala Road
Tel: 066-2289285,
066-5671651

34. Galgamuwa

121, Anuradhapura Road
Tel: 037-2254141,
037-5673406

35. Galle

50A Havelock Road,
Tel: 091-2276409,
091-2224029

36. Gampaha

14, Holy Cross Road
Tel: 035-2222676,
035-5675786

37. Gampola

176/A, Kandy Road
Tel: 081-2351709,
081-5675128

38. Giriulla

90, Negombo Road
Tel: 037-2288304,
037-5673405

39. Hatton

175/1/1, Dimbulla Road
Tel: 051-2222196,
051-5670202

40. Hambantota

59, Main Street
Tel: 047-2222570,
047-2222572

- 41. Hingurakgoda**
59, 5rd Cross Street
Tel: 027-2246345,
027-5672038
- 42. Homagama**
64, High Level Road
Tel: 011-2893426,
011-5634670
- 43. Horana**
50/09/C, Graceland
Circular Road
Tel: 034-2261351,
034-5674512
- 44. Ja-Ela**
205/1/1, Negombo Road
Tel: 011-2233169,
011-5639270
- 45. Jaffna**
571, Hospital Road
Tel: 021-2222023
- 46. Kadawatha**
151/5, Kandy Road
Tel: 011-2921567
- 47. Kaduruwela**
599, Main Street,
Tel: 027-2222954,
027-5672041
- 48. Kaduwela**
482/8, Colombo Road,
Tel: 011-2579976,
011-5628269
- 49. Kahawatta**
46/1A, Walauwatta Road,
Tel: 045-2270160,
045-5674248
- 50. Kalawana**
56, Sampath Bank
Building, Matugama Road,
Manana
Tel: 045-2255930
- 51. Kalmunai**
102/1, Police Station Road,
Tel: 067-2229912,
067-5670168
- 52. Kalutara**
55 1/1, Paranagama
Building,
Galle Road,
Tel: 034-2222474,
034-5674535, 034-5620770
- 53. Kandana**
54, Negombo Road,
Tel: 011-2228848,
011-5649536
- 54. Kandy - 1**
25, Hill Street,
Tel: 081-2234954,
081-2228172,
081-2234296, 081-2224036
- 55. Kandy - FBD**
06, Wadugodapitiya Street,
Tel: 081-5627274
- 56. Kandy - 2**
06, Wadugodapitiya Street,
Tel: 081-2224246
- 57. Kantale**
62/P, Main Street,
Tel: 026-2234043
- 58. Katunayake - EPZ**
Unit - No. 03, BOI Plaza
Building, EPZ, Katunayake
- 59. Kegalle**
389, Main Street,
Tel: 035-2231242,
- 60. Kekirawa**
81, Thalawa Road,
Tel: 025-2264573,
025-5673430
- 61. Kilinochchi**
51, A-9 Road,
Karadippokku,
Tel: 021-2280051
- 62. Kiribathgoda**
101/1, Kandy Road,
Tel: 011-5554485,
011-5635483
- 63. Kirulapone**
88, 1/1, 1st Floor,
High Level Road,
Tel: 011-2514548,
011-5649541
- 64. Kochchikade**
96, Chilaw Road,
Tel: 031-2274626,
031-5677135
- 65. Kotahena**
178, Galle Tower
4th Floor, George R.
De Silva Mawatha,
Tel: 011-5673345
- 66. Kuliypitiya**
74/A, Hettipola Road,
Tel: 037-2281304,
037-5673401
- 67. Kurunegala**
16/1, Dambulla Road,
Tel: 037-2222376,
037-2227433
- 68. Kurunegala City**
63/1, Rajapihilla Road,
Tel: 037-2254176
- 69. Maharagama**
L 2/2, Amity Building,
123, High Level Road,
Tel: 011-2845563,
011-5635465
- 70. Mahiyanganaya**
14, Samanala Building,
1st floor, Kandy Road,
Tel: 055-2257179,
055-5670344
- 71. Malabe**
821/3C, New Kandy Road,
Tel: 011-2762312,
011-5651612
- 72. Mannar**
Station Road,
(Opposite Pakiya Studio)
Tel: 023-2223236
- 73. Marawila**
83A, Negombo Road,
Tel: 032-2254297,
032-5672090
- 74. Matale**
134, Dharmapala
Mawatha,
Tel: 066-2233989,
066-5671653
- 75. Matara**
5A, Hakmana Road,
Tel: 041-2227962,
041-2222352
- 76. Matara - FBD**
5A, Hakmana Road,
Tel: 041-2222227,
041-5620528
- 77. Matugama**
79/1/1, Kalutara Road,
Tel: 034-2247510,
034-5674654
- 78. Mawanella**
238 1/1, Kandy Road,
Tel: 055-2249355,
035-5672981
- 79. Melsiripura**
197/1, Dambulla Road,
Tel: 037-2250459
- 80. Minuwangoda**
21/B, M.P. De Z.
Siriwardhana Mawatha,
Tel: 011-2280870,
011-5667822
- 81. Monaragala**
114/1, Wellawaya Road,
Tel: 055-2276145,
055-5670525
- 82. Moratuwa**
710, Idama, Galle Road,
Tel: 011-5554451,
011-5644634
- 83. Mullaitivu**
Main Street,
Tel: 021-2290089
- 84. Narammala**
159/A, Super City
Building,
U.B. Wijekoon Mawatha,
Kurunegala Road,
Tel: 037-2248920

85. Nawalapitiya

79, Kothmale Road,
Tel: 054-2222019

86. Negombo

20, Rajapaksha Broadway,
Tel: 051-2251574,
051-2235235

87. Nelliadi

Main Street, Opposite
People's Bank,
Tel: 021-2264686

88. Nikaweratiya

196, Puttalam Road,
Tel: 037-2260279,
037-5673441

89. Nittambuwa

New Super Market
Complex,
Tel: 033-2289709,
033-5671551

90. Nugegoda

Sausiri Building, 4th Floor,
High Level Road,
Tel: 011-2817739,
011-2826564, 011-5635464

91. Nuwara Eliya

60/1, Park Street,
Tel: 052-2222759,
052-5670529

92. Panadura

534, Galle Road,
Tel: 058-2234736,
058-5671547

93. Pilimathalawa

211/C, Colombo Road,
Tel: 081-5650070,
081-2575444

94. Piliyandala

24/2, Park Lane,
Tel: 011-2615976

95. Pitakotte

465, Kotte Road,
Tel : 011-2866755

96. Puttalam

80, Kurunegala Road,
Tel: 032-2265324,
032-5672749

97. Ratmalana

101/1/A, Galle Road,
Mt. Lavinia,
Tel: 011-2715992,
011-5655475

98. Ratnapura

258, Main Street,
Tel: 045-2222433

99. Rikillagaskada

68, Ragala Road,
Tel: 081-2365279,
081-5674793

100. Talgaswala

New Town,
Tel: 091-5676789

101. Thambuttegama

137, Rajina Junction,
Kurunegala Road,
Tel: 025-2275088

102. Tissamaharama

211B, Kachcheriyagama,
Tel: 047-2237152,
047-5670905

103. Trincomalee

46, Main Street,
Tel: 026-2222434,
026-5675025

104. Udugama

Pasans New Building,
Mavi Dola, Bar Junction,
Tel: 091-5674987,
091-2285097

105. Vavuniya

119/1, Kandy Road,
Tel: 024-2222580,
024-5670021

106. Veyangoda

166, Negombo Road,
Tel: 055-2288027,
053-5676037

107. Warakapola

459, Main Street,
Tel: 035-2267747,
055-5671938

108. Wariyapola

Adhikari Mawatha,
Tel: 037-2267451,
037-5673407

109. Wattala

396, Negombo Road,
Tel: 011-5355531,
011-5355532

110. Weligama

353/2, Galle-Matara
Middle Road,
Tel: 041-2250647,
041-5673167

111. Welimada

15 2/1, 5rd Floor,
New Shopping Complex,
Badulla Road,
Tel: 057-2245174,
057-5670702

112. Wellawaya

25, Haputale Road,
Tel: 055-2274874,
055-5673345

113. Wennappuwa

236/3/A, Chilaw Road,
Tel: 031-2253319,
031-5672447

Customer Service Centres

1. Divulapitiya

56, Kurunegala Road,
Tel : 051-5674774

2. Ganemulla

187/A/8, Main Street,
Kirindiwita Road,
Tel: 035-5621208

3. Habaraduwa

10/1, Matara Road,
Tel: 091-2282605

4. Hakmana

95, Kosgahawatta,
Matara Road,
Tel: 041-5670600

5. Hikkaduwa

231, Galle Road,
Tel: 091-2277124

6. Imaduwa

New Shopping Complex,
Main Street,
Tel: 091-5678781

7. Kamburupitiya

154A/1, Matara Road,
Tel: 041-5670291

8. Karapitiya

Hirimbura Road,
Tel: 091-5624190

9. Kirindiwela

27/8/1, Colombo Road,
Tel: 055-5621192

10. Medirigiriya

Main Street,
Tel: 071-8600247

11. Middeniya

Walasmulla Road,
Tel: 047-5670437

12. Mirigama

Opposite Police Station,
Tel: 055-2273441

13. Narahenpita

Department of Motor
Traffic,
P.O. Box 533, Elvitigala
Mawatha, Colombo 05

14. Pugoda

40/1, Kospitiyana,
Tel: 055-5621225

15. Tangalle

12, Indipokunagoda Road,
Tel: 047-5676144

16. Thanipolgaha

97/1B, H.K. Edmond
Mawatha, Galle Road,
Tel: 091-2227041

17. Urubokka

2nd Floor, Shopping
Complex, Main Street,
Tel: 041-5670420

7.6.0 Corporate Information

Name of the Company and Registered Office

Sri Lanka Insurance Corporation Ltd.
No. 21, Vauxhall Street, Colombo 2.
Tel: +94 11 2357457
Fax: +94 11 2447742
Web: www.srilankainsurance.com

Registered Number

Company was incorporated on 03rd February 1993 under the Companies Act No. 17 of 1982, bearing No. N(PBS/CGB)/159 and re-registered under the Companies Act No. 07 of 2007 on 17th April 2008 bearing No. PB 289.

Board of Directors

Mr. H.K. Upali Dharmadasa - Chairman
Mr. P. Kudabalage - Managing Director
Mr. Isuru Balapatabendi
Mr. S.V.R. Samarasinhe
Mr. Nayana D.P. Dehigama
Mrs. I.T.K. Illangamudali
Mr. A.M.M. De Alwis
(resigned w.e.f. 20th December 2013)
Mr. P. Kudabalage *was appointed to the Board w.e.f. 14th May 2010 and assumed duties as the Managing Director w.e.f. 01st January 2014.*

Legal Form

Sri Lanka Insurance Corporation Ltd., was established under the provisions of Insurance Corporation Act No. 02 of 1961 as a State-Owned Corporation. In 1993, the Corporation was converted to a fully Government-owned limited liability company of which the sole shareholder of 100% shares was the Secretary to the

Treasury, under the Conversion of Public Corporations or Government-Owned Business Undertakings into Public Companies Act No. 23 of 1987. Under privatisation programme of the Government, the Company was privatised in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the Companies Act No. 07 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatisation, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Tax Payer Identification Number (TIN)

294001590

VAT Registration Number

294001590-7000

Company Secretaries

Varners International (Pvt) Ltd.
Level 14, West Tower,
World Trade Center,
Echelon Square, Colombo 01.

Subsidiaries

Management Services Rakshana (Pvt) Ltd.
The Lanka Hospitals Corporation PLC
Litro Gas Lanka Ltd.
Litro Gas Terminal Lanka (Pvt) Ltd.
Canwill Holdings (Pvt) Ltd.
Canowin Hotels and Spas (Pvt) Ltd.
[Formerly known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.]

Auditors

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha, Colombo 03.

Bankers

People's Bank
Commercial Bank of Ceylon PLC
Nations Trust Bank
Development Finance Corporation of Ceylon (DFCC Bank)
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Ltd. (HSBC)
Seylan Bank PLC
Sampath Bank PLC
Standard Chartered Bank
Bank of Ceylon
National Savings Bank
Citi Bank
Deutsche Bank

In addition to above operational banks, SLICL has made investments in the following banks:

Rural Development Bank
Citizen Development Bank PLC
Pan Asia Bank PLC
National Development Bank PLC
Housing Development Finance Corporation Bank of Sri Lanka

Actuary

Drs. J.S.A. Plugge, AAG
Member of the Dutch Actuarial Society (AAG)

7.7.0 Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of SRI LANKA INSURANCE CORPORATION LTD., will be held at the Auditorium of the Company at its Registered Office at No. 21, Vauxhall Street, Colombo 02 on Friday, 20th June 2014, at 10.00 a.m. for the following purposes:

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st December 2013 and the Report of the Auditors thereon.
2. To declare a First and Final Dividend of Rs. 1.67 per Share (Totalling a sum of Rs. 1,002,000,000/-) for the year ended 31st December 2013 as recommended by the Directors.
3. To elect Mr. Isuru Balapatabendi, Director who retires in terms of Article 98 of the Articles of Association of the Company.
4. To elect Mr. Nayana D.P. Dehigama, Director who retires in terms of Article 98 of the Articles of Association of the Company.
5. To reappoint Messrs KPMG, the retiring Auditors and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine donations for the year 2014 and up to the date of the next Annual General Meeting.
7. Any other business of which due notice has been given.

By Order of the Board,

Varners International (Pvt) Ltd.
Level 14, West Tower,
World Trade Center,
Colombo 1.

28th May 2014

Form of Proxy

I/We*
of
being a member/members* of SRI LANKA INSURANCE CORPORATION LTD., hereby appoint
..... of
.....
or failing him/her*

Mr. H.K. Upali Dharmadasa
Mr. P. Kudabalage
Mr. Isuru Balapatabendi
Mr. S.V.R. Samarasinhe
Mr. Nayana D.P. Dehigama
Mrs. I.T.K. Illangamudali

of Colombo or failing him
of Colombo or failing him
of Colombo or failing him
of Colombo or failing him
of Colombo

as my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our* behalf at the Fortieth Annual General Meeting of the Company to be held on 20th June 2014 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof -

RESOLUTIONS

	FOR	AGAINST
1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st December 2013 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a First and Final Dividend of Rs. 1.67 per Share (Totalling a sum of Rs. 1,200,000,000/-) for the year ended 31st December 2013 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mr. Isuru Balapatabendi, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. Nayana D.P. Dehigama, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Messrs KPMG, the retiring Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine donations for the year 2014 and upto the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2014.

.....
Signature of Shareholder/s

**Please delete the inappropriate words.*

Note

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company.
3. The completed Form of Proxy must be deposited at the registered office of the Company at No. 21, Vauxhall Street, Colombo 02, not less than 48 hours before the time fixed for the meeting.

