



Sri Lanka Insurance
Like a father - Like a mother

Sri Lanka Insurance Corporation Ltd.
Annual Report 2017

Rated with Confidence

Trust is something that we pride ourselves upon. Whether it's the value that has been given by our stakeholders, and our customers or the assurance that we have in a job well done, we have always taken care to maintain the quality that we offer along with transparency, accessibility and complete protection. This year has been a proactive testament to that fact with ratings that reflected our strength and solidity as well as the launch of Suraksha, which provides Sri Lankan students the extra cover that they need. As we head into another year of exceptional leadership, we are proud to be rated with confidence.

AA+(Ika)

Fitch Ratings

Fitch Ratings Lanka has upgraded SLIC's National Long Term Rating and National Insurer Financial Strength rating to AA+(Ika) from AA(Ika) with a stable outlook.

ISO Quality Certificate

SLIC was awarded the ISO 9001:2015 certification for its quality management, endorsing Sri Lanka Insurance's commitment to correct governing procedures, accurate and efficient operational processors on par with international standards.

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ABOUT SLIC

COMPANY HISTORY

Sri Lanka Insurance Corporation Ltd (SLIC) was established under the Insurance Corporation Act No. 02 of 1961 as a State Owned Corporation. Under the Conversion of Public Corporations or Government owned Business Undertakings into Public Companies Act, No. 23 of 1987, the SLIC was converted into a fully government owned, limited liability company in 1993, with 100% of shares vested with the Secretary to the Treasury. Under the privatisation programme of the then Government, the SLIC was privatised in 2003 and was under the private management for 6 years. SLIC was re-registered under the Companies Act No. 07 of 2007. Pursuant to the Supreme Court judgment on 04.06.2009 annulling the privatisation 99.97% shares were vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka. SLIC's total assets are worth of Rs. 190 billion and in the Sri Lankan insurance sector, it accounts for the largest Shareholders' Fund of Rs. 61.5 billion and the highest Life Fund of Rs. 98.5 billion.

As the pioneering insurer, SLIC has the most experienced technical knowledge base in the country. Its financial stability and strong re-insurance arrangements have resulted in many historical milestones in the Sri Lankan insurance arena such as the largest claim ever paid of Rs. 39.5 billion and the largest bonus ever declared to its life policyholders of Rs. 6.8 billion. The ethos and mandate promulgated at the inception by the state has been retained over the years. Today SLIC serves the people of Sri Lanka with expertise and several decades of trust.



VISION MISSION

**TO BE THE TRUSTED
INSURER TO THE
NATION.**

**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.**

CORPORATE INFORMATION

Name of the Company & 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

Company Registration Number

The Company was incorporated on 3rd February 1993 under the Companies Act No.17 of 1982 bearing No. N(PBS/CGB)/ 159 and re-registered under the Companies Act No.07 of 2007 on 17th April 2008 bearing No. PB 289.

Board of Directors

Mr. Asela S. Padmaperuma resigned w.e.f 21.06.2017, Mr. D. B. Aruna P. S. Siriwardhana resigned w.e.f 10.10.2017, Mr. T. M. R. Bangsa Jayah resigned w.e.f 12.10.2017 and Vidya Jyothi Prof. L. G. Chandrasena resigned w.e.f 08.11.2017.

Accordingly Mr. Nilu D. Wijedasa was appointed to the Board w.e.f 11.10.2017, Mr. M. Saadi A. Wadood was appointed to the Board w.e.f 11.10.2017, and Mr. Keerthi B. Kotagama was appointed to the Board w.e.f 08.01.2018

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

| | | |
|-----------------------------|---|------------------------|
| Mr. Hemaka D.S. Amarasuriya | - | Executive Chairman |
| Mr. Keerthi B. Kotagama | - | Executive Director |
| Mr. Nilu D. Wijedasa | - | Non Executive Director |
| Mr. P. Algama | - | Non Executive Director |
| Mr. Pradeep A. Liyanamana | - | Non Executive Director |
| Mr. M Saadi A. Wadood | - | Non Executive Director |

Legal Form

Sri Lanka Insurance Corporation Ltd was established under the provisions of Insurance Corporation Act No. 2 of 1961 as a State Owned Corporation. In 1993, the Corporation was converted to a fully Government-owned limited liability Company of which the sole shareholder of 100 per cent shares was the Secretary to the Treasury, under the Conversion of Public

Corporations or Government owned Business Under-takings into Public Companies Act, No. 23 of 1987. Under the privatization programme of the Government, the company was privatized in 2003 and was under the private management for a brief period of 6 years. The Corporation was re-registered under the Companies Act No. 7 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatization, 99.97 per cent shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Tax Payer Identification Number (TIN)

294001590

VAT Registration Number

294001590-7000

Company Secretary

B. A. Ruwani Dharmawardana
LLB, Attorney at Law, MBA,
ACISI (UK), PGDBM, DHRM(UK)

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 and Spas (Pvt) Ltd.)

Sub-Subsidiaries

- ★ Lanka Hospitals Diagnostics (Pvt) Ltd.
- ★ Helanco Hotels & Spa (Pvt) Ltd.
- ★ Sinolanka Hotels & Spa (Pvt) Ltd.

Auditors

Auditor General

Bankers

- ★ Bank of Ceylon
- ★ People's Bank
- ★ Commercial Bank of Ceylon PLC
- ★ Hatton National Bank PLC
- ★ Nations Trust Bank PLC
- ★ Standard Chartered Bank
- ★ Sampath Bank PLC
- ★ Seylan Bank PLC
- ★ National Savings Bank
- ★ Regional Development Bank
- ★ Lankaputhra Development Bank
- ★ Pan Asia Bank PLC
- ★ Development Finance Corporation of Ceylon PLC (DFCC)

Actuary-Life

Willis Towers Watson Consulting (Singapore) Pte Ltd.
63, Chulia Street #09-01,
OCBC Centre East,
Singapore 049514

Actuary-Non-Life

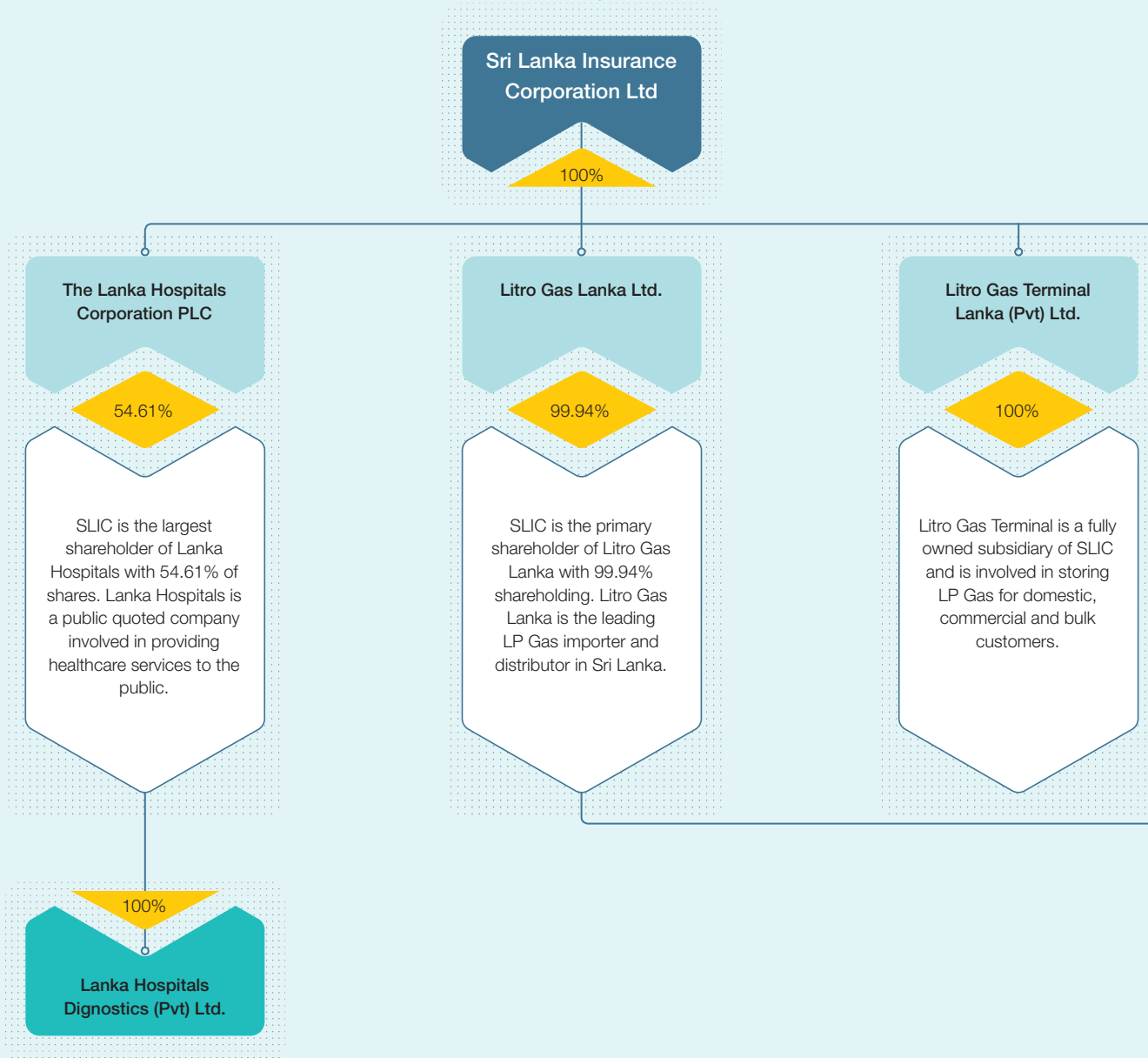
M/s NMG Financial Services Consulting
30, Hill Street,
#03-02A,
Singapore 179360

SLIC GROUP

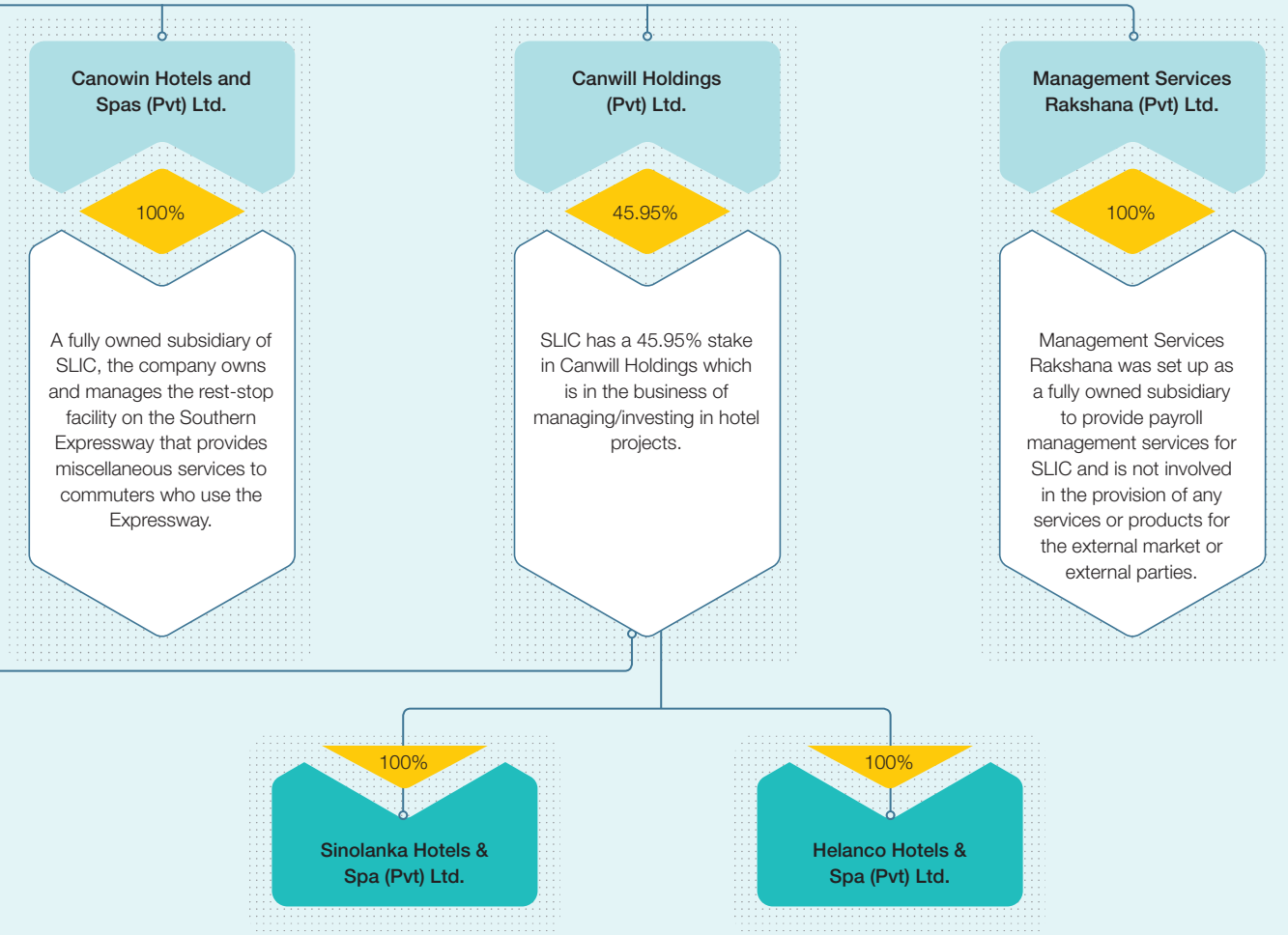
As end December 2017, the Government of Sri Lanka remained the majority shareholder of SLIC with 99.97% of shares of the Company vested with the Secretary to the Treasury, on behalf of the Government of Sri Lanka. The SLIC Group comprises of 3

fully owned subsidiaries and 3 partially owned subsidiaries. The SLIC Group's fully owned subsidiaries are Litro Gas Terminal Lanka (Pvt) Ltd., Canowin Hotels and Spas (Pvt) Ltd. and Management Services Rakshana (Pvt) Ltd. The partially

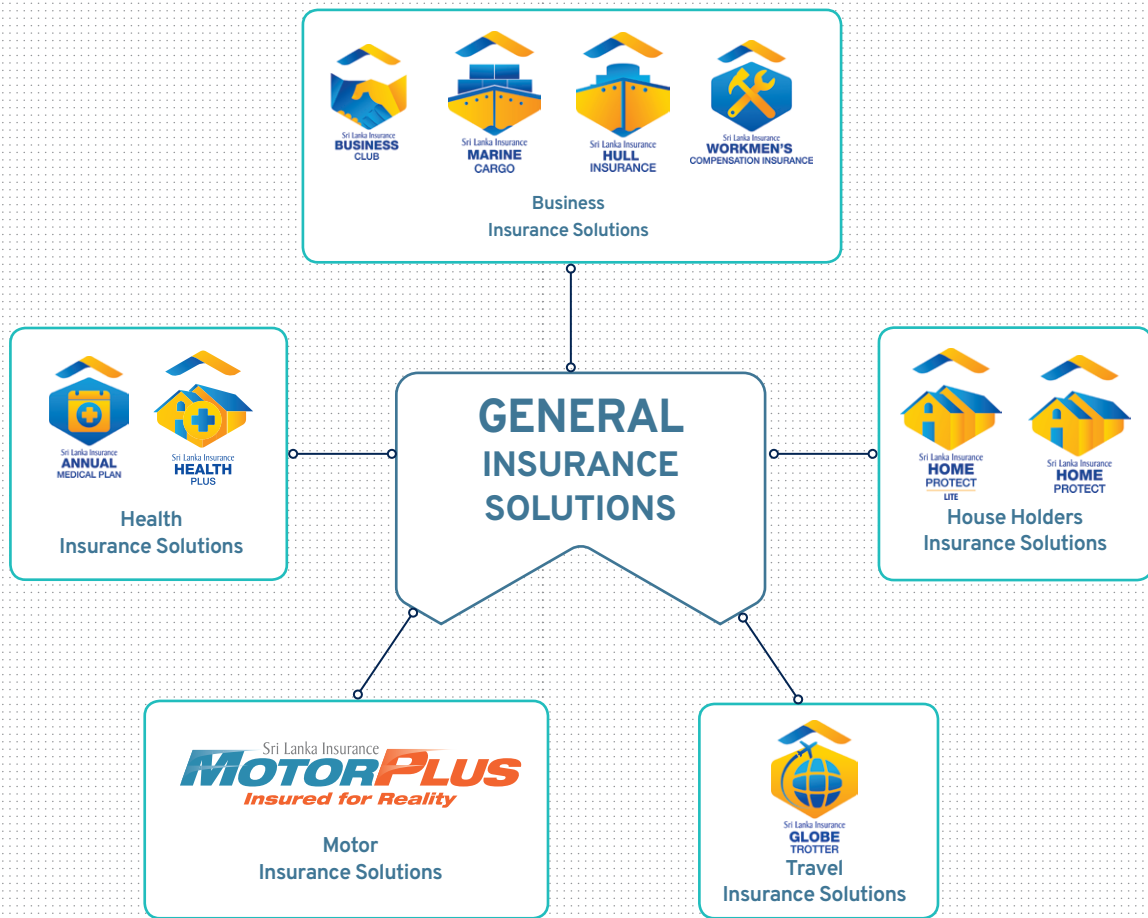
The SLIC Group Structure



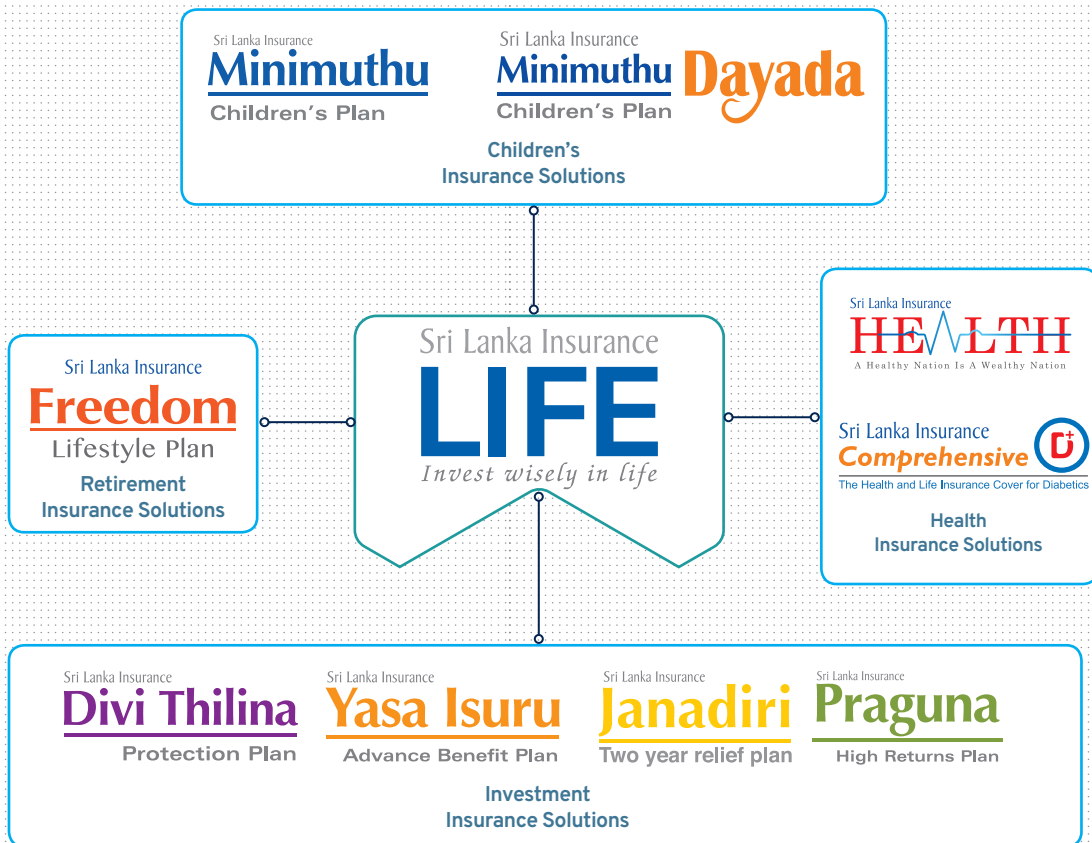
owned subsidiaries are Litro Gas Lanka Ltd (SLIC has 99.94% ownership), The Lanka Hospitals Corporation PLC (SLIC has 54.61% ownership) and Canwill Holdings (Pvt) Ltd. (SLIC has 45.95% shareholding).



GENERAL INSURANCE PRODUCT PORTFOLIO



LIFE INSURANCE PRODUCT PORTFOLIO



PERFORMANCE REVIEWS 2017

FINANCIAL HIGHLIGHTS

| | 2017 Rs. Mn | 2016 Rs. Mn |
|---|----------------|----------------|
| Total Revenue | 39,399 | 42,108 |
| Gross Written Premium | 31,437 | 27,614 |
| Net Earned Premium | 25,937 | 24,013 |
| Profit Before Tax (PBT) | 5,890 | 13,791 |
| Profit After Tax (PAT) | 4,569 | 12,741 |
| Total Assets | 190,543 | 176,802 |
| Return on Assets (%) | 2.4 | 7 |
| General Insurance | | |
| General Insurance Fund | 17,128 | 16,517 |
| Net Claim Ratio (%) | 66.9 | 69.8 |
| Expense Ratio (%) | 28.3 | 29.1 |
| Life Insurance | | |
| Life Insurance Fund | 98,580 | 87,357 |
| Expense Ratio (%) | 46 | 41 |
| Face Value Bonus | 6,830 | 6,216 |
| Fitch Ratings | | |
| National Long Term Ratings | AA+(lka) | AA (lka) |
| National Insurer Financial Strength Ratings | AA+(lka) | AA (lka) |
| Outlook | Stable | Stable |



Profit for the year
Rs. 4.6 Bn



Total Assets
Rs. 190.5 Bn



Size of the Life Fund
Rs. 98.5 Bn



Total Bonus Declared
for the Year
Rs. 6.8 Bn



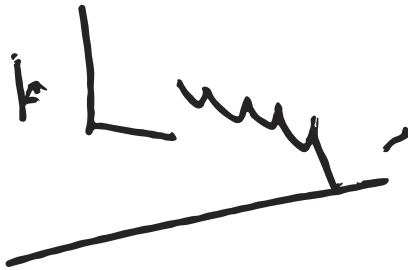
Contribution to Taxes
Rs. 3.9 Bn



Investment Income
Rs. 12.12 Bn

MESSAGE FROM THE CHAIRMAN

“UNLIKE THE PRIVATE SECTOR, SLIC, AS A FULLY STATE OWNED ENTERPRISE, HAS AN INHERENT DUTY TO SERVE THE PUBLIC IN WHATEVER CAPACITY. ONE OF THE MOST SIGNIFICANT SOCIAL CONTRIBUTIONS BY SLIC DURING THE YEAR UNDER REVIEW, WAS THE SUCCESSFUL IMPLEMENTATION OF THE SURAKSHA INSURANCE SCHEME FOR SCHOOL CHILDREN, IN COLLABORATION WITH THE MINISTRY OF EDUCATION TO COVER ALL SCHOOL CHILDREN WITHOUT DISCRIMINATION FOR BASIC MEDICAL AND LIFE COVER.”



Hemaka D.S. Amarasuriya

Chairman

It gives me great pleasure to report a year of steady progress for the Sri Lanka Insurance Corporation (SLIC) where we regained the number one ranking in the general insurance sector, recovering from the 2016 setback, when we fell to the number two position.

In other significant developments during the year, we expanded our network deeper into the regions and set a new benchmark in the domestic insurance industry by entering hitherto uncharted territory in the insurance landscape.

From a purely business perspective, we have experienced a dip in after tax profitability from Rs. 12,741 million in 2016, to Rs. 4,569 million in the current financial year. However, the lower profitability is primarily due to lower investment income, as a result of reduced dividends from one of our subsidiaries, Litro Gas. In 2016, SLIC benefited from an extraordinary





MESSAGE FROM THE CHAIRMAN

dividend from Litro Gas, which was not available in 2017. In terms of operational profits, it is significant to report that SLIC's underwriting profits have improved year-on-year, from Rs. 136 million to Rs. 659 million indicating improved business performance and management discipline. In addition, Fitch Ratings Lanka upgraded SLIC's National Insurer Financial Strength (IFS) rating and National Long-Term Rating to 'AA+(lka),' from 'AA(lka)' with a stable outlook in 2017, which positions SLIC as one of the strongest institutions in the country in terms of financial stability. It is worthy of mention that SLIC was the only corporate that received this upgrade (in AA range) in a year when all the major economic data showed a negative trend.

For further details on SLIC's financial performance during 2017, please refer the Financial Review and Investment Review of this annual report.

Governance and Compliance

With the exception of the directive on segregation, SLIC is compliant with all insurance industry regulations. With regards to the segregation requirement, I would like to stress that although SLIC continues to have the legal status of a composite insurer, SLIC's life and general insurance businesses already operate as independent units. Both units are individually profitable and have extremely stable balance sheets on their own. For instance, the regulatory risk-based capital (RBC) ratio for the life operation was 432%, while the RBC for general insurance was 200% in 2017. These capital reserve ratios are well above the regulatory minimum of 120% for each business, and even in comparison to our competitors in the industry. We intend to maintain RBC ratios above 200% for both sectors in the medium to long term. In addition, SLIC is strongly backed by the world's leading reinsurers, approved by the Insurance Regulatory Commission of Sri Lanka. In this context it is worthwhile undertaking a review to ascertain the outcome of the segregation on the insurance industry.

With regards to the public listing requirement, in 2017 SLIC was exempted by the amended Insurance Act 2017, from listing on the Colombo Stock Exchange which means, State ownership of the Company will remain secure for the foreseeable future.

While it is a practice to be critical of the governance and performance of Stated Owned Enterprises (SOEs), the 4 leading SOEs, including SLIC, have reported remarkable results in the past 3 years.

Dividends to the State

SLIC is a Government owned company with State ownership at 99.97%. During the financial year 2017, SLIC paid Rs. 503 million in dividends to the Government and will be proposing a final dividend of another Rs. 503 million at the Annual General Meeting. The dividend payout ratio fell to 11% in 2017, from 79% in 2016, due to lower profitability, as a result of lower dividends from Litro Gas.

Tax Payments

SLIC contributed a total tax payout of Rs. 2,873 million to Government coffers, during the year 2017.

In addition to dividends and tax payments, SLIC also contributed to the Government by supporting national social welfare policies, through expansion of insurance coverage among under-served and un-served sectors of the country.

Contributions to Society

Unlike the private sector, SLIC, as a fully State owned enterprise, has an inherent duty to serve the public in whatever capacity. One of the most significant social contributions by SLIC during the year under review, was the successful implementation of the Suraksha insurance scheme for school children, in collaboration with the Ministry of Education, to cover all school children without discrimination for basic medical and life cover. As a State institution, it is our duty to venture into uncharted territories in the name of public interest, that the private sector will not dare risk, and I believe Suraksha will pave the way for a new generation of insurance products in the country. While opening many doors to insurance for the first time through Suraksha, we can take the concept of insurance not only to 4.5 million school children but also to around 2.5 million new households, a large share of which represents vulnerable agricultural communities.

Insurance penetration of the long term insurance business in 2016, stood at 0.54% in Sri Lanka, and was 0.67% for the general insurance business. In a bid to expand this market, in

2017 we initiated a market penetration drive by adding 7 new branches, primarily in more rural parts of the country. We closed the current year with 140 branches in total, some of which are scheduled to commence commercial operations in 2018.

SLIC also contributed to various charitable causes during the year. These contributions will increase in the new financial year. For more information on our CSR activities, please refer the section under 'Corporate Social Responsibility'.

Our policy on prompt settlement of claims is another way in which we support the public. During 2017 we paid Rs. 9,963 million in claim settlements and maturities under life insurance and Rs. 9,847 million under general insurance.

Plans and prospects

I believe insurance industry growth prospects will continue to improve over the short to medium term on the back of national infrastructure development projects and national welfare schemes. SLIC's successful rural penetration through the Suraksha scheme will also generate positive demand for insurance products through growing awareness about insurance among rural families. We will continue this market penetration drive over the next few years by introducing new and specialised insurance products that will expand the insurance market. This will be followed by rapid branch expansion. We are targeting 30 new branches over the next 2 years, primarily within rural and semi-urban localities. While enhancing national social security, these plans will also facilitate faster revenue and profit growth for the Company.

In the new financial year, we will re-commence the Suba Pathum scholarship scheme for underprivileged children, including pending scholarships for selected beneficiaries of 2017. The Call-to-Donate project to raise funds for the paediatric ward of the cancer hospital, is also scheduled to restart in 2018.

Nearly 60% of the construction work on the Grand Hyatt Colombo Hotel, majority owned by the SLIC Group, was completed by the end of 2017 and what remains is the interior decorations and related ancillary works. The Government had decided to call for expressions of interest internationally for the sale of this asset. SLIC had built and successfully divested 2 such

hotel projects; namely, Ramada Hotel (currently the Cinnamon Lakeside) and the Club Robinson, previously. Therefore, the Board is confident of a successful sale with regards to the Grand Hyatt Hotel and hope to start proceedings in the new financial year.

Insurance industry – the way forward

We believe the 'Surkasha Scheme' for school children, which encompasses a major section of national households, could be a forerunner to introducing a National Health Insurance Scheme. The knowledge gained from this pioneer venture could be a test platform for a bigger initiative in the future.

I take this opportunity to thank the previous joint Managing Directors, Mr. T.M.R. Bangsa Jayah and Mr. Aruna Siriwardhana, Non-Executive Director Mr. Asela Padmaperuma and Non-Executive Director Vidya Jyothi Prof. Lal Chandrasena, who retired from the SLIC Board in 2017, for their services rendered. I also welcome Mr. Nilu D. Wijedasa, Mr. M. Saadi A Wadood and Mr. Keerthi B. Kotagama to the SLIC Board as replacements.

I would also like to express my appreciatory to the officials of our previous line ministry, the Ministry of Public Enterprise Development, the Ministry of Finance and also the Insurance Regulatory Commission of Sri Lanka, for their support during the year. We wish to work closely with our new line ministry, the Ministry of National Policies and Economic Affairs, to add value to the economic development of our country. Our customers are central to our success and I wish to thank them for their continuous loyalty. We are only as good as our employees and I would like to acknowledge their contributions during the year, while looking to greater achievements from them in 2018.

Sincerely



Hemaka D.S. Amarasuriya
Chairman

25th May 2018

EXECUTIVE DIRECTOR'S REVIEW

“THE BALANCE SHEET OF THE COMPANY GREW BY RS. 13.7 BILLION, TO REACH RS. 190.5 BILLION. THE VALUE OF THE LIFE FUND INCREASED BY RS. 11.2 BILLION, TO REACH RS. 98.5 BILLION, WHICH IS A GROWTH OF 12.8% FROM 2016. THE GENERAL INSURANCE TECHNICAL RESERVE ALSO EXPANDED BY 4% WHICH IS AN INCREASE OF RS. 0.61 BILLION, TO REACH RS. 17.12 BILLION.”



Keerthi B. Kotagama
Executive Director

Having taken over my duties as the Executive Director of SLIC in 2018, I am pleased to present SLIC's business performance for 2017 and plans for 2018.

SLIC has recorded a satisfactory performance in terms of financial growth, while also remaining true to its mandate as the national insurer, to advance the welfare of the Sri Lankan public by providing social safety nets to recover from unforeseen downside risks. In this context of supporting social welfare and social security, I believe SLIC has made significant contributions in the year under review, both directly through our business operations by promptly honouring insurance claims, and indirectly, through our contributions to the State coffers in terms of dividends, tax payments and investments in Government securities.

Operating environment

In March 2017, the Monetary Board increased the key policy interest rates of the Central Bank by 25 basis points each, to 7.25% and 8.75%, respectively. With this intervention the market rates experienced a substantial upward movement initially, but on the back of heavy dollar inflows, due to Government projects, market rates stabilised and adopted a declining trend towards the latter part of 2017.





EXECUTIVE DIRECTOR'S REVIEW

The All Share Price Index of the Colombo Stock Exchange saw a gradual recovery moving up by 2.26% year-on-year, as at end 2017. This will be further supported by the depreciated currency which may attract foreign investors to equities. Shares of fundamentally strong companies have remained buoyant as local foreign investments were flowing into these counters.

Financial performance

The year 2017 ended on a positive note for SLIC consolidating the position of the Company as the market leader in general insurance with a market share of 21.3%. The company commanded a market share of 22.69% in the non-motor sector and a 20.5% share in motor insurance, leading both sectors of the general insurance market during the year under review.

The balance sheet of the Company grew by Rs. 13.7 billion, to reach Rs. 190.5 billion. The value of the life fund increased by Rs. 11.2 billion, to reach Rs. 98.5 billion, which is a growth of 12.8% from 2016. The general insurance Technical Reserve also expanded by 4%, which is an increase of Rs. 0.61 billion, to reach Rs. 17.12 billion.

The above numbers substantiate the financial strength of the Company, which guarantees the Company's ability to honour large payments in the event of a claim which could happen many, many years in the future. Further, the Company was recognised with a Fitch Rating AA+(lka) National Long-Term Rating and AA+(lka) National Insurer Financial Strength Rating with a stable outlook in 2017. The rating reiterates SLIC's position as the strongest player in the local insurance industry, which gives assurance of stability to the general public, who do not have time to pour through the company's financials for the purpose of purchasing a life insurance policy. Our Company is the best choice in the context of a financially strong insurer, with the financial size and capacity to sustain large losses and remain in business. SLIC has also maintained Capital Adequacy ratios, all above the minimum required ratios, during 2017- in Life insurance, the ratio being 432% and in non-life, 200%. This shows the strength of the company to comfortably transit from the rules based regime, to the risk based regime, while being financially secure with adequate liquidity.

Incumbent insurers locally, as well as globally, encounter many challenges including political and regulatory upheavals, innovations, higher customer expectations and technological developments. In order to overcome the said challenges, the company is leveraging on its financial strength and technical expertise.

Investment strategy

The investment strategy of SLIC is geared to achieve the optimal balance among safety, return and asset growth. Through prudent investment management principles within applicable regulations of the Insurance Regulatory Commission, the strategy is aimed at meeting the obligations of the Fund. SLIC recorded a total investment income of Rs. 12.12 billion during the financial year 2017. The life fund recorded an investment income of Rs. 10.27 billion during 2017, while the general fund recorded an investment income of Rs. 1.85 billion.

Growth plans

The per capita income of Sri Lanka is around US \$ 4,000 per annum and our insurance penetration is only 0.5 % of GDP, whereas peer countries with similar per capita GDP are 3 times bigger at 1.5% to 2% which shows significant potential to grow.

As today's customer behaviour our completely different to what it was a few years ago with regards to demographic and lifestyle changes, we are always looking at new ways of getting closer to the consumer by understanding their needs and thereby providing suitable products and services.

In addition, SLIC will deploy a market penetration strategy by rapidly expanding the delivery network. This processes commenced in 2017 with the initiation of 7 new branches taking the total SLIC network to 140 branches and customer service centres. We hope to increase our physical footprint to 180 branches and service centres by end 2019. Branch expansion will considerably enhance SLIC's customer reach, while

facilitating better monitoring and servicing of policies. We will also continue to strengthen all delivery channels and continue the ongoing programmes to refurbish upgrade existing branches and re-position the SLIC brand.

Further, at SLIC we have identified that the key to success in the future, is investment in digitising and training and development of our key staff and advisors, to provide better service to the customer sustainable business model.

Finally, I would like to thank the Ministry of Public Enterprise Development and Ministry of Finance, for their support and guidance during the year. I extend my gratitude to all our customers for their continuous loyalty and patronage and hope to add further value to our products and services to serve our customers better in the new financial year. I acknowledge the contributions by all SLIC employees during the current year and look forward to a productive new year.

Sincerely



Keerthi B. Kotagama
Executive Director

25th May 2018

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

“SLIC HAS MAINTAINED A RICH TRAJECTORY OF OVER 5 DECADES AND CONTINUES TO STAND TALL AMONG INSURANCE INDUSTRY PLAYERS. AS A PIONEERING ENTERPRISE IN THE SRI LANKAN INSURANCE INDUSTRY BACKDROP, THE COMPANY HAS MAINTAINED FINANCIAL GROWTH OVER THE PAST 55 YEARS”



Chandana L. Aluthgma

Chief Executive Officer

I am honoured and humbled to take over the position of Chief Executive Officer of this esteemed institution and to discuss our vision for the future.

SLIC has maintained a rich trajectory of over 5 decades and continues to stand tall among insurance industry players. As a pioneering enterprise in the Sri Lankan insurance industry backdrop, the Company has maintained financial growth over the past 55 years, coupled with a track record of reliability and trust, supporting individuals, corporates and ultimately overall national growth objectives through the decades of change and transformation as the country evolved over the years. The retention of SLIC's leadership status within today's highly competitive insurance industry that has seen many private sector owned new entrants is testimony to the Company's national standing as a pillar of public trust. During the current financial year too, SLIC has continued to showcase impressive financial and market performance as discussed by the Chairman and the Executive Director, withstanding escalating competition and pioneering new vistas of growth within the country's insurance landscape.

Looking ahead, we face many opportunities as well as challenges as the national economy continues to expand and life styles and aspirations of the people continue to evolve. Our ultimate objective is to support national growth objectives and expectations of our customers by aligning insurance services to further these expectations. In this context, given the current extremely low penetration of insurance in Sri Lanka, the time is now right for SLIC to reach out to customers deep within the country. We shall do so in the most prudent manner, with strong focus on financial management best practices and stringent internal controls, by executing a business channel expansion strategy. The expansion of our network through multiple channels will facilitate rapid market penetration across the width and breadth of the country, taking the security of insurance to all



communities from all socio-economic strata. A key strategic move has been the decision to embrace technology by introducing new and innovative solutions to enhance efficiencies, productivity and market reach. These strategies to bring our business closer will also add value to different stakeholders, including our business partners such as our agents, while allowing SLIC to capitalise on diverse business opportunities, including new growth opportunities.

The future is bright for SLIC and presents many prospects that the company is now well positioned to exploit to the benefit of all our stakeholders.

I would like to thank the Chairman and the Board for their confidence in me and I look forward to a productive year in which SLIC's vision of progress will be unfolded to benefit all Sri Lankans.

Sincerely

A handwritten signature in black ink, appearing to read 'Chandana L. Aluthgama', written in a cursive style.

Chandana L. Aluthgama
Chief Executive Officer

25th May 2018

FINANCIAL REVIEW

Insurance Industry

As per the “Performance of the Insurance Industry – Quarter 03, 2017” issued by the Insurance Regulatory Commission of Sri Lanka, out of twenty-seven (27) Insurance Companies (Insurers) in operation as at 30th September 2017, twelve (12) are engaged in Long Term (Life) Insurance Business, thirteen (13) companies are carrying out only General Insurance Business and two (02) are composite companies (dealing in both Long Term and General Insurance Businesses). Sixty (60) insurance brokering companies, registered with the Board as at 30th September 2017, mainly concentrate in General Insurance Business.

The value of total assets of insurance companies has increased to Rs. 548,361 million as at 30th September 2017, when compared to Rs. 497,868 million recorded as at 30th September 2016, reflecting a growth of 10.14% (Q3, 2016: 13.41%). The assets of Long Term Insurance Business amounted to Rs. 387,461 million (Q3, 2016: Rs. 342,072 million) indicating a growth rate of 13.27% year-on-year. The assets of General Insurance Business amounted to Rs. 160,900 million (Q3, 2016: Rs. 155,796 million) depicting a growth rate of 3.28%. The insurance industry was able to achieve a growth of 15.53% (Q3, 2016: 16.97%) in terms of overall Gross Written Premium (GWP), at the end of third quarter of 2017, recording an increase of Rs. 15,862 million when compared to the same period in the year 2016.

Financial Performance of SLIC (The Company)

Company Performance Overview

AA+ company

The credit ratings of SLIC was upgraded by Fitch Ratings in 2017 from AA (lka) in 2016 to AA + (lka) as given below:

| Rating Category | Credit Rating |
|---|---------------|
| National Long-term Rating - Outlook: Stable | AA+(lka) |
| National Insurer Financial Strength Rating - Outlook: Stable | AA+(lka) |

Financial Results

During 2017, the Company's assets reached to Rs. 190.5 billion (Rs. 176.8 billion - 2016) while the Company has the Shareholders' Fund worth of Rs.61 billion (Rs. 62.9 billion-2016) and the highest Life Fund worth of Rs. 98.5 billion (Rs. 87.3 billion-2016).

During 2017, SLIC achieved a combined Gross Written Premium (GWP) of Rs. 31.4 billion compared with the combined Gross Written Premium of Rs. 27.6 billion recorded during the last year. The recorded combined net profit after tax is Rs. 4.6 billion in the year 2017 and Rs. 12.7 billion in the year 2016.

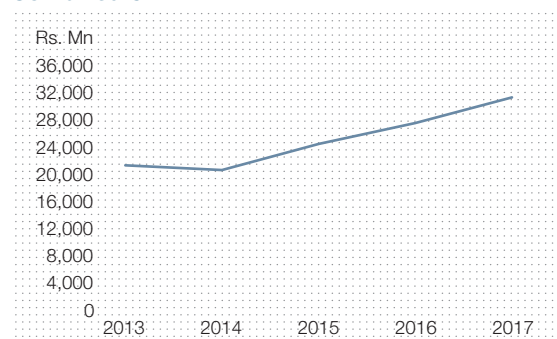
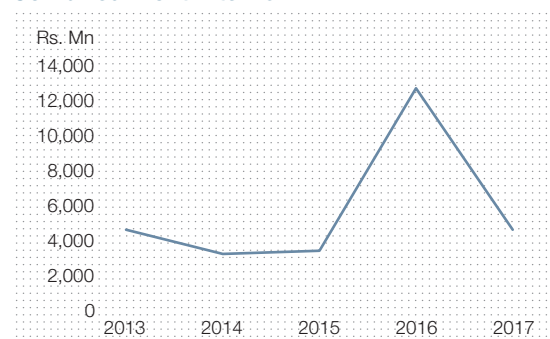
Solvency Ratio

SLIC has maintained the required Risk Based Capital Adequacy Ratio during the financial year 2017 and 2016. Accordingly life insurance business has maintained the Capital Adequacy Ratio of 432% and general insurance business recorded a Capital Adequacy Ratio of 200% for the year 2017. The comparative Risk Based Capital Adequacy Ratio was 427% in life insurance business and 186% in general insurance business for year 2016.

Combined Business Performance

| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 | 2013 Rs. 000 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 39,399,737 | 42,107,760 | 31,156,766 | 29,301,980 | 27,980,852 |
| Gross Written Premium | 31,437,682 | 27,614,433 | 24,520,012 | 20,665,985 | 21,350,869 |
| Net Earned Premiums | 25,937,670 | 24,013,294 | 20,393,474 | 17,804,905 | 17,805,056 |
| Benefits, Losses and Expenses | (23,700,235) | (19,675,183) | (21,360,285) | (18,928,978) | (16,467,961) |
| Investment and Other Income | 13,462,067 | 18,094,465 | 10,763,292 | 11,497,075 | 10,175,796 |
| Interest Expense | (41) | (13) | (58) | (35) | (138) |
| Operating & Administrative Expenses | (7,484,363) | (6,446,588) | (4,975,647) | (5,999,828) | (5,158,022) |
| Profit Before Taxation | 5,890,205 | 13,790,969 | 4,820,776 | 4,373,139 | 6,354,869 |
| Taxation | (1,321,056) | (1,049,650) | (1,381,420) | (1,116,126) | (1,700,039) |
| Profit After Taxation | 4,569,150 | 12,741,319 | 3,439,356 | 3,257,013 | 4,655,174 |

Profits before and after taxation is calculated including the profit attributable to policy holders

Combined GWP**Combined Profit After Tax**

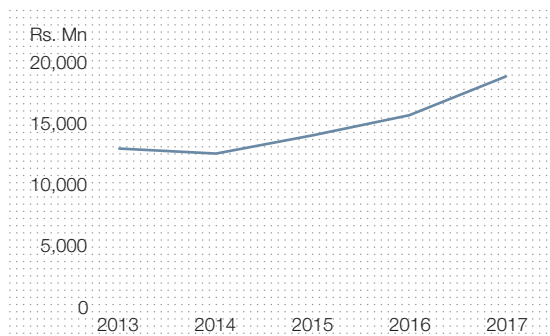
The combined Gross Written Premium of the Company has increased over the last 5 years from Rs. 21,350 million to Rs. 31,437 million recording 47% growth compared with the year 2013. The amount of investment and other income contributed for the year 2017 is Rs.13,462 million compared to the last year amount of Rs.18,094 million. The Company has recorded Rs. 4,569 million profit after tax in the year 2017 compared to the Rs.12,741 million in year 2016. The reason for the decrease in investment income and Profit after Tax was extraordinary dividend received from Litro Gas amounting to Rs. 7,600 million in 2016.

FINANCIAL REVIEW

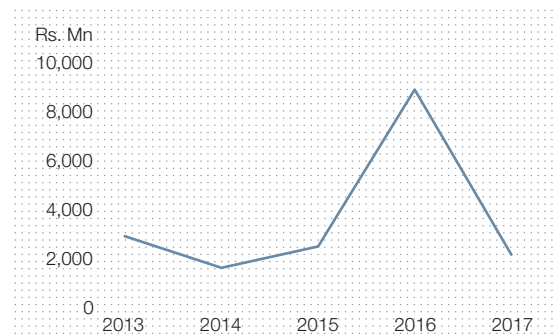
General Insurance Business Performance

| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 | 2013 Rs. 000 |
|-------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
| Gross Written Premium | 18,920,562 | 15,720,793 | 14,049,933 | 12,544,828 | 12,953,151 |
| Net Earned Premiums | 13,652,345 | 12,333,957 | 10,086,240 | 9,820,149 | 9,504,974 |
| Net Claims Incurred | (9,127,011) | (8,605,127) | (6,628,963) | (6,205,796) | (4,934,075) |
| Operating & Administration Expenses | (3,502,864) | (3,181,511) | (2,877,500) | (3,977,357) | (3,351,580) |
| Investment and Other Income | 2,189,129 | 9,322,419 | 2,472,764 | 2,224,732 | 2,516,798 |
| Interest Expense | - | (3) | (1) | (14) | (51) |
| Profit before Taxation | 2,575,519 | 9,235,253 | 3,052,539 | 1,861,713 | 3,736,068 |
| Taxation | (391,642) | (308,911) | (538,488) | (217,101) | (803,033) |
| Profit after Taxation | 2,183,878 | 8,926,342 | 2,514,051 | 1,644,613 | 2,933,034 |

GWP - General Insurance Business



PAT - General Insurance Business

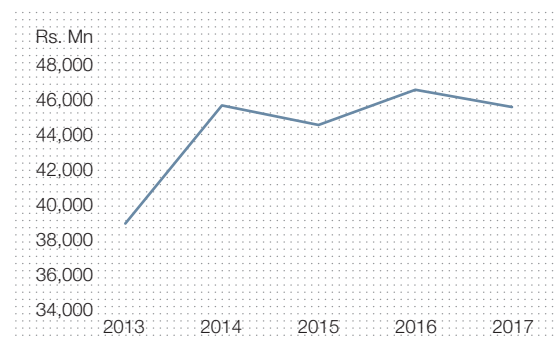


The Gross Written Premium of general insurance business has increased over the last 5 years from Rs. 12,953 million to Rs. 18,920 million with the growth of 46% compared with the year 2013. The General insurance business recorded investment and other income of Rs. 2,189 million and Rs. 9,322 million for the year 2017 and 2016 respectively. The current year profit after taxation of the general insurance business is Rs. 2,183 million.

Stability of General Insurance Business

As per section 26 (1) of the RII Act, insurers are required to maintain sound solvency/Risk Based Capital Adequacy Ratios for both life and general insurance business and we have maintained sound solvency margins/ Risk Based Capital Adequacy Ratio for both life and general over the period as depicted in below:

| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 | 2013 Rs. 000 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Assets Value | 45,099,628 | 46,603,083 | 44,581,028 | 45,697,972 | 38,909,641 |
| Solvency Ratio | - | - | 3.93 | 3.80 | 4.30 |
| Capital Adequacy Ratio | 200% | 186% | 213% | - | - |

Net Assets Value - General Insurance

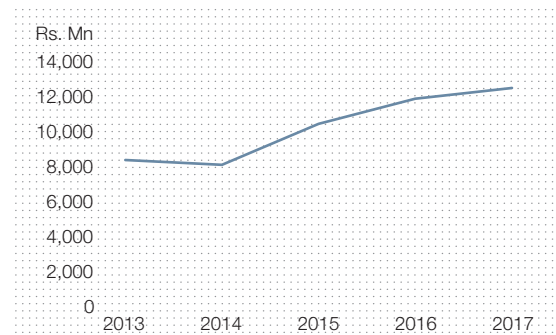
FINANCIAL REVIEW

Life Insurance Business Performance

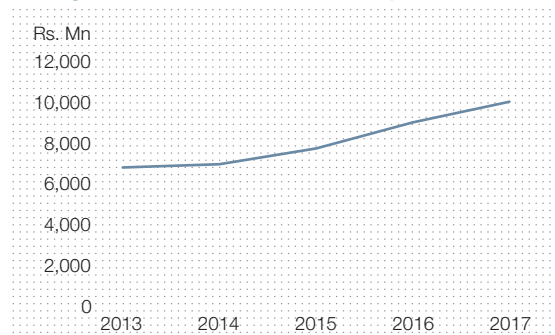
| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 | 2013 Rs. 000 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Gross Written Premium | 12,517,120 | 11,893,640 | 10,470,079 | 8,121,159 | 8,397,718 |
| Net Written Premium | 12,285,325 | 11,679,336 | 10,307,235 | 7,984,758 | 8,300,082 |
| Investment and Other Income | 11,272,937 | 8,772,049 | 8,290,528 | 9,272,341 | 7,659,011 |
| Claims Incurred | (6,899,558) | (5,871,667) | (6,304,648) | (5,733,524) | (4,870,410) |
| Commission Expenses | (1,688,772) | (1,560,526) | (1,240,955) | (1,127,919) | (1,053,299) |
| Management Expenses | (3,981,540) | (3,265,086) | (2,443,685) | (2,507,813) | (2,307,020) |
| Increase in Life Fund before Taxation | 10,988,395 | 9,754,105 | 8,608,479 | 7,887,842 | 7,728,364 |
| Taxation | (929,414) | (740,739) | (842,932) | (899,025) | (897,006) |
| Increase in Life Fund | 10,058,978 | 9,013,366 | 7,765,547 | 6,988,816 | 6,831,689 |

Profits before and after taxation is calculated including the profit attributable to policy holders

GWP - Life Insurance Business



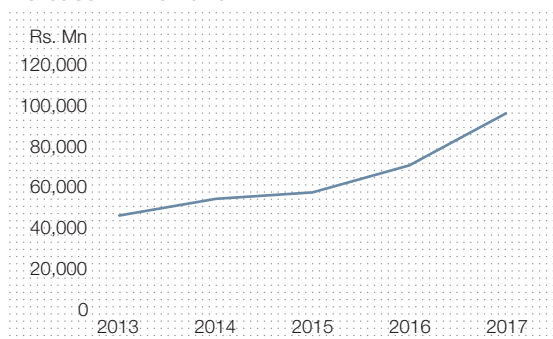
Long Term Insurance - Profitability



The Gross Written Premium of Life Insurance business has increased over the last 5 years from Rs. 8,397 million to Rs. 12,517 million with the growth of 49 percent compared with the year 2013. The Life insurance business recorded investment and other income of Rs. 11,273 million and Rs. 8,772 million for the year 2017 and 2016 respectively. The increase in life fund value recorded a 13% increase compared with last year.

Stability of Life Insurance Business

| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 | 2013 Rs. 000 |
|------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| Life Fund | 98,580,438 | 87,357,386 | 77,858,383 | 74,706,065 | 66,511,606 |
| Net Assets Value | 16,036,213 | 16,425,368 | 19,203,590 | 18,625,842 | 14,373,045 |
| Solvency Ratio | - | - | 11.56 | 13.22 | 11.48 |
| Capital Adequacy Ratio | 432% | 427% | 402% | - | - |

Increase in Life Fund

The Life Insurance business recorded a Risk Based Capital Adequacy Ratio of 432% as at 31.12.2017 .

The SLIC recorded the highest life fund in the industry amounting to Rs. 98,580 million as at 31.12.2017 and Rs. 87,357 million as at 31.12.2016.

FINANCIAL REVIEW

Taxation

The Company has contributed Rs. 3,948 million (Rs. 2,878 million - 2016) as taxes to the Government in the year 2017 as part of contributing to the society. These taxes include Income tax, Value Added Taxes, Stamp Duty and Nation Building Taxes etc.

| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 | 2013 Rs. 000 | 2012 Rs. 000 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| VAT | 2,109,272 | 1,410,186 | 1,205,546 | 1,061,272 | 1,186,288 | 1,121,183 |
| NBT | 396,401 | 337,820 | 62,108 | 252,955 | 267,011 | 258,914 |
| Road Safety Fund | 10,764 | 10,736 | 2,557 | 9,425 | 9,751 | 10,095 |
| Economic Service Charge | 92,734 | 53,817 | - | - | - | - |
| Stamp Duty | 17,673 | 16,006 | 3,087 | 11,487 | 8,186 | 8,175 |
| Income Tax | 1,321,055 | 1,049,650 | 1,501,941 | 1,116,126 | 1,700,039 | 1,627,413 |
| Super Gain Tax | - | - | 1,415,421 | - | - | - |
| TOTAL | 3,947,899 | 2,878,215 | 4,190,660 | 2,451,265 | 3,171,275 | 3,025,780 |

Abbreviations:

| | |
|------------|---------------------------|
| VAT | - Value Added Tax |
| NBT | - Nation Building Tax |
| WHT | - Withholding Tax |
| RST | - Road Safety Fund |
| ESC | - Economic Service Charge |
| ST | - Stamp Duty |
| IT | - Income Tax |

Value Added Statement of the Company

| | 2017 Rs. Mn | 2016 Rs. Mn | 2015 Rs. Mn | 2014 Rs. Mn | 2013 Rs. Mn |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Net Earned Premium | 25,937 | 24,013 | 20,393 | 17,805 | 17,805 |
| Investment and Other Income | 13,462 | 18,094 | 10,763 | 11,497 | 10,176 |
| | 39,399 | 42,107 | 31,156 | 29,302 | 27,981 |
| Less | | | | | |
| Net Claims and Benefit | 16,026 | 14,477 | 12,933 | 11,939 | 9,804 |
| Cost to External Services | 2,976 | 2,838 | 1,544 | 3,527 | 2,735 |
| Value Addition | 20,397 | 24,792 | 16,679 | 13,836 | 15,442 |

Distribution of Value Added

To Employees

| | | | | | |
|----------------------------|------|-------|-------|-------|-------|
| Salaries and Other Benefit | 4229 | 3,270 | 3,062 | 2,335 | 2,007 |
|----------------------------|------|-------|-------|-------|-------|

To Intermediaries

| | | | | | |
|------------------|------|-------|-------|-------|-------|
| Acquisition Cost | 2325 | 2,195 | 1,587 | 1,613 | 1,554 |
|------------------|------|-------|-------|-------|-------|

To Government

| | | | | | |
|------------|------|-------|-------|-------|-------|
| Income Tax | 1321 | 1,050 | 1,381 | 1,116 | 1,700 |
|------------|------|-------|-------|-------|-------|

To Life Policyholders

| | | | | | |
|---------------------------------|------|-------|-------|-------|-------|
| Increase in Life insurance Fund | 7593 | 5,198 | 6,840 | 5,376 | 5,109 |
|---------------------------------|------|-------|-------|-------|-------|

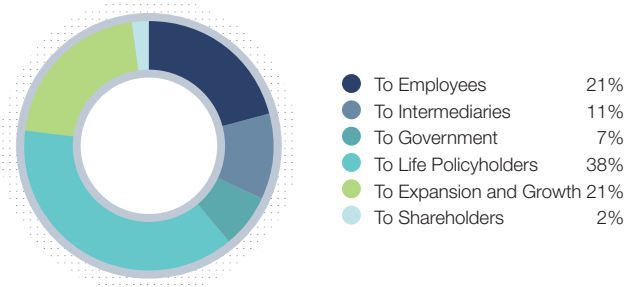
To Shareholders

| | | | | | |
|---------------|-------|--------|-------|-------|-------|
| Dividend Paid | 3,358 | 10,011 | 2,003 | 1,002 | 1,200 |
|---------------|-------|--------|-------|-------|-------|

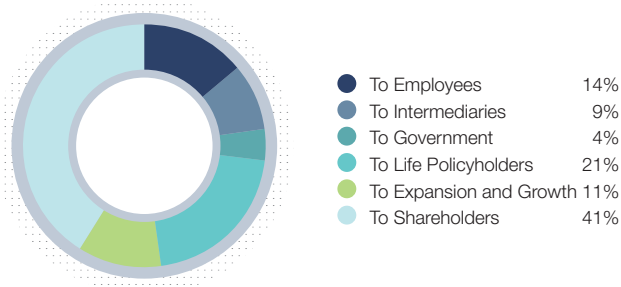
To Expansion and Growth

| | | | | | |
|--------------------------|---------------|--------|--------|--------|--------|
| Retained as Depreciation | 279 | 338 | 368 | 138 | 418 |
| Retained as Reserves | 1,292 | 2,730 | 1,436 | 2,255 | 3,454 |
| | 20,397 | 24,792 | 16,677 | 13,836 | 15,442 |

Distribution of Income 2017



Distribution of Income 2016



Value Added Statement shows how the value addition is distributed among the Employees, Intermediaries, Government, Life Policyholders, Expansion & Growth and Shareholders.

INVESTMENT REVIEW

Investment Strategy

The investment strategy of SLIC is geared to achieve the optimal balance among safety, income and asset growth. Through prudent investment management principles within applicable regulations of IRCS, the strategy is aimed at meeting the obligations of the Fund.

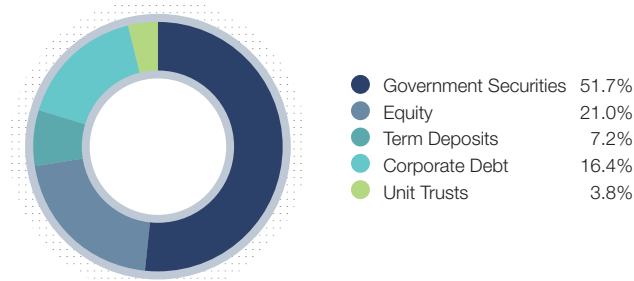
Investment Committee

The Investment Committee has a range of responsibilities including the management of SLIC’s investment portfolio, reviewing and monitoring the strategic assets and allocation, effective matching of asset and liabilities, and capitalising tactical investment opportunities.

Asset Allocation

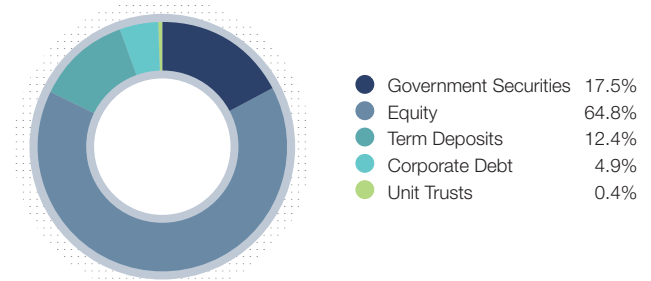
Life Insurance Assets:

Composition of the Life Insurance Assets as at 31 December 2017

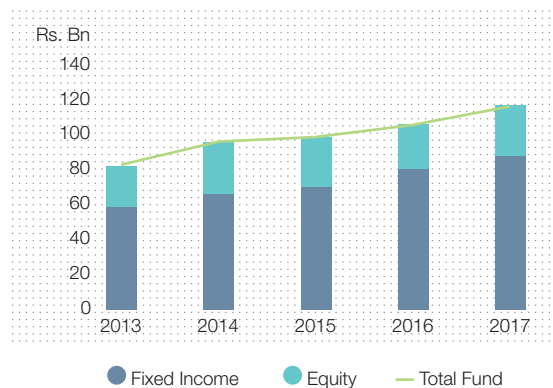


General Insurance Assets :

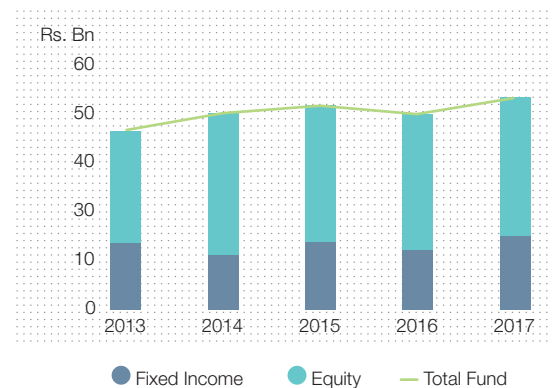
Composition of the General Insurance Assets as at 31 December 2017



Growth of Investable Assets



Growth of Investable Assets



Asset – Liability Matching

Life Insurance Assets:

In the context of a relatively less-developed fixed income securities market, matching the maturity structure of the Life Insurance Assets is a challenging task. However, the significant number of tax exempted listed debentures issued during the year helped to mitigate this risk to a considerable extent. Most of these issues were heavily oversubscribed as the investors were rushed to reap the benefit of income tax waivers granted. The SLIC invested Rs. 3.1 billion in listed debentures during the year with maturities ranging from 02 to 05 years.

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

Further, the net investments in Treasury Bonds and Treasury Bills reached Rs. 11.0 billion during the year with maturities extending upto 18 years. The Company intends to invest in longer term Bonds during 2017 as well, in order to reduce the asset-liability mismatch in the Life Fund further.

General Insurance Assets:

Unlike Life insurance assets, obligations of the General insurance assets are short term in nature and hence major part of the fund was invested in short-term assets.

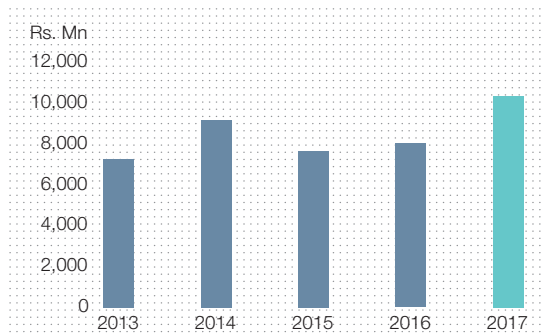
Investment Performance

The SLIC achieved healthy returns during 2017 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 Equity market was falling and interest rates remained low.

The Company recorded a total investment income of Rs. 12.12 billion during the year.

Life Insurance Assets:

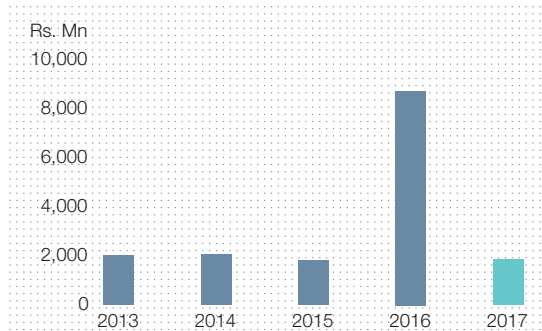
Investment Income



The Life Fund recorded a healthy investment income of Rs. 10.2 billion in 2017 which is a 29% growth from the preceding year.

General Insurance Assets:

Investment Income



The General insurance assets recorded an investment income of Rs. 1.84 billion in 2017, which is a 79% drop from the preceding year. In 2016 there was an increase of 380.3% when compared to the year 2015 due to an extraordinary dividend income of Rs. 7,600 million received from Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd.

INVESTMENT REVIEW

Summary of Investments

| Company (Rs. 000) At Cost | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Listed Subsidiaries | 2,925,567 | 2,925,567 | 2,925,567 | 2,925,567 | 2,925,567 |
| Unlisted Subsidiaries | 18,160,337 | 18,160,337 | 18,160,337 | 18,160,337 | 14,660,337 |
| At Net Asset Value | | | | | |
| Associates | 143,646 | 138,448 | 128,090 | 122,425 | 105,727 |
| Available-For-Sale | | | | | |
| Listed Shares | 32,460,737 | 30,914,016 | 31,894,168 | 35,711,339 | 24,798,653 |
| Unlisted Shares | 48,891 | 47,972 | 20,754 | 20,832 | 18,753 |
| Unit Trusts | 4,593,369 | 964,320 | 1,043,587 | 1,146,236 | 1,426,408 |
| Listed Debentures | 21,017,947 | 19,566,029 | 15,228,277 | 11,880,406 | 7,190,339 |
| Treasury Bills | - | - | - | - | 483,700 |
| Treasury Bonds | 4,659,451 | 4,062,844 | 5,119,315 | 4,387,187 | 5,418,642 |
| Fair-Value-Through-Profit-or-Loss | | | | | |
| Listed Shares | 4,050,081 | 5,320,606 | 6,756,655 | 5,538,348 | 5,956,726 |
| Held-To-Maturity | | | | | |
| Treasury Bills | - | - | 488,795 | 487,576 | - |
| Treasury Bonds | 55,020,955 | 49,313,553 | 38,475,744 | 25,589,291 | 19,324,293 |
| Loans & Receivables | | | | | |
| Unlisted Debentures | 500,534 | 500,534 | 541,717 | 1,367,205 | 1,890,781 |
| Term Deposits | 14,708,677 | 12,336,280 | 17,309,842 | 27,945,442 | 22,864,910 |
| Development Bonds | 7,539,703 | 7,158,558 | 6,815,995 | 2,428,326 | 5,254,857 |
| Trust Certificates | - | - | - | - | 37,481 |
| Reverse Repos | 1,771,895 | 1,035,996 | 2,629,107 | 5,130,628 | 12,530,569 |
| Total | 167,601,790 | 152,445,060 | 147,537,950 | 142,841,145 | 124,887,743 |

OPERATIONS REVIEW

ISO 9001:2015 Certificate

SLIC is proud to announce the successful transition to the latest version of ISO 9001:2015 certification in November 2017. The current certification is valid through 2020. SLIC obtained the ISO 9001:2008 certificate in 2009, which was renewed every 3 years. The scope of the certification covers life and non life underwriting, claims settlement and support services of the head office and its branches.

In line with the ISO quality standards, SLIC head office and all branches conform to the ISO 9001 requirements. All the departments/branches have set objectives cascading from the corporate objective. The company policy is clearly reflected in the Quality Policy, which is displayed in each department and all of its branches. The Senior Management ensures that their entire staff executes their work within the framework of the Quality Policy.

Customer care quality is maintained through the ISO system implemented at SLIC head office and branches. Customer complaints are documented and effective action is taken. A Customer Satisfaction Survey is carried out to analyse the satisfaction of the customer.

All the procedures, guidelines and forms are available in the Company intranet. The entire SLIC staff are knowledgeable about procedures, guidelines and forms through the intranet.

SLIC staff hopes to exceed customer satisfaction through effective implementation of the latest ISO 9001:2015 system. The next Surveillance Audit will be held in November 2018.

Distribution Expansion

The year 2017 began with SLIC having 115 branches and 16 Customer Service Centers (CSC) geographically appearing in 18 regions. In line with the management decisions to uplift the penetration to provide more quality and convenient customer service, 07 new branches and two new CSCs were opened in 06 existing regions.

The location of new branches are:

1. Athurugiriya
2. Aralaganwila
3. Bakamuna
4. Mawathagama
5. Padaviparakramapura
6. Pallebedda
7. Ragama

The new CSCs were opened in Alawwa and Pannala.

Further, there are plans to open another 20 branches during the year 2018.

Branch Relocations

The Beruwala (to Aluthgama), Borella, Ehaliyagoda, Kurunegala City Branch, Marawila, Nugegoda and Thambuttegama branches were relocated with more facilities in order to provide better customer service.

The Kegalle branch was re-established in a newly constructed building with enhanced facilities. Moreover, newly opened customer service centres in Alawwa and Pannala are currently operating successfully. At the year-end, SLIC's geographical penetration was uplifted from 131 to 140 locations island wide apart from head office sales units.

Marketing, Promotions and Sales

Marketing is vital in any industry which sees intense competition and the insurance industry is no exception. As a market leader, SLIC focused intently on marketing activities during the year under review.

Clear marketing strategies were implemented to ensure that the Company's branding initiatives stayed on top during 2017. Such initiatives enabled the Company's various initiatives to reach the mass market in a very visible manner, with most initiatives resulting in solid business leads.

OPERATIONS REVIEW

Awareness Campaigns

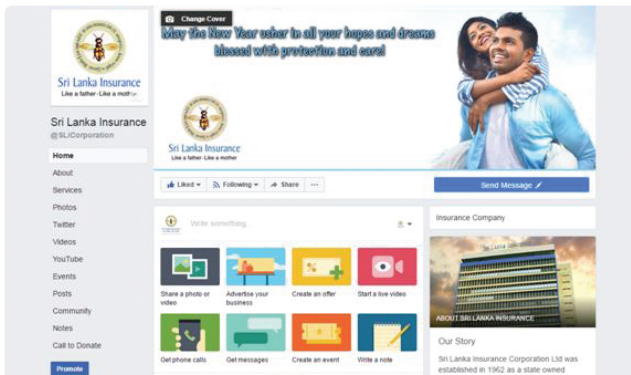
The message on the importance of insurance and protection was carried across the island by SLIC several times during the year, especially during the April Sinhala and Tamil New Year season. The awareness campaign was conducted on a door-to-door basis as part of the effort to propagate the importance of being protected with insurance in case of any unforeseen situations.



Awareness campaign

Digital Media

In keeping with modern trends in global marketing, SLIC continued to focus on the optimum use of digital media as a marketing tool. To harness the full potential of social media, Facebook and Twitter accounts are used by the organisation and many campaigns were conducted over digital media platforms, in conjunction with various promotional activities. These efforts were supplemented by the revamped website and SLIC's focus on the mainstream media both print and electronic. An online portal is also being planned to be launched in 2018 for the convenience of customers.



Digital Media

Recognition Awards for Sales Force

Star Awards 2017 was held at the BMICH in July to honour the top achievers among the SLIC sales team. The annual event was organised to honour and recognise the excellence and outstanding performances of the Company's sales team during 2016. The event saw over 500 best performers and team leaders being awarded for their excellent sales performance based on the achievement of set sales targets and standards.



Star Awards 2017

Activations

Some of the activations carried out by SLIC include activations carried out targeting school children, fuel stations promotions, Siyatha door-to-door promotions, activations at the International Drums Festival and branch promotions conducted in Badulla, Kalutara, Gampaha, North Central 1 and 2, Colombo 1 and 3 and Negombo regions etc.

General Insurance Operations Overview 2017

SLIC general insurance products are made available to the public through all 140 SLIC branches and customer service centres island wide. In 2017, SLIC's share of the country's general insurance market increased from 20.47% in 2016 to 21.31%. This growth was primarily a result of sustained growth in the motor insurance segment, coupled with the sharp increase in SLIC's share of the medical insurance market due to the launch of the Suraksha health policy for school children.

SLIC General Insurance Marketing Strategy

The overall General Insurance marketing strategy for the period from 2016-2019 has been developed focusing on the following key strategic routes; namely, Competitive Strategy, Growth Strategy, Marketing Communication Strategy and Innovation strategy.

Reinsurance

SLIC is strongly backed by the leading international reinsurers, approved by the Insurance Regulatory Commission of Sri Lanka.

New products/facilities

SLIC Bee Express

'SLIC's Bee Express' was launched to expedite motor insurance claims at a faster pace. Under this system, competent SLIC officers examine the damages to a vehicle at the location of an accident itself and make an offer for the claim amount - without waiting for an assessment from a garage. This gives customers the opportunity for an immediate agreement on repair cost, significantly reducing the time lag between repairs and claim settlement.

Suraksha

The SLIC Suraksha insurance policy for school children was launched in 2017, successfully providing insurance protection for all 4.5 million school going children in Sri Lanka between the ages of 5-19 years, covering children in Government, private & international schools as well as venerable priests in Pirivenas.

Developed in collaboration with the Ministry of Education, the Suraksha Health Policy, which is provided free of charge by the Government, protects children against illnesses, accidents and disabilities, in and out of the school, to support their education.



Suraksha

Enhancing Customer Convenience

During 2017, SLIC entered into partnerships with 10 new vehicle repair garages to provide repair and restoration services for SLIC customers, following an accident. This growing network of partner garages contribute towards consistent quality of repairs, including the use of genuine parts at fair market prices and ensuring the safety of SLIC customers on the road.

OPERATIONS REVIEW

Alternate Distribution Channels in 2017

With the intention of extending the arms of SLIC to reach the potential customers in rural areas of the country, SLIC and the Department of Posts Sri Lanka, stepped into a joint venture namely “Postal Insurance” on 17th May 2006, which engaged in a combined effort for promoting insurance products (Motor Third Party/Motor Comprehensive) to customers, via over 3,500 Post offices and sub post offices around the country. The postal network is an added distribution channel for Sri Lanka Insurance which already has an extensive distribution network via our branch network. The objectives of this venture are to,

- ★ Provide insurance services and improve awareness of insurance policies of the general public in remote areas while focusing to enhance the services of the establishment.
- ★ To utilise the largest insurance distributional channel in Sri Lanka to create value adding activities.
- ★ To increase the market share of SLIC by reaching potential customers in the rural areas, thereby tapping the low end of the market

In this venture, SLIC make the relevant insurance materials (Proposal Forms/Cash Receipts) available in postal outlets and customers can apply their insurance product and pay the premium to the post office. When the documents are received by the SLIC, it will be underwritten and posted to the customers’ residence, via post.

At present, over 15,000 customers use the Postal Insurance channel to get their insurance needs facilitated via over 1,800 postal outlets monthly. After the commencement of the project, SLIC managed to maintain a 15% growth consecutively in GWP. The rapid growth of this venture has attracted the competitors

into the Postal Insurance channel while SLIC enjoys a the major stake of the business.

The Postal Insurance Department of SLIC keeps developing its strategies to increase the service level to the end customers as well as minimise the work flow. We are in the verge of integrating the SLIC and Postal Department Payment System, which could send the certificate card within one working day.

Key Promotional Events in 2017

Ceylon Motor Show

Marketing activities for the year started in a big way with SLIC’s association with the country’s premier automobile event, ‘The Ceylon Motor Show 2017’ in January. Over 23,000 motor enthusiasts from across the island visited the event organised by the Ceylon Motor Traders Association and the Classic Car Club of Ceylon. SLIC conducted this event for the 4th time in 2017 through its flagship brand, Motor Plus.



Ceylon Motor Show 2017

Hybrid Car Clinic

The Hybrid Car Clinic conducted in partnership with Edirisinghe Brothers Pvt Ltd. in December, giving Motor Plus customers an opportunity to get their hybrid vehicles inspected for free. Some of the services provided by the experts at the event were hybrid-grade maintenance services and diagnostics, mechanical and electrical repairs of hybrid vehicles and checking and diagnosis of the state-of-health of hybrid vehicles. This provided an ideal opportunity for hybrid car owners to meet and interact with the Hybrid Hub team through which they could improve their knowledge and clear any doubts on their vehicles, while also receiving a thorough understanding about the proper maintenance of the vehicle.



Hybrid Hub

Free Fuel Promotion

Another special promotion and brand activation carried out by Motor Plus during the year, was the free fuel promotion, conducted in collaboration with Lak FM in many parts of the

country. The lucky winners who were selected from motorists driving into a designated fuel station each day won free fuel worth Rs. 5,000 each. The event was conducted to create awareness about motor insurance among the population, and targeted both Motor Plus customers as well as potential customers.



Lak FM fuel promotion

Loyalty Rewards Scheme

Another initiative carried out by the Motor Plus brand in 2017 was the Loyalty Rewards scheme for customers, where SLIC was able to offer unique benefits to Motor Plus customers in association with its many partner organisations.

Plans for 2018

Developing a web platform for certain products, launching new products, introducing speedy settlement mechanism for non-motor claims and migration to ICT core systems are in the pipe line.

OPERATIONS REVIEW

Life Insurance Operations Overview 2017

SLIC life insurance products are made available to the public through all 140 SLIC branches island-wide. In 2017, SLIC's share of the country's life insurance market declined from 18.7% in 2016 to 17.5%. This loss in market share was primarily due to the proliferation of smaller companies following the segregation ruling of 2015/16. However, SLIC continued to expand market share in 2017 although at a slower pace with growth in GWP and the life fund, as described in the Financial Review of this report.

Even though SLIC operates as a composite insurer, it continued to have separate strategic focus for both Life and General insurance in terms of Sales & Distribution Management in 2017. While the branch network concentrates on geographical penetration on retail businesses with personnel lines for both categories of business, there are separate distribution channels established in Life and General Insurance to serve other market segments/requirements as well.

SLIC Life Category has grown marginally this year with a growth of 5.24% (Rs. 12.517 Billion) in GWP, whereas the Life industry has grown by 12.42%.

Number of policies (without DTA) sold during the year is 57,202 but it was 65,072 in 2016. The trend is negative and deliberations are made already with the sales management team to increase number of life policies and average case size of a policy in 2018. Further National Sales & Marketing plan to increase active manpower and individual productivity of the Sales Force, where it will have a positive influence towards Life NOP trend of the company.

New Business – Life Congress sales competition, which is the best of annual sales competitions, brought a kick start for the first half of the year.

Sales Force Activations – Sales force rejuvenated plays the major role in life penetration and a structured sales promotional campaigning system at regional and branch level was executed with the support of a Propaganda team. This is in addition to the National Sales Campaigns and above the line activities that are continued to keep the market aware and active for SLIC.

New Product Development – Aligning with the demand of the insurance market, the SLIC retirement product 'Freedom' was re launched as 'Freedom Life Style plan' with more attractive features, benefits and payment methods at an affordable premium.

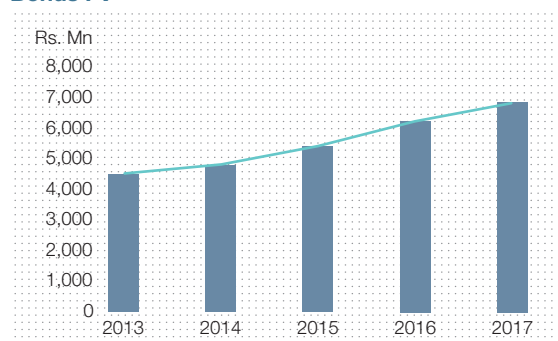
Sales Training and Development – The Sales force, especially in this industry requires a high level of skill and motivation with in-depth knowledge of products, benefits and technicalities. Well-structured training and development modules have been designed and rolled out with a difference this year under Skill Development, Technical Competency Development, Team Leader Development and Sales Management Skill Development. This contains an array of courses catering to all levels across the sales hierarchy from the agent to the senior level sales managers.

Expansions – Market penetration of the branch network was strengthened with the addition of 7 new branches and 2 new customer service points. Some of the branches were refurbished/ face lifted/shifted to more new strategically advantageous locations during the year, and is expected to boost business growth in the future.

SLIC Records Unmatchable Life Bonus for 2017

Breaking all landmarks in the local insurance industry SLIC declared a life bonus of Rs. 6.8 billion for the year 2017, surpassing its own record of Rs. 6.2 billion declared the year before. SLIC has declared over Rs. 44 billion in total as Life Insurance bonuses since 2008. This is ample evidence of the company's commitment to providing the highest returns while protecting its policyholders through wise investment management.

Bonus FV



SLIC Life Insurance Marketing Strategy

Life insurance is an under penetrated service in Sri Lanka, reducing the risk recovery capabilities of the population. Therefore, SLIC makes all efforts to take life insurance to the masses. In this regard, a series of marketing and sales initiatives have been introduced. In marketing life insurance, a 'pull' could be created from the customer to a certain extent only through the advertising done on electronic, print and other relevant emerging media. This is important since it creates awareness on the need to be insured, gives top of the mind recall and equity for the SLIC brand and eases the selling effort of the salesman when approached. From a push strategy perspective the following initiatives have been taken: the marketing calendar consists of many events targeting sales promotions schemes developed to motivate our sales teams. Some of the key events include the

following:

- ★ Life Congress, a 6 month competition
- ★ Quarterly schemes encouraging active manpower and productivity development
- ★ Branch level GWP competition towards the year end
- ★ Million Dollar Round Table (MDRT) event
- ★ Annual National Awards

Alternate Distribution channels

In addition to SLIC branches and service centres, SLIC's life insurance products are taken to the public through a number of alternative channels to facilitate faster market penetration. Focusing further on channel development, a 'Group and Bulk Sales Unit' which was established to concentrate on group life business, group retirement market, work-site marketing could not show a positive growth (-5.86%), but managed to keep the highest market share in the group life product category in 2017 as well. In fact, there is huge potential in this area with Government and corporate sector entities especially for retirement planning and other related schemes with ties up with banks. Therefore SLIC needs to be more competitive to remain at the top position in this segment.

Bancassurance – Life

The Company has recognised Bancassurance as one of the key alternate distribution channels to gain contribution for the expected growth for the Life top line. The main project with BOC continued, with branches being allocated along with 22 Bancassurance officers to promote Life Insurance. Further, an agreement with State Mortgage & Investment Bank signed in 2017 for the same purpose, is yet to deliver results. These banks will keep adding to non-traditional penetration activities thus improving the business as well as will minimising the risk of dependability of one channel. Further, the management is in the focus and process of re-launching the Bancassurance operations by negotiating new relationships with key banks in Sri Lanka. This Development of Bancassurance channels will improve the top-line growth of the company.

OPERATIONS REVIEW

Group Business – Life

The Company has maintained its market leadership in the Group Life Category and observed that the competition follows rapidly by 2017. Presently operating/competing with term products steps are to be taken to sustain the market in the future through group endowment and Pension products with system developments. Tie-ups with Government and non-government commercial corporates are the key strength in this sector for the Company and over a contribution of 10% is made to the Life GWP of the Company in 2017 as well.

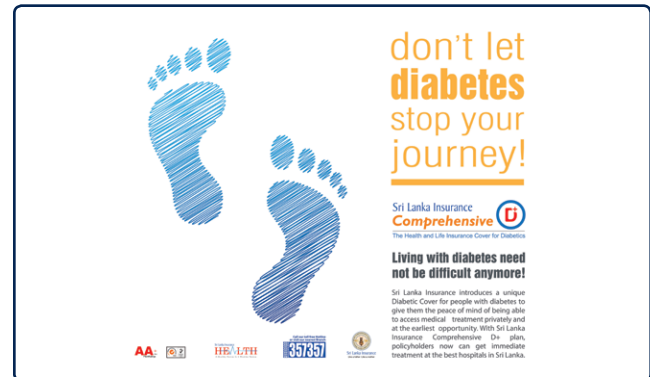
New products

D+ Policy

SLIC Life launched a new insurance product called the 'D+ Policy' on November 14, 2017, to coincide with World Diabetes Day. This unique product now makes it possible for diabetes sufferers, who were previously marginalised in the traditional insurance system, to obtain insurance. The Comprehensive D+ Policy is open to those between the ages of 30 and 60 and is renewable until a person reaches 65 years of age. The customer has the freedom to decide to pay the premium monthly, quarterly, biannually or annually. The policy can be extended to cover the policy holder's spouse as well.

The policy allows diabetes patients, warded in a private hospital, to obtain reimbursement on their total hospitalisation bill up to a predetermined limit, which could be Rs. 200,000, 400,000 or 600,000. Hospital room charges, operation theatre and ICU charges, medical practitioners', consultants' and specialists' fees as well as nursing expenses are among the benefits covered by the policy.

This health cover can also be obtained with Divi Thilina, Minimuthu, Minimuthu Parithyaga, Minimuthu Dayada, Praguna, Yasa Isuru, Freedom and Janadiri life insurance policies of SLIC.



Diabetes (D+) policy

Life Congress 2017

Another event was the Life Congress 2017 held at Heritance Hotel, Kandalama in November. This annual event too, was an outstanding success and honoured the Company's life insurance sales force.

Plans for 2018

In 2018, SLIC plans to introduce a Web Portal for the policyholders facilitating services such as obtaining premium payment details, tax certificates, and making requests for alterations, along with other initiatives like web based training for regional branches and providing a Mobile app for sales advisers etc. Also, migration to ICT core systems is in the works.

PERFORMANCE OF SUBSIDIARIES

The Lanka Hospitals Corporation PLC

The Lanka Hospitals Corporation PLC, in which SLIC has 54.61% ownership, is a multidisciplinary hospital with strong disciplines in many specialties, including Cardiac, Fertility, Gynecology and Obstetric, Haemato-Oncology, Nuclear Medicine, Gastroenterology, Woman Wellness and Neuro Surgery etc. The internationally accredited, multi award-winning Lanka Hospitals Corporation PLC (LHC) has received the prestigious and widely acclaimed accreditation from Joint Commission International (JCI). LHC is the first medical institution in Sri Lanka to be reaccredited by the JCI, during the first Triennial survey conducted between 28th of August to 1st of September 2017. As a socially responsible healthcare provider, LHC has achieved this status on its first attempt and remains among the few hospitals in the world to be accredited within a short span of time under new standards. The new standard of the 6th Edition of JCI came into effect on the 1st of July 2017. LHC is the first JCI re-accredited hospital in Sri Lanka, first hospital awarded with ISO 22000:2005 Food Safety Management Systems Certification and first hospital to receive the certification for excellence in medical tourism by the Medical Travel Quality Alliance.

During 2007, surveys conducted among the patients of LHC have showed a customer satisfaction rate of 95%. During the year, the average occupancy was 85%. Further, in 2017, LHC reported Revenue of Rs.5.2 billion, Total Assets of Rs.7.8 billion and Net Profits of Rs.530 million. LHC contributed Rs.116 million to SLIC in 2017 whereas the same contribution in 2016 was Rs.233 million, by way of dividends.

Litro Gas Lanka Ltd

Litro Gas Lanka Ltd (LGLL), in which SLIC has 99.9% ownership, is the market leader of the L.P. Gas industry serving 72% of the country's L.P. Gas demand. The Company has pioneered industry growth through its presence for more than a decade, starting from Colombo Gas and Water Company in 1872. LGLL caters to the needs of domestic and industrial segment through importing, processing and distribution of L.P.G through cylinders and in bulk. Currently the Company has a storage capacity of 11,000 Mt in storage terminals situated in Kerawalapitiya and Hambanthota and a filling capacity of 60,000 cylinders per day.

The Operating environment was challenging in the year under review due to the adverse movements in key macroeconomic factors and price regulations imposed by the Consumer Affairs Authority. L.P. Gas product prices increased by 43% on average compared to 2016 and USD/LKR exchange rate depreciation around 2% adversely affected the bottom line of the Company. The company has an opportunity to gain market share by reaching untapped market of 2.4 million households.

Achievements made in 2017 are as given below:

- ★ Sales growth of 22% reaching a demand of 300,000 Metric Tons for 2017.
- ★ Launched re-branding campaign where Litro brand was raised to top-of-the-mind recall and recognised as the best TV Commercial by the Sumathi Awards and Best Digital Integrated Campaign" at Sri Lanka's first Digital Excellence Award ceremony – SLT Zero One Awards.
- ★ Won the Ceylon Chamber of Industries gold award for the National Level Government sector as well as the Category Special Achiever Award for Industrial Excellence in the extra-large category.
- ★ Won the Silver award in the State Sector category at the National Business Excellence Awards organised by Ceylon Chamber of Commerce.

In terms of financial performance, LGLL reported Total Assets of Rs.24.6 billion, Revenue of Rs.30.3 billion, Net Profits of Rs.372 million and ROE of 2.78%. With regard to the future outlook, the company is expecting a 12%-14% demand growth for 2018 and will look forward to increasing its market share by reaching the untapped market of 2.4 million households. This growth drive will be facilitated through the expansion of storage facilities and plant facilities.

Litro Gas Terminal Lanka (Private) Ltd

Litro Gas Lanka Terminal (Pvt) Ltd (LGTL), in which SLIC has 100% ownership, offers import and storage facilities to Litro Gas Lanka Ltd. The company has the competitive edge for holding the only independent sea-fed terminal in the island within the LPG industry. The company is poised to provide an uninterrupted supply to meet the demand of its customers, unhindered by external factors. LGTL currently has a storage capacity of 11,000 Mt.

PERFORMANCE OF SUBSIDIARIES

The operating environment was challenging in the year under review due to the adverse movements in tax rates applicable to the Company. In terms of financial performance, LGTL reported Total Assets of Rs. 9.6 billion, Revenue of Rs. 1.8 billion, Net Profits of Rs. 586 million and ROE of 7.09%. With regard to the future outlook, the Company will look forward to increasing storage facilities to facilitate Litro Gas Lanka Ltd. to increase the market share by reaching the untapped market of 2.4 million households.

Canowin Hotels & Spas (Pvt) Ltd

Canowin Hotels & Spas (Pvt) Ltd (Canowin), in which SLIC has 100% ownership, is involved in managing the highway service area, “the Canowin Arcade”, which is located on either side of the 44km mile post in Welipanna on the Southern Expressway. The premises consist of rest rooms, restaurants, supermarkets, Bank ATM machines, clothing stores, first aid and vehicle parking etc.

In terms of financial performance, Canowin reported Total Assets of Rs. 1 billion, Revenue of Rs. 100 million, Net Profits of Rs. 49 million and ROE of 5.28 %. With regard to the future outlook, in 2018, the Company plans to fully utilise the waste water treatment plant, to install a new tube-well and to commence on a solar power project. The management expects that the revenue will be increased by improving the occupancy levels, implementing electric car chargers and charging tickets for public toilets.

Canwill Holdings (Pvt) Ltd

The exception has been the Grand Hyatt project, implemented through Canwill Holdings (Pvt) Ltd and its subsidiary Sinolanka Hotels & Spa (Pvt) Ltd (SHSL), which is still not in operation, with construction in progress. SHSL constructed a 47 level skyscraper and is in the process of completing the finishes that will house an iconic 5 star luxury class hotel and serviced apartments. Upon completion the hotel will be named “Grand Hyatt Colombo (GHC)”.

The total GHC project cost has been estimated as approximately US\$ 302 million (Rs. 45.3/- billion) excluding interest cost (if) and CESS and NBT. The cost incurred at the end of January 2018 was US\$124 million (Rs. 19.2/- billion) which is approximately 42% of the project financial progress. However, the physical progress of the projects as it stands now is around 55% and the expected date of completion would be in the mid of 2019. The project experienced a temporary slowdown due to the debate on how best the debt capital for balance funding should be procured.

SLIC TEAM

Our Human Resources

Sri Lanka's insurance sector is becoming increasingly more competitive while customers demand greater value for money. As the national insurer, SLIC is dedicated to meet public insurance needs not only through insurance products, but also through services that are professional and efficient.

During the current financial year, SLIC continued to train and develop human resources to improve service quality and to enhance overall competitiveness of the Company. The Company's total staff strength as at 31 December 2017 was 2,526 and we proud to record that our human resource base is one of the best in the domestic insurance industry in terms of the skills and expertise.

Employee Profile

Employees by Type of Contract

| | 2017 | 2016 | 2015 |
|-----------------|--------------|--------------|--------------|
| Permanent Staff | 2,421 | 2,308 | 2,177 |
| Contract Staff | 105 | 124 | 107 |
| Total | 2,526 | 2,432 | 2,284 |

Age Analysis

| Age Group | Female | Male | % |
|--------------------|--------------|--------------|-------|
| 18-24 | 112 | 72 | 7.3% |
| 25-29 | 228 | 162 | 15.4% |
| 30-34 | 159 | 224 | 15.2% |
| 35-39 | 71 | 233 | 12.0% |
| 40-44 | 146 | 190 | 13.3% |
| 45-49 | 240 | 215 | 18.0% |
| 50-54 | 196 | 110 | 12.1% |
| 55 & Above | 98 | 70 | 6.7% |
| Grand Total | 1,250 | 1,276 | |

Employment by Grade and Gender

| | Number | | | Composition % | |
|-------------------|--------|--------|-------|---------------|--------|
| | Male | Female | Total | Male | Female |
| Senior Managerial | 48 | 13 | 61 | 79% | 21% |
| Managerial | 89 | 34 | 123 | 72% | 28% |
| Assistant Manager | 84 | 63 | 147 | 57% | 43% |
| Executive | 226 | 324 | 550 | 41% | 59% |
| Supra* | 1 | 27 | 28 | 4% | 96% |

| | Number | | | Composition % | |
|--------------------|--------------|--------------|--------------|---------------|------------|
| | Male | Female | Total | Male | Female |
| Clerical | 450 | 734 | 1,184 | 38% | 62% |
| Technical | 168 | | 168 | 100% | 0% |
| Supra (Skilled)** | 5 | | 5 | 100% | 0% |
| Non-Clerical | 127 | 23 | 150 | 85% | 15% |
| Minor | 78 | 32 | 110 | 71% | 29% |
| Grand Total | 1,276 | 1,250 | 2,526 | 51% | 49% |

*Represents employees who were promoted from clerical positions, which is parallel to the executive grades.

**Represents employees who have reached the highest level in non-clerical grades, which is parallel to clerical grades.

Employees by Region

| Region | No. of Employees |
|--------------------|------------------|
| Anuradhapura | 101 |
| Badulla | 68 |
| Central 1 | 93 |
| Central 2 | 53 |
| Central 3 | 6 |
| Colombo 1 | 91 |
| Colombo 2 | 65 |
| Colombo 3 | 73 |
| Colombo 4 | 10 |
| Eastern | 43 |
| Galle | 72 |
| Gampaha | 76 |
| Hambantota | 38 |
| Jaffna | 44 |
| Kalutara | 74 |
| Kurunegala | 104 |
| Matara | 71 |
| Negombo | 96 |
| Ratnapura | 77 |
| HO | 1,271 |
| Grand Total | 2,526 |

SLIC TEAM

Equal opportunity employer

SLIC is an equal opportunity employer and moves beyond the barriers of ethnicity, gender and race to recruit people of different ages, religions, cultures, and other groupings. People of all backgrounds are made to feel respected, valued and included. Every employee is provided with equal opportunities for recruitment, promotions, training and development, compensation and benefits etc. Women are also encouraged on the workforce.

Recruitment and Retention

Strategies are in place to acquire the best talent for the Company and retain this talent. The recruitment process which includes sourcing, selection and recruitment is transparent, and depending on the staff level includes tests for aptitude and language and a variety of other assessments in line with the skills required, followed by an interview by a recruitment panel. SLIC introduces incentives to motivate employees, and gives workers responsibility and accountability for their work while rewarding them for achievements and building on their competencies. This has succeeded in ensuring that the staff give their best to their job and remain with the Company long term.

Training

Local as well as overseas training is carried out in-house at every staff level, and designed to meet employee needs and fill perceived gaps, as well as to build technical knowledge and competencies. These trainings develop and motivate staff as well as bring out their potential and provide them with opportunities for growth.

An important focus is to develop the next level of junior managers vital to sustaining and growing the business. A series of programmes were conducted to train staff on newly implemented systems and soft skills development, which is mostly needed to provide a better service in the competitive market.

SLIC is focused on Talent Management and Succession Planning in order to develop employees to take up the leadership to uplift SLIC to the next level.

Investment in Training and Development

| Type | 2017 (Rs.) | 2016 (Rs.) |
|--------------------------------------|---------------|---------------|
| In-house Training | 314,900.00 | 707,255.00 |
| External Training | 234,162.50 | 40,125.35 |
| Conferences | 1,161,962.22 | 423,742.86 |
| Overseas Training | 5,186,041.97 | 5,094,421.38 |
| Insurance and Professional Education | 673,120.67 | 2,474,365.12 |
| Professional Memberships | 1,189,264.36 | 1,102,642.08 |

Training Programmes

| | 2017 | 2016 |
|----------------------|-------------|-------------|
| Number of Programmes | 106 | 93 |
| Number of Hours | 1,112.00hrs | 1,151.00hrs |

Induction Programmes

| | 2017 | 2016 |
|----------------------|------|------|
| Number of Programmes | 4 | 2 |
| Number of Hours | 50 | 15.5 |

As part of employee development, SLIC reimburses examination costs. This move has encouraged employees to self evaluate their skill levels and obtain additional skills.

Reimbursement of Examination Expenses

| | 2017 (Rs.) | 2016 |
|-------------------------------|---------------|------|
| Total Investment on Employees | 3,812,627.49 | - |

Staff welfare

A range of facilities are extended to staff to ensure that they are well taken care of, not only during working hours but also during their leisure and family times. These include providing bungalows for holidays, company transport facilities, gymnasium, food at concessionary rates at the staff canteen, annual get together expenses, death benefit schemes for family member of the staff, and seminars regarding the grade five scholarship etc.

CORPORATE SOCIAL RESPONSIBILITY

Sri Lanka Insurance has always stood at the forefront when it comes to uplifting the cultural, religious and social sectors of the island. As a socially responsible Company, it has lent a hand and been involved in a large number of Corporate Social Responsibility (CSR) activities since inception in 1962, and the year 2017 was no exception.

Described below are some of the CSR activities SLIC was involved in 2017 to support the diverse communities among which it operates. These activities reflect on its role as a truly public-friendly Company.

Apart from lending a helping hand to local communities, these activities have also contributed to strengthening the brand equity of SLIC, bringing it much prominence, visibility and respect among these communities.

Focus on road safety

The Company continued to focus its attention on road safety during this year as well. It conducted a campaign against drunk driving the end of the year during the Christmas 2017 and New Year 2018 festive season over electronic media, social media and various forms of digital media to highlight the dangers of driving under the influence of alcohol. A competition was also conducted over the SLIC Motor Plus official Facebook page in this connection, and the winners were presented with prizes. These were carried out as measures to raise awareness about the scourge of drunk driving which is especially prevalent during festive seasons.

SLIC's status as the official insurer to the 'Parissamen Gihin Enna' national road safety campaign, initiated by the Sri Lanka Rupavahini Corporation and Sri Lanka Police on December 1st, 2016, continued in to 2017 as well. The island-wide campaign focused on minimising the number of traffic accidents, deaths and injuries caused as a result, which has reached staggering proportions. It's believed that traffic accidents result in 8 deaths

on a daily basis in the country. SLIC was involved in this project through its flagship brand Motor Plus.



Drunk driving campaign

Support for cultural festivals

Throughout its history, SLIC has strived to ensure that the traditional rituals, cultural practices and heritage of different communities are preserved for future generations. In this regard, it takes part as a sponsor in many seasonal festivals. In 2017, its support and participation was extended to a host of traditional cultural festivals.

Primarily among them was the support extended to the Buddha Rashmi Jathika Vesak Mangalya 2017, organised by the Gangarama Temple in Hunupitiya. The event took place in May and SLIC sponsored many of the commemorative activities conducted by the temple in this connection.

Donations were also made towards annual peraheras, such as the Dalada Perahera of the Kandy Temple of the Tooth, Nawam Perahera of the Gangarama and peraheras of Kataragama and Bellanwila temples and the Getabaruwa Devale. The annual Nallur festival held at the Nallur Kovil in Jaffna, was another event supported by SLIC.

In 2017, the Company provided special services for pilgrims visiting Anuradhapura during the annual Poson season. The service of tracking down lost individuals and their belongings in and around the sacred areas of Anuradhapura, has been conducted by the company for over 26 years.



Buddha Rashmi sponsorship



Poson 2017

Relief for victims of natural disasters

SLIC's commitment towards its fellow citizens didn't stop with these sponsorships. It magnanimously rose to the occasion and became a friend in need to many during the floods and landslides that battered the island during May 2017. A relief collection centre was operated at the SLIC lobby and the response from both the staff as well as outsiders who donated large quantities of essential items was overwhelming.

The Company conducted many activities to build religious amity among its staff, such as participation in the Gangarama Nawam Perahera, pooja conducted at the Kataragama Kiri Vehera, Vesak Bhakthi Gee and Christmas Carols, which are regular events in the Company's calendar and the Maha Shivarathri pooja.



Gangarama perahera participation



Maha Shivarathri celebrations



Flood donations

GOVERNANCE AND INTERNAL CONTROLS

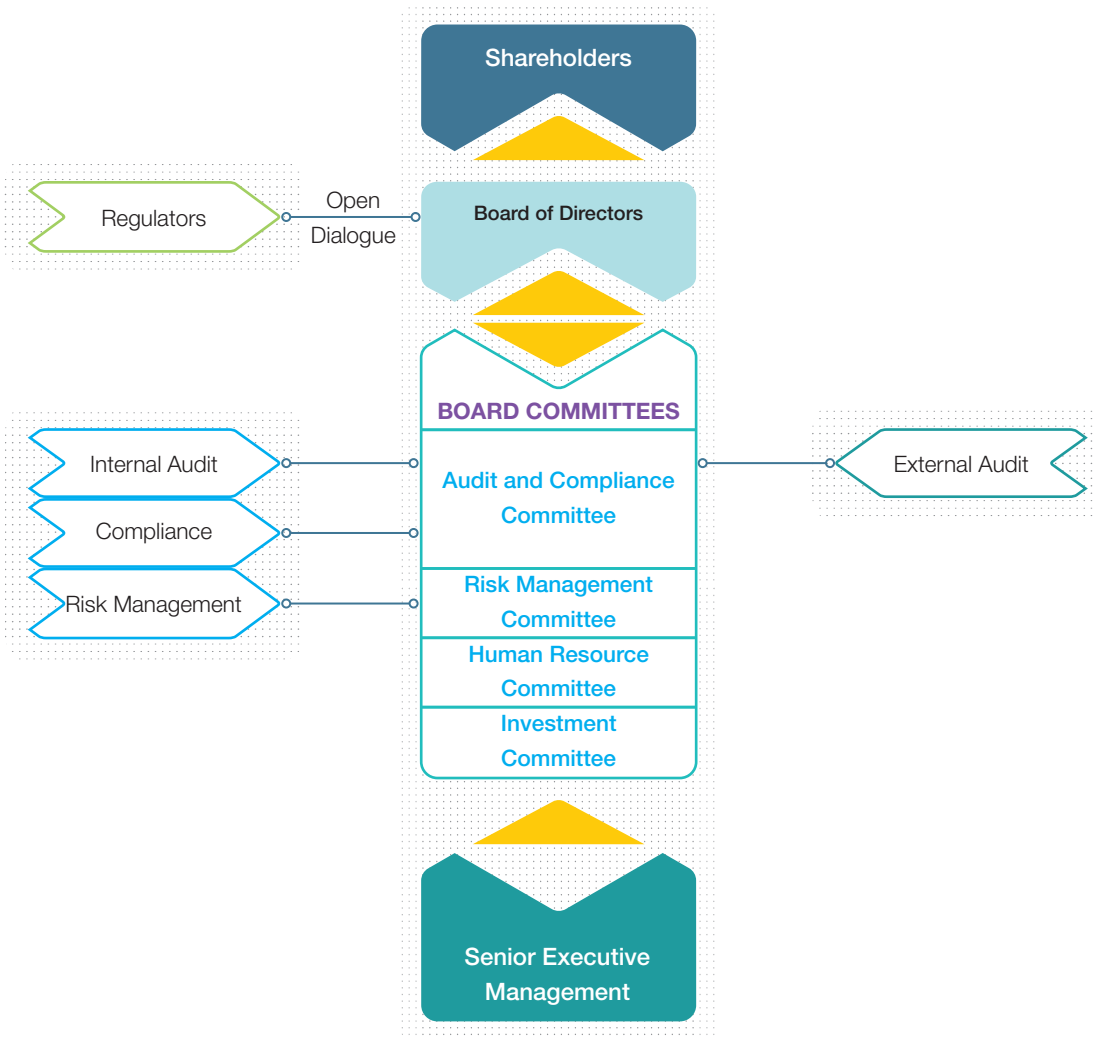
CORPORATE GOVERNANCE

Sri Lanka Insurance Corporation Ltd being a state-owned enterprise (SOE) has been an enduring feature of the economic landscape of Sri Lanka, being a catalyst for public value creation. Strategic positioning for SOEs requires a proper balance between profit maximisation and societal value creation. Therefore, other than profit maximisation, the societal value creation is expected from the SOEs for which having a sound corporate governance framework in place is imperative.

The corporate governance framework of the company provides a pivotal role in achieving the Company’s long-term goals,

stakeholders’ confidence and positive investment flows. In addition, the governance framework assists the maintenance of sound long-term investment policies, solvency and underwriting risks on a prudential basis. The Board of Directors are guided by the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, 2013.

The fundamental relationship among the Board, management, shareholders and the other stakeholders is established by our governance structure as illustrated below:



CORPORATE GOVERNANCE

The Board is responsible for the overall stewardship and provides leadership both directly and indirectly through the board sub-committees, to deliver long-term values to the stakeholders. The establishment of board committees has been instrumental in enhancing the efficiency of the Board and adds value to the board in the fields of audit, compliance investment, human resource, and risk management etc. To assist the Board's oversight, planning and decision making functions the Board has established four committees: the Audit and Compliance Committee, the Risk Management Committee, the Investment Committee and the Human Resources Committee. The Committees are governed by board approved charters, policies and procedures and report to the Board at periodic board meetings.

The said Committees are chaired by Non-Executive Directors and the Audit and Compliance Committee consists of only Non-Executive Directors. The Human Resources Committee (HRC) is chaired by a Non-Executive Director and consists of both Executive and Non-Executive Directors. However, in line with the principles of good governance, Executive Directors who are members of the HRC shall not be involved in deciding the remuneration of Executive Directors, which shall be decided by the Non-Executive Directors with the concurrence of the Ministry of Finance and the line ministry.

The number of Board Meetings and Board Sub-Committees held during 2017 and details of attendance of each Director present at these meetings are given below:

Board Meetings – 2017

13 board meetings were held during 2017.

| Name of the Director | Attended |
|---|----------|
| Mr. Hemaka D.S. Amarasuriya -Chairman | 12 |
| Mr. T.M.R. Bangsa Jayah - Jt. Managing Director (Resigned w.e.f 12/10/2017) | 10 |
| Prof. L.G. Chandrasena -Non – Executive Director (Resigned w.e.f 08/11/2017) | 11 |
| Mr. P. Algama - Non – Executive Director | 9 |
| Mr. Asela S. Padmaperuma – Non Executive Director (Resigned w.e.f 21/06/2017) | 3 |
| Mr. Pradeep A. Liyanamana - Non – Executive Director | 11 |
| Mr. Aruna Siriwardhana – Jt. Managing Director (Resigned w.e.f 10/10/2017) | 8 |
| Mr. Nilu D. Wijedasa - Executive Director (Appointed w.e.f 11/10/2017) | 4 |
| Mr. M. Saadi A. Wadood – Non Executive Director (Appointed w.e.f 11/10/2017) | 4 |

* Mr. Nilu D. Wijedasa acted as the Executive Director in 2017.

Audit and Compliance Committee Meetings (ACCM) – 2017

There were 4 ACCMs during the year 2017 and the Treasury Representative on Board, Mr. P Algama acted as the Chairman of the Committee.

| Name of the Director | Attended |
|---|----------|
| Mr. P. Algama -Non-Executive Director/ Chairman of the Committee | 04 |
| Prof. L.G. Chandrasena -Non-Executive Director (Resigned w.e.f 08/11/2017) | 03 |
| Mr. M. Saadi A. Wadood -Non-Executive Director (Appointed w.e.f 11/10/2017) | 01 |

Investment Committee Meetings - 2017

There were 24 Investment Committee meetings during 2017 and was chaired by the Non-Executive Director, Mr. Pradeep A Liyanamana.

| Name of the Director | Attended |
|--|----------|
| Mr. Pradeep Liyanamana – Non Executive Director, Chairman of the Committee | 21 |
| Mr. Hemaka D.S. Amarasuriya – Chairman of the Company | 20 |
| Mr. T.M.R. Bangsa Jayah- Jt. Managing Director (Resigned w.e.f 12/10/2017) | 17 |
| Mr. Aruna Siriwardhana - Jt. Managing Director (Resigned w.e.f. 10/10/2017) | 6 |
| Mr. M. Saadi A. Wadood- Non Executive Director (Appointed w.e.f. 11/10/2017) | 2 |

Risk Management Committee Meetings - 2017

There were 02 Risk Management Committee meetings during 2017. The Committee has a broad membership that represents different spectrums of risk managers from finance, investments, actuarial, reinsurance, compliance, internal audit, human resources management and ICT departments.

| Name of the Director | Attended |
|--|----------|
| Prof. L.G. Chandrasena - Non –Executive Director (Resigned w.e.f 08/11/2017) – Chairman of the Committee | 1 |
| Mr. Hemaka D.S. Amarasuriya – Chairman of the Company | 2 |
| Mr. P. Algama - Non – Executive Director | 1 |
| Mr. T.M.R. Bangsa Jayah - Jt.MD (Resigned w.e.f 12/10/2017) | 1 |
| Mr. Nilu D. Wijedasa - Executive Director (Appointed w.e.f 11/10/2017) | 1 |

Human Resources Committee Meetings-2017

There were 09 Human Resources Committee meetings during 2017.

| Name of the Director | Attended |
|--|----------|
| Prof. L.G. Chandrasena- Non-Executive Director, Chairman of the Committee (Resigned w.e.f 08/11/2017) | 7 |
| Mr. Hemaka D.S. Amarasuriya – Chairman of the Company | 9 |
| Mr.T.M.R. Bangsa Jayah - Jt. Managing Director (Resigned w.e.f 12/10/2017) | 8 |
| Mr. Aruna Siriwardhana - Jt. Managing Director (Resigned w.e.f 10/10/2017) | 5 |
| Mr. Asela S. Padmaperuma - Non - Executive Director (Resigned w.e.f 21/06/2017) | 1 |
| Mr. Nilu D. Wijedasa - Executive Director (Appointed w.e.f 11/10/2017) | 1 |
| Mr. Saadi A. Wadood - Non - Executive Director, Chairman of the Committee (Appointed w.e.f 11/10/2017) | 1 |

Other Operational Committees

In addition to the above mentioned Board Sub-Committees, other operational committees include the Audit Follow-up Committee, the Branch Management Outlook Committee, the Management Committee, the Legal Committee and the Sales & Marketing Review Committee, all of which play an essential role in the governance structure.

BOARD OF DIRECTORS



Mr. Hemaka D.S.Amarasuriya
Chairman

Mr. Keerthi B. Kotagama
Executive Director

Mr. Priyanga Algama
Non-Executive Director



Mr. Pradeep A. Liyanamana
Non-Executive Director

Mr. Nilu D. Wijedasa
Non-Executive Director

Mr. M. Saadi A. Wadood
Non-Executive Director

BOARD OF DIRECTORS

Mr. Hemaka D.S. Amarasuriya

Executive Chairman

A respected professional, Mr. Amarasuriya is a proud product of Royal College, Colombo and started his career as a dynamic administrator. He was the Chairman and former Managing Director of the Singer Group of Companies in Sri Lanka and the former Chairman of the National Development Bank PLC. Mr. Amarasuriya holds Directorships in listed and non-listed companies. He is a former Vice President of Retail Holdings Ltd, (USA) and of Singer Asia Ltd. and is also a former Chairman of the Singer Business Council worldwide.

He is the founder President of the Industrial Association of Sri Lanka. Currently he serves as the Chairman of the Regional Industrial Service Committee (RISC), Southern Province of the Ministry of Industrial Development & Commerce. In addition he was the former Chairman of the Employers' Federation of Ceylon and has served on the Presidential Task Force on Science & Technology, on the Securities & Exchange Commission & the Advisory Committee on Company Law, at different times.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants (UK) a Global Chartered Management Accountant and a Fellow of the Chartered Institute of Marketing (UK) He holds a Diploma in Marketing Management & Strategy from New York University (USA). His role in the marketing field has been recognised by his appointment as the founder President of the Chartered Institute of Marketing (Sri Lanka Region) and by the "Asia Retail Congress" with the Retail Leadership, Award for his contribution to retailing in Asia and by the Chartered Institute of Marketing (UK) as a Visionary Business leader for his contributions to the marketing profession in initiating revolutionary changes in consumer markets.

He was awarded the Lifetime Award for Excellence in 2011 by the Institute of Chartered Accountants of Sri Lanka in recognition of his service to the profession and public in an illustrious career spanning decades in both the private and public sectors in the country. In addition, he was awarded the Business Icon of the Year Award 2013, by the Chartered Institute of Management Accountants.

He is also a keen sporting personality.

Mr. Keerthi B. Kotagama

Executive Director

Mr. Keerthi B. Kotagama is a professional Executive in the Agriculture & Business Management fields. He obtained his BSc in Agriculture (Hons) from the University of Peradeniya, Sri Lanka and Master of Business Administration (Finance & Management of Technology) from the Asian Institute of Technology, Thailand.

Mr. Kotagama was the Founder Managing Director/CEO of CIC Agri Businesses, the only "Seed to Shelf" Agriculture company in Sri Lanka and Director CIC Holdings PLC (2014 – 2017). He currently serves as the Executive Director of Sri Lanka Insurance Corporation, Chairman of Janatha Estates Development Board, Chairman of Galoya Plantations (Pvt) Limited, Director of The Lanka Hospitals Corporation PLC, Director of the National Film Corporation, Member of the Board of Directors of the Ceylon Tea Museum, Board Member of Business Management Education Board of NIBM, Chairman of Feasibility study on expansion Cocoa cultivation in Sri Lanka, , Director of Kottukachchi Dairies (Pvt) Ltd (Subsidiary of National Livestock Development Board), Member of the Committee on Matters related to the Plantation Sector, Ministry of Public Enterprise Development, Advisor/Consultant (Science & Technology) to the Minister of Science, Technology & Research, Advisor to the Minister of Public Administration and Management, Advisor/Consultant (Agriculture & Plantations) to the Minister of Public Enterprise Development, Board Member of CSR Sri Lanka, Board Member of Colombo School of Business & Management, Member of the Working Committee (Biotechnology & Bioethics) and Member of the Steering Committee (Food Security) of the National Science Foundation Sri Lanka. He also served as the Chairman of Lanka Sugar Company (Pvt) Ltd, Member of the Board of Directors of the Coconut Cultivation Board and Member of the National Pay Commission.

Mr. Kotagama has been awarded and recognised for his professional services and contribution by several Local and International Organisations. This includes the Responsible Business Leader Award 2012, presented by the Enterprise Asia, Malaysia and the Outstanding Entrepreneurship Award 2012, presented by the Enterprise Asia, Sri Lanka.

Mr. Priyanga Algama*Non-Executive Director*

Mr. Algama currently serves as the Director General of the Department of Public Finance, General Treasury, Ministry of Finance. He holds a Master of Business Administration from the Nanyang Technology (Sing.) University – MIT (USA) and a Bachelor of Commerce (Special) Degree from the University of Kelaniya. He is an Associate Member of CPA Australia (Certified Public Accountant). He possesses wide experience in systems and procedures of Public Financial Management which includes financial regulation, government procurement policy framework, Government assets management, project proposals of government agencies and corporate plans etc.

Mr. Pradeep A. Liyanamana*Non-Executive Director*

Mr. Liyanamana is a development economist with over two decades of professional work experience in Sri Lanka and abroad. He has worked on several industry sectors on enhancing competitiveness, increasing investments, productivity, and employment. Mr. Liyanamana has developed public-private partnerships in policy reform, outreach and implementation. In addition, he has worked with stakeholders including trade unions, private and public sectors, in consensus building in the policy reform process. Mr. Liyanamana has managed several public-private partnership initiatives leading to joint investments.

Mr. Liyanamana holds a Master's Degree in Agricultural Economics from Texas A & M University, Kingsville and a Bachelor's Degree in Marketing and Management Information Systems from Incarnate Word University, San Antonio, Texas.

Mr. Nilu D. Wijedasa*Non-Executive Director*

Mr. Wijedasa is a leading profile in the corporate sector and is presently the Chairman/ Managing Director of Elkaduwa Plantations Ltd. He also holds the Chairmanship at Ceylon Asset Management Co. Ltd and Texone Technologies (Pvt) Ltd. He holds a Master of Business Administration from Cardiff Metropolitan University, UK.

Mr. M. Saadi A. Wadood*Non-Executive Director*

M. Saadi A. Wadood is an Attorney at Law in active practice as a civil and commercial lawyer. He also functions as a Consultant and Director of numerous private and public companies including SMB Leasing PLC, Colombo Dockyard PLC and the Lanka Hospitals Corporation PLC. He also possesses a Master degree (LLM) in Commercial Law from King's College, University of London.

SENIOR MANAGEMENT TEAM

| Name | Designation | Qualifications |
|---|--|---|
| Mr. Chandana L. Aluthgama (Appointed w.e.f 03/05/2018) | Chief Executive Officer | B.Com (Sp), MBA, FCMI (UK) |
| Mr. Suresh Paranavitana | Chief Officer-Life Insurance | FCII, MBA, DipM, FCIM, M.I. Mgt, CMA (Aus) |
| Ms. Ruanthi Gooneratne | Chief Officer-General Insurance | FCII (UK), Chartered Insurer |
| Ms. Malanie Tennakoon | Chief Financial Officer | MBA, FCA (SL), CPA (Aus.), CIMA (UK) |
| Mr. Aloka Jayawardena (Appointed w.e.f 15/03/2018) | Chief Information Officer | DCSD, HDCBS (NIBM), Bsc (MIS), PGDBFA(ICASL), MBA, PMP, SAP, CISM |
| Ms. Thanuja Hingulage | DGM - General Insurance | BSc. (Hons), FCII (UK), Chartered Insurer, ANZIIF (Fellow) |
| Mr. Nalin Subasinghe | DGM - Actuarial & Risk Management / Acting Head of Investments | MSc in Actuarial Management. (UK), BSc (Hons. Mathematics Special), Dip. in Computer Studies |
| Ms. Ruwani Dharmawardana | DGM - Compliance / Company Secretary | LLB (Hons), Attorney-at-law, MBA, ACISI (UK) , PGDBM, DHRM (UK) |
| Mr. Dayaratne Perera | DGM - Life (Technical) | BSc (Hons), FCII, Dip. in BA, Chartered Insurer, MBA (USJ), AUKP (UK), ANZIIF (Fellow) CIP |
| Dr. (Mrs.)Sherica Fernando | DGM - Medical | MBBS (SL), MSc -Community Medicine (SL), ACII (UK), MRCGP (INT)(UK),Ad. Dip in Insurance-CII, Dip in Life & Disability claims |
| Mr. Lalith De Silva | DGM - Motor | PG. in Finance & Bus. Administration, MBA |
| Mr. Rohitha Amarapala (Appointed w.e.f 16/01/2018) | DGM - Human Resources, Employee Relations and Administration | FIPM (SL), FCIM (UK), MBA (Uni. of Western Sydney Aus.) |
| Ms. Namalee Silva | DGM - Marketing | MCIM (UK), Chartered Marketer, Prof. Dip. in Marketing- CIM, ACIB (UK) |
| Mr. Chaminda Gunasinghe | DGM - Finance Operations | B.B.Mgt. (Accountancy) Sp. (Hons), FCA, ACMA, MBA- Finance |
| Mr. Malaka Bandara | DGM - Finance Planning & Reporting / Acting Head of Internal Audit | BSc. - Accountancy (Sp.), FCA, MBA (Colombo) |

| Name | Designation | Qualifications |
|--|--|---|
| Mr. Hasantha Perera | AGM - ICT Governance & Admin. / Acting Head of Premises and Facilities | MSc (IT), MSc (Const. PM), MBA, BSc (Eng.), AIPMSL, AIESL, Dip. in Credit Mgmt. (IBSL) |
| Mr. Chaminda Athauda | AGM - Life (Technical) | BSc.(Hons), FCII, AllI, ANZIIF (Fellow), MBA (Colombo), Chartered Insurer |
| Ms. Champa Kannangara | AGM - ICT Systems Development | BSc, Msc (Comp.Sc.), MBCS |
| Mr. Roshan Collas | AGM - Bancassurance & Special Projects | MBA, CMA (Aus), Dip. In Marketing(SLIM), MSLIM, FCPM, MIM (SL) |
| Mr. Mahendra Silva | AGM - Administration, Employee Relations & Branch Administration | Attorney-at-Law, LLB (SL), MBA in HRM (OUSL), PG . Dip in HRM, NDES, MIIE (SL), I ENG, AMIPM (SL) |
| Mr. Sudath Nishantha | AGM - National Sales | B.Sc. (B/Admin.)(Sp.), MIM (SL), Pg. Dip. in Labour Relations & HRM |
| Mr. Sarath Fernando | AGM - Motor (Technical - Claims) | B.Sc. Eng.(Mechanical)Sp., AMIE (SL) |
| Mr. Deshapriya Ginigalgoda (Appointed w.e.f 02/03/2018) | AGM - Procurement & Property Management | FCA, B.Com (Sp.) |
| Mr. Jagath Welgama (Appointed w.e.f 09/04/2018) | AGM - Sales Support | Graduate Dip. in Mgt. , PG Dip. (USJ), Ad. Dip in Mkt. Mgt. (USJ), Dip. in Mass Com. (USJ), Dip. in NIT, Licentiate – III, Ordinary Member - SLIM |
| Mr. Jeevantha Welihinda (Appointed w.e.f 01/05/2018) | AGM - Engineering Services | B.Sc (Eng.) |
| Mr. Sathika Wickremesinghe (Appointed w.e.f 17/05/2018) | AGM - Risk Management | B.Sc (Hons.) – MMU (UK), MBA (Cardiff) |
| Mr. Jerome Vincent (Retired w.e.f 6/4/2018) | AGM - Sales Support | B.com (Special - Hons), MBA, Dip. in Journalism, Dip. in Marketing (UK) MCIM, AllI |
| Mr. Ajith Wijayasundara | DGM - ICT | BSc (Eng.), MBA |
| Mr. Dhanuka Liyanagamage | DGM - Investments | BSc (Eng) (Hons), MBA (Finance), CFA, Member of the CFA Institute (USA) and CFA Sri Lanka Society |

SENIOR MANAGEMENT TEAM

Senior Managers

| Name | Department | Designation |
|----------------------------|-------------------|--|
| Mr. W.D.C. Vithanage | National Sales | Senior Manager - Head Office General Sales |
| Mr. S.P.A. Rodrigo | Security | Senior Manager - Security |
| Mr. K.G.D.G. Kandegama | ICT | Senior Manager - IT Data Center |
| Ms. W.S. Kulasinghe | Finance | Senior Manager - Finance |
| Mr. K.S. Pushpakumara | National Sales | Senior Manager - Special Projects (Life) |
| Mr. D.P.J.S. Maithirratne | General Insurance | Senior Manager - General Accident |
| Ms. D.N.C.A. Gunawardhana | Marine Insurance | Senior Manager - Marine |
| Mr. N.G.K. Bandara | Motor Department | Senior Regional Engineer |
| Mr. R.M.A.K. Rajapaksha | Motor Department | Senior Regional Engineer |
| Mr. M.D. Chandiram | CBD | Senior Manager |
| Mr. A.G.M.M. Gamage | Marketing | Senior Category Manager - General |
| Mr. R.N. Senadheera | Motor Department | Senior Motor Engineer |
| Ms. M.D. Attanayake | Life | Senior Manager - Legal (Life) |
| Mr. P.A.M.P.W. Gunathilake | ICT | Senior Manager - Network & Communication |
| Mr. M.J.S. Dabarera | National Sales | Senior Manager - Bancassurance (Life) |
| Ms. G.K.M.S. Nanayakkara | Life | Senior Manager - Life |
| Mr. G.W.R.C. De Silva | Life | Senior Manager - Life |
| Ms. S. Pathirana | Legal | Acting Head of Legal Department / Senior Manager - Legal (Title Insurance) |
| Ms. N.D.K.M. Jayatilaka | Legal | Senior Manager - Legal (Litigation) |
| Ms. W.D.T. Dep | General Insurance | Senior Manager - SHE & PA |
| Mr. J.S. Jayawardana | HR | Senior Manager - HR |

Regional Sales Managers

| Name | Department | Designation |
|-----------------------------|------------------|----------------------------------|
| Mr. W.R.M.H.B. Weerasooriya | North Central II | Regional Sales Manager |
| Mr. M.K.S. Fernando | Negombo | Regional Sales Manager |
| Mr. M.D.P. Nawagamuwa | Colombo Region 2 | Regional Sales Manager |
| Mr. T.D.P. Peiris | Kalurata | Regional Sales Manager |
| Mr. U.G.U.R. Kumara | Colombo Region 1 | Regional Sales Manager |
| Mr. M.P.N. Kumara | Gampaha | Regional Sales Manager |
| Mr. D.N.K. Narangammana | Technical Sales | Regional Sales Manager |
| Mr. W.M.A.U.K. Kulasena | Ratnapura | Regional Sales Manager |
| Mr. R. Hewapathiranage | Colombo Region 4 | Regional Sales Manager |
| Mr. N.K.S.S. Kumara | Matara | Regional Sales Manager |
| Mr. P. Sathian | Nothern | Regional Sales Manager |
| Mr. H.J.S. Mendis | Galle | Regional Sales Manager |
| Mr. L.H.A.S. Sirimanna | Hambantota | Regional Sales Manager |
| Mr. M.B.K.T. Jayasinghe | Eastern | Regional Sales Manager |
| Mr. T.S.K. Peiris | Colombo Region 3 | Regional Sales Manager |
| Mr. A.M.H. Adikari | Central I | Regional Sales Manager |
| Mr. H.M.G. Sarathchandra | Central II | Regional Sales Manager |
| Mr. B.A.S.D. Bandara | Badulla | Assistant Regional Sales Manager |
| Mr. T.M.A.I. Thilakarathna | North Central II | Assistant Regional Sales Manager |

SENIOR MANAGEMENT TEAM

General Insurance Team



Left to Right : Mr. R.N. Senadheera, Mr. Sarath Fernando, Mr. Lalith De Silva, Ms. Thanuja Hingulage, Ms. Ruanthi Gooneratne, Mr. R.M.A.K. Rajapaksha, Ms. W.D.T Dep, Mr. N.G.K. Bandara, Mr. D.P.J.S. Maithiratne, Ms. D.N.C.A. Gunawardhana

Life Insurance Team



Left to Right : Mr. Dayaratne Perera, Ms. G.K.M.S. Nanayakkara, Mr. Chaminda Athauda, Mr. Suresh Paranavitana, Ms. M.D. Attanayake, Mr. G.W.R.C De Silva

Ancillary Services Team - Compliance/Company Secretarial, Medical, Actuarial and Risk Management



Left to Right : Mr. Sathika Wickremesinghe, Ms. Ruwani Dharmawardana, Dr.(Mrs.) Sherica Fernando, Mr. Nalin Subasinghe

ICT Services Team



Left to Right : Mr. P.A.M.P.W. Gunathilake, Ms. Champa Kannangara, Mr. Hasantha Perera, Mr. Aloka Jayawardena, Mr. K.G.D.G. Kandegama

SENIOR MANAGEMENT TEAM

Administration, HR, Premises and Legal Team



Left to Right : Mr. Jeevantha Welihinda, Mr. S.P.A. Rodrigo, Ms. N.D.K.M. Jayatilaka, Mr. Mahendra Silva, Mr. J.S. Jayawardana, Ms. S. Pathirana, Mr. Rohitha Amarapala

Finance Team



Left to Right : Mr. Deshapriya Ginigalgoda, Ms. W.S. Kulasinghe, Mr. Malaka Bandara, Mr. Chaminda Gunasinghe, Ms. Malanie Tennakoon

Sales & Marketing Team 1



Left to Right : Mr. T.D.P. Peiris, Mr. K.S. Pushpakumara, Mr. Sudath Nishantha, Mr. M.K.S. Fernando, Mr. M.D.Chandiram, Mr. Jagath Welgama, Mr. R. Hewapathirana

Sales & Marketing Team 2



Left to Right : Mr. W.M.A.U.K. Kulasena, Mr. M J.S. Dabarera, Mr. Roshan Collas, Mr. D.N.K. Narangammana, Mr. A.G.M.M. Gamage, Ms. Namalee Silva, Mr. Jerome Vincent

SENIOR MANAGEMENT TEAM

Sales & Marketing Team 3



Left to Right : Mr. T.M.A.I. Thilakarathna, Mr. B.A.S.D. Bandara, Mr. A.M.H. Adikari, Mr. U.G.U.R. Kumara, Mr. N.K.S.S. Kumara, Mr. H.J.S. Mendis, Mr. W.R.M.H.B. Weerasooriya

Sales & Marketing Team 4



Left to Right : Mr. M.B.K.T Jayasinghe, Mr. H.M.G. Sarathchandra, Mr. T.S.K. Peiris, Mr. M.D.P. Nawagamuwa, Mr. P. Sathian, Mr. M.P.N. Kumara, Mr. L.H.A.S. Sirimanna

RISK MANAGEMENT

Enterprise risk management

Managing risks effectively is paramount for insurers which will deliver significant strategic advantages. At SLIC, all departments including underwriting, finance, actuarial, investment and compliance etc., are critical in the implementation of ERM. First, mostly within their departments by embedding ERM into their daily operations, and then by connecting across the organisation risk management infrastructure to become part of the overall calculus of decision-making. In order to uphold the trust and confidence of the general public reposed in SLIC to honour claims, risk management areas such as underwriting process, determination of the terms and conditions for risk acceptance, claims settlement and expense control and reinsurance/other forms of risk transfers are paid special attention. The risk management function of SLIC clearly addresses the relationship of pricing, product development and investment management.

As part of the ERM function, SLIC also takes into consideration the prevailing environment, including the economic, medical, demographic, social and political trends. Regulation, geography, macroeconomics and digital transformations are the key challenging factors for the insurance industry. Most of the recent movement toward ERM in insurance has been driven by regulation, specially risk based capital requirements.

The purpose of the Risk Management Committee of the Board of Directors (the "Board") of SLIC shall be to assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational, and external environment risks. There were 02 Risk Management Committee meetings during 2017. The Committee has a broad membership that represents different spectrums of risk managers from finance, investments, actuarial, reinsurance, compliance, internal audit, human resources management and ICT departments. During 2018, the risk management function will be more streamlined with the appointment of a Risk Manager, who will coordinate people, processes and strategy to create one risk-focusses entity that drives real value.

ICT Risk Management

As in previous years in 2017 the Company concentrated on improving the ICT risk management measures which have been deployed to mitigate the risks associated with the use of ICT

Systems and Data Assets by the business. The ICT services regularly undertake risk identification, analysis, evaluation and treatment studies in the main focus areas of system availability of servers and network infrastructure. The main focus has been to minimise the risk of system failure with the deployment of disaster recovery measures and conducting of disaster recovery drills periodically to ascertain preparedness and efficacy of measures deployed. The risk to ICT systems, Data Assets and network security has also been a focus area due to the persistent cyber security threats emerging in the external cyber environment and vulnerability assessments are also carried out to identify the cyber threat landscape to the Company.

Life insurance risk

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

- ★ "Mortality risk" - The risk that actual policyholder death experience on life insurance policies is higher than expected.
- ★ "Longevity risk" -The risk that annuitants live longer than expected.
- ★ "Morbidity risk" - The risk that actual policyholder health/accidental related claims are higher than expected.
- ★ "Policyholder behaviour risk" -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" -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 SLIC uses matching instruments to back certain liabilities (ALM), if available.

RISK MANAGEMENT

From 01.01.2016 onwards, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka, IRCSL, SLIC fully implemented the Risk Based Capital (RBC) solvency framework as such adopted the “Gross Premium Valuation” basis (GPV) which is required under RBC regime for liability valuation purpose and continue the same approach to the valuation of liabilities as at 31.12.2017 where liability is calculated in market consistent manner. This means that GPV will have to be based on the explicit estimates for mortality, morbidity, expenses, lapses, etc. and risk free interest rate structure will have to be used for discounting purpose as opposed to flat interest rate structure used under NPV basis. The liability will also have to be carried on an explicit margin for future expected level of bonus, which is called a Total Benefit Liability (TBL), hence the future bonus is protected under best estimate assumptions. SLIC is geared up to set best estimate assumptions for liability valuation based on the internal experience studies conducted periodically. This has enabled SLIC to manage policyholder liabilities in a consistent manner over the years.

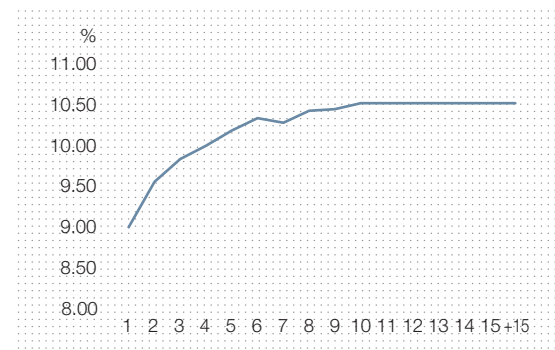
In addition, best estimated parameters considered for TBL calculation are further stressed called application of Risk Margin (RM) as per the guidelines given by IRCSL and TBL is computed with a margin for adverse deviation from its best estimates. The use of RM increases the statistical confidence of policy liabilities and hence enhance the protection provided to policyholder benefits and should increase the policy liabilities.

The RM used by SLIC is consistent with the factors defined in the RBC framework and represent a 75% confidence interval with respect to the underlying probability distribution of the possible outcomes.

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

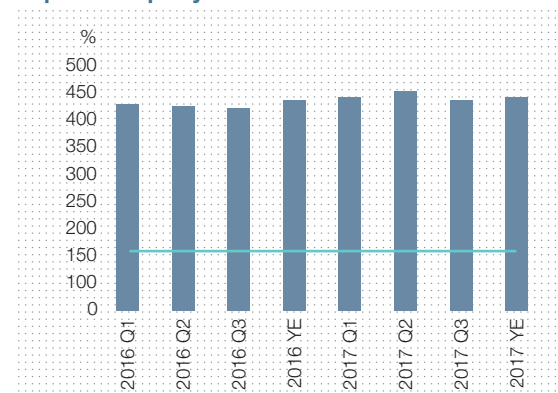
| Assumption | Description |
|-------------------|--|
| Mortality | - Factored A67/70 for non-annuity business to allow best estimate experience rate - Weighted average of a(90) m and (90) f with one year age setback to allow approximated 1% mortality improvement of annuitants |
| Investment return | Risk Free Rate structure proposed by IRCSL as at 31.12.2017 |

Risk Free Rate



SLIC maintained steady and strong solvency ratio over the year 2017 for its Life Insurance business and as at 31.12.2017, the Risk-based Capital Adequacy Ratio, CAR, stands at 432% and it was 427% as at 31.12.2016. This is well above the regulatory minimum requirement which is 120%.

Capital Adequacy Ratio



Sensitivities Analysis for Life Insurance Risk

| Assumption | Change in assumption | Impact on liability (Rs.) |
|---------------|-------------------------------|---------------------------|
| Mortality | +10% | 408mn |
| | -10% | (409)mn |
| Discount Rate | Up shock scenario under RBC | (9,484)mn |
| | Down shock scenario under RBC | 13,449mn |

Segregation of Policy liability based on product category

| 31st December 2017 | Insurance Liabilities Rs. 000 (with profits) | Insurance Liabilities (without profits) | Total Benefit Liabilities |
|---------------------|--|---|---------------------------|
| Whole Life | 19,104 | 4,382 | 23,486 |
| Endowment Assurance | 43,641,458 | 2,472,452 | 46,113,910 |
| Term Assurance | 0 | 1,395,944 | 1,395,944 |
| Annuity | 7,355,651 | 1,646,657 | 9,002,309 |
| Rider Benefits | 2,446 | 1,794,651 | 1,797,097 |
| Total | 51,018,660 | 7,314,086 | 58,332,745 |

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

| | Participating Rs. 000 | Non-Participating Rs. 000 | Total Rs. 000 |
|------------|-----------------------|---------------------------|---------------|
| 2017 | 91,150,333 | 7,430,104 | 98,580,437 |
| Percentage | 92.46% | 7.54% | |

General Insurance Risk

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

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

Prudence in setting up reserves

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

Claims Development Information

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

RISK MANAGEMENT

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|-----------------|-----------------|-----------------|---------------|-----------------|------------------------|
| Gross reserves for losses and loss adjustment expenses | 8,720,582,620 | 7,817,800,636 | 7,709,470,517 | 7,893,502,368 | 8,663,902,790 | 8,548,958,403 |
| Reinsurance recoverable | (1,509,187,974) | (1,160,448,524) | (1,004,432,194) | (976,138,208) | (1,434,140,460) | (1,451,271,027) |
| Net reserves for losses and loss adjustment expenses | 7,211,394,645 | 6,657,352,112 | 6,705,038,323 | 6,917,364,159 | 7,229,762,330 | 7,097,687,376 |

Cumulative paid as of December 31:

| | | | | | | |
|-------------------|---------------|---------------|---------------|---------------|---------------|----------------------|
| One year later | 4,545,085,355 | 4,481,213,520 | 4,572,092,748 | 4,981,268,620 | 6,637,139,648 | 6,848,915,567 |
| Two years later | 5,908,837,239 | 5,873,385,629 | 5,907,059,777 | 6,989,105,660 | 8,392,493,985 | |
| Three years later | 6,016,063,272 | 5,960,967,990 | 6,055,116,734 | 7,099,020,473 | | |
| Four years later | 6,042,845,103 | 6,010,003,985 | 6,097,506,102 | | | |
| Five years later | 6,072,977,441 | 6,023,303,849 | | | | |
| Six years later | 6,082,375,641 | | | | | |

Cumulative Reported as of December 31:

| | | | | | | |
|-------------------|---------------|---------------|---------------|---------------|---------------|----------------------|
| One year later | 5,765,263,148 | 5,564,838,084 | 5,631,797,127 | 6,325,675,770 | 7,912,768,429 | 8,296,548,556 |
| Two years later | 6,199,143,542 | 6,107,020,752 | 6,204,339,034 | 7,290,856,677 | 8,530,542,664 | |
| Three years later | 6,287,566,401 | 6,209,495,887 | 6,352,290,520 | 7,376,031,174 | | |
| Four years later | 6,285,315,681 | 6,218,063,033 | 6,362,252,191 | | | |
| Five years later | 6,309,598,907 | 6,207,287,271 | | | | |
| Six years later | 6,265,676,854 | | | | | |

Sensitivities Analysis for General Insurance Risk

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

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

| | Change in Assumptions | Reported Gross Claim Outstanding Rs. | Reported Net Claim Outstanding Rs. | Impact on Gross Liabilities Rs. | Impact on Net Liabilities Rs. | Impact on Profit Before Tax Rs. | Impact on Equity (After Tax) Rs. |
|--------------------|-----------------------|--------------------------------------|------------------------------------|---------------------------------|-------------------------------|---------------------------------|----------------------------------|
| 31st December 2017 | +1% | 6,239,031,803 | 4,918,534,448 | 33,712,569 | 56,762,440 | (56,762,440) | (40,868,957) |

Compliance Risk Management

New and upcoming laws, rules and regulations require more active engagement of compliance risk for insurance companies coupled with a robust and sophisticated compliance function. This requires establishing a structured compliance risk taxonomy that is integrated with operational risks. SLIC being a Government owned entity is subject to panoply of regulators acting as the fourth line of defence. As a business vested in the public interest, insurance has become a matter of concern to the public as a whole, which has warranted government intervention by way of a wide range of laws, rules and regulations, despite the fact that the initial insurance contract is a private agreement between the insured and the insurer. Further, against an increased level of regulatory scrutiny and ethical expectations compliance has moved up the corporate boardroom agenda as well. The insurance industry in Sri Lanka is governed by laws and regulations aimed at serving the public interests to achieve fundamental insurance regulatory objectives, namely, to promote competitive markets by facilitating fair and equitable treatment of policyholders. This ensures solvency and financial sustainability and improves state regulations.

'Compliance Risk' is defined as the risk or damage to SLIC's integrity as a result of failure to comply with relevant laws, regulations, internal policies, procedures and principles as otherwise the failure to effectively manage compliance risk could expose SLIC to fines, civil and criminal penalties etc. The compliance risk assessment has been mainly focused on regulatory related matters though during the year under review initiatives were taken to expand the scope to assess the risk pertaining to non-compliance with the best practices as well,

which includes ensuring that auditing of key compliance areas occur. The business principles of SLIC require all staff at every level to conduct themselves, not only in compliance with the laws and regulations but also acting with integrity being accountable. SLIC understands that good compliance risk management involves delivering the expectation of customers and the other stakeholders.

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

SLIC is equipped with a comprehensive compliance framework or 'Compliance programme' designed for the use of staff and management, and is available in the 'compliance web page' of the Company intranet which is accessible to internal staff on their individual computers. The main objectives of the 'compliance web page' are identification, documentation and communication (basically through the Company intranet and Lotus Notes) of up-to-date information about the relevant statutory and regulatory compliance obligations to staff and management. During the year under review, the company complied with all statutory requirements, rules and regulations subject to the disclosures in the External Auditor's Report, Notes to the Financial Statements and the Corporate Governance Report.

RISK MANAGEMENT

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

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

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

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

the compliance framework to minimise any deviation from professional standards (codes of ethics applicable to different professions), to institute practices that will ensure the highest possible level of compliance. During the year under review, Board Sub-Committees were further strengthened by clearly articulating the ethical obligations expected from the members and also by initiating to provide adequate human resources. Therefore, the compliance function has taken reasonable measures to comply with applicable laws, rules and regulations, as well as strengthening the compliance with the best practices.

Risk Management of Fraud & Misconduct

Maintaining a high reputation for integrity is crucial to safeguarding market confidence and public trust. Although unrecorded as an asset on our balance sheet, it is perhaps the key to generating a continuous flow of business both in terms of renewing current insurance policies and attracting new customers. Unfortunately, fraud and misconduct can seriously undermine such flows, exposing us as an organisation to a variety of operational risks such as legal, regulatory, or reputational damage. At SLIC, experienced business personnel with the day to day customer facing tasks together with their counterparts in the middle-office and operational areas as well as both Internal and External Audit staff work to ensure that these risks are mitigated via tried and tested policies and processes.

SLIC has a strong team with the relevant qualifications and experiences. As per the Annual Audit Plan it covers all high risk areas such as claim payments, premium collection, credit control, commission payments. The focus is aimed at helping to prevent, detect, and respond to fraud and misconduct risks. The plan is implemented by working to design, implement, and evaluate ethics and compliance programs and related antifraud programs and controls. Much of the work has distinct outcomes and is geared towards balancing ease of doing business, operational risks and controls to achieve performance with integrity. In audit, it should be noted that the level of scrutiny is high and the margin for error is low.

Apart from the deterrence policies of Audit, Compliance Dept. also undertakes the implementation of anti-fraud laws and regulations. Both Departments are also engaged in conducting awareness programs on a regular basis and report independently to the Board Audit and Risk Management Committees.

In addition, both the Underwriting and the Claims Processes of Life and Non-Life businesses are subject to the work of the Investigations Dept. The Department is staffed with experienced professionals to ensure that underwriting and claims experience reflect expected outcomes and loss norms and ensure comprehensive review of any abnormal behavior of risks and payments.

HR Risk

An organisation's success is largely dependent on the quality and the performance of its people, making HR a risk-prone function of any organisation. With the increase in competition in the industry, SLIC must rethink their talent pipeline and transform their HR function to cope with these priorities and risks to maintain a sustainable growth.

It is therefore crucial, now more than ever, for the organisation to be aware of the risks they face in HR operations. Therefore, SLIC has identified several risk factors as follows.

a) Talent Acquisition and Management

Talent acquisition and management are perhaps the most critical parts of HR. A proper resource planning may avoid overstaffing or understaffing. In order to navigate through these risks, SLIC has taken following steps:

- ★ Identifying the annual cadre requirement of the organisation
- ★ Formulating a recruitment policy
- ★ Conducting recruitment programs to hire insurance assistants to the organisation
- ★ Develop efficient processes for on boarding talent to ensure new starters become productive quickly (Orientation programmes)

b) Regulatory and Compliance

HR professionals need to be aware of local labour regulations and ensure they are always compliant. The HR department has taken the following steps to mitigate the regulatory and compliance risk.

- ★ Understand local and the relevant international labour laws to follow the basic principles correctly
- ★ Regular audits on HR processes to ensure compliance

c) Pay and compensation

In order to increase the retention of employees and as well as the productivity SLIC has taken several vital steps thorough out the year.

- ★ Introduction of an in – house Vehicle loan facility for the staff
- ★ Distribution of profit among employees in the form of a Profit Bonus
- ★ Granting an annual salary increment of 7.5% for the year 2017

d) Training and Development

Keeping the right employees in the organisation requires more than pay. In order to increase the value of human capital at SLIC and to help the career progression of employees, SLIC has laid down several strategies as follows.

- ★ Conducting annual training need analysis
- ★ Develop the training calendar and preparing the training budget to accommodate the training plan by prioritising the training needs
- ★ Provide opportunities for employees to grow through training and skills development programs (Local & Overseas)
- ★ Encourage a learning culture across the organisation
- ★ Conducting Outward Bound Trainings with the engagement of cross functional departments to ensure working towards a common goal collaboratively
- ★ Identify successors through a proper succession planning process in order to develop next line managers for SLIC

RISK MANAGEMENT

e) Performance Management System

- ★ Setting smart objectives/KPIs (qualitative and quantitative) to all departments/employees in order to measure the level of performance with the objective of establishing a comprehensive development plan to minimise the risk of under performance
- ★ Develop a performance based culture in SLIC in order to increase the productivity of employees
- ★ Establish a merit based performance management system through HRIS system in order to move with competitive business environment through automation

Investment risk management

Investment risk is, in absolute terms, the risk of incurring any loss in the portfolio in pursuit of investment return, or, in relative terms, the risk of incurring losses greater than, or of earning gains less than those of a benchmark or alternative investment.

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 risk management at SLIC 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 IRCS insurance regulations.

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.

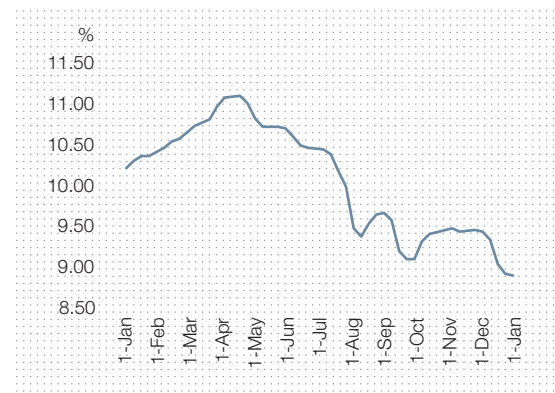
Interest rate risk is managed over each major maturity bucket and adherence to the aggregated positions with risk limits.

The Monetary Board decided to increase the key policy interest rates of the Central Bank, namely the Standing Deposit Facility

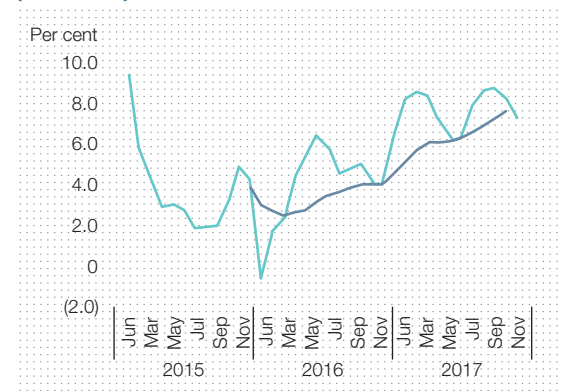
Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 25 basis points each, to 7.25% and 8.75%, respectively, with effect from 24 March 2017. The decision was based on the notable improvements in fiscal operations, which have resulted in the overall budget deficit in 2016 declining to envisaged levels. The Board was of the view that these improvements, together with the substantial upward movements already observed in market interest rates, have reduced the required adjustment in policy interest rates.

On the back of heavy dollar inflows due to Government projects as well as strengthening of the confidence rates saw a declining trend towards the latter part of the FY 2017.

1-Year T-Bill Rate



Movements of the NCPI (2013=100)

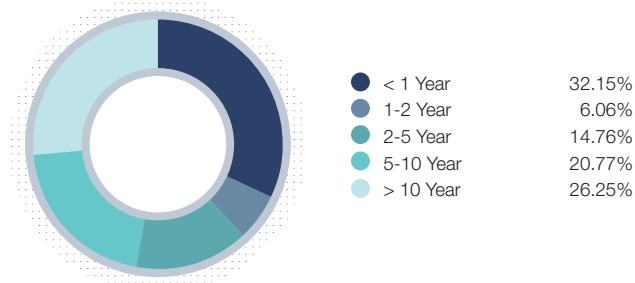


- Year-on-Year Percentage Change
- Annual Average Percentage Change

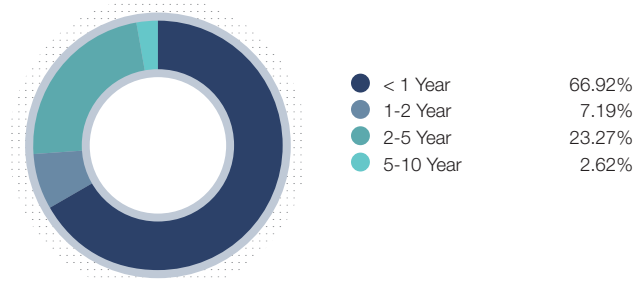
The lack of long-term fixed Income instruments yielding an acceptable level of returns and risk has brought in an Asset-Liability Duration mismatch for the Life Fund. However, having analysed the situation, the Investment Committee proactively lengthened the duration of the Fixed Income portfolio by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

Further, the Company has already taken initial steps in developing a comprehensive Asset Liability Management (ALM) policy covering all these aspects.

Maturity Profile
Life Insurance Assets as at 31.12.2017



Maturity Profile
General Insurance Assets as at 31.12.2017



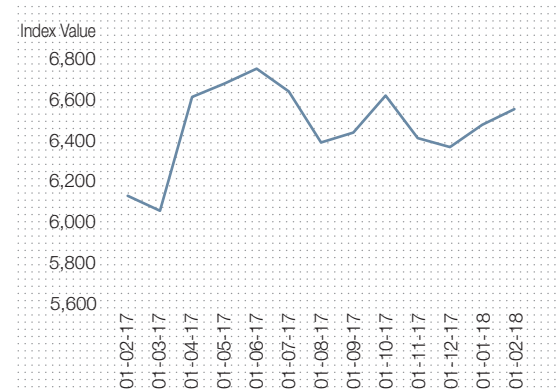
Market Risk

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

SLIC mitigates Market Risk by diversifying the equity portfolio into different sectors and companies.

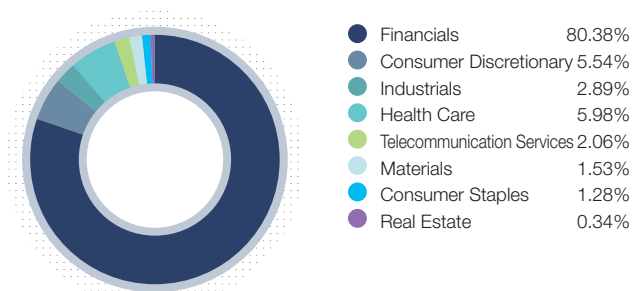
ASPI has increased by 2.26% Year-on-Year as at end of 2017 as valuations of selected key counters are getting attractive, expectations remains bullish in the one year time horizon. This will be further supported by the depreciated currency which may attract foreign investors to equities. Interest in fundamentally strong counters, particularly blue-chips, has remained buoyant as local/foreign investments were flowing into these counters.

ASPI Movement FY 2017



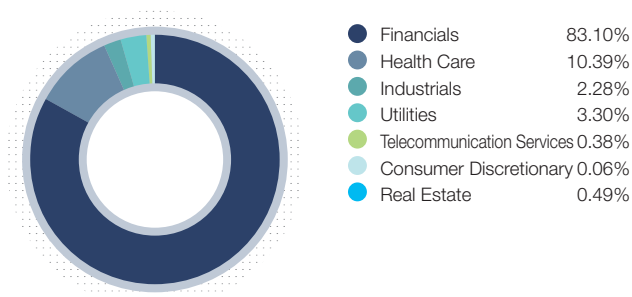
RISK MANAGEMENT

Sector Allocation - Listed Equity Life Insurance Assets



Including Lanka Hospitals Corporation PLC which is a Subsidiary of SLIC

Sector Allocation - Listed Equity General Insurance Assets



Including Lanka Hospitals Corporation PLC which is a Subsidiary of SLIC

Credit Risk & Concentration Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations.

Credit risks 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.

SLIC 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 investments have 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.

Liquidity Risk

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

Life Insurance Assets:

Traditionally, the fund needed a minimal liquidity. Annual cash inflows from premium income and other income have exceeded cash outflows. This reflects the growing volume of business, the longer term nature of liabilities and the roll-over 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 representing 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.

General Insurance Assets:

Because of the uncertainty of cash outflows, liquidity remained an essential consideration for the General Insurance Assets. 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).

Operational Risk

Operational risk is the risk associated with the people, processes and systems of the SLIC.

With the implementation of SAP Treasury Module, the Operational Risk was all but eliminated.

AUDIT AND COMPLIANCE COMMITTEE REPORT

The Audit and Compliance Committee plays a key role in assisting the board to fulfill its oversight responsibilities in areas such as an entity's financial reporting, internal control systems, compliance framework and the internal and external audit functions. During 2017, the Audit and Compliance Committee (ACC) comprised of two Non-Executive Directors. The Company Secretary of the Company acted as the Secretary of the meetings. Though both the compliance and audit functions report to the Audit and Compliance Committee, functional independence is assured with the separation of the two functions operationally.

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

Terms of Reference

The terms of reference of the Audit and Compliance Committee of SLIC 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, 2013. The scope of the Charter encompasses enhanced oversight over the Company's system of disclosure, controls and system of internal controls regarding finance, accounting, procurement, legal compliance, and ethics that management and the Board have established and overseeing the management of business risk etc. The committee is responsible for the Board of Directors and reports its activities regularly to the Board.

Meetings of the Committee

During the financial year ended December 31, 2017, four 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.

Audit and Compliance Meetings (ACCM)-2017

| Name of the Director | No. of Meetings | |
|--|-----------------|----------|
| | Held | Attended |
| Mr. P. Algama (Non-Executive Director) Chairman of Committee | 04 | 04 |
| Prof. L.G. Chandrasena (Non-Executive Director) | 04 | 03 |
| Mr. M. Saadi A. Wadood (Non-Executive Director) | 04 | 01 |

Note: Professor Lal Chandrasena resigned from the Board w.e.f 08.11.2017. Mr. M Saadi A Wadood was appointed to the Board w.e.f 11.10.2017.

Internal Audit

The company has its own internal audit department. Internal Audit department is headed by a qualified Chartered Accountant. The internal audit program was presented and approved by the ACC and Committee regularly reviews and monitors the internal audit and the inspection function.

External Audit

The Auditor General was appointed as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners was appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statements of the company for the year ended 31st December 2017, in terms of article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Information Flows to the Audit Committee

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

Valuation of Assets & Liabilities and Impairment

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

Independent External Advice

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

Non-audit services

Non-audit services amounting to Rs. 1.25 million were provided by the external auditors during the year under review.

Compliance Function

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

Conclusion

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

The ACC approved this report on 27th March 2018.



P. Algama

Chairman - Audit and Compliance Committee

25th May 2018

INVESTMENT COMMITTEE REPORT

Objectives of the Investment Committee

The Investment Committee of the Company is appointed by and is responsible to the Board of Directors of Sri Lanka Insurance Corporation Ltd (SLIC).

The primary purpose of the Investment Committee is to assist the Board in reviewing investment policies, strategies and the performance of investment portfolios. The investment strategy of SLIC is geared to achieve the optimal balance among secure investments, income and asset growth. Through prudent investment management principles within applicable regulations of IRCSL, the strategy aims to meet the obligations of the Fund.

The Company's investment goals and objectives are stated in terms of return expectations, requirements and risk tolerance. It includes the following:

- ★ Establishing a clear understanding for all involved parties of the investment goals and objectives of the portfolio.
- ★ Describing the nature of current and potential risks and its relationship with return, liquidity and capital preservation goals.
- ★ Establishing a basis for evaluating investments results.
- ★ Establishing the relevant investment horizon for which the assets will be managed.
- ★ Setting asset allocation guidelines, both across and within asset classes in order to remove the degree of emotion and behavioral issues that can lead the investment strategies away from its long-term objectives.
- ★ Establishing guidelines regarding the determination and approval of investment policy and strategy, selection of Fund Managers, permissible securities and diversification of assets.
- ★ Defining the responsibilities of the Fund Managers, Board of Directors, and other parties responsible for the management of the Fund.

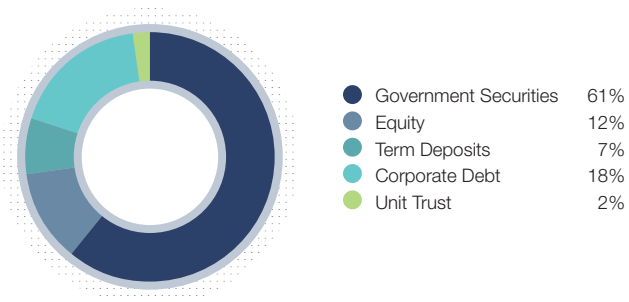
Monitoring and Control

Investment performance is reviewed periodically to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement (IPS) for achieving those objectives. The company has established management practices to properly monitor and control its investments both individually and on a portfolio basis and to manage the investment portfolio effectively and efficiently. This includes an annual special audit to be done from 2018 onwards by an independent Chartered Accountants firm to ensure sound internal accounting functions and effective controls and setting tone for a vigilant internal audit to mitigate investment related risks. This will be in line with the best practices recommended by the Insurance Regulatory Commission of Sri Lanka. In addition, trading house best practices were also introduced during the reporting period to ensure obligations to all key stake holders: our customers, shareholders, and the broader community we serve. Such practices will also improve investment results contributing towards profitability of the company.

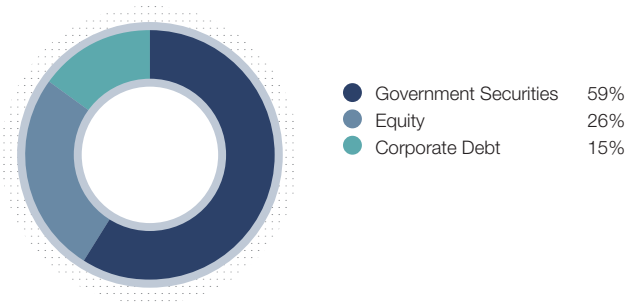
Year under review – Summary of Investment Activities

- ★ **Largest Insurance Funds**
The Long-term Insurance Fund stood at Rs. 98.5 billion achieving a growth rate of 12% during the year 2017. Superior performance of the life fund paved the path to declare largest ever policy holder bonus amounting Rs.6.83 billion in the history of Sri Lankan insurance industry. The General Insurance Fund stood at Rs. 17.1 billion achieving a growth rate of 4% during the same period.
- ★ **Safe and stability**
Security and stability of investments are determined through the level of diversification of the investments and quality of the asset classes that the investments have been made. The pie charts below illustrate the allocation of investment assets of the Long-term Insurance Fund and General Insurance Fund as at 31 December 2017 (Values are shown in terms of market value basis).

Long Term Insurance Fund



General Insurance Fund



★ Investment Income

Total investment income for the reporting year stood at Rs. 10.3 billion and Rs. 1.85 billion for life insurance and general insurance respectively. Company achieved 115% of the planned total investment budget for the year under review. During the reporting period, investment income amounted to 31% of the total company revenue. More than 43% of the total revenue for life insurance was generated from investments while investment income contribution towards total general insurance revenue was 11.6%.

★ ALM considerations and Product Development support Investment strategies required for minimizing Asset Liability mismatch gap were reviewed and appropriate policy decisions in regard to term structure of the investment assets were taken. Accordingly, necessary adjustments to the Investment Policy Statement (IPS) were made. Investments backed support for products such as “Yasas” ensured product continuity with the objective of achieving product specific targets and increasing customer returns. Yasas is an investment product which facilitates customers with short term investment objectives.

In conclusion, Investment Committee was satisfied with the performance of the investments funds under management during the year 2017 while operating within the regulations.

Pradeep A. Liyanamana
Chairman – Investment Committee

25th May 2018

FINANCIAL STATEMENTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

General

The Board of Directors of the Company has pleasure in presenting their Annual Report to the members, together with the audited financial statements of the Company and the Group, for the year ended 31st December 2017, and the Auditor's Report on those financial statements confirming the requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 and amendments made therein and best practices of corporate governance.

As at 31st December 2017, 99.97% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Litro Gas Terminal Lanka (Pvt) Ltd, Canowin Hotels and Spas (Pvt) Ltd and Management Services Rakshana (Pvt) Ltd are fully owned subsidiaries of the Company. SLIC has 99.94% shareholding of Litro Gas Lanka Ltd and 54.61% shareholding of The Lanka Hospitals Corporation PLC. In addition, SLIC has 45.95% shareholding of Canwill Holdings (Pvt) Ltd.

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

This Report was approved by the Board of Directors on 25th May 2018.

Principal Activities of the Company & the Group

The principal activities of the company are to transact life and non-life insurance (general 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 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 Holdings (Pvt) Ltd is to manage/ invest in hotel projects. Canowin Hotels and Spas (Pvt) Ltd primarily owns and manages the outlets of Southern Express Way.

Directors' Responsibility for Financial Reporting

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

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

Financial Statements and Auditor's Report

The financial statements for the year ended 31.12.2017 are prepared based on the Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

The financial statements of the Group and the Company signed by the Chief Financial Officer and the Directors are given in the Annual Report.

Auditor's Report

The Auditor General was appointed as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners, a firm of Chartered Accountants, has been appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statements of the company for the year ended 31.12.2017 in terms of article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

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

Fees on Audit and Other Related Services

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

| | 2017 Rs. 000 | 2016 Rs. 000 |
|----------------------------|-----------------|-----------------|
| Statutory Audit Fees | 4,338 | 3,700 |
| Audit Related Services | 1,295 | 1,000 |
| Non-audit Related Services | 1,250 | - |

Accounting Policies

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

Risk & Internal Controls

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.

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

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

Going Concern

The Board expects that the Company and the Group have adequate resources to continue its operations in the foreseeable future by considering the financial position and performance, cash flows and regulatory and statutory factors and adopts the

going concern basis in preparing financial statements.

Total Revenue / Gross Written Premium (GWP)

The total revenue of the Company recorded Rs. 39,400 million for the year under review and Rs. 42,108 million for the comparative figure (2016). The decline is due to the non-receipt of dividend income from some of the subsidiary companies.

The total GWP, Rs. 31,438 million comprised of life insurance Gross Written Premium of Rs. 12,517 million and non-life insurance Gross Written Premium of Rs. 18,921 million for the year 2017. The reported value for total Gross Written Premium in 2016 was Rs. 27,614 million out of which life insurance Gross Written Premium was Rs. 11,894 million and non-life insurance Gross Written Premium, Rs. 15,721 million for the last year. A detailed analysis of the total GWP achieved by the company is given in the financial statements.

Financial Results and Appropriations

| | 2017 Rs. 000 | 2016 Rs. 000 |
|---------------------------------------|-----------------|-----------------|
| Profit Before Taxation (PBT) | 5,890,205 | 13,790,968 |
| Income Tax Expenses | 1,321,055 | 1,049,650 |
| Profit After Taxation | 4,569,150 | 12,741,318 |
| Other Comprehensive Income | (128,764) | (159,327) |
| Transfers to Shareholders | - | 600,000 |
| Revenue Reserve - Other Liabilities | 535,902 | - |
| Unappropriated Profit Brought Forward | 23,664,611 | 24,338,002 |
| Profits Available for Appropriation | 28,640,900 | 37,519,993 |

Appropriations

| | | |
|--|------------|------------|
| Dividends Paid | 3,358,561 | 10,011,771 |
| Transferred to the Restricted Regulatory reserve fund | 98,238 | - |
| Surplus attributable to Shareholders from Life Insurance | 1,820,855 | 3,844,610 |
| Transferred from Life Fund to Unrestricted Reserve | 466,179 | - |
| Un appropriated Profit Carried Forward | 22,897,095 | 23,664,612 |

Dividends

The Board declared a First Interim Dividend of Rs. 0.84 per share (Totalling a sum of Rs. 503,784,288.00), for the year ended 31st December 2017, out of the current year profits for the period ended, 30th September 2017, based on the reviewed financial statements of the company for the period from 01st January 2017 to 30th September 2017, payable on all Ordinary Shares in issued and fully paid up as at 30th September 2017.

Further, the Board of Directors recommends a final dividend of Rs. 0.84 per share per share (Totalling Rs. 503,784,288.00), payable on 01.07.2018, to holders of issued and paid-up ordinary shares of the Company as at the close of business on 30.06.2018.

The Directors have confirmed that the Company satisfies the solvency test requirement under section 56 of the Companies Act No. 07 of 2007 for the said Interim Dividends and the final Dividend Declared. The solvency certificates were obtained from the Auditors.

The dividend of Rs. 1.68 per share amounting to Rs. 1,007,568,576 was declared for the year 2017.

Provision for Taxation

The tax position in the company is disclosed in the financial statements.

Reserves

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

Insurance Liabilities & 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 in the Annual Report.

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

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

Investments

The amount of investments held by the company as at 31.12.2017 amounted to Rs. 167,602 million (2016 - Rs. 152,445 million). A detailed breakup of the investments held is disclosed in the financial statements.

Property, Plant and Equipment

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

Market Value of Freehold Properties

The Company uses the cost method as the accounting policy for recording Property, Plant and Equipment other than Land and Building. The Company's policy for revaluing the assets is once in every two years. Accordingly, the Land and Buildings were revalued in financial year 2016 by M/S 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 31.12.2017. The next revaluation is due to take place at the end of 2018.

Events Occurring After the Reporting Date

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

Related Party Transactions

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

Directors' Interest in Contracts

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

Directors' Remunerations

The Directors' fees and emoluments paid during the year was Rs. 12.6 million and the figure reported in the last year (2016) was Rs. 14.3 million.

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 2007. As at 31.12.2017, 99.97% shares were vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Statutory Payments

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

Intangible Assets

Intangible Assets as at 31.12.2017 have been recorded in the financial statements of the Company.

Environment

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

Compliance with Laws and Regulations

The Company has complied with all applicable laws and regulations during the financial year as otherwise disclosed in the Independent Auditors' Report. The compliance department monitors the compliance functions of the company and reports to the Audit and Compliance Committee.

The Approval of the Financial Statements

The audited financial statements were approved by the Board of Directors on 25th May 2018

Board of Directors

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

Mr. Hemaka D.S. Amarasuriya
Mr. Keerthi B. Kotagama
Mr. Nilu D. Wijedasa

Mr. P. Algama
Mr. Pradeep A. Liyanamana
Mr. M. Saadi A. Wadood

Mr. Asela S. Padmaperuma resigned from the Board w.e.f 21.06.2017, Mr. D. B. Aruna P. S. Siriwardhana resigned w.e.f 10.10.2017, Mr. T. M. R. Bangsa Jayah resigned w.e.f 12.10.2017 and Vidya Jyothi Prof. L. G. Chandrasena resigned w.e.f 08.11.2017.

Accordingly, Mr. Nilu D. Wijedasa was appointed to the Board w.e.f 11.10.2017, Mr. Saadi A. Wadood was appointed to the Board w.e.f 11.10.2017, and Mr. Keerthi B. Kotagama was appointed to the Board w.e.f 08.01.2018.

Annual General Meeting

The Annual General Meeting will be held on 28th June 2018 at the Auditorium of the Company at its registered office at No.21, Vauxhall Street, Colombo 02.

Acknowledgement of the Contents of the Report

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

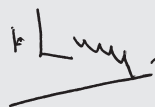
By Order of the Board



B.A. Ruwani Dharmawardana
Company Secretary

25th May 2018

For Board of Directors



Hemaka D.S. Amarasuriya
Chairman



Keerthi B. Kotagama
Executive Director

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 in 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,



B.A. Ruwani Dharmawardana
Company Secretary

25th May 2018

CHIEF FINANCIAL OFFICER'S STATEMENT OF RESPONSIBILITY

The financial statements of Sri Lanka Insurance Corporation Ltd. (the Company) and the Consolidated financial statements of the Company and Subsidiaries (the Group) as at 31st December 2017 are prepared and presented in conformity with the requirements stipulated by Sri Lanka Accounting Standards, issued by the Institute of Chartered Accountants of Sri Lanka, the 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 therein 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 represents, in all material respects, the financial condition, and results of the operations and the cash flow of the Company during the year under review. In addition, we confirm that the Company has adequate resources to continue its operations and has applied the going concern basis in preparing these financial statements.

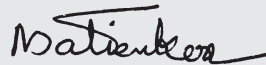
The Board of Directors is responsible for ensuring that management fulfils its financial reporting responsibilities. As the Chief Financial Officer, I am responsible for having established and maintaining adequate accounting policies, procedures and internal controls over financial reporting. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that the financial records are reliable and form a proper basis for preparing the financial statements, and that the assets are properly accounted for and safeguarded.

The Board of Directors has appointed an Audit and Compliance Committee, which is headed by an Independent Director. The Audit and Compliance Committee's responsibilities include reviewing the financial statements and recommending those to the Board of Directors for approval.

The Financial Statements have been audited, on behalf of the shareholders, by the Auditor General, in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The Independent Auditor has full and free access to the Audit and Compliance Committee and may meet with or without the presence of the Management.

We confirm to the best of our knowledge that –

- i. the Company has complied with all applicable laws, rules and regulations and guidelines as otherwise expressed in the Notes to the Financial Statements;
- ii. there are no material non-compliances as otherwise expressed in the Notes to the Financial Statements;
- 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.



Malanie Tennakoon
Chief Financial Officer

25th May 2018

CERTIFICATE OF ACTUARY OF THE INSURER

WillisTowersWatson

Private and Confidential

20 April 2018

The Board of Directors
Sri Lanka Insurance Corporation Limited
No. 21, Vauxhall Street,
Colombo 02,
Sri Lanka.

Actuarial Valuation of the Long Term Insurance Business as at 31 December 2017

In accordance with the engagement letter dated 23 June 2017, Willis Towers Watson Consulting (Singapore) Pte Ltd (“Willis Tower Watson”, “we”, “our” or “us”) has carried out an actuarial review of the valuation of long term insurance liabilities of Sri Lanka Insurance Corporation Limited’s Long Term Insurance Business as at 31 December 2017.

We hereby certify that:

1. Reasonable steps have been taken by the Company to ensure that data used for the actuarial valuation of the liabilities of the Long Term Insurance Fund is complete and accurate.
2. Adequate and proper reserves have been provided as at 31 December 2017, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at the date.
3. The total long term insurance provisions maintained within the life fund on the surplus distribution basics is LKR 58,332.75 million. The value of assets held within the life fund is LKR 102,653.55 million on IRCSL basis and LKR 100,853.05 million on SLFRS basis. The surplus transferred to the shareholder fund from life fund is LKR 2,272.61 million during 2017, including “Restricted Regulatory Reserve” of LKR 98.24 million in respect of the non-participating fund in accordance with IRCSL “Guidelines/Directions for Identification and Treatment of One-Off Surplus” dated 20 March 2018. Subsequent to the shareholder transfers, the life fund is LKR 100,380.93 million on IRCSL basis and LKR 98,580.44 million on SLFRS basis as at 31 December 2017.

Mark Alan Birch, FIA
Head of Core Actuarial Solutions, Insurance Consulting & Technology, Asia Pacific
Willis Towers Watson Consulting (Singapore) Pte Ltd.

Signature :



Place : Singapore

Date : 20 April 2018

LIABILITY ADEQUACY TEST

WillisTowersWatson

Private and Confidential

20 April 2018

The Board of Directors
Sri Lanka Insurance Corporation Limited
No. 21, Vauxhall Street,
Colombo 02,
Sri Lanka.

Liability Adequacy Test

1. The Sri Lanka Accounting Standard 'SLFRS 4, Insurance Contracts' prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash-flows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Limited as contemplated by SLFRS 4.
2. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within the risk based capital framework as prescribed by the IRCSL (erstwhile IBSL) [the Solvency Margin (Risk Based Capital) Rules 2015], whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all the cash in-and-out flows required to settle the obligations related to existing in-force insurance contracts.
3. The projections are based on in-force policies and riders as at 31 December 2017.
4. Based on the checks undertaken, I certify:
 - That the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - That the assumptions used for such valuation are responsible estimates based on available experience studies and after allowing for suitable margins for adverse deviation; and
 - That the long term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Limited as per the audited accounts of the Company for the year ended 31 December 2017 is in excess of the liabilities computed in the above mentioned manner.

Mark Alan Birch, FIA
Head of Core Actuarial Solutions, Insurance Consulting & Technology, Asia Pacific
Willis Towers Watson Consulting (Singapore) Pte Ltd.

Signature : 

Place : Singapore
Date : 20 April 2018

CERTIFICATE OF INCURRED BUT NOT (ENOUGH) REPORTED CLAIMS



10 April 2018

To the shareholders of Sri Lanka Insurance Corporation Limited

Sri Lanka Insurance Corporation Limited 31 December 2017 Net IBNR and LAT Certification

I hereby certify that the 75% confidence level IBNR provision of LKR 2,179,152,928 is adequate in relation to the Claim Liability of Sri Lanka Insurance Corporation Limited as at 31 December 2017, net of reinsurance (undiscounted). This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities, including the claim handling expenses, in respect of the Company's incurred claims obligations as at 31 December 2017, 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 SLFRS4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 8,579,436,335 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of Sri Lanka Insurance Corporation Limited as at 31 December 2017, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

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

A handwritten signature in black ink, appearing to read 'Matthew Maguire', written in a cursive style.

Matthew Maguire

Fellow of the Institute of Actuaries of Australia (FIAA)

For and on behalf of NMG Financial Services Consulting

Dated 10 April 2018

INDEPENDENT AUDITORS' REPORT



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் **AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය } BAF/E/SLIC/FA/6/2017/01 } මගේ අංකය
எனது இல. } } உமது இல. }
My No. } } Your No. }

දිනය } 20 May 2018 }
திகதி } }

To the shareholders of the Sri Lanka Insurance Corporation Limited

Report of the Auditor General on the Financial Statements of the Sri Lanka Insurance Corporation Limited and its Subsidiaries for the year ended 31 December 2017

The audit of the financial statements of the Sri Lanka Insurance Corporation Limited ("The Company") and the consolidated financial statements of the Company and its Subsidiaries ("The Group") for the year ended 31 December 2017 comprising the statements of financial position as at 31 December 2017 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm Chartered Accountant in public practice.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

- According to the judgment delivered by Supreme Court of Sri Lanka on 4th June 2009, the legal ownership of the majority of shares of the Company was vested with the Secretary to the Treasury to be held on behalf of the Government of Sri Lanka. Further, according to the said judgment, the Secretary to the Treasury was directed to cause profits of the Company during the period Distilleries Company of Sri Lanka PLC was the parent of the Company, be computed and the profits attributable to the previous parent be settled. No adjustments have been made in the Financial Statements pending determination of the aforesaid attributable profits.
- In the absence of confirmation of balances, I was unable to verify the completeness, existence and accuracy of the amounts receivables from Distilleries Company of Sri Lanka PLC Group of Companies disclosed in Note 16 to the financial statements.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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සාමාන්‍ය ව්‍යාපෘති පරීක්ෂණ දෙපාර්තමේන්තුව
Auditor General's Department

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Without further qualifying my opinion, I draw attention to the note 45.2.1 to the financial statements which describes the uncertainty related to the outcome of the arbitration which has been established against Sinolanka Hotels & SPA (Private) Limited, a sub subsidiary of Sri Lanka Insurance Corporation Ltd.

Report on Other Legal and Regulatory Requirements

- a) As required by Section 163 (2) of the Companies Act No 07 of 2007, I state the following:
 - i) The basis of opinion, scope and limitations of the audit are as stated above.
 - ii) In my opinion, except for the matters described in the Basis for Qualified Opinion paragraphs:
 - I have obtained all the information and explanations that were required for the audit and, as far as appears from my examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company give a true and fair view of the financial position as at 31st December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

- b) As discussed in Note 47 to the financial statements, the company has not segregated the long-term insurance business and the general insurance business being carried on by it into two separate companies, in accordance with Section 53 of Regulation of Insurance Industry (Amendment) Act No. 03 of 2011.

As required by Section 47 (2) of the Regulation of Insurance Industry Act, No.43 of 2000, as far as appears from my examination, except for the matter described in the previous paragraph, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H.M .Gamini Wijesinghe
Auditor General

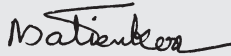
STATEMENT OF FINANCIAL POSITION

| As at 31 December | Note | Group | | Company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Assets | | | | | |
| Financial investments | 5 | 146,926,201 | 132,314,943 | 144,600,345 | 130,184,713 |
| Investment in subsidiaries | 6 | - | - | 21,085,905 | 21,085,905 |
| Investment in associates | 7 | 143,646 | 138,448 | 143,646 | 138,448 |
| Property, plant & equipment | 8 | 49,598,222 | 44,033,232 | 10,138,320 | 10,248,900 |
| Investment properties | 9 | 1,422,700 | 1,396,200 | 619,200 | 619,200 |
| Leasehold property | 10 | 225,751 | 212,255 | 20,001 | 20,268 |
| Intangible assets | 11 | 3,181,536 | 3,201,401 | 93,167 | 148,272 |
| Loans to policyholders | 12 | 1,522,184 | 1,518,719 | 1,522,184 | 1,518,719 |
| Reinsurance receivable | 13 | 2,447,299 | 1,883,063 | 2,447,299 | 1,883,063 |
| Premium receivable | 14 | 3,694,158 | 3,404,735 | 3,694,158 | 3,404,735 |
| Deferred tax assets | 15 | 171,526 | 131,742 | 171,476 | 131,317 |
| Other assets | 16 | 6,744,152 | 8,279,873 | 3,174,893 | 5,354,111 |
| Deferred expenses | 17 | 234,337 | 441,191 | 234,337 | 441,191 |
| Cash and cash equivalents | 18 | 15,470,696 | 16,841,834 | 2,598,518 | 1,623,723 |
| Total Assets | | 231,782,408 | 213,797,636 | 190,543,449 | 176,802,565 |
| Liabilities and Shareholders' Equity | | | | | |
| Equity | | | | | |
| Stated capital | 19 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Regulatory restricted reserves from one off surplus | | 98,237 | - | 98,237 | - |
| Revaluation reserve | 20 | 10,442,923 | 11,623,290 | 7,664,272 | 8,159,082 |
| Available-for-sale reserve | 21 | 16,227,399 | 21,055,304 | 16,227,399 | 21,055,304 |
| Revenue reserves | 22 | 45,244,434 | 40,158,021 | 31,038,432 | 27,706,557 |
| Total Equity Attributable to Equity Holders of the Company | | 78,012,993 | 78,836,615 | 61,028,340 | 62,920,943 |
| Non-controlling interest | | 8,077,450 | 7,961,626 | - | - |
| Total Equity | | 86,090,443 | 86,798,241 | 61,028,340 | 62,920,943 |

| As at 31 December | Note | Group | | Company | |
|-------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Liabilities | | | | | |
| Insurance provision - Life | 23 | 101,671,180 | 90,010,165 | 101,671,180 | 90,010,165 |
| Insurance provision - Non-life | 24 | 17,128,394 | 16,517,151 | 17,128,394 | 16,517,151 |
| Reinsurance payable | | 2,789,967 | 997,643 | 2,789,967 | 997,643 |
| Current tax liabilities | 25 | 750,211 | 964,284 | 750,175 | 438,483 |
| Deferred tax liabilities | 15 | 4,919,261 | 3,085,990 | 1,193,056 | 709,090 |
| Retirement benefit obligations | 26 | 1,677,864 | 1,340,289 | 1,345,359 | 1,035,635 |
| Other liabilities | 27 | 15,885,786 | 13,092,373 | 4,001,048 | 3,473,505 |
| Financial liabilities | 28 | 869,302 | 991,500 | 635,929 | 699,950 |
| Total Liabilities | | 145,691,965 | 126,999,395 | 129,515,109 | 113,881,622 |
| Total Liabilities and Equity | | 231,782,408 | 213,797,636 | 190,543,449 | 176,802,565 |

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statement, from pages 108 to 224 which, form an integral part of these Financial Statements.

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



Malanie Tennakoon
Chief Financial Officer

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

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



Hemaka D.S. Amarasuriya
Chairman



Keerthi B Kotagama
Executive Director

25th May 2018
Colombo.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For The Year Ended 31 December | Note | Group | | Company | |
|--|------|---------------------|-------------------|---------------------|-------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Revenue | 29 | 78,578,019 | 67,764,329 | 39,399,737 | 42,107,761 |
| Gross Written Premium | 30 | 31,295,945 | 27,480,100 | 31,437,682 | 27,614,433 |
| Net change in reserve for unearned premium | | (2,153,642) | (634,185) | (2,153,642) | (634,184) |
| Gross Earned Premium | | 29,142,303 | 26,845,916 | 29,284,040 | 26,980,249 |
| Premium ceded to reinsurers | | (4,773,824) | (2,771,041) | (4,773,824) | (2,771,041) |
| Net change in reserve for unearned reinsurance premium | | 1,427,454 | (195,914) | 1,427,454 | (195,914) |
| Net Earned Premium | | 25,795,933 | 23,878,961 | 25,937,670 | 24,013,294 |
| Revenue from other operations | | 36,520,202 | 30,590,103 | - | - |
| | | 62,316,134 | 54,469,064 | 25,937,670 | 24,013,294 |
| Other Income | | | | | |
| Investment income | 31 | 13,612,126 | 11,357,205 | 12,127,617 | 17,273,652 |
| Fees and commission income | 32 | 56,068 | 52,289 | 56,068 | 52,289 |
| Net realized gains | 33 | 348,862 | 295,518 | 372,044 | 338,013 |
| Net fair value gains and losses | | - | (599,797) | - | (599,797) |
| Other income | 34 | 2,244,828 | 2,190,050 | 906,338 | 1,030,310 |
| | | 16,261,884 | 13,295,265 | 13,462,067 | 18,094,467 |
| Total Net Revenue | | 78,578,019 | 67,764,329 | 39,399,737 | 42,107,761 |
| Benefits, Losses and Expenses | | | | | |
| Net benefits and claims | 35 | (16,026,569) | (14,476,794) | (16,026,569) | (14,476,794) |
| Underwriting and net acquisition costs (including reinsurance) | 36 | (2,324,852) | (2,195,008) | (2,324,852) | (2,195,008) |
| Change in contract liabilities - life fund | | (7,771,944) | (5,198,390) | (7,771,944) | (5,198,390) |
| Change in contract liabilities due to one off surplus | | 98,237 | - | 98,237 | - |
| Other operating and administrative expenses | 37 | (10,592,844) | (9,212,981) | (7,484,404) | (6,446,601) |
| Cost of services of subsidiaries | | (32,980,251) | (22,867,093) | - | - |
| Net Benefits, Losses and Expenses | | 69,598,224 | (53,950,265) | (33,509,532) | (28,316,792) |
| Profit Before Taxation | | 8,979,794 | 13,814,064 | 5,890,205 | 13,790,968 |
| Income tax expense | 38 | (2,412,210) | (3,329,128) | (1,321,055) | (1,049,651) |
| Net Profit for the year | | 6,567,584 | 10,484,936 | 4,569,150 | 12,741,317 |

| For The Year Ended 31 December | Note | Group | | Company | |
|---|------|------------------|-------------------|------------------|-------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Other Comprehensive Income | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Gain/(loss) on revaluation of property, plant and equipment | | 153,659 | 2,744,048 | 8,251 | 2,348,695 |
| Deferred tax effect on revaluation of property, plant and equipment | | (48,708) | (76,649) | 3,845 | (40,115) |
| Actuarial gains/(losses) on retirement benefit obligations | | (164,538) | (242,701) | (178,839) | (221,287) |
| Deferred tax effect on actuarial gains/(losses) | | 50,815 | 59,768 | 50,075 | 61,960 |
| Deferred tax impact of revaluation surplus-Land | | (506,906) | - | (506,906) | - |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | | | | |
| Net change in fair value of available-for-sale financial assets | | 1,094,738 | (1,347,976) | 1,094,738 | (1,347,976) |
| Effect on deferred tax due to rate change | | (809,973) | - | | |
| Deferred tax effect on fair value of available for sale reserve | | (25,038) | 12,616 | (25,038) | 12,616 |
| Other comprehensive income for the year, net of tax | | (255,952) | 1,149,106 | 446,126 | 813,894 |
| Total comprehensive income for the Year | | 6,311,632 | 11,634,042 | 5,015,276 | 13,555,211 |
| Profit for the year attributable to: | | | | | |
| Equity holders of the company | | 6,257,800 | 9,979,440 | 4,569,150 | 12,741,317 |
| Non-controlling interest | | 309,784 | 505,496 | - | - |
| Profit for the year | | 6,567,584 | 10,484,936 | 4,569,150 | 12,741,317 |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the company | | 6,084,255 | 10,978,756 | 5,015,276 | 13,555,211 |
| Non-controlling interest | | 227,377 | 655,286 | - | - |
| Total comprehensive income for the year | | 6,311,632 | 11,634,042 | 5,015,276 | 13,555,211 |
| Basic Earning per share (Rs.) | 39 | 10.43 | 16.63 | 7.62 | 21.24 |

Figures in brackets indicate deductions.

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statement, from pages 108 to 224 which, form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

| For The Year Ended 31 December 2017 | | | | | | | | | | | |
|---|------------------|-------------------|----------------|-------------------|------------|------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Stated | Revaluation | General | Available- | Un- | Regulatory | Surplus | | | Non- | Total |
| Group | Capital | Reserve | Reserve | For-Sale | Restricted | Restricted | from Life | Retained | Total | Controlling | Equity |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Balance as at 01 January 2016 | 6,000,000 | 9,167,303 | 643,442 | 22,390,664 | - | - | 4,865,021 | 39,102,811 | 82,169,241 | 7,509,450 | 89,678,691 |
| Total Comprehensive Income for the year | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 9,979,440 | 9,979,440 | 505,496 | 10,484,937 |
| Other comprehensive income | - | 2,520,024 | - | (1,335,360) | - | - | - | (185,348) | 999,316 | 149,788 | 1,149,105 |
| Total Comprehensive Income for the year | - | 2,520,024 | - | (1,335,360) | - | - | - | 9,794,092 | 10,978,756 | 655,284 | 11,634,042 |
| Transaction with Owners of the | | | | | | | | | | | |
| Company recorded directly in equity | | | | | | | | | | | |
| Transfer of revaluation reserve on disposal of | | | | | | | | | | | |
| property, plant and equipment | - | (41,145) | - | - | - | - | - | 41,145 | - | - | - |
| Transfer to shareholders | - | - | - | - | - | - | (600,000) | 600,000 | - | - | - |
| Change in fair value measurements applicable to | | | | | | | | | | | |
| life contract liability | - | - | - | - | - | - | - | (4,300,611) | (4,300,611) | - | (4,300,611) |
| Surplus attributable to shareholders of life insurance | - | - | - | - | - | - | 3,844,610 | (3,844,610) | - | - | - |
| Depreciation transfer on surplus on revaluation of building | - | (34,190) | - | - | - | - | - | 34,190 | - | - | - |
| Deferred tax impact on depreciation of revalued building | - | 11,298 | - | - | - | - | - | (11,298) | - | - | - |
| Dividend paid | - | - | - | - | - | - | - | (10,010,771) | (10,010,771) | - | (10,010,771) |
| Dividend paid by subsidiary companies to | | | | | | | | | | | |
| non controlling interest | - | - | - | - | - | - | - | - | - | (203,108) | (203,108) |
| | - | (64,037) | - | - | - | - | 3,244,610 | (17,491,955) | (14,311,382) | (203,108) | (14,514,490) |
| Balance as at 31 December 2016 | 6,000,000 | 11,623,290 | 643,442 | 21,055,304 | - | - | 8,109,631 | 31,404,948 | 78,836,614 | 7,961,626 | 86,798,241 |

| For The Year Ended 31 December 2017 | | | | | | | | | | | |
|--|------------------------------|-----------------------------------|-------------------------------|--|---|---|--|---------------------------------|-------------------|--|----------------------------|
| Group | Stated Capital Rs. 000 | Revaluation Reserve Rs. 000 | General Reserve Rs. 000 | Available- For-Sale Reserve Rs. 000 | Un- Restricted Reserve Rs. 000 | Regulatory Restricted Reserves Rs. 000 | Surplus from Life Insurance Rs. 000 | Retained Earnings Rs. 000 | Total Rs. 000 | Non- Controlling Interest Rs. 000 | Total Equity Rs. 000 |
| Balance as at 01 January 2017 | 6,000,000 | 11,623,290 | 643,442 | 21,055,304 | - | - | 8,109,631 | 31,404,948 | 78,836,614 | 7,961,626 | 86,798,242 |
| Total Comprehensive Income for the year | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 6,257,800 | 6,257,800 | 309,784 | 6,567,584 |
| Other comprehensive income | - | (625,266) | - | 1,069,700 | - | - | - | (111,073) | 333,361 | (82,407) | 250,954 |
| Total Comprehensive Income for the year | - | (625,266) | - | 1,069,700 | - | - | - | 6,146,727 | 6,591,161 | 227,377 | 6,818,538 |
| Transaction with Owners of the | | | | | | | | | | | |
| Company recorded directly in equity | | | | | | | | | | | |
| Transfer of revaluation reserve on disposal of property, plant and equipment | | | | | | | | | | | |
| | - | (5,334) | - | - | - | - | - | 5,334 | - | - | - |
| Impact of Last Year AFS Reserve Transfer to Share Holders | | | | | | | | | | | |
| | - | - | - | - | - | - | (2,898,769) | - | (2,898,769) | - | (2,898,769) |
| Change in fair value measurements applicable to life contract liability | | | | | | | | | | | |
| | - | - | - | - | - | - | - | 4,711,128 | 4,711,128 | - | 4,711,128 |
| Transferred AFS reserves - Life fund | | | | | | | | | | | |
| | - | - | - | (5,897,605) | - | - | - | - | (5,897,605) | - | (5,897,605) |
| Surplus Attributable to Shareholders from Life Insurance | | | | | | | | | | | |
| | - | - | - | - | - | - | 2,385,272 | (2,385,272) | - | - | - |
| Depreciation transfer on surplus on revaluation of building | | | | | | | | | | | |
| | - | (42,861) | - | - | - | - | - | 42,861 | - | - | - |
| Transferred to the Restricted Regulatory reserve fund | | | | | | | | | | | |
| | - | - | - | - | - | 98,237 | (98,237) | - | - | - | - |
| Transfer from Life fund to -Un restricted Reserve | | | | | | | | | | | |
| | - | - | - | - | 466,179 | - | (466,179) | - | - | - | - |
| Revenue Reserve Other Liabilities | | | | | | | | | | | |
| | - | - | - | - | - | - | - | 535,902 | 535,902 | - | 535,902 |
| Deferred tax impact of revaluation surplus-Land | | | | | | | | | | | |
| | - | (506,906) | - | - | - | - | - | - | (506,906) | - | (506,906) |
| Dividend paid | | | | | | | | | | | |
| | - | - | - | - | - | - | - | (3,358,533) | (3,358,533) | (111,553) | (3,470,086) |
| | - | (555,101) | - | (5,897,605) | 466,179 | 98,237 | (1,077,913) | (448,580) | 7,414,783 | (111,553) | (7,526,337) |
| Balance as at 31 December 2017 | 6,000,000 | 10,442,923 | 643,442 | 16,227,399 | 466,179 | 98,237 | 7,031,718 | 37,103,095 | 78,012,991 | 8,077,450 | 86,090,443 |

Figures in brackets indicate deductions.

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statement, from pages 108 to 224 which, form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

| For The Year Ended 31 December 2017 | | | | | | | | | |
|---|------------------|------------------|----------------|-------------------|------------|------------|------------------|-------------------|-------------------|
| | Stated | Revaluation | General | Available- | Un- | Regulatory | Surplus | Retained | Total |
| Company | Capital | Reserve | Reserve | For-Sale | Restricted | Restricted | from Life | Earnings | Equity |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Balance as at 01 January 2016 | 6,000,000 | 5,850,502 | 643,442 | 22,390,664 | - | - | 4,865,021 | 23,927,485 | 63,677,114 |
| Total Comprehensive Income for the Year | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 12,741,317 | 12,741,317 |
| Other comprehensive income | - | 2,308,580 | - | (1,335,360) | - | - | - | (159,327) | 813,894 |
| Total Comprehensive Income for the Year | 6,000,000 | 8,159,082 | 643,442 | 21,055,304 | - | - | 4,865,021 | 36,509,476 | 77,232,325 |
| Transaction with Owners of the Company recorded directly in equity | | | | | | | | | |
| Transfer to shareholders | - | - | - | - | - | - | (600,000) | 600,000 | - |
| Change in fair value measurements applicable to life contract liability | - | - | - | - | - | - | - | (4,300,611) | (4,300,611) |
| Surplus attributable to shareholders from life insurance | - | - | - | - | - | - | 3,844,610 | (3,844,610) | - |
| Dividend declared and paid | - | - | - | - | - | - | - | (10,010,771) | (10,010,771) |
| Balance as at 31 December 2016 | 6,000,000 | 8,159,082 | 643,442 | 21,055,304 | - | - | 8,109,631 | 18,953,484 | 62,920,943 |

| For The Year Ended 31 December 2017 | | | | | | | | | |
|---|------------------------------|-----------------------------------|-------------------------------|--|--|---|--|---------------------------------|----------------------------|
| Company | Stated Capital Rs. 000 | Revaluation Reserve Rs. 000 | General Reserve Rs. 000 | Available- For-Sale Reserve Rs. 000 | Un- Restricted Reserves Rs. 000 | Regulatory Restricted Reserves Rs. 000 | Surplus from Life Insurance Rs. 000 | Retained Earnings Rs. 000 | Total Equity Rs. 000 |
| Balance as at 01 January 2017 | 6,000,000 | 8,159,082 | 643,442 | 21,055,304 | - | - | 8,109,631 | 18,953,484 | 62,920,943 |
| Total Comprehensive Income for the Year | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 4,569,150 | 4,569,150 |
| Other comprehensive income | - | 12,096 | - | 1,069,700 | - | - | - | (128,764) | 953,032 |
| Total Comprehensive Income for the Year | - | 12,096 | - | 1,069,700 | - | - | - | 4,440,386 | 5,522,182 |
| Transaction with Owners of the Company recorded directly in equity | | | | | | | | | |
| Revenue Reserve Other Liabilities | - | - | - | - | - | - | - | 535,902 | 535,902 |
| Impact of Last Year AFS Reserve Transfer to Share Holders | - | - | - | - | - | - | (2,898,769) | - | (2,898,769) |
| Transferred to the Restricted Regulatory reserve fund | - | - | - | - | - | 98,237 | (98,237) | - | - |
| Change in fair value measurements applicable to life contract liability | - | - | - | - | - | - | - | 4,711,128 | 4,711,128 |
| Transferred AFS Reserves - Life Fund | - | - | - | (5,897,605) | - | - | - | - | (5,897,605) |
| Surplus attributable to shareholders from life insurance | - | - | - | - | - | - | 2,385,271 | (2,385,271) | - |
| Transfer from Life fund to -Un restricted Reserve | - | - | - | - | 466,179 | - | (466,179) | - | - |
| Deferred tax impact of revaluation surplus-Land | - | (506,906) | - | - | - | - | - | - | (506,906) |
| Dividend declared and paid | - | - | - | - | - | - | - | (3,358,533) | (3,358,533) |
| Balance as at 31 December 2017 | 6,000,000 | 7,664,272 | 643,442 | 16,227,399 | 466,179 | 98,237 | 7,031,717 | 22,897,096 | 61,028,340 |

Figures in brackets indicate deductions.

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statement, from pages 108 to 224 which, form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

| For the year ended 31 December | Note | Group | | Company | |
|--|------|---------------------|---------------------|---------------------|---------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Cash flows from operating activities | | | | | |
| Premium received from customers | | 31,213,376 | 27,222,542 | 31,409,277 | 27,323,042 |
| Reinsurance premium paid | | (2,540,651) | (2,381,620) | (2,540,651) | (2,381,620) |
| Insurance claims and benefits paid | | (16,521,862) | (15,133,738) | (16,521,862) | (15,133,738) |
| Reinsurance receipts in respect of claims and benefits | | 254,077 | 680,189 | 254,077 | 680,190 |
| Cash receipts from debtors | | 39,483,886 | 30,979,473 | 2,916,767 | (340,028) |
| Cash paid to and on behalf of employees | | (6,397,228) | (5,596,594) | (3,920,010) | (3,117,473) |
| Interest received | | 12,667,970 | 11,300,467 | 10,603,610 | 7,864,787 |
| Dividend received | | 1,132,283 | 955,496 | 1,256,504 | 8,881,288 |
| Other operating cash payments | | (34,089,065) | (28,554,232) | (4,869,673) | (5,692,580) |
| Cash flows from operating activities | | 25,202,786 | 19,471,984 | 18,588,038 | 18,083,868 |
| Retiring gratuity paid | | (113,120) | (62,715) | - | - |
| Income tax paid | | (1,879,702) | (3,064,971) | (1,032,102) | (1,352,759) |
| Net cash from operating activities | | 23,209,964 | 16,344,297 | 17,555,936 | 16,731,109 |
| Cash flows from investing activities | | | | | |
| Acquisition of financial investments | | (51,475,407) | (47,669,665) | (51,149,508) | (47,669,668) |
| Proceeds from financial investments | | 37,770,758 | 46,282,132 | 38,132,720 | 39,692,179 |
| Proceeds from disposal of property, plant & equipment | | 31,313 | 12,427 | 7,187 | 7,882 |
| Acquisition of property, plant & equipment | | (7,597,673) | (4,909,118) | (138,819) | (129,043) |
| Acquisition of investment property | | (864) | (9,620) | - | - |
| Premium paid on leasehold land | | (18,547) | (18,547) | - | - |
| Interest on loans granted to policyholders | | (1,399,961) | - | - | - |
| Settlement of loans by policyholders | | 1,749,866 | - | - | - |
| Acquisition of intangible assets | | (48,303) | (11,189) | - | - |
| Net cash used in investing activities | | (20,988,817) | (6,323,579) | (13,148,420) | (8,098,650) |
| Cash flows from financing activities | | | | | |
| Dividend paid | | (3,470,086) | (10,010,771) | (3,358,562) | (10,010,771) |
| Net cash used in financing activities | | (3,470,086) | (10,010,771) | (3,358,562) | (10,010,771) |
| Effect of exchange rate changes on cash and cash equivalents | | - | (33,833) | (10,138) | (33,833) |

| For the year ended 31 December | Note | Group | | Company | |
|---|------|--------------------|-------------------|------------------|-----------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Net increase/(decrease) in cash and cash equivalents | | (1,248,939) | (23,886) | 1,038,816 | (1,412,145) |
| Cash and cash equivalents at the beginning of the year | | 15,850,334 | 15,874,220 | 923,773 | 2,335,918 |
| Cash and cash equivalents at the end of the year | | 14,601,394 | 15,850,334 | 1,962,589 | 923,773 |
| Cash and cash equivalents at the end of the year | | | | | |
| Cash at bank & in hand | 18 | 1,520,306 | 1,131,676 | 826,623 | 587,727 |
| Short term investments | 18 | 13,950,389 | 15,710,158 | 1,771,895 | 1,035,996 |
| Bank overdraft* | 28 | (869,302) | (991,500) | (635,929) | (699,950) |
| | | 14,601,394 | 15,850,334 | 1,962,589 | 923,773 |

*The above reported overdraft amount of the company mainly includes unrepresented cheques and it is only a book balances.

Figures in brackets indicate deductions.

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statement, from pages 108 to 224 which, form an integral part of these Financial Statements.

A Reconciliation of operating profit with cash flow from operating activities

| | Company | |
|---|-------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 |
| Profit from operations | 2,575,519 | 9,235,253 |
| Increase in Long Term Insurance Fund | 10,988,392 | 9,754,105 |
| Depreciation charge | 334,489 | 407,193 |
| Profit on sale of investments | 198,938 | 1,485,260 |
| Gratuity provision | 301,316 | 127,667 |
| Gain/(loss) on foreign exchange transaction | (372,044) | (338,013) |
| Gratuity payment | 8,408 | (44,311) |
| (Increase)/decrease in debtors | 897,185 | (3,684,831) |
| Increase/(decrease) in unearned premium | 780,352 | 796,267 |
| Increase/(decrease) in claims provisions | 323,019 | 631,204 |
| Increase/(decrease) in creditors | 2,552,465 | (285,926) |
| Net cash from operating activities | 18,588,038 | 18,083,868 |

SEGMENTAL REVIEW : STATEMENT OF INCOME

| For the Year ended 31 December | 2017 | | | | | | |
|---|--------------------|---------------------|--------------------|---------------------|----------------|--------------------|---------------------|
| | Non Life | Life | Healthcare | Energy | Other | Eliminations | Total |
| | Insurance | Insurance | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Gross Written Premium | 18,920,562 | 12,517,120 | - | - | - | (141,737) | 31,295,945 |
| Net Change in Reserves for | | | | | | | |
| Unearned Premium | (2,153,642) | - | - | - | - | - | (2,153,642) |
| Gross Earned Premium | 16,766,920 | 12,517,120 | - | - | - | (141,737) | 29,142,303 |
| Premium Ceded to Reinsurers | (4,542,029) | (231,795) | - | - | - | - | (4,773,824) |
| Net Change in Reserve for | | | | | | | |
| Unearned Reinsurance Premium | 1,427,454 | - | - | - | - | - | 1,427,454 |
| Net Earned Premium | 13,652,345 | 12,285,325 | - | - | - | (141,737) | 25,795,933 |
| Revenue from other operations | - | - | 6,382,058 | 32,193,755 | 99,807 | (2,155,418) | 36,520,202 |
| Total Revenue | 13,652,345 | 12,285,325 | 6,382,058 | 32,193,755 | 99,807 | (2,297,155) | 62,316,134 |
| Benefits and Losses | | | | | | | |
| Insurance claims and benefits (net) | (9,127,011) | (6,899,557) | - | - | - | - | (16,026,568) |
| Underwriting and net acquisition costs | (636,080) | (1,688,772) | - | - | - | - | (2,324,852) |
| Change in contract liabilities - Life fund | | (7,771,944) | - | - | - | - | (7,771,944) |
| Change in contract liabilities due to one off surplus | - | 98,237 | - | - | - | - | 98,237 |
| Cost of services of subsidiaries | - | - | (3,519,257) | (29,460,994) | - | - | (32,980,251) |
| Total Benefits and Losses | (9,763,091) | (16,262,036) | (3,519,257) | (29,460,994) | - | - | (59,005,379) |
| Other Revenue | | | | | | | |
| Investment income | 1,850,510 | 10,277,108 | 149,076 | 1,237,242 | 422,412 | (324,221) | 13,612,125 |
| Fees and commission income | | 56,068 | - | - | - | - | 56,068 |
| Net realized gains | 177,239 | 194,805 | 44,404 | (69,020) | 1,434 | - | 348,862 |
| Net fair value Gains and losses | - | - | - | - | - | - | - |
| Other income | 161,380 | 744,958 | 51,982 | 1,281,835 | 467,278 | (462,605) | 2,244,828 |
| | 2,189,129 | 11,272,939 | 245,462 | 2,450,058 | 891,124 | (786,826) | 16,261,884 |
| Expenses | | | | | | | |
| Other operating, investment related and | | | | | | | |
| administrative expenses | (3,502,864) | (3,981,540) | (2,186,215) | (3,058,226) | (623,760) | 2,759,760 | (10,592,844) |
| Profit before Taxation | 2,575,519 | 3,314,688 | 922,048 | 2,124,592 | 367,171 | (324,221) | 8,979,794 |
| Income tax expense | (391,642) | (929,414) | (341,198) | (623,933) | (118,697) | (7,328) | (2,412,210) |
| Net Profit after Taxation/Transfer | | | | | | | |
| to Shareholders' Fund | 2,183,877 | 2,385,274 | 580,850 | 1,500,659 | 248,474 | (331,549) | 6,567,584 |

| | | | | | | | 2016 |
|--------------------|---------------------|--------------------|---------------------|----------------|--------------------|---------------------|------|
| Non Life Insurance | Life Insurance | Healthcare | Energy | Other | Eliminations | Total | |
| Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | |
| 15,720,793 | 11,893,640 | - | - | - | (134,333) | 27,480,100 | |
| (634,184) | - | - | - | - | - | (634,184) | |
| 15,086,609 | 11,893,640 | - | - | - | (134,333) | 26,845,916 | |
| (2,556,737) | (214,304) | - | - | - | - | (2,771,041) | |
| (195,914) | - | - | - | - | - | (195,914) | |
| 12,333,958 | 11,679,336 | - | - | - | (134,333) | 23,878,961 | |
| - | - | 5,886,442 | 26,720,060 | 81,668 | (2,098,067) | 30,590,103 | |
| 12,333,958 | 11,679,336 | 5,886,442 | 26,720,060 | 81,668 | (2,232,400) | 54,469,064 | |
| (8,605,127) | (5,871,667) | - | - | - | - | (14,476,794) | |
| (634,481) | (1,560,526) | - | - | - | - | (2,195,007) | |
| - | (5,198,390) | - | - | - | - | (5,198,390) | |
| - | - | - | - | - | - | - | |
| - | - | (3,026,123) | (19,840,970) | - | - | (22,867,093) | |
| (9,239,608) | (12,630,583) | (3,026,123) | (19,840,970) | - | - | (44,737,284) | |
| 9,317,044 | 7,956,607 | 120,814 | 1,533,048 | 435,483 | (8,005,792) | 11,357,204 | |
| - | 52,289 | - | - | - | - | 52,289 | |
| 268,142 | 69,871 | 62,019 | (104,891) | 377 | - | 295,518 | |
| (599,797) | - | - | - | - | - | (599,797) | |
| 337,027 | 693,282 | 52,542 | 1,067,925 | 351,307 | (312,034) | 2,190,050 | |
| 9,322,416 | 8,772,049 | 235,375 | 2,496,083 | 787,167 | (8,317,826) | 13,295,264 | |
| (3,181,514) | (3,265,087) | (2,014,240) | (2,742,475) | (554,099) | 2,544,434 | (9,212,980) | |
| 9,235,252 | 4,555,715 | 1,081,454 | 6,632,698 | 314,737 | (8,005,792) | 13,814,064 | |
| (308,911) | (740,739) | (109,430) | (1,236,390) | (63,997) | (869,660) | (3,329,128) | |
| 8,926,341 | 3,814,976 | 972,024 | 5,396,308 | 250,739 | (8,875,452) | 10,484,936 | |

SEGMENTAL REVIEW : STATEMENT OF FINANCIAL POSITION

| For the Year ended 31 December | 2017 | | | | | | |
|---|-------------------|--------------------|------------------|-------------------|-------------------|---------------------|--------------------|
| | Non Life | Life | Healthcare | Energy | Other | Eliminations | Total |
| | Insurance | Insurance | Healthcare | Energy | Other | Eliminations | Total |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Assets | | | | | | | |
| Financial investments | 31,343,559 | 113,256,786 | 2,225,856 | 100,000 | - | - | 146,926,201 |
| Investment in subsidiaries | 19,735,493 | 1,457,914 | - | 5,000,000 | 18,500,000 | (44,693,408) | - |
| Investment in associates | 143,646 | - | - | - | - | - | 143,646 |
| Property, plant & equipment | 10,072,272 | 66,048 | 4,520,194 | 15,713,566 | 19,226,143 | - | 49,598,222 |
| Investment properties | 619,200 | - | - | - | 803,500 | - | 1,422,700 |
| Leasehold property | 20,001 | - | 203,169 | - | 2,581 | - | 225,751 |
| Intangible assets | 93,167 | - | 95,520 | - | 44 | 2,992,805 | 3,181,536 |
| Loans to policyholders | - | 1,522,185 | - | - | - | - | 1,522,185 |
| Reinsurance receivable | 2,281,194 | 166,105 | - | - | - | - | 2,447,299 |
| Premium receivable | 3,219,208 | 474,950 | - | - | - | - | 3,694,158 |
| Deferred tax assets | - | 171,476 | - | - | 50 | - | 171,526 |
| Other assets | 526,527 | 2,892,591 | 855,745 | 2,289,100 | 738,378 | (558,188) | 6,744,152 |
| Deferred expenses | 234,337 | - | - | - | - | - | 234,337 |
| Cash and cash equivalents | 866,833 | 1,731,684 | 249,421 | 11,317,684 | 1,305,073 | - | 15,470,696 |
| Total Assets | 69,155,437 | 121,739,738 | 8,149,904 | 34,420,350 | 40,575,770 | (42,258,792) | 231,782,408 |
| Liabilities and Equity | | | | | | | |
| Liabilities | | | | | | | |
| Insurance provision - Life | - | 101,671,180 | - | - | - | - | 101,671,180 |
| Insurance provision - Non-life | 17,128,394 | - | - | - | - | - | 17,128,394 |
| Reinsurance payable | 2,579,328 | 210,639 | - | - | - | - | 2,789,967 |
| Current tax liabilities | 188,927 | 561,248 | 38,459 | (97,777) | 59,353 | - | 750,211 |
| Deferred tax liabilities | 1,193,055 | - | 998,190 | 2,695,713 | 32,302 | - | 4,919,261 |
| Retirement benefit obligations | 701,927 | 643,433 | 166,551 | 102,427 | 63,527 | - | 1,677,864 |
| Other liabilities | 1,901,326 | 2,343,945 | 693,305 | 10,053,699 | 1,462,524 | (569,014) | 15,885,787 |
| Financial liabilities | 362,849 | 273,080 | 233,373 | - | - | - | 869,302 |
| Total Liabilities | 24,055,806 | 105,703,525 | 2,129,878 | 12,754,063 | 1,617,706 | (569,014) | 145,691,965 |
| Equity | | | | | | | |
| Stated capital | 6,000,000 | - | 2,671,543 | 1,947,109 | 37,870,087 | (42,488,739) | 6,000,000 |
| Regulatory restricted reserves from one off surplus | - | 98,237 | - | - | - | - | 98,237 |
| Capital reserve | 7,633,144 | 31,128 | 1,066,205 | 3,370,779 | - | (1,658,332) | 10,442,293 |
| Available-for-sale reserve | 8,174,311 | 8,053,087 | - | - | - | - | 16,227,399 |
| Revenue reserves | 23,292,173 | 7,853,762 | 2,282,279 | 16,348,399 | 1,087,977 | (5,620,157) | 45,244,434 |
| Non-controlling interest | - | - | - | - | - | 8,077,450 | 8,077,450 |
| Total Equity | 45,099,628 | 16,036,214 | 6,020,027 | 21,666,288 | 38,958,064 | (41,689,778) | 86,090,443 |
| Total Liabilities and Equity | 69,155,437 | 121,739,738 | 8,149,904 | 34,420,350 | 40,575,770 | (42,258,792) | 231,782,408 |

| Non Life Insurance Rs. 000 | Life Insurance Rs. 000 | Healthcare Rs. 000 | 2016 | | | Eliminations Rs. 000 | Total Rs. 000 |
|----------------------------------|------------------------------|-----------------------|-------------------|-------------------|---------------------|-------------------------|------------------|
| | | | Energy Rs. 000 | Other Rs. 000 | | | |
| 27,512,721 | 102,671,994 | 2,028,554 | 101,672 | - | - | 132,314,946 | |
| 19,735,493 | 1,457,914 | - | 5,000,000 | 18,500,000 | (44,693,407) | - | |
| 138,448 | - | - | - | - | - | 138,448 | |
| 10,187,556 | 61,344 | 4,082,880 | 13,003,658 | 16,997,796 | - | 44,033,234 | |
| 619,200 | - | - | - | 777,000 | - | 1,396,200 | |
| 20,268 | - | 189,307 | - | 2,680 | - | 212,255 | |
| 148,272 | - | 60,324 | - | - | 2,992,805 | 3,201,401 | |
| - | 1,518,719 | - | - | - | - | 1,518,719 | |
| 1,775,795 | 107,268 | - | - | - | - | 1,883,063 | |
| 2,975,295 | 429,440 | - | - | - | - | 3,404,735 | |
| - | 131,317 | - | - | 425 | - | 131,742 | |
| 3,515,811 | 1,957,360 | 825,651 | 1,968,585 | 4,164,691 | (4,152,224) | 8,279,872 | |
| 441,191 | - | - | - | - | - | 441,191 | |
| 433,858 | 1,189,865 | 165,601 | 11,811,244 | 3,241,266 | - | 16,841,834 | |
| 67,503,909 | 109,525,219 | 7,352,317 | 31,885,160 | 43,383,858 | (45,852,826) | 213,797,636 | |
| - | 90,010,165 | - | - | - | - | 90,010,165 | |
| 16,517,151 | - | - | - | - | - | 16,517,151 | |
| 884,749 | 112,894 | - | - | - | - | 997,643 | |
| 33,564 | 404,919 | 38,108 | 460,930 | 28,762 | - | 964,284 | |
| 709,090 | - | 426,596 | 1,935,870 | 14,433 | - | 3,085,989 | |
| 540,332 | 495,304 | 133,163 | 93,688 | 77,352 | - | 1,340,289 | |
| 1,737,055 | 1,855,506 | 677,864 | 8,691,382 | 4,282,781 | (4,152,215) | 13,092,375 | |
| 478,886 | 221,064 | 233,373 | 57,687 | - | - | 991,500 | |
| 20,900,827 | 93,099,852 | 1,508,044 | 11,181,871 | 4,461,016 | (4,152,215) | 126,999,396 | |
| 6,000,000 | - | 2,671,543 | 1,947,109 | 37,870,087 | (42,488,740) | 6,000,000 | |
| - | - | - | - | - | - | - | |
| 8,115,786 | 43,296 | 1,284,778 | 3,917,519 | - | (1,738,089) | 11,623,290 | |
| 7,953,284 | 13,102,020 | - | - | - | - | 21,055,304 | |
| 24,534,012 | 3,280,051 | 1,887,952 | 14,838,660 | 1,052,754 | (5,327,899) | 40,158,020 | |
| - | - | - | - | - | 7,961,626 | 7,961,626 | |
| 46,603,082 | 16,425,367 | 5,844,273 | 20,703,289 | 38,922,842 | (41,700,613) | 86,798,240 | |
| 67,503,909 | 109,525,219 | 7,352,317 | 31,885,160 | 43,383,858 | (45,852,826) | 213,797,636 | |

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

1.1 Corporate Information

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

The consolidated financial statements of the Group as at and for the year ended 31st December 2017, comprises the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates. The financial statements of all companies within the Group are prepared for a common financial year which ends on 31st December 2017.

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

1.2 Principal activities and nature of operations

1.2.1 Company

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

1.2.2 Subsidiaries

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

2. Basis Of Preparation

2.1 Statement of Compliance

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

The financial statements were authorized for issue by the Board of Directors on 25th May 2018.

2.2 Basis of Measurement

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

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

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

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 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 which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5 Use of Estimates and Judgments

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

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

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

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

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

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

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

Note 17 - Measurement of Deferred Acquisition Cost (DAC)

Note 05 - Fair value measurement of unquoted instruments

Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

Significant valuation issues are reported to the Group's Audit Committee.

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

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

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

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

2.8 Going Concern

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

3. Significant Accounting Policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The

NOTES TO THE FINANCIAL STATEMENTS

consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

3.1.2 Non-controlling interests

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

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

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1.4 Interest in equity accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

3.1.5 Loss of control

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

3.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized

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

3.2 Foreign currency transactions

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

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

Foreign currency differences are generally recognized in profit and loss.

3.3 Insurance contracts

Product classification

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

Insurance contracts are those contracts when the Group (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.

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

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

3.4 Statement of profit or loss and other comprehensive income

3.4.1 Revenue Recognition

3.4.1.1 Gross Written Premiums (GWP)

(a) Life Insurance Gross Written Premium

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

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

(b) Non - Life Insurance Gross Written Premium

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

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

Unearned Premium Reserve (UPR)

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

Unearned premiums are calculated on 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.

3.4.1.2 Reinsurance Premiums

Gross reinsurance premiums on insurance contracts are recognized 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.

(a) Non-Life Insurance Reinsurance Premium

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

Unearned Reinsurance Premium Reserve

Unearned reinsurance 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. 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).

(b) Life Insurance Reinsurance Premium

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

3.4.1.3 Fees and Commission Income

(a) Reinsurance Commission Income

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

NOTES TO THE FINANCIAL STATEMENTS

(b) *Other Fees Income*

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

3.4.1.4 *Investment income*

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

(a) *Interest income*

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

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

(b) *Dividend Income*

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

3.4.1.5 *Hospital Revenue*

Revenue from hospital services is recognized at the point of delivering services. The timing of the delivery of service depends on the individual service contracts. Service income is recognized by reference to the stage of completion of the transactions at the end of the reporting period.

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

3.4.1.6 *Revenue from other operations*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration

received or receivable, net of returns, trade discounts. Revenue is recognized when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer; recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenue from other operations includes pharmacy revenue and gas revenue from subsidiaries of the Group.

3.4.1.7 *Rental Income from Investment Property*

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

3.4.1.8 *Profit / loss on disposal of property, plant and equipment*

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

3.4.2 *Benefits, Claims and Expenses*

3.4.2.1 *Gross Benefits and Claims*

(a) *Life insurance business*

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

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

(b) *Non - Life insurance business*

Non - Life insurance claims include all claims occurring during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

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

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

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

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

3.4.2.2 Reinsurance claims

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

3.4.2.3 Net deferred acquisition expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business.

Acquisition expenses applicable to non-life insurance contracts are deferred and amortized over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.4.2.4 Actuarial Valuation of Life Insurance Fund

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

3.4.2.5 Other expenses

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

3.4.3 Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employment benefit expense in the statement of profit or loss in the periods during which services are rendered by employees.

Employee Provident Fund

The Company and employees of Sri Lanka Insurance Corporation Limited, Litro Gas Lanka Limited and Litro Terminal Lanka (Pvt) Ltd contribute 15% and 10% respectively on the salary of each employee to the approved provident fund.

Other group entities and employees of the other group entities contribute 12% and 8% respectively on the salary of each employee to the approved provident fund.

Employees Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

(c) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS

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

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. The Group recognizes any gains and losses on the settlement of a defined benefit plan when settlement occurs.

The re-measurement of the net defined benefit obligation, which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

3.4.4 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in OCI.

3.4.4.1 Current tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

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

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

3.4.4.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

3.4.4.3 Withholding Tax on Dividends

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

3.4.4.4 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act, No. 13 of 2006 and the amendments thereto, 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.

3.4.4.5 Crop insurance levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into

effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after Tax.

3.5 Statement of Financial Position

3.5.1 Property, Plant and Equipment

3.5.1.1 Initial Recognition and Measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

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

- ★ the cost of materials and direct labour
- ★ any other costs directly attributable to bringing the assets to a working condition for their intended use
- ★ when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Any gain or loss on disposal is recognized in other operating income in profit or loss.

3.5.1.2 Subsequent expenditure and replacement

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

3.5.1.3 Revaluations

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

Valuation of the land & buildings are undertaken by professionally qualified valuers at a minimum of two to three years respectively.

An increase in the carrying amount as a result of revaluation, is recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

A decrease in the carrying amount as a result of revaluation, is recognized in profit and loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

3.5.1.4 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using straight line method over their estimated useful lives, and is generally recognized in profit or loss. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

| | |
|---|---------------|
| ★ Buildings | - 20-40 years |
| ★ Furniture and Fittings | - 5-10 years |
| ★ Office and Other Equipment | - 5-10 years |
| ★ Electrical Generators and Air Condition Plant | - 10 years |
| ★ Motor Vehicles | - 4 years |
| ★ Fixtures and Fittings | - 6 2/3 years |
| ★ Plant and Machinery | - 20 years |
| ★ Computers and Computer Equipment | - 4 – 7 years |
| ★ LP Gas Storage Tanks, Pine Lines and fittings | - 25 years |
| ★ LP Gas Cylinders | - 10 years |
| ★ Other fixed assets | - 5-12 years |

NOTES TO THE FINANCIAL STATEMENTS

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

3.5.1.5 *De-recognition*

The carrying amount of an item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when item is de recognized.

3.5.1.6 *Capital work-in-progress*

Capital work-in-progress is stated at cost. These are the expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

3.5.2 *Intangible Assets*

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

3.5.2.1 *Goodwill*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of Goodwill

Goodwill acquired in a business combination is tested annually for impairment and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized in profit or loss. Impairment loss on goodwill is not reversed.

3.5.2.2 *Software*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The intangible assets with finite useful life are assessed for impairment whenever there is an indication that intangible assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit (CGU) level.

The Group has software acquired separately as other intangible assets as at reporting date.

Subsequent Expenditure

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

Amortization

Amortization is calculated to write off the cost of the intangible assets less their estimated residual values using the straight line method over their estimated useful lives and is recognized in profit or loss. The estimated useful life of software is six years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

De-recognition

An intangible asset is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss from the derecognition of such intangible assets is included in profit or loss when the item is derecognized.

3.5.3 *Investment Property*

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Investment properties are de- recognized when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers are made to the investment properties when there is a change in use. When a group company occupies in a significant portion of an investment property of a subsidiary, such investment property is treated as property, plant and equipment in the consolidated financial statements and accounted for as per

LKAS 16 –‘Property, Plant and Equipment’.

3.5.4 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.5.5 Inventories

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

3.5.6 Financial Instruments

The Group classifies non derivative financial assets into following categories: available for sale financial assets, loans and receivables, Held-To-Maturity financial assets and financial assets at fair value through profit or loss.

The Group classifies non derivative financial liabilities into other financial liabilities category.

3.5.6.1 Non-derivative financial assets

The Group initially recognizes loans and receivables and debt securities issued on the date at which they are originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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

Subsequent measurement

(a) Available-for-sale financial assets (AFS)

Available-for-sale financial investments are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement at fair value, available-for-sale financial investments are subsequently measured at fair value and changes therein are recognized in other comprehensive income and accumulated in the available-for-sale reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The 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

NOTES TO THE FINANCIAL STATEMENTS

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.

Available-For-Sale financial investments of the Group comprise equity and debt securities, which are neither classified as held for trading nor designated at fair value through profit or loss.

(b) Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

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. Financial assets at fair value through profit or loss of the Group comprise listed equity investments.

(c) Held-To-Maturity financial assets (HTM)

These are non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held-To-Maturity when the Group has both the intention and ability to hold until maturity. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Held-To-Maturity financial assets comprise treasury bills and treasury bonds investments made by the Group.

(d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

Loans and receivables comprise investments in unquoted corporate debt, term deposits, asset backed securities, development bonds, commercial papers, other loans and receivables, cash and cash equivalents.

★ **Reinsurance Receivable**

Group cedes insurance risk in the normal course of business to recognized reinsurers through formal reinsurance arrangements.

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

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group 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 Group from its obligations to policyholders.

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

★ **Premium Receivable**

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration

receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka (IRCS), Non-Life insurance policies are issued subject to PPW and are cancelled upon the expiry of 90 days if not settled.

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

★ **Other Receivables and Dues from Related Parties**

Other receivables and dues from Related Parties are recognized at cost less allowances for bad and doubtful receivables.

★ **Cash and cash equivalents**

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

3.5.6.2 Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

3.5.7 Impairment of Financial Assets (Non-Derivatives)

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

Objective evidence that financial assets are impaired includes;

- ★ default or delinquency by a debtor;
- ★ indications that a debtor or issuer will enter bankruptcy;
- ★ adverse changes in the payment status of borrowers or issuers;
- ★ the disappearance of an active market for a security because of financial difficulties; or
- ★ observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

3.5.7.1 Financial assets carried at Amortized Cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

3.5.7.2 Available-For-Sale Financial Assets (AFS)

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the available for sale reserve to profit or loss. The amount reclassified is the difference between acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

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If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

3.5.8 *Deferred Expenses*

Deferred Acquisition Costs (DAC)

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

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

In line with the available regulatory guidelines from the Insurance Regulatory Commission of Sri Lanka (IRCS), the DAC is calculated based on the 365 basis.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying amount, an impairment loss is recognized in the Statement of profit or loss.

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

3.5.9 *Stated Capital*

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

3.5.10 *Liabilities and Provisions*

3.5.10.1 *Insurance contract liabilities*

Insurance Provision – Life Insurance

Life insurance liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Board of Sri Lanka (IBSL) ACT, No. 43 of 2000 based

on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non-participating Liabilities are discounted using the risk free yields.

The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cash flows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and nonguaranteed benefits, and discounts the cash flows using the fund based yield of the participating insurance fund.

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

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

Insurance Provision – Non - Life Insurance

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

The valuation of Unearned Premium Reserve are measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 365 basis). However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided).

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

No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

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

3.5.10.2 Title Insurance Reserve

Title insurance reserve is maintained by the Group to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as 5 years or more. Due to the long term nature and uncertainty of this line of business, SLIC has adopted the approach of only earning sufficient premium to cover the claims and expenses incurred as they arise, with the remaining premium pooled into a fund for future claims and expenses. Under this approach, no profit is recognized on the earned premium.

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 recognized in profit or loss upon confirmation of the same by the respective Bank.

3.5.10.3 Provisions (except on insurance contracts)

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and can be measured reliably. Provisions except on insurance contracts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

3.5.11 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.

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Leases

Leases that do not transfer to the Group, substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in profit and loss on a straight line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3.6 Commitments and contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

3.7 Segmental Reporting

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

NOTES TO THE FINANCIAL STATEMENTS

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Accordingly, segmental information of the Group reflects Non - Life Insurance, Life Insurance, Healthcare, Energy and other segments. Inter-segment transfers are based on fair market prices.

3.8 Earnings per share (EPS)

The Group presents basic 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.

3.9 Proposed Dividends

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

3.10 Events occurring after the reporting date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

3.11 Statement of Cash Flows

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7 'Statement of Cash flows'.

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

4. Accounting Standards Issued but not Effective as at The Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after the 1st January 2017 or at a later date. Accordingly, these standards have not been applied in preparing these Financial Statements.

SLFRS 9 – “Financial instruments”

This standard replaces the existing guidance in LKAS 39 – ‘Financial Instruments: Recognition and Measurement’ SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption is permitted.

The subsidiaries of the Group is assessing the potential impact on its financial statements resulting from the application of SLFRS 9.

The company (SLIC) is predominantly based on the proposed amendments to SLFRS 4 ‘Insurance contracts’, the entities whose predominant activity is issuing insurance contracts are permitted to defer the full application of SLFRS 9 until the earlier of 2021 or adopting the revised SLFRS 4, which is currently expected to commence in 2020.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- a. It has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss
- b. Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date.

The company will decide on appropriate classification of its investments under SLFRS 9 closer to the time of adopting the revised SLFRS 4 and so is not able to fully quantify the impact of adopting SLFRS 9 on its financial statements as at reporting date. It is not anticipated however that it will significantly change the company's total equity.

SLFRS 15 – “Revenue from Contracts with Customers”

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 – ‘Revenue’, LKAS 11 – ‘Construction Contracts’ and IFRIC 13 – ‘Customer Loyalty Programmes’. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption is permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of SLFRS 15. This standard is not applicable for accounting for revenue arising from insurance contract.

SLFRS 16 – “Lease”

SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1st January 2019. Early adoption is permitted for entities that apply SLFRS 15 Revenue from Contracts with Customers at or before the date of initial application of SLFRS 16.

The Group has not assessed the potential impact on its financial statements resulting from the application of SLFRS 16.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

Effective from 1st January 2017

- ★ Disclosure Initiative (Amendments to IAS 7)
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Effective from 1st January 2018

- ★ Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | Note | Group | | | | Company | | | |
|--|-------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | | 2017 | | 2016 | | 2017 | | 2016 | |
| | | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 |
| 5 Financial Investments | | | | | | | | | |
| Held-To-Maturity (HTM) | 5.1 | 55,020,955 | 56,832,040 | 49,313,553 | 45,815,016 | 55,020,955 | 56,832,040 | 49,313,553 | 45,815,016 |
| Loans & Receivables (L & R) | 5.2 | 25,074,770 | 25,074,770 | 21,997,008 | 21,997,008 | 22,748,914 | 22,748,914 | 19,995,372 | 19,995,372 |
| Available-For-Sale (AFS) | 5.3 | 62,780,395 | 62,780,395 | 55,555,182 | 55,555,182 | 62,780,394 | 62,780,395 | 55,555,182 | 55,555,182 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | 5.4 | 4,050,081 | 4,050,081 | 5,449,200 | 5,449,200 | 4,050,081 | 4,050,081 | 5,320,606 | 5,320,606 |
| Total Financial Investments | | 146,926,201 | 148,737,286 | 132,314,943 | 128,816,405 | 144,600,345 | 146,411,430 | 130,184,713 | 126,686,175 |
| 5.1 Held-To-Maturity (HTM) | | | | | | | | | |
| Treasury Bonds | | 55,020,955 | 56,832,040 | 49,313,553 | 45,815,016 | 55,020,955 | 56,832,040 | 49,313,553 | 45,815,016 |
| | | 55,020,955 | 56,832,040 | 49,313,553 | 45,815,016 | 55,020,955 | 56,832,040 | 49,313,553 | 45,815,016 |
| 5.2 Loans & Receivables (L & R) | | | | | | | | | |
| Unlisted Debentures | 5.2.1 | 500,534 | 500,534 | 500,534 | 500,534 | 500,534 | 500,534 | 500,534 | 500,534 |
| Term Deposit | | 17,034,533 | 17,034,533 | 14,337,916 | 14,337,916 | 14,708,677 | 14,708,677 | 12,336,280 | 12,336,280 |
| Development Bond | | 7,539,703 | 7,539,703 | 7,158,558 | 7,158,558 | 7,539,703 | 7,539,703 | 7,158,558 | 7,158,558 |
| | | 25,074,770 | 25,074,770 | 21,997,008 | 21,997,008 | 22,748,914 | 22,748,914 | 19,995,372 | 19,995,372 |
| 5.2.1 Unlisted Debentures | | | | | | | | | |
| National Savings Bank | | 29.12.2021 | 500,000 | 500,534 | 500,534 | 29.12.2021 | 500,000 | 500,534 | 500,534 |
| | | | 500,000 | 500,534 | 500,534 | | 500,000 | 500,534 | 500,534 |

| As at 31 December | Note | Group | | | | Company | | | |
|-------------------------------------|-------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | | 2017 | | 2016 | | 2017 | | 2016 | |
| | | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 |
| 5.3 Available-For-Sale (AFS) | | | | | | | | | |
| Listed Shares | 5.3.1 | 32,460,737 | 32,460,737 | 30,914,016 | 30,914,016 | 32,460,737 | 32,460,737 | 30,914,016 | 30,914,016 |
| Unlisted Shares | 5.3.2 | 48,891 | 48,891 | 47,972 | 47,972 | 48,891 | 48,891 | 47,972 | 47,972 |
| Unit Trusts | 5.3.3 | 4,593,369 | 4,593,369 | 964,320 | 964,320 | 4,593,369 | 4,593,369 | 964,320 | 964,320 |
| Listed Debentures | 5.3.4 | 21,017,947 | 21,017,947 | 19,566,029 | 19,566,029 | 21,017,947 | 21,017,947 | 19,566,029 | 19,566,029 |
| Treasury Bond | | 4,659,451 | 4,659,451 | 4,062,844 | 4,062,844 | 4,659,451 | 4,659,451 | 4,062,844 | 4,062,844 |
| | | 62,780,395 | 62,780,395 | 55,555,181 | 55,555,181 | 62,780,395 | 62,780,395 | 55,555,181 | 55,555,181 |

| As at 31 December Company / Group | No. of Shares | 2017 | | 2016 | |
|--------------------------------------|------------------|--|--------------------------|--|--------------------------|
| | | Carrying Value / Fair Value Rs. 000 | Fair Value Rs. 000 | Carrying Value / Fair Value Rs. 000 | Fair Value Rs. 000 |
| | | | | | |

5.3.1 Listed Shares

Financials

Banks

| | | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| Commercial Bank of Ceylon PLC | 86,707,586 | 11,792,232 | 11,792,232 | 77,844,533 | 11,287,457 | 11,287,457 |
| DFCC Bank | 26,509,832 | 3,287,219 | 3,287,219 | 26,509,832 | 3,247,454 | 3,247,454 |
| Seylan Bank PLC | 26,942,047 | 2,343,958 | 2,343,958 | 26,396,608 | 2,441,686 | 2,441,686 |
| Hatton National Bank PLC | 49,067,859 | 12,217,897 | 12,217,897 | 48,447,755 | 10,891,745 | 10,891,745 |
| National Development Bank PLC | 17,849,692 | 2,436,483 | 2,436,483 | 17,193,914 | 2,682,251 | 2,682,251 |
| Sector Total | | 32,077,789 | 32,077,789 | | 30,550,593 | 30,550,593 |

Industrials

Capital Goods

| | | | | | | |
|-----------------------|-----------|---------|---------|-----------|---------|---------|
| Colombo Dock Yard PLC | 3,592,998 | 315,465 | 315,465 | 3,592,998 | 273,068 | 273,068 |
| Sector Total | | 315,465 | 315,465 | | 273,068 | 273,068 |

Telecommunication Services

Telecommunication Services

| | | | | | | |
|-----------------------|-----------|--------|--------|-----------|--------|--------|
| Sri Lanka Telecom PLC | 2,041,538 | 57,980 | 57,980 | 2,041,538 | 74,516 | 74,516 |
| Sector Total | | 57,980 | 57,980 | | 74,516 | 74,516 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December Company / Group | 2017 | | | 2016 | | |
|--|------------------|--|--------------------------|------------------|--|--------------------------|
| | No. of Shares | Carrying Value / Fair Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | Carrying Value / Fair Value Rs. 000 | Fair Value Rs. 000 |
| 5.3.1 Listed Shares (contd.) | | | | | | |
| Consumer Discretionary | | | | | | |
| Consumer Durables & Apparel | | | | | | |
| Blue Diamonds Jewellery Worldwide PLC | 10,559,100 | 9,503 | 9,503 | 10,559,100 | 15,839 | 15,839 |
| Sector Total | | 9,503 | 9,503 | | 15,839 | 15,839 |
| Total Investment in Listed Shares | | 32,460,737 | 32,460,737 | | 30,914,016 | 30,914,016 |

There is no impairment that has been recognized on the investments in Colombo Dock Yard PLC for the year ending 2017 (2016 Rs.583million) and Blue Diamonds Jewellery Worldwide PLC has no impairment in the year of 2017.

| As at 31 December Company / Group | 2017 | | | 2016 | | |
|--|------------------|------------------------------|--------------------------|------------------|------------------------------|--------------------------|
| | No. of Shares | Carrying Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | Carrying Value Rs. 000 | Fair Value Rs. 000 |
| 5.3.2 Unlisted Stocks | | | | | | |
| Associated Newspapers of Ceylon Ltd | 61,206 | 8,579 | 8,579 | 61,206 | 7,844 | 7,844 |
| Fitch Ratings Lanka Ltd | 62,500 | 1,969 | 1,969 | 62,500 | 1,785 | 1,785 |
| Texpro Industries Ltd | 2,250,000 | 10,688 | 10,688 | 2,250,000 | 10,688 | 10,688 |
| Capital Alliance Investments Ltd | 125,000 | 27,655 | 27,655 | 125,000 | 27,655 | 27,655 |
| Total Investment in Unlisted Shares | | 48,891 | 48,891 | | 47,972 | 47,972 |

There is no impairment that has been recognized on investments in unlisted shares, TEXPRO Industries Ltd and Ceylon Asset Management Ltd. (2016 - 12million and 5 million respectively)

| As at 31 December Company / Group | No. of Units | 2017 | | No. of Units | 2016 | |
|--|-----------------|-------------------|---------------|-----------------|-------------------|---------------|
| | | Carrying Value | Fair Value | | Carrying Value | Fair Value |
| | | Rs. 000 | Rs. 000 | | Rs. 000 | Rs. 000 |
| 5.3.3 Unit Trust | | | | | | |
| Ceybank Unit Trust | 18,200,565 | 398,774 | 398,774 | 18,200,565 | 464,842 | 464,842 |
| Ceylon Income Fund | 20,066,000 | 305,003 | 305,003 | 21,269,000 | 297,553 | 297,553 |
| Ceylon Treasury Income Fund | 24,836,957 | 232,226 | 232,226 | 24,836,957 | 201,925 | 201,925 |
| Capital Alliance Investment Grade Fund | 147,030,087 | 2,062,318 | 2,062,318 | - | - | - |
| Ceybank High Yield Fund | 25,000,000 | 252,128 | 252,128 | - | - | - |
| Ceylon Money Market Fund | 20,075,484 | 255,029 | 255,029 | - | - | - |
| Guardian Acuity Money Market Fund | 35,448,446 | 543,598 | 543,598 | - | - | - |
| JB Vantage Money Market Fund | 28,061,446 | 544,294 | 544,294 | - | - | - |
| | | 4,593,369 | 4,593,369 | | 964,320 | 964,320 |

| As at 31 December | Maturity Date | 2017 | | | Maturity Date | 2016 | | |
|-------------------|------------------|---------------|-------------------|---------------|------------------|---------------|-------------------|---------------|
| | | Face Value | Carrying Value | Fair Value | | Face Value | Carrying Value | Fair Value |
| | | Rs. 000 | Rs. 000 | Rs. 000 | | Rs. 000 | Rs. 000 | Rs. 000 |

5.3.4 Listed Debentures Company

Financials

Banks

| | | | | | | | | |
|-------------------------------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| Bank of Ceylon | - | - | - | - | 29.11.2017 | 500,000 | 520,264 | 520,264 |
| Bank of Ceylon | 24.10.2018 | 287,970 | 301,021 | 301,021 | 24.10.2018 | 287,970 | 299,897 | 299,897 |
| Bank of Ceylon | 21.09.2019 | 500,000 | 491,468 | 491,468 | 21.09.2019 | 500,000 | 488,568 | 488,568 |
| Bank of Ceylon | 24.10.2023 | 67,050 | 69,773 | 69,773 | 24.10.2023 | 67,050 | 71,282 | 71,282 |
| Bank of Ceylon | 06.10.2020 | 250,000 | 241,757 | 241,757 | 06.10.2020 | 250,000 | 257,437 | 257,437 |
| Hatton National Bank PLC | 12.06.2018 | 316,717 | 346,640 | 346,640 | 12.06.2018 | 316,717 | 347,875 | 347,875 |
| Hatton National Bank PLC | 14.12.2019 | 500,000 | 495,790 | 495,790 | 14.12.2019 | 500,000 | 519,640 | 519,640 |
| Hatton National Bank PLC | 31.03.2021 | 478,459 | 340,854 | 340,854 | 31.03.2021 | 478,459 | 287,315 | 287,315 |
| Hatton National Bank PLC | 30.08.2023 | 126,888 | 111,240 | 111,240 | 30.08.2023 | 126,888 | 102,497 | 102,497 |
| Hatton National Bank PLC | 31.03.2024 | 1,362,794 | 680,443 | 680,443 | 31.03.2024 | 1,362,794 | 558,064 | 558,064 |
| Hatton National Bank PLC | 28.03.2021 | 100,000 | 96,599 | 96,599 | 28.03.2021 | 100,000 | 99,599 | 99,599 |
| Hatton National Bank PLC | 01.11.2023 | 250,000 | 255,432 | 255,432 | 01.11.2023 | 250,000 | 255,432 | 255,432 |
| Commercial Bank of Ceylon PLC | 08.03.2026 | 1,000,000 | 1,003,637 | 1,003,637 | 08.03.2026 | 1,000,000 | 1,035,137 | 1,035,137 |
| Commercial Bank of Ceylon PLC | 27.10.2021 | 274,680 | 245,308 | 245,308 | 27.10.2021 | 274,680 | 280,550 | 280,550 |
| Commercial Bank of Ceylon PLC | 27.10.2026 | 185,110 | 192,351 | 192,351 | 27.10.2026 | 185,110 | 189,148 | 189,148 |
| National Development Bank PLC | 19.12.2023 | 750,000 | 749,250 | 749,250 | 19.12.2023 | 750,000 | 863,700 | 863,700 |
| National Development Bank PLC | 24.06.2020 | 444,000 | 423,576 | 423,576 | 24.06.2020 | 444,000 | 442,535 | 442,535 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | 2017 | | | 2016 | | | | |
|---|------------|-----------|-----------|-----------|------------|---------|----------|---------|
| | Maturity | Face | Carrying | Fair | Maturity | Face | Carrying | Fair |
| | Date | Value | Value | Value | Date | Value | Value | Value |
| | | Rs. 000 | Rs. 000 | Rs. 000 | | Rs. 000 | Rs. 000 | Rs. 000 |
| 5.3.4 Listed Debentures Company (contd.) | | | | | | | | |
| Seylan Bank PLC | 21.02.2018 | 449,520 | 476,197 | 476,197 | 21.02.2018 | 449,520 | 485,772 | 485,772 |
| Seylan Bank PLC | 22.12.2019 | 500,000 | 476,360 | 476,360 | 22.12.2019 | 500,000 | 447,510 | 447,510 |
| Seylan Bank PLC | 15.07.2021 | 66,650 | 72,938 | 72,938 | 15.07.2021 | 66,650 | 70,686 | 70,686 |
| Seylan Bank PLC | 15.07.2023 | 57,280 | 60,948 | 60,948 | 15.07.2023 | 57,280 | 60,948 | 60,948 |
| Sampath Bank PLC | - | - | - | - | 11.10.2017 | 36,600 | 45,201 | 45,201 |
| Sampath Bank PLC | 04.12.2018 | 340,190 | 355,680 | 355,680 | 04.12.2018 | 340,190 | 362,423 | 362,423 |
| Sampath Bank PLC | 14.12.2019 | 500,000 | 445,416 | 445,416 | 14.12.2019 | 500,000 | 490,761 | 490,761 |
| Sampath Bank PLC | 18.11.2020 | 300,000 | 294,010 | 294,010 | 18.11.2020 | 300,000 | 277,000 | 277,000 |
| Sampath Bank PLC | 16.06.2021 | 500,000 | 535,105 | 535,105 | 10.06.2021 | 500,000 | 535,505 | 535,505 |
| Sampath Bank PLC | 21.12.2022 | 904,000 | 907,405 | 907,405 | - | - | - | - |
| Nations Trust Bank PLC | 08.11.2021 | 945,180 | 997,274 | 997,274 | 08.11.2021 | 945,180 | 962,869 | 962,869 |
| DFCC Bank PLC | - | - | - | - | 18.08.2017 | 64,660 | 65,576 | 65,576 |
| DFCC Bank PLC | 10.06.2020 | 250,000 | 253,999 | 253,999 | 10.06.2020 | 250,000 | 240,049 | 240,049 |
| DFCC Bank PLC | 09.11.2023 | 500,000 | 509,257 | 509,257 | 09.11.2023 | 500,000 | 509,257 | 509,257 |
| DFCC Bank PLC | 18.03.2019 | 500,000 | 542,113 | 542,113 | 18.03.2019 | 500,000 | 542,063 | 542,063 |
| Pan Asia Banking Corporation PLC | - | - | - | - | 18.03.2017 | 200,000 | 207,904 | 207,904 |
| Pan Asia Banking Corporation PLC | 29.09.2018 | 400,000 | 403,946 | 403,946 | 29.09.2018 | 400,000 | 387,346 | 387,346 |
| The Housing Development Finance Corporation Bank of Sri Lanka | 23.10.2018 | 100,000 | 118,520 | 118,520 | 23.10.2018 | 100,000 | 124,660 | 124,660 |
| The Housing Development Finance Corporation Bank of Sri Lanka | 20.11.2025 | 150,000 | 142,156 | 142,156 | 20.11.2025 | 150,000 | 134,086 | 134,086 |
| Sanasa Development Bank PLC ⁴ | 31.12.2018 | 400,000 | 415,998 | 415,998 | 31.12.2018 | 400,000 | 402,945 | 402,945 |
| Diversified Financials | | | | | | | | |
| Merchant Bank of Sri Lanka and Finance PLC | 11.12.2019 | 113,520 | 119,673 | 119,673 | 11.12.2019 | 113,520 | 113,679 | 113,679 |
| People's Leasing & Finance PLC | - | - | - | - | 23.09.2017 | 750,000 | 801,900 | 801,900 |
| People's Leasing & Finance PLC | 26.03.2018 | 105,900 | 116,505 | 116,505 | 26.03.2018 | 105,900 | 134,663 | 134,663 |
| People's Leasing & Finance PLC | 23.09.2018 | 750,000 | 819,938 | 819,938 | 23.09.2018 | 750,000 | 795,413 | 795,413 |
| People's Leasing & Finance PLC | 16.11.2021 | 400,000 | 406,192 | 406,192 | 16.11.2021 | 400,000 | 406,352 | 406,352 |
| LB Finance PLC | 28.11.2018 | 220,670 | 242,935 | 242,935 | 28.11.2018 | 220,670 | 243,442 | 243,442 |
| LB Finance PLC | 11.12.2022 | 1,000,000 | 1,007,623 | 1,007,623 | - | - | - | - |
| Senkadagala Finance PLC | 10.12.2018 | 100,000 | 100,943 | 100,943 | 10.12.2018 | 100,000 | 111,133 | 111,133 |
| Senkadagala Finance PLC | 09.11.2018 | 100,000 | 100,481 | 100,481 | 09.11.2018 | 100,000 | 101,781 | 101,781 |
| Citizens Development Business Finance PLC | 19.12.2018 | 37,350 | 38,811 | 38,811 | 19.12.2018 | 37,350 | 39,035 | 39,035 |
| Softlogic Finance PLC ¹ | 29.08.2019 | 12,600 | 13,005 | 13,005 | 29.08.2019 | 12,600 | 13,060 | 13,060 |

| As at 31 December | 2017 | | | | 2016 | | | |
|--|------------|-------------------|-------------------|-------------------|------------|-------------------|-------------------|-------------------|
| | Maturity | Face | Carrying | Fair | Maturity | Face | Carrying | Fair |
| | Date | Value | Value | Value | Date | Value | Value | Value |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Diversified Financials | | | | | | | | |
| Commercial Leasing & Finance PLC | 21.07.2020 | 250,000 | 276,050 | 276,050 | 21.07.2020 | 250,000 | 274,700 | 274,700 |
| Central Finance Company PLC | 01.06.2020 | 225,000 | 239,243 | 239,243 | 01.06.2020 | 225,000 | 226,935 | 226,935 |
| Commercial Credit & Finance PLC ² | 10.12.2020 | 400,000 | 396,907 | 396,907 | 10.12.2020 | 400,000 | 375,547 | 375,547 |
| Commercial Credit & Finance PLC ³ | 01.06.2020 | 43,345 | 43,625 | 43,625 | 01.06.2020 | 43,345 | 44,840 | 44,840 |
| Siyapatha Finance PLC | 20.09.2019 | 125,000 | 127,961 | 127,961 | 20.09.2019 | 125,000 | 129,586 | 129,586 |
| Siyapatha Finance PLC | 04.10.2022 | 125,000 | 128,810 | 128,810 | - | - | - | - |
| Lanka Orix Leasing Company PLC | 24.11.2019 | 110,000 | 105,455 | 105,455 | - | - | - | - |
| Lanka Orix Leasing Company PLC | 31.07.2019 | 500,000 | 526,686 | 526,686 | - | - | - | - |
| Lanka Orix Leasing Company PLC | 31.07.2022 | 500,000 | 528,075 | 528,075 | - | - | - | - |
| Vallibel Finance PLC ³ | 31.03.2020 | 140,200 | 143,766 | 143,766 | 31.03.2020 | 140,200 | 143,822 | 143,822 |
| Sector Total | | 19,015,073 | 18,535,146 | 18,535,146 | | 17,427,332 | 16,927,389 | 16,927,389 |
| Industrials | | | | | | | | |
| Capital Goods | | | | | | | | |
| Hayleys PLC | 06.03.2020 | 200,000 | 194,913 | 194,913 | 06.03.2020 | 200,000 | 183,313 | 183,313 |
| Hayleys PLC | 31.05.2019 | 250,000 | 252,720 | 252,720 | 31.05.2019 | 250,000 | 252,518 | 252,518 |
| Hemas Holdings PLC | 29.04.2019 | 119,970 | 124,340 | 124,340 | 29.04.2019 | 119,970 | 121,545 | 121,545 |
| MTD Walkers PLC | 30.09.2018 | 200,000 | 202,788 | 202,788 | 30.09.2018 | 200,000 | 195,228 | 195,228 |
| Richard Pieris and Company PLC | - | - | - | - | 16.05.2017 | 29,580 | 30,325 | 30,325 |
| Sector Total | | 769,970 | 774,761 | 774,761 | | 799,550 | 782,929 | 782,929 |
| Health Care | | | | | | | | |
| Health Care Equipment & Services | | | | | | | | |
| Nawaloka Hospitals PLC | 30.09.2021 | 150,000 | 168,280 | 168,280 | 30.09.2021 | 150,000 | 161,965 | 161,965 |
| Sector Total | | 150,000 | 168,280 | 168,280 | | 150,000 | 161,965 | 161,965 |
| Consumer Discretionary | | | | | | | | |
| Consumer Durables & Apparel | | | | | | | | |
| Abans PLC | 20.12.2018 | 400,000 | 440,998 | 440,998 | 20.12.2018 | 400,000 | 441,558 | 441,558 |
| Retailing | | | | | | | | |
| Singer Sri Lanka PLC | 07.06.2018 | 345,020 | 357,252 | 357,252 | 07.06.2018 | 345,020 | 343,687 | 343,687 |
| Singer Sri Lanka PLC | - | - | - | - | 22.12.2017 | 68,340 | 73,978 | 73,978 |
| Singer Sri Lanka PLC | 15.03.2019 | 200,000 | 205,094 | 205,094 | 15.03.2019 | 200,000 | 206,214 | 206,214 |
| Sector Total | | 945,020 | 1,003,344 | 1,003,344 | | 1,013,360 | 1,065,437 | 1,065,437 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | 2017 | | | | 2016 | | | |
|---|------------|-------------------|-------------------|-------------------|------------|-------------------|-------------------|-------------------|
| | Maturity | Face | Carrying | Fair | Maturity | Face | Carrying | Fair |
| | Date | Value | Value | Value | Date | Value | Value | Value |
| | | Rs. 000 | Rs. 000 | Rs. 000 | | Rs. 000 | Rs. 000 | Rs. 000 |
| 5.3.4 Listed Debentures Company (contd.) | | | | | | | | |
| Consumer Staples | | | | | | | | |
| Beverages, Food & Tobacco | | | | | | | | |
| The Lion Brewery Ceylon PLC | - | - | - | - | 17.06.2017 | 105,600 | 110,506 | 110,506 |
| The Lion Brewery Ceylon PLC | 17.06.2018 | 140,800 | 148,261 | 148,261 | 17.06.2018 | 140,800 | 150,528 | 150,528 |
| The Lion Brewery Ceylon PLC | 08.12.2019 | 400,000 | 388,155 | 388,155 | 08.12.2019 | 400,000 | 367,275 | 367,275 |
| Sector Total | | 540,800 | 536,415 | 536,415 | | 646,400 | 628,309 | 628,309 |
| Total Investment in Listed Debentures | | 21,420,863 | 21,017,947 | 21,017,947 | | 20,036,642 | 19,566,029 | 19,566,029 |

1 Guaranteed by GuarantCo Ltd which is ultimately owned by multilateral G10 governments.

2 Guaranteed equally by HNB & Sampath.

3 Guaranteed by HNB.

4 Guaranteed by Sampath.

| As at 31 December | Note | Group | | | | Company | | | |
|--|-------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | 2017 | | 2016 | | 2017 | | 2016 | |
| | | Carrying | Fair | Carrying | Fair | Carrying | Fair | Carrying | Fair |
| | | Value | Value | Value | Value | Value | Value | Value | Value |
| | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| 5.4 Fair-Value-Through-Profit-or-Loss (FVTPL) | | | | | | | | | |
| Listed Shares | 5.4.1 | 4,050,081 | 4,050,081 | 5,320,605 | 5,320,605 | 4,050,081 | 4,050,081 | 5,320,606 | 5,320,606 |
| Unit trusts | | - | - | 128,595 | 128,595 | - | - | - | - |
| | | 4,050,081 | 4,050,081 | 5,449,200 | 5,449,200 | 4,050,081 | 4,050,081 | 5,320,606 | 5,320,606 |

Fair-Value-Through-Profit or Loss investment and Available-For-Sale investments have been measured at fair value. Held-To-Maturity Investment and Loans & Receivable are measured at amortised cost.

| As at 31 December Company / Group | No. of Shares | 2017 Carrying Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | 2016 Carrying Value Rs. 000 | Fair Value Rs. 000 |
|--------------------------------------|------------------|--------------------------------------|--------------------------|------------------|--------------------------------------|--------------------------|
| 5.4.1 Listed Shares | | | | | | |
| Consumer Discretionary | | | | | | |
| Retailing | | | | | | |
| C M Holdings PLC | 392,076 | 28,229 | 28,229 | 392,076 | 33,405 | 33,405 |
| Sector Total | | 28,229 | 28,229 | | 33,405 | 33,405 |
| Consumer Services | | | | | | |
| Aitken Spence Hotel Holdings PLC | 5,518,727 | 162,251 | 162,251 | 5,518,727 | 238,961 | 238,961 |
| Asian Hotels & Properties PLC | 10,055,900 | 530,952 | 530,952 | 10,055,900 | 573,186 | 573,186 |
| John Keells Hotels PLC | 69,872,369 | 614,877 | 614,877 | 71,622,800 | 766,364 | 766,364 |
| Anilana Hotels & Properties PLC | 2,500,000 | 3,000 | 3,000 | 2,500,000 | 4,500 | 4,500 |
| Sector Total | | 1,311,080 | 1,311,080 | | 1,583,011 | 1,583,011 |
| Automobiles & Components | | | | | | |
| Kelani Tyres PLC | 181,689 | 8,067 | 8,067 | 181,689 | 11,810 | 11,810 |
| Sector Total | | 8,067 | 8,067 | | 11,810 | 11,810 |
| Consumer Staples | | | | | | |
| Food, Beverage & Tobacco | | | | | | |
| The Lion Brewery Ceylon PLC | - | - | - | 308,706 | 143,548 | 143,548 |
| Nestle Lanka PLC | 180,466 | 293,257 | 293,257 | - | - | - |
| Food & Staples Retailing | | | | | | |
| Cargills (Ceylon) PLC | 100,000 | 20,000 | 20,000 | - | - | - |
| Sector Total | | 313,257 | 313,257 | | 143,548 | 143,548 |
| Energy | | | | | | |
| Energy | | | | | | |
| Laugfs Gas PLC | 7,800 | 183 | 183 | 7,800 | 264 | 264 |
| Sector Total | | 183 | 183 | | 264 | 264 |
| Financials | | | | | | |
| Diversified Financials | | | | | | |
| People's Merchant Finance PLC | 1,500 | 19 | 19 | 1,500 | 29 | 29 |
| Nation Lanka Finance PLC | 979,500 | 1,077 | 1,077 | 979,500 | 1,371 | 1,371 |
| People's Leasing & Finance PLC | 7,022,962 | 119,390 | 119,390 | 4,033,000 | 68,964 | 68,964 |
| Sector Total | | 120,486 | 120,486 | | 70,364 | 70,364 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December Company / Group | No. of Shares | 2017 Carrying Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | 2016 Carrying Value Rs. 000 | Fair Value Rs. 000 |
|--|------------------|--------------------------------------|--------------------------|------------------|--------------------------------------|--------------------------|
| 5 Financial Investments (Contd.) | | | | | | |
| 5.4.1 Listed Shares (Contd.) | | | | | | |
| Banks | | | | | | |
| Sampath Bank PLC | - | - | - | 1,000,000 | 261,500 | 261,500 |
| Sector Total | | - | - | | 261,500 | 261,500 |
| Real Estate | | | | | | |
| Overseas Reality PLC | 4,649,218 | 81,826 | 81,826 | 4,649,218 | 92,984 | 92,984 |
| RIL Property PLC | 10,000,000 | 74,000 | 74,000 | - | - | - |
| Sector Total | | 155,826 | 155,826 | | 92,984 | 92,984 |
| Industrials | | | | | | |
| Capital Goods | | | | | | |
| John Keells Holdings PLC | - | - | - | 5,100,782 | 739,613 | 739,613 |
| Richard Pieris & Company PLC | - | - | - | 2,430,000 | 19,683 | 19,683 |
| Vallibel One PLC | 1,121,800 | 19,856 | 19,856 | 1,121,800 | 20,753 | 20,753 |
| Heyleys PLC | 397,418 | 95,380 | 95,380 | 397,418 | 107,303 | 107,303 |
| Royal Ceramics PLC | - | - | - | 4,034,456 | 467,997 | 467,997 |
| Lanka Walltiles PLC | 807,600 | 82,294 | 82,294 | 807,600 | 80,518 | 80,518 |
| Renuka Holdings PLC | - | - | - | 1,703,308 | 35,940 | 35,940 |
| Brown & Company PLC | 786,990 | 62,881 | 62,881 | 906,990 | 75,643 | 75,643 |
| Lankem Ceylon PLC | 306,169 | 12,247 | 12,247 | 313,500 | 18,810 | 18,810 |
| Colombo Dockyard PLC | 3,592,548 | 315,426 | 315,426 | 3,592,548 | 273,034 | 273,034 |
| Expolanka Holdings PLC | 9,499,000 | 51,295 | 51,295 | 2,500,000 | 15,750 | 15,750 |
| Aitken Spence PLC | 1,263,348 | 68,347 | 68,347 | 2,000,000 | 130,000 | 130,000 |
| ACL Cables PLC | 675,647 | 28,512 | 28,512 | - | - | - |
| Sector Total | | 736,238 | 736,238 | | 1,985,044 | 1,985,044 |
| Utilities | | | | | | |
| Utilities | | | | | | |
| LVL Energy Fund Limited | 50,000,000 | 500,000 | 500,000 | - | - | - |
| Sector Total | | 500,000 | 500,000 | | - | - |
| Information Technology | | | | | | |
| Technology Hardware & Equipment | | | | | | |
| PC House PLC | - | - | - | 876,700 | 88 | 88 |
| Sector Total | | 500,000 | 500,000 | | 88 | 88 |

| As at 31 December Company / Group | No. of Shares | 2017 Carrying Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | 2016 Carrying Value Rs. 000 | Fair Value Rs. 000 |
|--|------------------|--------------------------------------|--------------------------|------------------|--------------------------------------|--------------------------|
| Materials | | | | | | |
| Materials | | | | | | |
| Lanka Cement PLC | - | - | - | 509,700 | 3,007 | 3,007 |
| Lanka Aluminium Industries PLC | 69,838 | 5,021 | 5,021 | 83,660 | 7,529 | 7,529 |
| Chevron Lubricants Lanka PLC | 2,900,000 | 345,100 | 345,100 | 3,000,000 | 471,000 | 471,000 |
| Swisstek (Ceylon) PLC | 368,132 | 23,524 | 23,524 | - | - | - |
| Sector Total | | 373,645 | 373,645 | | 481,536 | 481,536 |
| Telecommunication Services | | | | | | |
| Telecommunication Services | | | | | | |
| Dialog Axiata PLC | - | - | - | 1,000,000 | 10,500 | 10,500 |
| Sri Lanka Telecom PLC | 17,713,735 | 503,070 | 503,070 | 17,713,735 | 646,552 | 646,552 |
| Sector Total | | 503,070 | 503,070 | | 657,052 | 657,052 |
| Total Investment in Listed Shares | | 4,050,081 | 4,050,081 | | 5,320,606 | 5,320,606 |

5.5 Movement of Carrying Values in Financial Investments

| Company | Available- For-Sale Rs. 000 | Fair-Value -Through -Profit-or -Loss Rs. 000 | Held-To -Maturity Rs. 000 | Loans & Receivables Rs. 000 | Total Rs. 000 |
|---|-----------------------------------|--|---------------------------------|-----------------------------------|--------------------|
| As at 01 January 2017 | 55,555,182 | 5,320,606 | 49,313,552 | 19,995,372 | 130,184,713 |
| Purchases | 8,924,221 | 2,439,046 | 9,312,171 | 30,474,071 | 51,149,509 |
| Maturities | (2,883,595) | (2,807,845) | (3,900,000) | (28,411,007) | (38,002,447) |
| Disposals | (16,577) | (641,180) | - | - | (657,757) |
| Fair Value Gains Recorded in Other Comprehensive Income | 1,102,601 | - | - | - | 1,102,601 |
| Realized Capital Gains/(Losses) | 144 | - | - | - | 144 |
| Realized Unrealized Capital Losses | - | (260,545) | - | - | (260,545) |
| Interest Amortization | 156,726 | - | 409,224 | - | 565,950 |
| Foreign Currency Translation Adjustments | - | - | - | 382,183 | 382,183 |
| Interest Income | 2,427,883 | - | 5,261,877 | 1,825,534 | 9,515,294 |
| Interest/Coupon Receipts | (2,486,191) | - | (5,375,870) | (1,517,238) | (9,379,299) |
| As at 31 December 2017 | 62,780,394 | 4,050,081 | 55,020,954 | 22,748,914 | 144,600,344 |

NOTES TO THE FINANCIAL STATEMENTS

5.5 Movement of Carrying Values in Financial Investments (Contd.)

| Company | Available- For-Sale Rs. 000 | Fair-Value -Through -Profit-or -Loss Rs. 000 | Held-To -Maturity Rs. 000 | Loans & Receivables Rs. 000 | Total Rs. 000 |
|--|-----------------------------------|--|---------------------------------|-----------------------------------|--------------------|
| As at 01 January 2016 | 53,306,102 | 6,756,655 | 38,964,539 | 24,667,535 | 123,694,831 |
| Purchases | 7,595,646 | 1,224,835 | 10,798,947 | 28,050,240 | 47,669,668 |
| Maturities | (1,908,786) | - | (900,001) | (32,653,591) | (35,462,378) |
| Disposals | (1,877,855) | (1,696,419) | - | - | (3,574,274) |
| Fair Value Gain Recorded in Other Comprehensive Income | (1,950,473) | - | - | - | (1,950,473) |
| Realized Capital Gains/(Losses) | 61,886 | - | - | - | 61,886 |
| Realized Unrealized Capital Losses | - | (964,465) | - | - | (964,465) |
| Interest Amortization | 138,509 | - | 443,561 | - | 582,070 |
| Foreign Currency Translation Adjustments | - | - | - | 304,163 | 304,163 |
| Interest Income | 2,137,759 | - | 4,340,611 | 1,278,334 | 7,756,704 |
| Interest/Coupon Receipts | (1,947,605) | - | (4,334,105) | (1,651,309) | (7,933,019) |
| As at 31 December 2016 | 55,555,182 | 5,320,606 | 49,313,552 | 19,995,372 | 130,184,713 |

| Group | Available- For-Sale Rs. 000 | Fair-Value -Through -Profit-or -Loss Rs. 000 | Held-To -Maturity Rs. 000 | Loans & Receivables Rs. 000 | Total Rs. 000 |
|---|-----------------------------------|--|---------------------------------|-----------------------------------|--------------------|
| As at 01 January 2017 | 55,555,182 | 5,449,200 | 49,313,552 | 21,997,008 | 132,314,941 |
| Purchases | 8,924,222 | 2,439,046 | 9,312,172 | 30,799,967 | 51,475,407 |
| Maturities | (2,883,595) | (2,807,845) | (3,900,000) | (28,411,007) | (38,002,447) |
| Disposals | (16,577) | (769,775) | - | - | (786,352) |
| Fair Value Loss Recorded in Other Comprehensive Income | 1,102,601 | - | - | - | 1,102,601 |
| Realized Capital | 144 | - | - | - | 144 |
| Unrealized Capital Losses | - | (260,545) | - | - | (260,545) |
| Interest Amortization | 156,726 | - | 409,224 | - | 565,950 |
| Foreign Currency Translation Adjustments | - | - | - | 382,183 | 382,183 |
| Re-classification from Unlisted Shares to Associates (Note 7) | 2,427,883 | - | 5,261,877 | 1,825,534 | 9,515,294 |
| Interest Income | (2,486,191) | - | (5,375,870) | (1,518,915) | (9,380,976) |
| Interest/Coupon Receipts | - | - | - | - | - |
| As at 31 December 2017 | 62,780,395 | 4,050,081 | 55,020,955 | 25,074,770 | 146,926,200 |

| Group | Available- For-Sale Rs. 000 | Fair-Value -Through -Profit-or -Loss Rs. 000 | Held-To -Maturity Rs. 000 | Loans & Receivables Rs. 000 | Total Rs. 000 |
|---|-----------------------------------|--|---------------------------------|-----------------------------------|--------------------|
| | | | | | |
| As at 01 January 2016 | 53,306,102 | 11,091,138 | 41,085,278 | 28,301,780 | 133,784,297 |
| Purchases | 7,595,643 | 1,353,430 | 10,798,947 | 27,921,645 | 47,669,665 |
| Maturities | (1,908,786) | - | (3,020,740) | (34,157,605) | (39,087,131) |
| Disposals | (1,877,855) | (6,030,902) | - | - | (7,908,757) |
| Fair Value Loss Recorded in Other Comprehensive Income | (1,950,473) | - | - | - | (1,950,473) |
| Realized Capital | 61,886 | - | - | - | 61,886 |
| Unrealized Capital Losses | (964,465) | - | - | (964,465) | |
| Interest Amortization | 138,509 | - | 443,561 | - | 582,070 |
| Foreign Currency Translation Adjustments | - | - | 304,163 | 304,163 | |
| Re-classification from Unlisted Shares to Associates (Note 7) | | - | - | - | - |
| Interest Income | 2,137,759 | - | 4,340,611 | 1,278,334 | 7,756,704 |
| Interest/Coupon Receipts | (1,947,605) | - | (4,334,105) | (1,651,309) | (7,933,019) |
| As at 31 December 2016 | 55,555,182 | 5,449,200 | 49,313,552 | 21,997,008 | 132,314,941 |

| As at 31 December Sub Note | Note | Company | |
|-------------------------------|------|-----------------|-----------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 |
| | | | |

6 Investment in Subsidiaries

At Cost

| | | | |
|-----------------------|-----|-------------------|-------------------|
| Listed Subsidiaries | 6.1 | 2,925,567 | 2,925,567 |
| Unlisted Subsidiaries | 6.2 | 18,160,338 | 18,160,338 |
| | | 21,085,905 | 21,085,905 |

| As at 31 December | 2017 | | | | 2016 | | | |
|-------------------|------------------|-------------------|---------------------------|---------------|------------------|-------------------|---------------------------|---------------|
| | No. of Shares | SLIC Holding % | Carrying Value Rs. 000 | Fair Value | No. of Shares | SLIC Holding % | Carrying Value Rs. 000 | Fair Value |
| | | | | | | | | |

6.1 Listed Subsidiaries

| | | | | | | | | |
|-------------------------------------|-------------|-------|------------------|------------------|-------------|-------|------------------|------------------|
| The Lanka Hospitals Corporation PLC | 122,177,993 | 54.61 | 2,925,567 | 7,575,036 | 122,177,993 | 54.61 | 2,925,567 | 7,941,570 |
| | | | 2,925,567 | 7,575,036 | | | 2,925,567 | 7,941,570 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | Sub Note | No. of Shares | 2017 | | 2016 | | Cost Rs. 000 |
|------------------------------------|-------------|------------------|-------------------|-----------------|------------------|-------------------|-----------------|
| | | | SLIC Holding % | Cost Rs. 000 | No. of Shares | SLIC Holding % | |
| 6.2 Unlisted Subsidiaries | | | | | | | |
| Litro Gas Lanka Ltd | | 35,976,853 | 99.94 | 3,510,063 | 35,976,853 | 99.94 | 3,510,063 |
| Litro Gas Terminal Lanka (Pvt) Ltd | | 158,710,945 | 100.00 | 5,280,188 | 158,710,945 | 100.00 | 5,280,188 |
| Management Services Rakshana Ltd. | | 5 | 100.00 | - | 5 | 100.00 | - |
| Canwill Holdings (Pvt)Ltd. | | 850,000,000 | 45.95 | 8,500,000 | 850,000,000 | 45.95 | 8,500,000 |
| Canowin Hotels & Spas (Pvt) Ltd | | 87,008,686 | 100.00 | 870,087 | 87,008,686 | 100.00 | 870,087 |
| | | | | 18,160,338 | | | 18,160,338 |

Unlisted subsidiaries have been tested for impairment and there was no impairment recognized for the year.

The following disclosure excerpt highlights the group composition and the proportion of ownership interests held by NCI.

| Company | Principal activities | Class of shares held | Proportion of shares held % | Group Interest % | | Non Controlling Interest % | |
|---|--|----------------------------|-----------------------------------|---------------------|---------|-------------------------------|--------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| 6.3 Group Holdings in Principal Subsidiaries | | | | | | | |
| The Lanka Hospital PLC | Healthcare and Laboratory Services | Ordinary | 54.61% | 54.61% | 54.61% | 45.39% | 45.39% |
| Lanka Hospital Diagnostics Limited | Healthcare and Laboratory Services | Ordinary | 100.00% | 54.61% | 54.61% | 45.39% | 45.39% |
| Litro Gas Lanka Limited | Import, Process, Store, Distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services. | Ordinary | 100.00% | 100.00% | 100.00% | - | - |
| Litro Gas Terminal Lanka (Pvt) Ltd | Provide bulk storage facilities for Liquid Petroleum Gas | Ordinary | 100.00% | 100.00% | 100.00% | - | - |
| Canowin Hotels & Spa (Pvt) Ltd | Hotellerie | Ordinary | 100.00% | 100.00% | 100.00% | - | - |
| Canwill Holdings (Pvt) Limited | Investment promotion in relation to leisure sector | Ordinary | 72.97% | 72.97% | 72.97% | 27.02% | 27.03% |
| Sino Lanka Hotels & Spa (Pvt) Limited | Hotellerie | Ordinary | 100.00% | 72.97% | 72.97% | 27.02% | 27.03% |
| Helanco Hotels & Spa (Pvt) Limited | Hotellerie | Ordinary | 100.00% | 72.97% | 72.97% | 27.02% | 27.03% |
| Management Services Rakshana (Pvt) Ltd | Management Services | Ordinary | 100.00% | 100.00% | 100.00% | - | - |

6.4 Non Controlling Interest

The Group has not identified any non controlling interest which is material to the Group on quantitative and qualitative basis.

| Canwill Holdings (Private) Limited | Holding % | Company | |
|------------------------------------|-----------|----------------|----------------|
| | | 2017 Rs. | 2016 Rs. |
| Sinolanka Hotels & Spa (Pvt) Ltd | 100 | 18,000,000,000 | 14,500,000,000 |
| Helanco Hotels & Spa (Pvt) Ltd | 100 | 500,000,000 | 4,000,000,000 |
| Nilyan Hotels & Spa (Pvt) Ltd | 100 | 10 | - |
| | | 18,000,500,010 | 18,500,000,000 |
| Provision for impairment | | (10) | - |
| | | 18,000,500,000 | 18,500,000,000 |

Erroneously, the investment value of Rs. 10/- under Nilyan Hotels & Spa (Pvt) Ltd had not recognized in previous year and as such, adjustment has made for the current year financial statement. Adjustment has also not made retrospectively considering the immaterial value of the transaction of Rs. 10/-.

The Board of Directors of the Nilyan Hotels & Spa (Pvt) Ltd have been decided to strike off the name of the company from the register maintained at the Department of Registrar General of Companies since the company will not proceeding with business activities. Accordingly, provision has been made as fall in value of the investment of Rs. 10/- under Nilyan Hotels & Spa (Pvt) Ltd.

7 Investment in Associates

| As at 31 December | 2017 | | | | 2016 | | | |
|----------------------------------|---|----------------------|------------------------------|--------------------------|------------------|----------------------|------------------------------|--------------------------|
| | No. of Shares | SLIC Holding % | Carrying Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | SLIC Holding % | Carrying Value Rs. 000 | Fair Value Rs. 000 |
| | Ceylon Asset Management Company Limited | 1,250,000 | 21.37 | 3,350 | 3,350 | 1,250,000 | 21.37 | 7,250 |
| Ceybank Asset Management Limited | 759,998 | 26.57 | 140,296 | 140,296 | 759,998 | 26.57 | 131,198 | 131,198 |
| | | | 143,646 | 143,646 | | | 138,448 | 138,448 |

8 Property, Plant & Equipment

8.1 Group

| | 2017 Rs. 000 | 2016 Rs. 000 |
|-------------------------------|-----------------|-----------------|
| Carrying Amount | 32,005,618 | 29,120,134 |
| Work-in-Progress (Note 8.1.3) | 17,592,604 | 14,913,098 |
| | 49,598,222 | 44,033,232 |

NOTES TO THE FINANCIAL STATEMENTS

| | Land Rs. 000 | Buildings on Freehold Land Rs. 000 | Building on Leasehold Land Rs. 000 | Equipment Rs. 000 | Furniture & Fittings Rs. 000 | Motor Vehicle Rs. 000 |
|---------------------------------------|------------------|--|--|----------------------|------------------------------------|-----------------------------|
| Cost/Valuation | | | | | | |
| Freehold | | | | | | |
| Balance as at 01 January 2017 | 8,144,922 | 2,980,353 | 3,846,443 | 3,894,936 | 590,582 | 952,123 |
| Additions during the Year | 8,990 | 26,855 | 24,004 | 654,235 | 62,887 | 132,592 |
| Revaluation | 21,982 | (13,731) | 38,804 | - | - | - |
| Disposals | - | - | - | (139,129) | (112) | (36,725) |
| Transfers | - | - | 4,191 | 21,374 | - | (21,250) |
| Balance as at 31 December 2017 | 8,175,894 | 2,993,477 | 3,913,442 | 4,431,416 | 653,357 | 1,026,740 |
| Accumulated Depreciation | | | | | | |
| Freehold | | | | | | |
| Balance as at 01 January 2017 | 4,061 | 43,464 | 59,263 | 2,093,771 | 303,687 | 761,907 |
| Charge during the year | 1,740 | 149,461 | 120,854 | 293,892 | 54,457 | 94,035 |
| Revaluation | - | - | (106,604) | - | - | - |
| Disposals | - | - | - | (127,267) | (112) | (36,765) |
| Transfers | - | - | - | - | - | (21,250) |
| Balance as at 31 December 2017 | 5,800 | 192,925 | 73,512 | 2,260,395 | 358,032 | 797,927 |
| Net Book Value | | | | | | |
| As at 31 December 2016 | 8,140,861 | 2,936,889 | 3,787,180 | 1,801,165 | 286,895 | 190,216 |
| As at 31 December 2017 | 8,170,094 | 2,800,552 | 3,839,930 | 2,171,020 | 295,325 | 228,813 |

| Electrical Generators passenger lifts Rs. 000 | Fixtures & Fittings Rs. 000 | Air Condition Rs. 000 | Plant and Machinery Rs. 000 | Storage Tanks, Pipe & Pumping Stations Rs. 000 | LPG Cylinders Plant Rs. 000 | Others Rs. 000 | Total Rs. 000 |
|---|-----------------------------------|-----------------------------|-----------------------------------|---|--------------------------------------|-------------------|-------------------|
| 101,196 | 10,114 | 177,491 | 1,310,707 | 5,429,345 | 8,919,663 | 224,997 | 36,582,872 |
| - | 683 | 14,225 | 20,803 | 17,628 | 3,816,388 | 28,370 | 4,807,660 |
| - | - | - | - | - | - | - | 47,055 |
| - | - | - | - | - | (4,651) | (92) | (180,709) |
| - | - | - | - | - | - | - | 4,315 |
| 101,196 | 10,797 | 191,716 | 1,331,510 | 5,446,973 | 12,731,400 | 253,275 | 41,261,192 |
| 12,505 | 9,455 | 35,004 | 254,245 | 1,179,536 | 2,564,545 | 141,295 | 7,462,738 |
| 11,189 | 199 | 20,290 | 62,542 | 221,458 | 1,030,222 | 27,578 | 2,087,916 |
| - | - | - | - | - | - | - | (106,604) |
| - | - | - | - | - | (3,073) | (9) | (167,226) |
| - | - | - | - | - | - | - | (21,250) |
| 23,694 | 9,654 | 55,294 | 316,787 | 1,400,994 | 3,591,694 | 168,864 | 9,255,574 |
| 88,691 | 659 | 142,485 | 1,056,462 | 4,249,809 | 6,355,118 | 83,702 | 29,120,134 |
| 77,502 | 1,143 | 136,422 | 1,014,723 | 4,045,979 | 9,139,706 | 84,411 | 32,005,618 |

NOTES TO THE FINANCIAL STATEMENTS

8 Property, Plant & Equipment (Contd.)

8.1.1 Lands

The Lanka Hospitals Corporation PLC - carried at revalued amount

| Location | Extent % | Method of valuation | Property valuer | Effective date of valuation | Significant unobservable inputs | Carrying value as at 31.12.2017 Rs. | Revaluation surplus Rs. | Carrying value at cost Rs. |
|---|-------------|-----------------------------|---|--------------------------------|--|--|-------------------------------|----------------------------------|
| Freehold Lands | | | | | | | | |
| Hathbodiya, Kirula Road, Narahenpita, Colombo 05. | 10.35 | Open market value method | Mr. A A M Fathihu (FIV), Chartered Valuer | 31st December 2016 | Estimated price per perch Rs.2,702,702 | 27,972,975 | 20,511,975 | 7,461,000 |
| Hathbodiya, Kirula Road, Narahenpita, Colombo 05. | 10.00 | Open market value method | Mr. A A M Fathihu (FIV), Chartered Valuer | 31st December 2016 | Estimated price per perch Rs.2,702,702 | 27,027,027 | 21,769,876 | 5,257,151 |
| | 20.35 | | | | | 55,000,002 | 42,281,851 | 12,718,151 |

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, re-organization of traffic circulation and compliance with the regulatory requirement. The total cost of the said properties purchased during 2013 was Rs.1,139,357,179/-. The total cost is allocated between freehold land and capital work-in-progress. The cost allocated to freehold land is determined on the basis of a valuation determined by the Government Valuation Department which is Rs.7 million per perch. Thereby Rs.716,734,184 is allocated as the cost of the freehold land purchased. The land extent of the three blocks of land are Assessment No 112-62.77p, Assessment No 108-15p and Assessment No.134 - 20.10p. The total additions to the freehold land above includes the direct cost related to the acquisition. In addition to the above freehold land, the SinoLanka Hotels & Spa (Pvt) Ltd occupies approximately 22.56p of land, which is currently owned by Ceylinco Homes International (Lotus Tower) Ltd. The acquisition process of this land has been initiated by the line ministry of the company (Ministry of Public Enterprise Development) through the Ministry of Land & Parliamentary Reforms as the relevant ministry for the subject matter.

Leasehold Land

Sinolanka Hotels & Spa (Pvt) Ltd

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

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

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

Helanco Hotels & Spa (Pvt) Limited

Helanco Hotels & Spa (Pvt) Limited entered into an agreement dated 01 September 2014 with the Urban Development Authority (“UDA”), whereby UDA allocated to the Helanco Hotels & Spa (Pvt) a block of land situated at Lewaya Road, Hambanthota, comprising in extent 3.812 Hectares, for a sum of Rs. 149,601,875/- for a term of period of 99 years, for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of annual lease for the period of 99 years in one lump sum of Rs. 4,950,000/-.

8.1.2 Buildings on Leasehold Land

The Lanka Hospitals Corporation PLC - carried at revalued amount

| Location | Method of valuation | Property valuer | Effective date of valuation | Significant unobservable inputs | Cost as at 31.12.2017 Rs. | Cumulative depreciation if assets were carried at cost Rs. | Net Carrying Amount Rs. |
|-------------------------------------|-------------------------------------|---|-----------------------------|--|------------------------------|---|----------------------------|
| 578, Elvitigala Mawatha, Colombo 05 | Depreciated Replacement Cost Method | Mr. A A M Fathihu (FIV), Chartered Valuer | 31st December 2017 | Estimated value per square foot Rs.12,500 | 1,633,142,498 | 233,849,793 | 1,399,292,704 |

SinoLanka Hotels & Spa (Pvt) Ltd.

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

Upon the termination of the lease by effluxion of time, the UDA may grant to the SinoLanka Hotels & Spa (Pvt) Ltd 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 UDA and SinoLanka Hotels & Spa (Pvt) Ltd.

In the event of termination or determination of the lease at the expiration of the said term as the case may be and on the Company yielding the demised premises with all buildings and with all furniture and fixtures and everything standing thereon to the UDA, the SinoLanka Hotels & Spa (Pvt) Ltd shall purchase the building and everything standing thereon at the market value prevailing at the time of yielding.

NOTES TO THE FINANCIAL STATEMENTS

In addition to the aforesaid lease agreement, the Government Valuation Department determined a value of Rs.5 billion to be paid by the SinoLanka Hotels & Spa (Pvt) Ltd as full and final consideration to the Secretary to the Treasury in respect of the said property situated at 116, Galle Road, Colombo 03. The valuation department further determined that the value attributable to the land in extent of 0.6057 hectares based on a 99 year lease for the purpose of constructing and operating a Luxury Hotel Complex amounted to Rs. 1.228 billion. The balance value is included in capital work in progress. Of the above referred Rs. 5.0 billion, Rs. 4.8 billion has been paid to date to the secretary to the treasury. During the financial year 2016 Rs. 200 million which was previously recognised as payable to the secretary to the treasury was written back to the capital work in progress based on a decision made by the board of directors.

| As at 31 December | Group | | Company | |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 8 Property, Plant & Equipment (Contd.) | | | | |
| 8.1.3 Capital Work-in-Progress | | | | |
| At the beginning of the Year | 14,913,098 | 13,158,480 | - | - |
| Reclassification impact to Sino Lanka Hotels & Spa (Pvt) Ltd. | (69,869) | - | - | - |
| Cost incurred during the Year | 2,806,264 | 1,856,026 | - | - |
| Amount capitalised during the Year | (56,891) | (101,408) | - | - |
| At the end of the Year | 17,592,640 | 14,913,098 | - | - |

Capital work in progress of SinoLanka Hotels & Spa (Pvt) Ltd consists of the partly completed property at No 116, Galle Road, Colombo 03; Grand Hyatt Colombo and Lewaya Road, Hambanthota; Hyatt Regency Hambanthota Hotel.

8.1.4 Impairment of Property, Plant and Equipment

Helanco Hotels & Spa (Pvt) Limited

In accordance with Sri Lanka Accounting Standards (LKAS) 16 – Property, Plant and Equipment, the initial costs incurred in relation to the commencement of construction of Hyatt Hotel at Hambantota were capitalized. The Board of Directors of the Company had since resolved to discontinue with the construction of the Hotel. As a consequence, the costs incurred to date on the project had been considered impaired as it would not be probable that the future economic benefits associated with these costs would flow to the entity. As such, a provision for impairment of Capital Works-in-Progress of Rs. 111,103,548/- has been recorded in the financial statements of 2015.

The hotel in Hambantota was to be constructed on a leased-hold land obtained from the Urban Development Authority for 99 years. The consideration paid to the Urban Development Authority with related taxes and other charges paid thereon for the use of the rights to the land were recognized as leasehold land and property in the financial statements for 2014. As the company had since resolved to discontinue with the hotel project the Board of Directors are evaluating options available to the company. The Directors are of the view that the un-amortized leasehold land value of Rs. 166,517,484/- as at 31 December 2017 could be recovered from the disposal of the property. Hence, no impairment provision had been considered necessary on the asset.

8.1.5 Fully Depreciated Assets

Sri Lanka Insurance Corporation Limited

Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.286.5 (2014 Rs.286.5 Million)

The Lanka Hospitals Corporation PLC

Property plant and equipment as at 31st December 2017 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 1.42 billion (2016- 1.40 billion) that are still in use.

Litro Gas Lanka Limited

Property, plant and equipment as at 31st December 2017 includes fully depreciated assets having a gross carrying amount (Cost) of Rs. 313,504,452 (2016 - Rs. 276,931,767) that is still in use.

8.1.6 Asset Requalification

Litro Gas Lanka Limited

Certain types of assets: Storage tanks, Pipelines, Pumping stations, Instrumentation equipment, Tanks on Browsers and Plant and machinery require periodically to be inspected, assessed and requalified to ensure that the said assets meet the required safety standards, to be used in the LPG industry. When such an asset is to be requalified for use, the cost and accumulated depreciation relating to the asset is derecognised. Subsequent to requalification, the previous written down value of the asset and the additional cost incurred to requalify the asset is capitalised, as it is expected that future economic benefits associated with asset will flow to the entity.

NOTES TO THE FINANCIAL STATEMENTS

Litro Gas Terminal Lanka (Private) Limited

Certain types of assets: Storage tanks, Pipelines, Pumping stations, Instrumentation equipment and Plant and machinery require periodically to be inspected, assessed and requalified to ensure that the said assets meet the required safety standards, to be used in the LPG industry. When such an asset is to be requalified for use, the cost and accumulated depreciation relating to the asset is derecognised. Subsequent to requalification, the previous written down value of the asset and the additional cost incurred to requalify the asset is capitalised, as it is expected that future economic benefits associated with asset will flow to the entity.

8.1.7 Revaluation gain/(impairment)

Litro Gas Lanka Limited

The increase in an asset's carrying amount as a result of revaluation, has been recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Any decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. However, any excess revaluation decrease, if any, relating to an asset's carrying amount is recognised in profit or loss.

| | 2017 | 2016 |
|---|------|------------------|
| | Rs. | Rs. |
| Revaluation loss recognised in other comprehensive income - factory building and site development | - | (25,769,970) |
| Revaluation loss recognised in statement of profit or loss - factory building and site development | - | (30,213,659) |
| Revaluation gain recognised in other comprehensive income - freehold land | - | 57,348,993 |
| | - | 1,365,364 |

Land, Building and site development under Property, plant and equipment have been revalued during the year and all other assets were revalued in previous years. The fair value of property, plant and equipment was determined by Sunil Fernando & Associates (Pvt) Ltd an external, independent chartered valuation surveyor, who had relevant experience in the category of assets being revalued.

| Asset category | Date | Cost | Net book value |
|--|--------|---------------|----------------|
| Land | Dec-16 | 36,652,223 | 36,652,223 |
| Building & Site development | Dec-16 | 315,097,874 | 266,475,589 |
| Motor Vehicles* | Nov-11 | 346,851,606 | - |
| LPG storage tanks, pipe & fittings* | Nov-10 | 116,435,400 | 18,923,720 |
| Plant & machinery* | Nov-10 | 299,945,297 | 130,786,862 |
| Work shop equipment* | Nov-10 | 463,608 | - |
| Other equipment* | Nov-10 | 34,418,763 | 4,238,006 |
| Furniture, and fittings and Computers* | Nov-10 | 151,539,219 | 4,260,410 |
| LPG cylinders* | Nov-10 | 4,145,474,796 | 184,914,715 |

* As at 31st December 2016, based on a valuation carried out by Mr. Sunil Fernando & Associates it was determined that the fair value of the revalued assets did not materially differ from its carrying amount.

Litro Gas Terminal Lanka (Pvt) Ltd.**Revaluation gain/(impairment)**

The increase in an asset's carrying amount as a result of revaluation, has been recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Any decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. However, any excess revaluation loss, if any, relating to an asset's carrying amount is recognised in profit or loss.

| | 2017 | 2016 |
|--|------|-------------------|
| Revaluation loss recognised in other comprehensive income | - | 5,180,816 |
| Revaluation loss recognised in statement of profit or loss | - | 7,368,778 |
| | - | 12,549,594 |

Revaluation of Property, plant and equipment

Land Building and site development under Property, plant and equipment have been revalued during the year 2016 and all other assets were revalued in previous years. The fair value of property, plant and equipment was determined by Sunil Fernando & Associates (Pvt) Ltd an external, independent chartered valuation surveyor, who had relevant experience in the category of assets being revalued.

| Asset category | Date | Cost | Net book value under cost model |
|---|--------|---------------|---------------------------------|
| Building & Site development | Dec-16 | 258,540,413 | 106,347,921 |
| Plant & machinery* | Nov-10 | 247,656,359 | 66,726,428 |
| Storage Tanks, Pipeline & Pumping Stations* | Nov-10 | 3,175,167,145 | 754,485,705 |
| Motor Vehicles* | Nov-11 | 3,287,585 | - |
| Instrumentation Equipment* | Nov-10 | 736,797,953 | 83,656,558 |
| Office Equipment & Computers* | Nov-10 | 47,346,787 | 6,911,397 |

* As at 31st December 2016, based on a valuation carried out by Mr.Sunil Fernando & Associates it was determined that the fair value of the revalued assets did not materially differ from its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

8 Property, Plant & Equipment (Contd.)

8.1.8 Assets Revaluation

Sri Lanka Insurance Corporation Ltd. - Company

| Location | Extend of the land | Land Rs. 000 | Building Rs. 000 | Total Rs. 000 | Carrying Amount at Cost Rs. 000 |
|---|--------------------------|-----------------|---------------------|------------------|--|
| Land situated at No. 288, Union Place, Colombo 2 | A 01 R 00 P 20.35 | 2,254,375 | 26,690 | 2,281,065 | 4,810 |
| Land & Building situated at No. 267, Union Place, Colombo 2 | A 0 R 0 P 37.62 | 451,440 | 340,720 | 792,160 | 5,559 |
| Land & Building situated at No. 21, Vauxhall Street, Colombo 2 | A 02 R 00 P 05.62 | 2,860,250 | 1,780,886 | 4,641,136 | 96,519 |
| Land & Building situated at Thelawala, Katubedda, Moratuwa | A 02 R 00 P 13 | 166,500 | 38,686 | 205,186 | 2,273 |
| Land & Building situated at Lake Road, 4th Lane, Anuradhapura | A 0 R 0 P 30 | 7,500 | 5,020 | 12,520 | 282 |
| Land & Building situated at Main Street, 2nd Lane Anuradhapura | A 0 R 0 P 34.9 | 64,565 | 25,895 | 90,460 | 704 |
| Land & Building situated at 571, Hospital Road, Jaffna | A 0 R 1 P 26.38 | 112,846 | 16,352 | 129,198 | 601 |
| Land & Building situated at No. 25, Kande Veediya, Kandy | A 0 R 0 P 16.45 | 106,925 | 34,380 | 141,305 | 19,773 |
| Land & Building situated at No. 20, Rajapaksha Broadway, Negombo | A 0 R 0 P 19 | 52,250 | 57,646 | 109,896 | 1,924 |
| Land & Building situated at No. 7, Hakmana Road, Matara | A 0 R 0 P 47.89 | 141,993 | 20,919 | 162,912 | 1,278 |
| Land & Building situated at No. 25, Water Field Drive, Nuwara Eliya | A 0 R 02 P 23.01 | 118,462 | 7,900 | 126,362 | 714 |
| Land & Building situated at No. 60/1, Park Road, Nuwara Eliya | - | - | 66,215 | 66,215 | - |
| Land & Building situated at No. 16/1, Dambulla Road, Kurunegala | - | - | 62,113 | 62,113 | 2,795 |
| Land & Building situated at No. 14A, Pulathisigama, Hingurakgoda | A 0 R 0 P 49.42 | 3,954 | 496 | 4,450 | 295 |
| Land & Building situated at No. 46, Main Street, Trincomalee | A 0 R 01 P 37.65 | 89,298 | 4,254 | 93,551 | 1,978 |
| Land & Building situated at No. 77, Ratnapura Road, Awissawella | A 0 R 0 P 30.75 | 87,638 | 3,035 | 90,673 | 2,182 |
| Land situated at Baudhaloka Mawatha, Gampaha | A 0 R 0 P 24.54 | 73,620 | - | 73,620 | 3,759 |

| Location | Extend of the land | Land | Building | Total | Carrying Amount at Cost |
|--|--------------------------|-----------|-----------|-------------------|-------------------------------|
| | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Land & Building situated at No. 14, River Side Road, Kalutara | A O R O P 61.9 | 30,022 | - | 30,022 | 3,551 |
| Land & Building situated at No. 32, Negombo Road, Marawila | A O R O P 10 | 10,000 | 2,773 | 12,773 | 1,894 |
| Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy | A O R O 1 P 02 | 34,000 | 13,300 | 47,300 | 3,366 |
| Land & Building situated at No. 97, New Road, Ambalangoda | A O R O 1 P 02 | 105,000 | 30,286 | 135,286 | 2,257 |
| Land & Building situated at No. 211/C, Colombo Road, Pilimatalawa | A O R O P 08 | 22,000 | 11,087 | 33,087 | 19,319 |
| Land situated at No. 42, Kurunegala Road, Chilaw | A O R O P 15.63 | 32,823 | - | 32,823 | 2,587 |
| Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya. | A O R O P 09.96 | 5,229 | 371 | 5,600 | 205 |
| Land & Building situated at Bogahahena, Dikwella Road, Beliatta | A O R O 1 P 24.047 | 35,226 | - | 35,226 | 27,907 |
| Land & Building situated at No. 68, Ragala Road, Rikillagaskada. | A O R O P 6.832 | 17,776 | 5,081 | 22,857 | 18,291 |
| Land situated at Gorakadeniya, Yatinuwara, Kandy. | A O R O 2 P 40.17 | 29,700 | - | 29,700 | 15,599 |
| Land & Building situated at No. 69, Kothmale Road, Nawalapitiya. | A O R O P 05 | 12,500 | 8,943 | 21,443 | 13,088 |
| Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota. | | 5,250 | - | 5,250 | 7,091 |
| Land & Building situated at No. 6, Wadugodapitiya Veediya, Kandy . | A O R O P 08.50 | 14,700 | 1,695 | 16,395 | 16,465 |
| Land & Building situated at No. 389, Main Street, Kegalle | A O R O P 07.51 | 22,530 | 22,076 | 44,606 | 14,864 |
| Land situated at Kachchery Junction, Kandy Road, Jaffna | A O R O P 37.6 | 10,716 | - | 10,716 | 254 |
| Land & Building situated at Badulla | A O R O P 22.06 | 30,971 | 3,205 | 34,177 | 7,799 |
| | | 7,010,057 | 2,590,021 | 9,600,078 | 299,983 |
| As at 31 December | | | | 2017 | 2016 |
| | | | | Rs. 000 | Rs. 000 |
| 8.2 Company | | | | | |
| Carrying Amount | | | | 10,138,320 | 10,248,900 |
| | | | | 10,138,320 | 10,248,900 |

NOTES TO THE FINANCIAL STATEMENTS

8 Property, Plant & Equipment (Contd.)

| | Land Rs. 000 | Buildings on Freehold Land Rs. 000 | Building on Leasehold Land Rs. 000 |
|---------------------------------------|------------------|--|--|
| Cost/Valuation | | | |
| Balance as at 01 January 2017 | | | |
| Balance as at 01 January 2017 | 6,979,085 | 2,649,036 | 69,700 |
| Additions During the Year | 8,990 | 22,202 | - |
| Revaluation | 21,982 | (13,731) | - |
| Disposals | - | - | - |
| Balance as at 31 December 2017 | 7,010,057 | 2,657,507 | 69,700 |
| Accumulated Depreciation | | | |
| Balance as at 01 January 2017 | - | - | - |
| Depreciation Charge for the Year | - | 137,186 | - |
| Disposals | - | - | - |
| Balance as at 31 December 2017 | - | 137,186 | - |
| Carrying amount | | | |
| As at 31 December 2016 | 6,979,085 | 2,649,036 | 69,700 |
| As at 31 December 2017 | 7,010,057 | 2,520,321 | 69,700 |

During the year the Company has acquired property, plant & equipment amounting to Rs.160.84 million (2016 Rs.126.85 million)
There were no assets pledged against the borrowings.

| Equipment Rs. 000 | Furniture & Fittings Rs. 000 | Motor Vehicle Rs. 000 | Electrical Generators and Passenger Lift Rs. 000 | Fixtures & Fittings Rs. 000 | Air Condition Plant Rs. 000 | Others Rs. 000 | Total Rs. 000 |
|----------------------|------------------------------------|-----------------------------|--|-----------------------------------|--------------------------------------|-------------------|-------------------|
| 401,484 | 210,713 | 362,948 | 101,196 | 10,114 | 177,491 | 15,626 | 10,977,393 |
| 60,266 | 31,953 | 11,280 | - | 332 | 14,225 | 11,597 | 160,845 |
| - | - | - | - | - | - | - | 8,251 |
| (742) | - | (6,445) | - | - | - | - | (7,187) |
| 461,008 | 242,666 | 367,783 | 101,196 | 10,446 | 191,716 | 27,223 | 11,139,303 |
| 294,027 | 80,098 | 294,488 | 12,505 | 9,455 | 35,004 | 2,916 | 728,493 |
| 51,691 | 23,513 | 31,099 | 10,665 | 190 | 20,290 | 4,433 | 279,067 |
| (92) | - | (6,485) | - | - | - | - | (6,577) |
| 345,626 | 103,611 | 319,102 | 23,170 | 9,645 | 55,294 | 7,349 | 1,000,983 |
| 107,457 | 130,615 | 68,460 | 88,691 | 659 | 142,487 | 12,710 | 10,248,900 |
| 115,382 | 139,055 | 48,681 | 78,026 | 801 | 136,422 | 19,874 | 10,138,320 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | Group | | Company | |
|------------------------------------|------------------|------------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 9 Investment Property | | | | |
| Balance as at 01 January | 1,396,200 | 1,241,642 | 619,200 | 465,231 |
| Additions during the year | 864 | 9,620 | - | - |
| Fair Value Gains / (Loss) | 25,636 | 144,938 | - | 153,969 |
| Balance as at 31st December | 1,422,700 | 1,396,200 | 619,200 | 619,200 |

Investment property held by Sri Lanka Insurance Corporation Limited is located at No.6, Sir Baron Jayathilake Mawatha, Colombo 1. Extent of land is A0 R0 P38.88 and extent of the building is 40,000 sq.ft. The fair value as at 31st December 2017 has not been recognized as the management considers the change in fair value to be immaterial.

Investment property held by Canowin Hotels & Spas (Pvt) Ltd, represents the leasehold land located at the entrance of the Southern Expressway, Welipenna and buildings (rest area and food arcade) which have been constructed in the said property. The leasehold property in Welipenna has been leased from the Road Development Authority ("RDA") for a period of 99 years starting from 19th August 2011.

Investment property consists of value attributable to 7th floor of the building constructed on leasehold land, which is given on rental to Lanka Hospitals Diagnostics (Private) Limited for a monthly rental of Rs. 450,000/- upto 31st October 2015 and Rs. 495,000/- from 1st November 2015 to 31st October 2017 and from 1st of November 2017 rental of Rs.544,500/=

9.1 Measurement of Fair Values

9.1.1 Fair Value Hierarchy

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement of investment property has been categorized as a Level 3 based on the SLFRS 13 - Fair Value Measurement.

9.1.2 Valuation technique and significant unobservable inputs

| Valuation Technique | Company Name | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|--|---------------------------------|--|---|
| Investment basis valuation which considered present value of future cash flows has been used. This is based on actual rental income currently earned together with the service charges receivable. Other income with a deduction to cover the operational expenses has also been considered. | Canowin Hotels & Spas (Pvt) Ltd | 1. Future rental and other income 2. Future operational expenses 3. Discount rates | Estimated fair value would increase (decrease) if: 1. future rental and related income changes 2. future operational expenses changes 3. Discount rate changes |

| As at 31 December | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 10 Leasehold Property | | | | |
| Leasehold Right to Land (Note 10.1) | 20,001 | 20,268 | 20,001 | 20,268 |
| Right-to-use of land on lease (Note 10.2) | 205,750 | 191,987 | - | - |
| Balance as at 31 December | 225,751 | 212,255 | 20,001 | 20,268 |

| As at 31 December | Group | | Company | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 10.1 Leasehold Right to Land | | | | |
| Cost | | | | |
| Balance as at 01 January | 28,015 | 28,015 | 28,015 | 28,015 |
| Balance as at 31 December | 28,015 | 28,015 | 28,015 | 28,015 |
| Amortization | | | | |
| Balance as at 01 January | 7,747 | 7,478 | 7,747 | 7,478 |
| Amortization during the year | 267 | 269 | 267 | 269 |
| Balance as at 31 December | 8,014 | 7,747 | 8,014 | 7,747 |
| Net balance as at 31 December | 20,001 | 20,268 | 20,001 | 20,268 |

Sri Lanka Insurance Corporation Ltd obtained leasehold rights to lands situated in Puttalam, Ratnapura, Paradise Island - Bentota, Nuwara- Eliya, Batticaloa for 99 years from Government of Sri Lanka. Based on the ruling 11 of Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka, the lands are stated at revalued amounts. As a result of a revision to said ruling, the Company now carries such leasehold rights to land, at the values recorded in the statement of financial position as at the effective date of LKAS 19 - "Leases".

The revised UITF ruling does not permit further revaluation of leasehold property. An amount of Rs. 24.18 million is remaining in the equity under revaluation surplus relating to previous revaluation of leasehold rights to land.

| As at 31 December | Group | | Company | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 10.2 Advance Lease Premium | | | | |
| Advance Lease Premium | | | | |
| Balance at the 01 January | 191,986 | 178,222 | - | - |
| Premium Paid during the Period | 18,547 | 18,547 | - | - |
| Amortized during the Period | (4,782) | (4,782) | - | - |
| Balance as at 31 December | 205,750 | 191,987 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

The Lanka Hospitals Corporation PLC, a subsidiary of SLIC has entered into a 99 year lease agreement with the Urban Development Authority in 1999. In terms of this agreement, a sum of Rs. 18,546,148/- per annum should be paid by the Company till 2025, and the final premium payment of Rs. 9,273,274/- should be paid in 2026. As at 31 December 2017 a sum of Rs. 158 million is payable by 2026. (31 December 2016 - Rs. 176 million). Lease rent paid on each installment is carried forward and amortized over the 99 year period in accordance with the said agreement.

Canowin Hotels & Spas (Pvt) Ltd has acquired two leasehold plots in Welipenna from the Road Development Authority for a period of 30 years. The properties are adjoining the main property situated at the entrance of the Southern Expressway in which the rest area and food arcade has been constructed. This property is currently being utilised by Litro Gas Lanka (Pvt) Ltd.

| As at 31 December | Group | | Company | |
|-------------------------------------|------------------|------------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 11 Intangible Assets | | | | |
| Goodwill on Acquisition (Note 11.1) | 2,992,805 | 2,992,805 | - | - |
| Computer Software (Note 11.2) | 188,731 | 208,596 | 93,167 | 148,272 |
| | 3,181,536 | 3,201,401 | 93,167 | 148,272 |

| As at 31 December | Group | | Company | |
|-------------------------------------|------------------|------------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 11.1 Goodwill on Acquisition | | | | |
| Cost | | | | |
| Balance at 01 January | 2,992,805 | 2,992,805 | - | - |
| Balance as at 31 December | 2,992,805 | 2,992,805 | - | - |

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

| | 2017 Rs. Mn | 2016 Rs. Mn | 2017 Rs. Mn | 2016 Rs. Mn |
|-------------------------------------|----------------|----------------|----------------|----------------|
| The Lanka Hospitals Corporation PLC | 1,577 | 1,577 | - | - |
| Litro Gas Lanka Limited | 842 | 842 | - | - |
| Litro Gas Terminal Lanka (Pvt) Ltd | 574 | 574 | - | - |
| | 2,993 | 2,993 | - | - |

There has been no permanent impairment of intangible assets that requires a provision.

| As at 31 December | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 11.2 Computer Software | | | | |
| Cost | | | | |
| Balance at 01 January | 448,268 | 435,380 | 364,476 | 362,286 |
| Additions | 47,895 | 11,189 | 50 | 2,190 |
| Transferred from capital working progress | - | 1,699 | - | - |
| Balance as at 31 December | 496,163 | 448,268 | 364,526 | 364,476 |
| Amortization | | | | |
| Balance as at 01 January | 239,672 | 158,681 | 216,204 | 146,661 |
| Amortization Charge | 67,760 | 80,991 | 55,155 | 69,543 |
| Balance as at 31 December | 307,432 | 239,672 | 271,359 | 216,204 |
| Net Balance as at 31 December | 188,731 | 208,596 | 93,167 | 148,272 |

| As at 31 December | Group | | Company | |
|----------------------------------|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 12 Loans to Policyholders | | | | |
| Balance as at 01 January | 1,518,719 | 1,569,342 | 1,518,719 | 1,569,342 |
| Loans granted during the year | 1,399,961 | 1,389,953 | 1,399,961 | 1,389,953 |
| Interest Receivable on loans | 353,370 | 344,908 | 353,370 | 344,908 |
| Loans settled during the year | (1,749,866) | (1,785,484) | (1,749,866) | (1,785,484) |
| Balance as at 31 December | 1,522,185 | 1,518,719 | 1,522,185 | 1,518,719 |

The surrender value of the loans granted to policyholders as at 31st December 2017 amounted to Rs.2,489 million (2016 - Rs. 2,520 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, the policy terminates and becomes null and void. The Company has the first lien on all policies which is subject to policy loans and this mitigates the Company's credit exposure on policy loans.

The Board of Directors has assessed the potential impairment loss of loans where total receivable exceeds the surrender value and charged/(reversed) in the financial statements as at the reporting date in respect of loans to Life policyholders.

The carrying value of policy holder's long approximate the fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 13 Reinsurance Receivables | | | | |
| Reinsurance Receivables on Settled Claims | 885,066 | 513,117 | 885,066 | 513,117 |
| Reinsurance Receivables on outstanding Claims | 1,617,376 | 1,434,140 | 1,617,376 | 1,434,140 |
| Impairment on Reinsurance Receivables | (55,143) | (64,194) | (55,143) | (64,194) |
| | 2,447,299 | 1,883,063 | 2,447,298 | 1,883,063 |

Impairment of Reinsurance Receivables

The Board of Directors has assessed the potential impairment loss on reinsurance receivables as at the reporting date and adequate provisions have been made in the financial statements.

The Carrying value of reinsurance receivables approximate the fair value at the reporting date.

| As at 31 December | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 14 Premium Receivable | | | | |
| Premium Receivable from Policyholders | 3,361,856 | 2,660,911 | 3,361,856 | 2,660,911 |
| Premium Receivable from Agents, Brokers and Intermediaries | 332,301 | 743,824 | 332,301 | 743,824 |
| | 3,694,158 | 3,404,735 | 3,694,158 | 3,404,735 |
| 14.1 Premium Receivable from Policyholders | | | | |
| Premium Receivable from Policyholders | 3,415,932 | 2,789,883 | 3,415,932 | 2,789,883 |
| | 3,415,932 | 2,789,883 | 3,415,932 | 2,789,883 |
| Impairment on Premium Receivable | | | | |
| As at the Beginning of the Year | (128,972) | (102,303) | (128,972) | (102,303) |
| Reversal made during the Year | 74,896 | (26,669) | 74,896 | (26,669) |
| As at the End of the Year | (54,076) | (128,972) | (54,076) | (128,972) |
| Sub Total of Premium Receivable from Policyholders | 3,361,856 | 2,660,911 | 3,361,856 | 2,660,911 |
| 14.2 Premium Receivable from Agents, Brokers and Intermediaries | | | | |
| Premium Receivable from Agents and Brokers | 350,327 | 786,814 | 350,327 | 786,814 |
| | 350,327 | 786,814 | 350,327 | 786,814 |
| Impairment on Premium Receivable | | | | |
| As at the Beginning of the Year | (42,991) | (34,101) | (42,991) | (34,101) |
| Reversal made during the Year | 24,965 | (8,890) | 24,965 | (8,890) |
| As at the End of the Year | (18,026) | (42,991) | (18,026) | (42,991) |
| Sub Total of Premium Receivable from Agents and Brokers | 332,301 | 743,824 | 332,301 | 743,824 |
| Total Premium Receivable | 3,694,158 | 3,404,735 | 3,694,158 | 3,404,735 |

The Board of Directors has assessed the potential impairment loss on premium receivables as at the reporting date and adequate provisions have been made in the financial statements.

15 Deferred Tax Assets & Liabilities

15.1 Recognized Deferred Tax Assets and Liabilities

15.1.1 Movement in deferred tax balances

Deferred tax assets and liabilities are attributable to the followings;

| As at 31 December Group | Net Balance as at 01st January 2017 Rs. 000 | Recognized in profit or loss Rs. 000 | Recognized in OCI Rs. 000 | Net Balance as at 31st December 2017 Rs. 000 | Deferred Tax Asset Rs. 000 | Deferred Tax Liability Rs. 000 |
|-------------------------------------|---|---|---------------------------------|--|-------------------------------------|---|
| Property, Plant and Equipment | 3,308,074 | 453,032 | 858,681 | 4,619,787 | - | 4,619,787 |
| Intangible Assets | 1,677 | 5,580 | - | 7,257 | - | 7,257 |
| Revaluation Reserve - Land | - | - | 506,906 | 506,906 | - | 506,906 |
| Investment Property | 105,100 | - | - | 105,100 | - | 105,101 |
| Employee Benefits | (331,717) | (44,808) | (50,815) | (427,339) | (427,339) | - |
| Carry forward tax losses | (90,851) | - | - | (90,851) | (90,851) | - |
| Available-For-Sale financial assets | (25,104) | - | 25,038 | (66) | (66) | - |
| Provisions on inventory | (2,881) | 1,251 | - | (1,630) | (1,630) | - |
| Provisions on Trade Receivables | (10,054) | 38,621 | - | 28,567 | 28,567 | - |
| | 2,954,246 | 453,677 | 1,339,810 | 4,747,733 | (491,318) | 5,239,051 |

| As at 31 December | Net Balance as at 01st January 2016 Rs. 000 | Recognized in profit or loss Rs. 000 | Recognized in OCI Rs. 000 | Net Balance as at 31st December 2016 Rs. 000 | Deferred Tax Asset Rs. 000 | Deferred Tax Liability Rs. 000 |
|-------------------------------------|---|---|---------------------------------|--|-------------------------------------|---|
| Property, Plant and Equipment | 3,160,344 | 71,082 | 76,649 | 3,308,074 | - | 3,308,074 |
| Intangible Assets | 1,137 | 540 | - | 1,677 | - | 1,677 |
| Investment Property | 214,399 | (109,299) | - | 105,100 | - | 105,100 |
| Employee Benefits | (244,950) | (27,000) | (59,767) | (331,717) | (331,717) | - |
| Carry forward tax losses | (73,185) | (17,665) | - | (90,850) | (90,850) | - |
| Available-For-Sale financial assets | (12,488) | - | (12,616) | (25,104) | (25,104) | - |
| Provisions on inventory | (2,981) | 100 | - | (2,881) | (2,881) | - |
| Provisions on Trade Receivables | (88,649) | 78,595 | - | (10,054) | (10,054) | - |
| | 2,953,627 | (3,646) | 4,265 | 2,954,246 | (460,606) | 3,414,852 |

NOTES TO THE FINANCIAL STATEMENTS

15 Deferred Tax Assets & Liabilities (Contd.)

15.1 Recognized Deferred Tax Assets and Liabilities (Contd.)

15.1.1 Movement in deferred tax balances (Contd.)

| Company | Net Balance as at 01st January 2017 Rs. 000 | Recognized in profit or loss Rs. 000 | Recognized in OCI Rs. 000 | Net Balance as at 31st December 2017 Rs. 000 | Deferred Tax Asset Rs. 000 | Deferred Tax Liability Rs. 000 |
|-------------------------------------|---|---|---------------------------------|--|-------------------------------------|---|
| Property, Plant and Equipment | 881,942 | (38,112) | (3,845) | 839,985 | - | 839,985 |
| Revaluation Reserve - Land | - | - | 506,906 | 506,906 | - | 506,906 |
| Investment Property | 20,966 | - | - | 20,966 | - | 20,966 |
| Employee Benefits | (289,978) | (36,648) | (50,075) | (376,701) | (376,701) | - |
| Available-For-Sale financial assets | (25,104) | - | 25,038 | (66) | (66) | - |
| Provisions on Trade Receivables | (10,054) | 40,542 | - | 30,488 | - | 30,488 |
| | 577,773 | (34,218) | 478,024 | 1,021,579 | (376,767) | 1,398,346 |

| Company | Net Balance as at 01st January 2016 Rs. 000 | Recognized in profit or loss Rs. 000 | Recognized in OCI Rs. 000 | Net Balance as at 31st December 2016 Rs. 000 | Deferred Tax Asset Rs. 000 | Deferred Tax Liability Rs. 000 |
|-------------------------------------|---|---|---------------------------------|--|-------------------------------------|---|
| Property, Plant and Equipment | 821,846 | 19,982 | 40,115 | 881,942 | - | 881,942 |
| Investment Property | 130,265 | (109,299) | - | 20,966 | - | 20,966 |
| Employee Benefits | (204,678) | (23,341) | (61,960) | (289,978) | (289,978) | - |
| Available-For-Sale financial assets | (12,488) | - | (12,616) | (25,104) | (25,104) | - |
| Provisions on Trade Receivables | (88,076) | 78,022 | - | (10,054) | (10,054) | - |
| | 646,869 | (34,635) | (34,462) | 577,773 | (325,136) | 902,909 |

The amounts shown in the statement of financial position represents the followings;

| As at 31 December | 2017 | 2016 |
|---|------------------|------------------|
| Group | Rs. 000 | Rs. 000 |
| Sri Lanka Insurance Corporation Limited- Life | (171,476) | (131,317) |
| Canwill Holdings (Pvt) Limited | (50) | (425) |
| | (171,526) | (131,742) |
| Sri Lanka Insurance Corporation Limited- Non Life | 1,193,056 | 709,090 |
| The Lanka Hospital PLC | 998,190 | 426,596 |
| Litro Gas Lanka Limited | 1,527,235 | 1,504,763 |
| Litro Gas Terminal Lanka (Pvt) Ltd | 1,168,477 | 431,107 |
| Canowin Hotels & Spa (Pvt) Ltd | 32,303 | 14,433 |
| | 4,919,261 | 3,085,990 |
| | 4,747,736 | 2,954,247 |

Life and non-life deferred tax assets & liabilities are originated due to temporary timing differences on following asset and liability bases.

| As at 31 December | 2017 | | 2016 | |
|------------------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
| | Temporary difference Rs. 000 | Deferred tax Rs. 000 | Temporary difference Rs. 000 | Deferred tax Rs. 000 |
| Life | | | | |
| Deferred tax asset | | | | |
| Retirement benefit obligation | (643,432) | (180,161) | (495,304) | (138,685) |
| Deferred tax liability | | | | |
| Property plant & equipment | 31,018 | 8,685 | 26,314 | 7,368 |
| Revaluation Reserve | | | | |
| Net deferred tax (asset)/liability | (612,414) | (171,476) | (468,990) | (131,317) |
| | (612,414) | (171,476) | (468,990) | (131,317) |

NOTES TO THE FINANCIAL STATEMENTS

15 Deferred Tax Assets & Liabilities (Contd.)

15.1 Recognized Deferred Tax Assets and Liabilities (Contd.)

15.1.1 Movement in deferred tax balances (Contd.)

| As at 31 December | 2017 | | 2016 | |
|--|---------------------------------|-------------------------|---------------------------------|-------------------------|
| | Temporary difference Rs. 000 | Deferred tax Rs. 000 | Temporary difference Rs. 000 | Deferred tax Rs. 000 |
| Deferred tax asset | | | | |
| Retirement benefit obligation | (701,925) | (196,539) | (540,332) | (151,293) |
| AFS negative reserve - Treasury bonds | 108,886 | 30,488 | (35,907) | (10,054) |
| Provision for Doubtful Debtors | (236) | (66) | (89,657) | (25,104) |
| | (593,275) | (166,117) | (665,896) | (186,451) |
| Deferred tax liability | | | | |
| Property plant & equipment and revaluation reserve | 2,968,932 | 831,301 | 3,123,482 | 874,575 |
| Revaluation Reserve - Land | 5,069,060 | 506,906 | - | - |
| Investment property | 74,879 | 20,966 | 74,879 | 20,966 |
| | 8,112,871 | 1,359,173 | 3,198,361 | 895,541 |
| Net deferred tax (asset)/liability | 7,519,596 | 1,193,056 | 2,532,465 | 709,090 |

15.2 Lanka Hospitals Corporation PLC

By the new Inland Revenue Act, No. 24 OF 2017 which Gazette in 27th October 2017 and comes into operation on April 1, 2018. With effect of this Income Tax rate relating to Healthcare services increased from 12% to 28%. Accordingly applicable to tax rate to compute Deferred tax assets and liabilities need to increase from 12% to 28%. According to paragraph 47 of LKAS 12 "Income Taxes", Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Accordingly the company and the Group apply substantively enacted tax rate of 28% to measure the Deferred tax assets and liabilities.

15.3 Sinolanka Hotels and Spa (Pvt) Ltd

Deferred Tax has not been provided for temporary differences as the tax impact and reversals are expected to take place within the tax exemption period. There will be no tax implications that arise after the expiration of the tax exemption period for such assets.

15.4 Helanco Hotels and Spa (Pvt) Ltd

A deferred tax asset has not been recognised in respect of carried forward losses as it is not probable that future taxable profits will allow the deferred tax asset to be recovered.

15.5 Canowin Hotels and Spas (Pvt) Ltd

Deferred Income taxes are calculated on all temporary differences under the liability method using the principal tax rate of 28%.

| As at 31 December | Group | | Company | | |
|---|-----------------|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 | |
| 16 Other Assets | | | | | |
| Inventories | 16.1 | 1,628,287 | 1,465,613 | 164,568 | 166,485 |
| Other Receivables | | 725,666 | 3,382,976 | 460,706 | 3,369,855 |
| Impairment on Other Receivables | | (130,073) | (130,049) | (129,315) | (129,291) |
| | | 595,593 | 3,252,927 | 331,391 | 3,240,564 |
| Amount due from Distilleries Company of Sri Lanka PLC | | 171,345 | 194,889 | 171,345 | 194,889 |
| Staff Loans | 16.2 | 1,326,513 | 809,239 | 1,326,513 | 809,239 |
| Prepaid Staff Cost | | 529,636 | 318,332 | 529,637 | 318,332 |
| Other Loans | | 632,366 | 605,531 | 632,366 | 605,529 |
| Advance on Fixed Assets | | 19,073 | 19,073 | 19,073 | 19,073 |
| Trade and Other Receivables | 16.3 | 1,736,441 | 1,572,393 | - | - |
| Value added tax receivable | | 102,135 | 37,568 | - | - |
| ESC Receivable | | 2,764 | 4,311 | - | - |
| | | 6,744,152 | 8,279,873 | 3,174,893 | 5,354,111 |
| 16.1 Inventories | | | | | |
| Insurance | | 164,568 | 166,485 | 164,568 | 166,485 |
| Healthcare | | 294,734 | 318,869 | - | - |
| Energy | | 1,175,012 | 980,259 | - | - |
| | | 1,634,315 | 1,465,613 | 164,568 | 166,485 |
| Provision for Obsolete Inventories | | (6,028) | - | - | - |
| | | 1,628,287 | 1,465,613 | 164,568 | 166,485 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31 December | Group | | Company | |
|---|------------------|------------------|------------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 16.2 Loans Due from Employees | | | | |
| At the Beginning of the Year | 809,239 | 772,308 | 809,239 | 772,308 |
| Loans Granted during the Year | 1,491,693 | 210,159 | 1,491,693 | 210,159 |
| Recoveries during the Year | (753,645) | (264,516) | (753,645) | (264,516) |
| Fair Value Adjustment on Staff Loan | (220,774) | 91,288 | (220,774) | 91,288 |
| At the End of the Year | 1,326,513 | 809,239 | 1,326,513 | 809,239 |
| 16.3 Trade and Other Receivables | | | | |
| Trade Receivables | | | | |
| Trade & Other Receivables | 747,740 | 778,441 | - | - |
| Provision for Doubtful Debt | (33,038) | (25,027) | - | - |
| Writeoff of trade receivables | - | (1,468) | - | - |
| Total Trade Receivables - Net | 714,702 | 751,946 | - | - |
| Deposit and Prepayments | 349,892 | 260,995 | - | - |
| Advances and Other Receivables | 671,847 | 559,452 | - | - |
| | 1,736,441 | 1,572,393 | - | - |

| As at 31 December | Group | | Company | |
|--|------------------|-----------------|------------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 17 Deferred Expenses - Insurance Contract | | | | |
| Net Deferred Acquisition Expenses | | | | |
| Balance as at 01 January | 533,085 | 470,403 | 533,085 | 470,403 |
| Increase in Deferred Acquisition Expenses | 67,503 | 62,682 | 67,503 | 62,682 |
| Balance as at 31 December | 600,588 | 533,085 | 600,588 | 533,085 |
| Deferred Reinsurance Commission | | | | |
| Balance as at 01 January | (91,894) | (111,412) | (91,894) | (111,412) |
| Increase in Deferred Acquisition Expenses | (274,357) | 19,518 | (274,357) | 19,518 |
| Balance as at 31 December | (366,251) | (91,894) | (366,251) | (91,894) |
| Net Deferred Acquisition Expenses | 234,337 | 441,191 | 234,337 | 441,191 |

| As at 31 December | Group | | Company | |
|--|-------------------|-------------------|------------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 18 Cash and Cash Equivalents | | | | |
| Cash in Hand and at Bank | 1,520,307 | 1,131,676 | 826,623 | 587,727 |
| Short-Term Investments | 13,950,389 | 15,710,158 | 1,771,895 | 1,035,996 |
| Total Cash and Cash Equivalents | 15,470,696 | 16,841,834 | 2,598,518 | 1,623,723 |
| Bank Overdraft used for Cash Management Purposes | (869,302) | (991,500) | (635,929) | (699,950) |
| Cash and Cash Equivalents in the Statement of Cash Flow | 14,601,395 | 15,850,334 | 1,962,589 | 923,773 |

18.1 The reported bank Overdraft balance as at the reporting date is used for the cash management purpose and there is no physical overdraft in the bank statement. The Company has bank overdraft facility of Rs. 9.3 million.

| As at 31 December | Group | | Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 19 Stated Capital | | | | |
| Issued and Fully Paid | | | | |
| Ordinary Shares (600,000,000 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 |

NOTES TO THE FINANCIAL STATEMENTS

19.1 Right of Ordinary Shareholders

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

| As at 31 December | Group | | Company | |
|--|------------------------|-------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 20 Revaluation Reserve | | | | |
| Revaluation Reserve | 20.1 10,442,923 | 11,623,290 | 7,664,272 | 8,159,082 |
| | 10,442,923 | 11,623,290 | 7,664,272 | 8,159,082 |
| 20.1 Revaluation Reserve | | | | |
| Balance as at 01 January | 11,623,290 | 9,167,303 | 8,159,082 | 5,850,502 |
| Surplus on Revaluation of Land and Building | (625,266) | 2,520,024 | 8,251 | 2,348,695 |
| Depreciation transfer on surplus on revaluation of building | (42,861) | (34,190) | - | - |
| Deferred Tax on Revaluation (Surplus)/Deficit | - | 11,298 | 3,845 | (40,115) |
| Deferred Tax impact of Revaluation Surplus-Land | (506,906) | - | (506,906) | - |
| Transfer of revaluation reserve on disposal of property, plant and equipment | (5,334) | (41,145) | - | - |
| Balance as at 31 December | 10,442,923 | 11,623,290 | 7,664,272 | 8,159,082 |

| As at 31 December | Group | | Company | |
|---|--------------------|-------------------|--------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 21 Available For Sale Reserve | | | | |
| Balance as at 01 January | 21,055,304 | 22,390,664 | 21,055,304 | 22,390,664 |
| Transferred AFS Reserves - Life Fund | (5,897,605) | - | (5,897,605) | - |
| Other Comprehensive Income For the Year | 1,069,700 | (1,335,360) | 1,069,700 | (1,335,360) |
| Balance as at 31 December | 16,227,399 | 21,055,304 | 16,227,399 | 21,055,304 |

Available-For-Sale reserves comprise of the impact arising from the changes in market values of financial assets classified under Available For Sale (AFS). Available For Sales Reserve includes Rs.516,018,510 of AFS Reserve of Other Liabilities. AFS Reserves belongs to Life Policy holders are shown under the Insurance Provision Life.

| As at 31 December | Note | Group | | Company | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 22 Revenue Reserve | | | | | |
| General Reserve | | 643,442 | 643,442 | 643,442 | 643,442 |
| Surplus from Life Insurance | 22.1 | 7,031,717 | 8,109,631 | 7,031,716 | 8,109,631 |
| Policyholder Reserve Fund | 22.2 | - | (4,711,129) | - | (4,711,129) |
| Retained Earnings | 22.3 | 37,103,095 | 36,116,076 | 22,897,095 | 23,664,612 |
| Transferd to One off Surplus-Un restricted Reserve | 22.4 | 466,179 | - | 466,179 | - |
| | | 45,244,434 | 40,158,021 | 31,038,433 | 27,706,557 |
| 22.1 Surplus from Life Insurance | | | | | |
| Balance as at 01 January | | 8,109,631 | 4,865,021 | 8,109,631 | 4,865,021 |
| Transferred to the Restricted Regulatory reserve fund | | (98,237) | - | (98,237) | - |
| Transferd from Life find to -Un restricted Reserve | | (466,179) | - | (466,179) | - |
| Surplus Attributable to Shareholders from Life Insurance | | 2,385,271 | 3,844,610 | 2,385,271 | 3,844,610 |
| Transferred to Shareholders | | (2,898,769) | (600,000) | (2,898,769) | (600,000) |
| Balance as at 31 December | | 7,031,717 | 8,109,631 | 7,031,717 | 8,109,631 |
| 22.2 Policyholder Reserve Fund | | | | | |
| Balance as at 01 January | | (4,711,129) | (410,517) | (4,711,129) | (410,517) |
| Change in fair value measurements applicable to life contract liability | 23 | 4,711,129 | (4,300,612) | 4,711,129 | (4,300,612) |
| Balance as at 31 December | | - | (4,711,129) | - | (4,711,129) |

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| As at 31 December | Group | | Company | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 22.3 Retained Earnings | | | | |
| Balance as at 01 January | 36,116,076 | 39,513,329 | 23,664,612 | 24,338,002 |
| Profit for the year | 6,257,800 | 9,979,440 | 4,569,150 | 12,741,317 |
| Other comprehensive income | (111,073) | (185,348) | (128,764) | (159,327) |
| Depreciation transfer on surplus on revaluation of building | 42,861 | 34,190 | - | - |
| Surplus Attributable to Shareholders from Life Insurance | (1,820,855) | (3,844,610) | (1,820,855) | (3,844,610) |
| Revenue Reserve Other Liabilities | 535,902 | - | 535,902 | - |
| Transferred to the Restricted Regulatory reserve fund | (98,238) | - | (98,238) | - |
| Transferd from Life fund to -Un restricted Reserve | (466,179) | - | (466,179) | - |
| Dividend Declared and Paid | (3,358,533) | (10,010,771) | (3,358,533) | (10,010,771) |
| Transfer to shareholders | - | 600,000 | - | 600,000 |
| Deferred Tax on Revaluation Surplus Transfer | - | (11,298) | - | - |
| Realization of Revaluation Surplus on disposal | 5,335 | 41,145 | - | - |
| Balance as at 31 December | 37,103,095 | 36,116,076 | 22,897,095 | 23,664,612 |
| 22.4 Transferd to One off Surplus-Un restricted Reserve | | | | |
| Balance as at 01 January | - | - | - | - |
| Transferd to One off Surplus-Un restricted Reserve | 466,179 | - | 466,179 | - |
| Balance as at 31 December | 466,179 | - | 466,179 | - |

| As at 31 December | Group | | Company | |
|---|--------------------|-------------------|--------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 23 Insurance Contract Liabilities - Life | | | | |
| Life insurance fund as at 01 January | 87,357,386 | 77,858,385 | 87,357,386 | 77,858,385 |
| Surplus created due to change in valuation method from NPV to GPV | (6,280,931) | (6,379,167) | (6,280,931) | (6,379,167) |
| Movement of the Fund | 10,058,978 | 9,042,999 | 10,058,978 | 9,042,999 |
| Regulatory Restricted Reserves from One off Surplus | (98,237) | - | (98,237) | - |
| Transferred from Life Policyholders Reserve Fund | (4,711,128) | 4,300,612 | (4,711,128) | 4,300,612 |
| Transfers of Surplus from One off Surplus - Unrestricted Reserve | (466,179) | - | (466,179) | - |
| Impact of Last Year AFS Reserve Transfer to Shareholder | 2,898,769 | - | 2,898,769 | - |
| Impact of Current Year AFS Reserve Transfer to Shareholder | (535,902) | - | (535,902) | - |
| Surplus distributed to Shareholder | (1,820,855) | (3,844,610) | (1,820,855) | (3,844,610) |
| Life Insurance Fund as at 31 December | | | | |
| excluding one off surplus | 86,401,901 | 80,978,219 | 86,401,901 | 80,978,219 |
| Surplus created due to change in valuation method from NPV to GPV | 6,280,931 | 6,379,167 | 6,280,931 | 6,379,167 |
| Life Insurance Fund as at 31 December | | | | |
| including one off surplus | 92,682,832 | 87,357,386 | 92,682,832 | 87,357,386 |
| AFS Reserves | | | | |
| AFS Reserves - Life Fund | 5,897,605 | - | 5,897,605 | - |
| Life Insurance Funds as at 31st December including AFS Reserves | 98,580,437 | - | 98,580,437 | - |
| Policyholder Outstanding Claims | 3,090,743 | 2,652,779 | 3,090,743 | 2,652,779 |
| | 101,671,180 | 90,010,165 | 101,671,180 | 90,010,165 |

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating & non-participating life insurance products. The insurance provision has been established based upon the following.

- ★ Investment return: Risk Free Rate structure proposed by IRCSL as at 31.12.2017
- ★ Mortality: Factored A67/70 for non-annuity business to allow best estimate experience rate and weighted average of a(90)m and a(90)f with one year age setback to allow approximated 1% mortality improvement of annuitants

The amount of policyholder's revisionary 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.

NOTES TO THE FINANCIAL STATEMENTS

The Company has changed the Life Insurance Fund valuation from Risk Based Capital model assets valuation methodology to assets valuation method prescribed as per the Sri Lanka Financial Reporting Standards as at the reporting date 31st December 2017. The Life Fund value as per the Sri Lanka Financial Reporting Standards as at 31st December 2016 is Rs. 90,562 million (Rs. 98,580 million 31st December 2017) including Available-For-Sale Reserve. Rs. 7,916 million recorded as Available-For-Sale Reserve as at the previous reporting period 31st December 2016.

From 01.01.2016 onwards, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka, (IRCSL), SLIC fully implemented the Risk Based Capital (RBC) solvency framework as such adopted the “Gross Premium Valuation” basis (GPV) which is required under RBC regime for liability valuation purpose. SLIC has adopted a more prudent valuation basis for its surplus computation with compared to minimum regulatory basis (RBC). SLIC followed the “Net Premium Valuation” basis (NPV) for the valuation of liabilities as at 31.12.2015. This change in valuation basis has resulted an one-off surplus in life insurance policy liabilities as at 01.01.2016. Accordingly, SLIC quantified this one-off surplus amounting to Rs. 24 billion and did not transfer/distribute any part of the one-off surplus and kept it with in Long Term Insurance Fund, as mandated by IRCSL letter dated 22.07.2016, during the year 2017. In addition SLIC indicated this policy liability surplus in the name “Surplus created due to change in valuation method from NPV to GPV” as part of 2016 year-end disclosures.

23.1 Surplus created due to change in valuation method from NPV to GPV

Subsequently, IRCSL submitted a revised guideline to compute One-off surplus and transferring mechanism to Shareholder fund from Life-Non Participating Fund under the direction called “Identification and Treatment of One-Off Surplus: Direction # 16 - Section 964 of the Regulation of Insurance Industry Act No, 43 of 2000” dated 20.03.2018 where minimum One-off Surplus computation is recommended. Accordingly, SLIC has re-quantified the one-off surplus as at 01.01.2016, and it stands out that the amounts are Rs: 6,281 million and Rs: 98 million with in Participating Fund and Non-Participating Fund respectively. The One-off surplus pertaining to Participating Fund will remain in the Life Fund under “Surplus created due to change in valuation method from NPV to GPV (Participating)”. As per the directions given by IRCSL, SLIC transferred the one-off surplus arising from Non-Participating Fund to Shareholder Fund and accounted in the statement of financial position as at 31.12.2017, under new line item called “Restricted Regulatory Reserve”. The “Restricted Regulatory Reserve” is a part of Shareholder Equity, but distribution of the same to Shareholders as dividend is subject to meeting Governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The One-off Surplus in the Shareholder Fund will remain invest in fixed deposit at DFCC Bank PLC (Fitch Ratings AA- Lka) as per the direction of the IRCSL.

| | Rs. Mn |
|---|---------------|
| Long Term Insurance Fund excluding one-off surplus | 92,299 |
| Surplus created due to change in valuation method from NPV to GPV | 6,281 |
| Long Term Insurance Fund as at 31.12.2017 | 98,580 |
| | Rs. Mn |
| Restricted Regulatory Reserve (One-off surplus Non Participating Fund) | 98 |

The valuation of the Insurance Provision - Life Insurance Business, as at 31.12.2017 was made by Mark Alan Birch, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, for and on behalf of Sri Lanka Insurance Corporation Limited. In accordance with the consultants actuary’s report, the sum of provision, Rs. 1,654 million (In 2016 Rs. 1,273 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 2017 is adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under sec 26 of the regulation of Insurance Industry Act no. 43 of 2000. The life fund also carried forward surplus for future growth and safeguard against the adverse deviation of the assumptions set out in the valuation.

The Life Insurance Fund assets inclusive of Shareholders' Transfer as at 31.12.2017 is Rs: 101,502 million (2016 - Rs: 91,201 million). The Board of Directors decided to transfer Rs: 2,921 million (2016: Rs: 3,844 million) to the Shareholders' Fund in the statement of financial position in life insurance inclusive of Rs. 536 million from AFS reserve. Subsequent to this transfer, the life insurance fund stands Rs: 98,580 million (2016 - Rs:87,357 million).

23.2 Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for life insurance contract liability was carried out by Mark Alan Birch, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, as at 31st December 2017 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the company has compared the provisions held as per audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within Risk Based Capital framework as prescribed by the IRCSL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all cash in- and out-flows required to settle the obligations related to existing in-force life insurance contracts. The projections are based on in-force policies and riders as at 31st December 2017.

According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2017. No additional provision is required against the LAT as at 31st December 2017.

24 Insurance Contract Liabilities - Non-Life

The Non - Life Insurance Reserves as shown in the Statement of Financial Position represents the following:

| As at 31 December | Group | | Company | |
|---|-----------------------|-------------------|-------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Reserves for Net Unearned Premium | 24.1 8,042,508 | 7,315,029 | 8,042,508 | 7,315,029 |
| Reserves for Title Insurance and Unexpired Risk Reserve | 24.2 536,928 | 538,219 | 536,928 | 538,219 |
| Reserves for Gross Outstanding Claims | 24.3 8,548,958 | 8,663,903 | 8,548,958 | 8,663,903 |
| | 17,128,394 | 16,517,151 | 17,128,394 | 16,517,151 |

24.1 Reserve for Net Unearned Premium

Reserve for Unearned Premium

| | | | | |
|----------------------------------|-------------------|------------------|-------------------|------------------|
| Balance as at 01 January | 8,544,994 | 7,968,630 | 8,544,994 | 7,968,630 |
| Transfer during the Year | 2,154,933 | 576,364 | 2,154,933 | 576,364 |
| Balance as at 31 December | 10,699,927 | 8,544,994 | 10,699,927 | 8,544,994 |

NOTES TO THE FINANCIAL STATEMENTS

24 Insurance Contract Liabilities - Non-Life (Contd.)

| As at 31 December | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Reserve for Unearned Reinsurance Premium | | | | |
| Balance as at 01 January | (1,229,965) | (1,425,879) | (1,229,965) | (1,425,879) |
| Transfer during the Year | (1,427,454) | 195,914 | (1,427,454) | 195,914 |
| Balance as at 31 December | (2,657,419) | (1,229,965) | (2,657,419) | (1,229,965) |
| Total Reserve for Net Unearned Premium | 8,042,508 | 7,315,029 | 8,042,508 | 7,315,029 |
| 24.2 Reserve for Title Insurance and Unexpired Risk Reserve | | | | |
| Reserve for Title Insurance | | | | |
| Balance as at 01 January | 538,219 | 480,399 | 538,219 | 480,399 |
| Transfer during the year | (1,291) | 57,820 | (1,291) | 57,820 |
| Balance as at 31 December | 536,928 | 538,219 | 536,928 | 538,219 |
| Total Reserve for Title Insurance and Unexpired Risk Reserve | 536,928 | 538,219 | 536,928 | 538,219 |
| 24.3 Reserves for Gross Outstanding Claims | | | | |
| Balance as at 01 January | 6,284,617 | 5,737,840 | 6,284,617 | 5,737,840 |
| Claims Incurred during the year | 9,917,205 | 9,617,064 | 9,917,205 | 9,617,064 |
| Claims paid during the year | (9,962,791) | (9,070,287) | (9,962,791) | (9,070,287) |
| Balance as at 31 December | 6,239,031 | 6,284,617 | 6,239,031 | 6,284,617 |
| IBNR/IBNER balance as at 01 January | 2,379,286 | 2,155,662 | 2,379,286 | 2,155,662 |
| Increase in IBNR/IBNER | (69,359) | 223,624 | (69,359) | 223,624 |
| IBNR/IBNER balance as at 31 December | 2,309,927 | 2,379,286 | 2,309,927 | 2,379,286 |
| Total Reserves for Gross Outstanding Claims | 8,548,958 | 8,663,903 | 8,548,958 | 8,663,903 |

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involve in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

24.4 Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for life insurance contract liability was carried out by Mark Alan Birch, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, as at 31st December 2017 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the company has compared the provisions held as per audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within Risk Based Capital framework as prescribed by the IRC SL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all cash in- and out-flows required to settle the obligations related to existing in-force life insurance contracts. The projections are based on in-force policies and riders as at 31st December 2017. According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2017. No additional provision is required against the LAT as at 31st December 2017.

| As at 31 December | Group | | Company | |
|--|--------------------|-----------------|--------------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Reconciliation between Insurance Contract Liabilities | | | | |
| Non - Life and Technical Reserves | | | | |
| Insurance Contract Liabilities Non - Life | 17,128,394 | 16,517,371 | 17,128,394 | 16,517,371 |
| Reserve for Net Deferred Acquisition Expenses | (234,337) | (441,191) | (234,337) | (441,191) |
| Reinsurance on Claims Reserves | (1,451,271) | (1,461,165) | (1,451,271) | (1,461,165) |
| Technical Reserves | 15,442,786 | 14,615,015 | 15,442,786 | 14,615,015 |

24.5 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 reporting 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.

| As at 31 December | 2012 Rs. | 2013 Rs. | 2014 Rs. | 2015 Rs. | 2016 Rs. | 2017 Rs. |
|------------------------------------|-----------------|-----------------|-----------------|---------------|-----------------|------------------------|
| Gross reserves for losses and loss | | | | | | |
| adjustment expenses | 8,720,582,620 | 7,817,800,636 | 7,709,470,517 | 7,893,502,368 | 8,663,902,790 | 8,548,958,403 |
| Reinsurance recoverable | (1,509,187,974) | (1,160,448,524) | (1,004,432,194) | (976,138,208) | (1,434,140,460) | (1,451,271,027) |
| Net reserves for losses and loss | | | | | | |
| adjustment expenses | 7,211,394,646 | 6,657,352,112 | 6,705,038,323 | 6,917,364,160 | 7,229,762,330 | 7,097,687,376 |

NOTES TO THE FINANCIAL STATEMENTS

24.4 Claims Development Information (Contd.)

| As at 31 December | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------------------|----------------|--------------------|----------------|---------------|----------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Cumulative paid | | | | | | |
| One year later | 4,545,085,355 | 4,481,213,520 | 4,572,092,748 | 4,981,268,620 | 6,637,139,648 | 6,848,915,567 |
| Two years later | 5,908,837,239 | 5,873,385,629 | 5,907,059,777 | 6,989,105,660 | 8,392,493,985 | - |
| Three years later | 6,016,063,272 | 5,960,967,990 | 6,055,116,734 | 7,099,020,473 | - | - |
| Four years later | 6,042,845,103 | 6,010,003,985 | 6,097,506,102 | - | - | - |
| Five years later | 6,072,977,441 | 6,023,303,849 | - | - | - | - |
| Six years later | 6,082,375,641 | - | - | - | - | - |
| Cumulative Reported | | | | | | |
| One year later | 5,765,263,148 | 5,564,838,084 | 5,631,797,127 | 6,325,675,770 | 7,912,768,429 | 8,296,548,556 |
| Two years later | 6,199,143,542 | 6,107,020,752 | 6,204,339,034 | 7,290,856,677 | 8,530,542,664 | - |
| Three years later | 6,287,566,401 | 6,209,495,887 | 6,352,290,520 | 7,376,031,174 | - | - |
| Four years later | 6,285,315,681 | 6,218,063,033 | 6,362,252,191 | - | - | - |
| Five years later | 6,309,598,907 | 6,207,287,271 | - | - | - | - |
| Six years later | 6,265,676,854 | - | - | - | - | - |
| 25 Current Tax Liabilities | | | | | | |
| As at 31 December | Group | | Company | | | |
| | 2017 | 2016 | 2017 | 2016 | | |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | | |
| Balance as at 01 January | 964,284 | 1,565,937 | 438,483 | 706,956 | | |
| Income taxcharge for the Year | 1,948,068 | 2,664,743 | 1,355,272 | 1,084,286 | | |
| Income taxsettlements made during the Year | (1,879,702) | (3,064,971) | (1,043,580) | (1,352,759) | | |
| Tax recoverable | (282,439) | - | - | - | | |
| Adjustment for cumulative effect of prior year error (Note 50) | - | (201,425) | - | - | | |
| Balance as at 31 December | 750,211 | 964,284 | 750,176 | 438,483 | | |

| As at 31 December | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 26 Employee Benefits | | | | |
| Balance as at 01 January | 1,340,289 | 980,858 | 1,035,635 | 730,991 |
| Recognized in the statement of profit or loss | | | | |
| Current Service Cost | 122,819 | 95,776 | 86,329 | 61,878 |
| Interest cost | 163,338 | 88,739 | 129,454 | 65,789 |
| Gratuity Adjustment | - | (5,071) | - | - |
| Recognized in the statement of other comprehensive income | | | | |
| Actuarial (Gain)/ Loss | 164,538 | 242,701 | 178,839 | 221,287 |
| | 1,790,984 | 1,403,004 | 1,430,257 | 1,079,945 |
| Benefit paid by the plan | (113,120) | (62,715) | (84,898) | (44,310) |
| Balance as at 31 December | 1,677,864 | 1,340,289 | 1,345,359 | 1,035,635 |

26.1

The Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S Actuarial & Management Consultants (Pvt) Ltd, 1st Floor, 434, R. A. De Mel Mawatha, Colombo 3. The actuarial valuation is performed annually.

26.2 Principal Actuarial Assumptions used

| | 2017 | 2016 |
|-----------------------------|-----------------|-----------|
| Discount Rate | 9%-11% | 10%-12.5% |
| Salary Increment Rate | 5%-18% | 10%-25% |
| Staff turnover Factor | 5%-10% | 1%-22% |
| Retirement age; Female | 60 years | 60 years |
| Retirement age; Male | 60 years | 60 years |
| Retirement age; Minor Staff | 57 years | 57 years |

The Groups Gratuity Liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

26 Employee Benefits (Contd.)

26.3 Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined obligation by the amounts shown below.

| As at 31 December | 2017 | | 2016 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Increase Rs. 000 | Decrease Rs. 000 | Increase Rs. 000 | Decrease Rs. 000 |
| Group | | | | |
| Discount rate 1% | 1,462,757 | 1,782,700 | 1,146,834 | 1,334,693 |
| Future salary growth 1% | 1,772,545 | 1,467,596 | 1,366,594 | 293,244 |
| Company | | | | |
| Discount rate 1% | 1,205,666 | 1,491,039 | 938,206 | 1,134,595 |
| Future salary growth 1% | 1,480,317 | 1,211,951 | 1,128,716 | 94,149 |
| As at 31 December | | | | |
| | | Group | Company | |
| | | 2017 | 2016 | 2016 |
| | | Rs. 000 | Rs. 000 | Rs. 000 |
| 27 Other Liabilities | | | | |
| Policyholder Advance Payments | 164,747 | 386,281 | 164,747 | 441,593 |
| Payables | | | | |
| Agency Commission Payable | 720,397 | 761,663 | 720,397 | 761,663 |
| Economic Services Charge Tax | 40,084 | 35,891 | - | - |
| Others Including Accrued Expenses | 3,622,557 | 2,690,453 | 3,115,904 | 2,270,249 |
| Trade Payable | 3,638,617 | 2,583,250 | - | - |
| VAT Payable | 708 | 598 | - | - |
| Provision for assessment on VAT Liability | 14,146 | 11,320 | - | - |
| Other Payables | 525,539 | 407,909 | - | - |
| Advance Received | 89,579 | 58,458 | - | - |
| Customer Deposit Payable | 7,069,413 | 6,006,410 | - | - |
| Withholding tax payable (WHT) | - | 150,139 | - | - |
| Total Other Liabilities | 15,885,786 | 13,092,373 | 4,001,048 | 3,473,505 |

| As at 31 December | Group | | Company | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 28 Financial Liabilities | | | | |
| Bank Overdraft | 869,302 | 991,500 | 635,929 | 699,950 |
| Total Financial Liabilities | 869,302 | 991,500 | 635,929 | 699,950 |

The above overdraft of the company mainly includes unrepresented cheques and it is only a book balance.

| For the year ended 31 December | Group | | Company | |
|--|-----------------|--------------------|-------------------|--------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 29 Revenue | | | | |
| Gross Written Premium | 30 | 31,295,945 | 27,480,100 | 31,437,682 |
| Net Change in Reserve for Unearned Premium | 29.1 | (2,153,642) | (634,184) | (2,153,642) |
| Gross Earned Premium | | 29,142,303 | 26,845,916 | 29,284,040 |
| Premium Ceded to Re-insurers | 29.2 | (4,773,824) | (2,771,041) | (4,773,824) |
| Net Change in Reserve for Unearned Reinsurance Premium | 29.3 | 1,427,454 | (195,914) | 1,427,454 |
| Net Earned Premium | 29.4 | 25,795,933 | 23,878,961 | 25,937,670 |
| Income from Investments | 31 | 13,612,126 | 11,357,205 | 12,127,617 |
| Other Income | | 2,649,758 | 2,537,858 | 1,334,450 |
| Net fair value gains and losses | | - | (599,797) | - |
| Hospital Revenue | | 3,542,735 | 3,365,403 | - |
| Pharmacy Revenue | | 1,682,818 | 1,536,680 | - |
| Laboratory revenue | | 1,156,505 | 984,358 | - |
| Room Rental and Services Charges | | 99,807 | 81,668 | - |
| Revenue from Liquid Petroleum Gas (LPG) Activities | | 30,038,337 | 24,621,993 | - |
| | | 78,578,019 | 67,764,329 | 39,399,737 |
| | | | | 42,107,761 |

Litro Gas Terminal Lanka (Private) Limited

Throughput fee

Revenue consists of throughput fee invoiced to Litro Gas Lanka Limited. US \$ 51 is charged per metric tonne at a fixed exchange rate of Rs. 148.00 per USD. In the year Board signed a MOU with Litro Gas to rebate a discount of Rs.1.00 per 1 kg of local sales of C2, C5 & C12 product. Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Private) Limited are controlled by the same ultimate parent.

Canwill Holdings (Private) Limited

The Company is the parent entity of Sinolanka Hotels & Spa (Pvt) Ltd and Helanco Hotels & Spa (Pvt) Ltd. Sinolanka Hotels & Spa (Pvt) Ltd is in the process of constructing the Grand Hyatt Hotel in Colombo. The Directors of Helanco Hotels & Spa (Pvt) Ltd are evaluating the options available to the Company. These Companies are yet to commence commercial operations.

NOTES TO THE FINANCIAL STATEMENTS

| For the year ended 31 December | Group | | Company | |
|--------------------------------|---------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |

29.1 Net Change in Reserve for Unearned Premium

Non-Life Insurance

| | | | | | |
|--|------|--------------------|------------------|--------------------|------------------|
| Change in Reserve for Unearned Premium | 24.1 | (2,154,933) | (576,364) | (2,154,933) | (576,364) |
| Transfer to Title Insurance Reserve | 24.2 | 1,291 | (57,820) | 1,291 | (57,820) |
| | | (2,153,642) | (634,184) | (2,153,642) | (634,184) |

| For the year ended 31 December | Group | | Company | |
|--------------------------------|---------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |

29.2 Premiums Ceded to Reinsurers

| | | | | | |
|----------------|--|----------------|---------|----------------|---------|
| Life Insurance | | 231,795 | 214,304 | 231,795 | 214,304 |
| | | 231,795 | 214,304 | 231,795 | 214,304 |

Non- Life Insurance

| | | | | | |
|--|--|------------------|------------------|------------------|------------------|
| Fire | | 1,325,393 | 1,232,250 | 1,325,393 | 1,232,250 |
| Motor | | 300,239 | 227,916 | 300,239 | 227,916 |
| Marine | | 280,747 | 288,132 | 280,747 | 288,132 |
| Miscellaneous | | 2,635,650 | 808,439 | 2,635,650 | 808,439 |
| | | 4,542,029 | 2,556,737 | 4,542,029 | 2,556,737 |
| Total Premium Ceded to Reinsurers | | 4,773,824 | 2,771,041 | 4,773,824 | 2,771,041 |

| For the year ended 31 December | Group | | Company | |
|--------------------------------|---------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |

29.3 Net Change in Reserve for Unearned Reinsurance Premium

Non-life Insurance

| | | | | | |
|--|------|------------------|------------------|------------------|------------------|
| Change in Reserve for Unearned Premium | 24.1 | 1,427,454 | (195,914) | 1,427,454 | (195,914) |
| | | 1,427,454 | (195,914) | 1,427,454 | (195,914) |

| For the year ended 31 December Company | 2017 | | | 2016 | | |
|---|---------------------|-------------------|--------------------|---------------------|-------------------|-------------------|
| | 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 | 18,920,562 | 12,517,120 | 31,437,682 | 15,720,793 | 11,893,640 | 27,614,433 |
| Change in Reserve for Unearned Premium | (2,154,933) | - | (2,154,933) | (576,364) | | (576,364) |
| Gross Earned Premium | 16,765,629 | 12,517,120 | 29,282,749 | 15,144,429 | 11,893,640 | 27,038,069 |
| Premiums Ceded to Reinsurers | (4,542,029) | 231,795 | (4,310,234) | 2,556,737 | 214,304 | 2,771,041 |
| Change in Reserve for | | | | | | |
| Unearned Reinsurance Premium | 1,427,454 | - | 1,427,454 | 195,914 | - | 195,914 |
| Gross Reinsurance Premium | 3,114,575 | 231,795 | 3,346,370 | 2,752,651 | 214,304 | 2,966,955 |
| Transfer to Title Insurance Reserve | 1,291 | - | 1,291 | (57,820) | - | (57,820) |
| | 3,113,284 | 231,795 | 3,345,079 | 2,810,471 | 214,304 | 3,024,775 |
| Net Earned Premium | 13,652,345 | 12,285,325 | 25,937,670 | 12,333,958 | 11,679,336 | 24,013,294 |

| For the year ended 31 December | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 30 Gross Written Premium | | | | |
| Life Insurance | | | | |
| Group and Non Group | 10,949,554 | 10,218,206 | 11,091,291 | 10,352,538 |
| Group Term Life Assurance | 1,425,829 | 1,541,101 | 1,425,829 | 1,541,101 |
| Gross Written Premium - Life Insurance | 12,375,383 | 11,759,307 | 12,517,120 | 11,893,640 |
| Non- Life Insurance | | | | |
| Fire & Engineering Risk | 1,445,191 | 1,400,556 | 1,445,191 | 1,400,556 |
| General Accident | 5,489,961 | 3,397,030 | 5,489,961 | 3,397,030 |
| Marine | 422,751 | 490,147 | 422,751 | 490,147 |
| Motor | 11,562,659 | 10,433,060 | 11,562,659 | 10,433,060 |
| Gross Written Premium- Non-Life Insurance | 18,920,562 | 15,720,793 | 18,920,562 | 15,720,793 |
| Total Gross Written Premium | 31,295,945 | 27,480,100 | 31,437,682 | 27,614,433 |

NOTES TO THE FINANCIAL STATEMENTS

| For the year ended 31 December | Group | | Company | | |
|---|-----------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 | |
| 31 Investment Income | | | | | |
| Interest Income | 31.1 | 12,667,970 | 11,300,467 | 11,061,551 | 9,294,718 |
| Dividend Income | 31.2 | 1,132,284 | 955,496 | 1,256,504 | 8,881,288 |
| Capital gains/ (losses) | 31.3 | (188,128) | (898,759) | (190,438) | (902,354) |
| Total Investment Income | | 13,612,126 | 11,357,205 | 12,127,617 | 17,273,652 |
| 31.1 Interest Income | | | | | |
| Financial Investment at Held To Maturity (HTM) | | | | | |
| Treasury Bonds | | 6,301,224 | 5,303,297 | 6,301,224 | 5,303,297 |
| Financial Investments at Loans & Receivables (L&R) | | | | | |
| Sri Lanka Development Bonds | | 387,709 | 329,497 | 387,709 | 329,497 |
| Unlisted Debentures | | 104,761 | 21,546 | 104,761 | 21,546 |
| Term Deposits | | 1,970,803 | 1,562,738 | 1,333,471 | 928,566 |
| Trust Certificate | | 7,796 | - | 7,796 | - |
| Financial Investments at Available For Sale (AFS) | | | | | |
| Treasury Bonds | | 491,709 | 504,296 | 491,709 | 504,296 |
| Treasury Bills | | - | 12,450 | - | 12,450 |
| Listed Debentures | | 2,142,555 | 1,833,506 | 2,142,555 | 1,833,506 |
| Cash & Cash Equivalents | | | | | |
| Reverse Repurchase Agreements | | 1,155,679 | 1,577,357 | 286,282 | 355,809 |
| Unit trust | | 99,978 | 155,780 | - | - |
| Call & Savings Accounts | | 3,678 | - | 6,043 | 5,750 |
| Short Term deposits-Interest income | | 2,077 | - | - | - |
| Total Interest Income | | 12,667,970 | 11,300,467 | 11,061,551 | 9,294,717 |

| For the year ended 31 December | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 31.2 Dividend Income | | | | |
| Financial Investments at Cost | | | | |
| Listed Subsidiaries | - | - | 116,570 | 233,140 |
| Unlisted Subsidiaries | - | - | 7,650 | 7,692,652 |
| Financial Investments at NAV | | | | |
| Associates | 5,700 | 4,386 | 5,700 | 4,386 |
| Financial Investments at Available For Sale (AFS) | | | | |
| Listed Shares | 873,877 | 696,230 | 873,877 | 696,230 |
| Unlisted Shares | 4,772 | 1,916 | 4,772 | 1,916 |
| Unit Trust | 72,184 | 29,003 | 72,184 | 29,003 |
| Financial Investments at Fair Value Through Profit or Loss (FVTPL) | | | | |
| Listed Shares | 175,751 | 223,961 | 175,751 | 223,961 |
| Total Dividend Income | 1,132,284 | 955,496 | 1,256,504 | 8,881,288 |
| 31.3 Capital Gains/(Losses) | | | | |
| Financial Investments at Available For Sale (AFS) | | | | |
| Listed Shares | 56,717 | - | 56,717 | - |
| Unit Trusts | 4,691 | 62,979 | 2,381 | 59,384 |
| Treasury Bonds | 10,825 | 2,503 | 10,825 | 2,503 |
| Financial Investments at Fair Value Through Profit or Loss (FVTPL) | | | | |
| Listed Shares | (260,361) | (964,241) | (260,361) | (964,241) |
| Total Capital Gains/(Losses) | (188,128) | (898,759) | (190,438) | (902,354) |
| Total Investment Income | 13,612,125 | 11,357,204 | 12,127,616 | 17,273,654 |

NOTES TO THE FINANCIAL STATEMENTS

| For the year ended 31 December | Group | | Company | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 32 Fees and Commission Income | | | | |
| Reinsurance Commission | 56,068 | 52,289 | 56,068 | 52,289 |
| | 56,068 | 52,289 | 56,068 | 52,289 |

| For the year ended 31 December | Group | | Company | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 33 Net Realized Gains | | | | |
| Foreign Currency Gains | 348,862 | 295,518 | 372,044 | 338,013 |
| | 348,862 | 295,518 | 372,044 | 338,013 |

| For the year ended 31 December | Group | | Company | |
|--|------------------|------------------|-----------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 34 Other Income | | | | |
| Rent Income | 113,466 | 125,608 | 99,861 | 113,893 |
| Interest on Policyholders and Other Loans | 700,621 | 615,586 | 700,621 | 615,586 |
| Sundry Income | 147,806 | 258,685 | 105,856 | 146,862 |
| Non refundable deposit income (note 34.1) | 1,239,469 | 1,033,032 | - | - |
| Net gain from change in fair value of investment property | 25,636 | 144,938 | - | 153,969 |
| Gain on redemption of financial assets classified as FVTPL | - | 6,484 | - | - |
| Gain on disposal of property, plant and equipment | 17,830 | 5,717 | - | - |
| | 2,244,828 | 2,190,050 | 906,338 | 1,030,310 |

34.1 Non refundable deposit income

Litro Gas Lanka Limited

LP Gas cylinders are issued to customers on payment of a cylinder deposit, which consists of two elements, part refundable and part non-refundable. The refundable deposit component is recognised as a liability while the non-refundable deposit component is recognised as income.

| For the year ended 31 December | Group | | Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 35 Net Benefit and Claims | | | | |
| (a) Gross benefits and claims paid | | | | |
| Non-Life Insurance | | | | |
| Fire | (660,377) | (1,005,948) | (660,377) | (1,005,948) |
| Motor | (6,883,776) | (6,331,368) | (6,883,776) | (6,331,368) |
| Marine | (75,251) | (37,848) | (75,251) | (37,848) |
| Miscellaneous | (2,297,801) | (2,241,900) | (2,297,801) | (2,241,900) |
| Total | (9,917,205) | (9,617,064) | (9,917,205) | (9,617,064) |
| Life Insurance | | | | |
| Death Claims | (777,443) | (387,094) | (777,443) | (387,094) |
| Policy Maturities | (5,450,525) | (4,926,149) | (5,450,525) | (4,926,149) |
| Surrenders | (482,541) | (362,943) | (482,541) | (362,943) |
| Disability, Ex-gratia, Annuities, Hospitalization & Mortgage Protection | (286,527) | (248,068) | (286,527) | (248,068) |
| Total | (6,997,036) | (5,924,255) | (6,997,036) | (5,924,255) |
| Total Gross Benefits and Claims Paid | (16,914,241) | (15,541,318) | (16,914,241) | (15,541,318) |
| (b) Claims Ceded to Reinsurers | | | | |
| Claims Recovered from Reinsurers | 801,182 | 830,146 | 801,182 | 830,146 |
| Total Claims Ceded to Reinsurers | 801,182 | 830,146 | 801,182 | 830,146 |
| (c) Gross Change in Contract Liabilities | | | | |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | 69,359 | (223,624) | 69,359 | (223,624) |
| Total Gross Change in Contract Liabilities | 69,359 | (223,624) | 69,359 | (223,624) |
| (d) Change in Contract Liabilities Ceded to Reinsurers | | | | |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | 17,131 | 458,002 | 17,131 | 458,002 |
| Total Change in Contract Liabilities Ceded to Reinsurers | 17,131 | 458,002 | 17,131 | 458,002 |
| Total Net Benefits and Claims | (16,026,569) | (14,476,794) | (16,026,569) | (14,476,794) |

NOTES TO THE FINANCIAL STATEMENTS

| For the year ended 31 December | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 36 Underwriting and Net Acquisition Costs (Including Reinsurance) | | | | |
| Acquisition Cost | 2,777,135 | 2,597,546 | 2,777,135 | 2,597,546 |
| Net Change in Reserve for Deferred Acquisition Cost (DAC) | (67,503) | (62,682) | (67,503) | (62,682) |
| | 2,709,632 | 2,534,864 | 2,709,632 | 2,534,864 |
| Reinsurance Commission Received | 659,137 | 320,338 | 659,137 | 320,338 |
| Net Change in Reserve for Unearned Commission (UCR) | 274,357 | (19,518) | 274,357 | (19,518) |
| | 384,780 | 339,856 | 384,780 | 339,856 |
| | 2,324,852 | 2,195,008 | 2,324,852 | 2,195,008 |

| For the year ended 31 December | Group | | Company | |
|---|------------------|-----------------|------------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 37 Other Operating and Administration Expenses | | | | |
| Audit Fees | 8,583 | 8,166 | 4,338 | 3,700 |
| Audit Related Fees | 3,894 | 1,662 | 1,295 | 1,000 |
| Fees for Non Audit Services | 1,250 | - | 1,250 | - |
| Depreciation | 2,087,916 | 1,827,783 | 279,067 | 337,383 |
| Amortization of Intangible Assets | 67,760 | 80,991 | 55,155 | 69,543 |
| Amortization of Advanced Lease Premium | 4,782 | 4,782 | - | - |
| Amortization of Leasehold Land | 267 | 269 | 269 | 269 |
| Impairment loss of trade receivables | 359,933 | 4,771 | (129,315) | - |
| Impairment loss of inventories | (4,460) | 1,610 | - | - |
| Legal expenses | 48,724 | 5,909 | - | - |
| Staff Benefits | 6,683,384 | 5,776,039 | 3,802,997 | 3,270,122 |
| Marketing & Business Promotion Expenses | 455,539 | 517,365 | 383,578 | 281,751 |

Litro Gas Terminal Lanka (Private) Limited

Common Cost Sharing.

During the year Board signed a MOU with Litro Gas to share common cost incurred by each company to show fair view of it's financial performances. Administrative cost of 2017 is including the common cost transferred from LGLL on MOU (185 million).

| Depreciation on property, plant and equipment | 2017 Rs. | 2016 Rs. |
|---|--------------------|-------------|
| Charged to cost of sales | 216,057,458 | 214,482,984 |
| Charged to administrative expenses | 24,854,198 | 26,967,836 |
| | 240,911,656 | 241,450,820 |

NOTES TO THE FINANCIAL STATEMENTS

| | Group | | Company | |
|--|------------------|-------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| 38.3 Income Tax Reconciliation | | | | |
| Profit or loss before tax | 8,979,794 | 13,814,064 | 5,890,204 | 13,790,968 |
| Consolidation adjustments | 324,221 | 8,005,792 | - | - |
| | 9,304,016 | 21,819,856 | 5,890,204 | 13,790,968 |
| Less: Income excluded/exempt | (9,073,312) | (17,878,523) | (9,071,878) | (17,505,375) |
| Tax Deductible Expenses | (3,268,298) | (2,801,497) | (250,516) | (226,319) |
| Income from other sources | (1,445,540) | (1,259,760) | - | 745,051 |
| Add: Disallowable expenses | 9,030,948 | 9,013,454 | 7,463,314 | 7,068,126 |
| Taxable Profit from Business | 4,547,813 | 8,893,530 | 4,031,124 | 3,872,451 |
| Add: Income from other sources | 2,242,426 | 1,946,324 | 786,430 | - |
| Less: Tax loss claimed during the year | (320,877) | (77,390) | - | - |
| Qualifying payments | (8,846) | (92,362) | - | - |
| Total Taxable Income | 6,460,515 | 10,670,102 | 4,817,554 | 3,872,451 |
| Tax on Business Income | @28% | 1,515,607 | 1,235,546 | 1,348,915 |
| | @ 12% | 51,399 | 58,478 | - |
| | @ 10% | 137,281 | 145,476 | - |
| Tax on Non Business Income | @ 28% | 237,424 | 1,225,243 | - |
| | @ 12 % | - | - | - |
| Income Tax Expense | 1,941,711 | 2,664,743 | 1,348,915 | 1,084,286 |
| 38.4 Tax loss Analysis | | | | |
| Balance as at 01 January | 67,205 | 278,678 | - | - |
| Tax loss incurred during the year | 71,558 | 208,504 | - | - |
| Tax loss claimed during the year | (50,653) | (63,670) | - | - |
| Balance as at 31 December | 88,110 | 423,512 | - | - |

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 (Private) Limited

The Company's business profits were exempted from income tax for a period of 15 years according to the agreement entered into by the Company with Board of Investment of Sri Lanka. The said exemption period commenced in 2000 and expired in 2015. As per the Inland Revenue Act No. 10 of 2006 and subsequent amendments to, profits arising from operating and maintenance of storage facilities in accordance with item number 31 of the 5th schedule of the Inland Revenue Act are taxed at a concessionary rate of 10%. Therefore Litro Gas Terminal Lanka (Private) Limited is liable to income tax at 10% on business income and 28% on non-business income.

The Lanka Hospitals Corporation PLC

The Lanka Hospitals Corporation PLC is liable to income tax at 12% for the year ended 31st December 2017. In accordance with the Inland Revenue Act No 24 of 2017 which has been legislated and is expected to become effective from 1 April 2018, the Company will be liable to pay income tax at 28% instead of 12% on its profits commencing 1st April 2018. Deferred tax assets and liabilities have been measured at the tax rate that is expected to apply to the period when the asset is realised or liability is settled.

In accordance with and subject to the power conferred on the Board of Investments of Sri Lanka, under section 17 of the BOI Law No. 4 of 1978, the operating profits and income accruing to Lanka Hospitals Diagnostics (Pvt) Ltd is exempt from tax for a period of 6 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever comes first. The Company commenced its commercial operations in July 2014 and the tax exemption period expires in 2020. Deferred tax assets and liabilities have been measured at the tax rate that is expected to apply to the period when the asset is realised or liability is settled.

SinoLanka Hotels & Spa (Pvt) Ltd

Under the Strategic Development Projects Act No.14 of 2008, the provisions of the Inland Revenue Act relating to income tax shall not apply to the profits from business of the Company for a period of 10 years. The tax exemption period will commence from the first year in which the company makes taxable profits or 3 years after commencement of commercial operations, whichever comes first.

On expiry of the tax exemption period, profits and income of the SinoLanka Hotels & Spa (Pvt) Ltd shall be charged at the rate of 6% or at 50% of the prevailing tax rate for the hotel industry, whichever is lower. These tax rates will be effective for a period of 15 years immediately succeeding the exemption period. After the expiration of the aforesaid period, profits and income of the SinoLanka Hotels & Spa shall be taxed in terms of provisions in the Inland Revenue Act in force at that time.

Canwill Holdings (Pvt) Ltd and Helanco Hotels and Spa (Pvt) Ltd

The income tax expense for Canwill Holding (Pvt) Ltd and Helanco Hotels and Spa (Pvt) Ltd have been calculated on their adjusted profits at 28% in terms of the 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 weighted average number of ordinary shares outstanding during the year.

| As at 31 December | Group | | Company | |
|--|------------------|------------|------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Amounts Used as the Numerators | | | | |
| Net Profit Attributable to Ordinary Shareholders (Rs. 000) | 6,257,800 | 9,979,440 | 4,569,150 | 12,741,317 |
| Number 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.) | 10.43 | 16.63 | 7.62 | 21.24 |
| <hr/> | | | | |
| For the year ended 31 December | Group | | Company | |
| | 2017 | 2016 | 2017 | 2016 |
| 40 Dividend Paid and Proposed | | | | |
| Dividend Paid/Proposed (Rs. 000) | 1,007,568 | 10,858,669 | 1,007,568 | 10,858,669 |
| Weighted Average Number of Ordinary Shares in Issue (000) | 600,000 | 600,000 | 600,000 | 600,000 |
| Dividend per Share (Rs.) | 1.68 | 18.10 | 1.68 | 18.10 |

NOTES TO THE FINANCIAL STATEMENTS

41 Financial Assets and Liabilities

41.1 Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| As at 31 December | | 2017 | | | | | |
|------------------------------------|------|------------------------|--------------------|-------------------|---------------------|--------------------|--------------------|
| Group | Note | Fair Value | | Held To Maturity | Loans & Receivables | Carrying Value | Fair Value |
| | | Through Profit or Loss | Available For Sale | | | | |
| | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Financial assets | | | | | | | |
| measured at fair value | | | | | | | |
| Listed Shares | 5 | 4,050,081 | 32,460,737 | - | - | 36,510,818 | 36,510,818 |
| Unlisted shares | 5 | - | 48,891 | - | - | 48,891 | 48,891 |
| Unit Trusts | 5 | - | 4,593,369 | - | - | 4,593,369 | 4,593,369 |
| Listed Debentures | 5 | - | 21,017,947 | - | - | 21,017,947 | 21,017,947 |
| Treasury Bonds | 5 | - | 4,659,451 | - | - | 4,659,451 | 4,659,451 |
| Financial assets | | | | | | | |
| not measured at fair value | | | | | | | |
| Treasury Bills & Bonds | 5 | - | - | 55,020,955 | - | 55,020,955 | 56,832,040 |
| Unlisted Debentures | 5 | - | - | - | 500,534 | 500,534 | 500,534 |
| Term Deposits | 5 | - | - | - | 17,034,533 | 17,034,533 | 17,034,533 |
| Development Bonds | 5 | - | - | - | 7,539,703 | 7,539,703 | 7,539,703 |
| Loans to Life Policyholders | 12 | - | - | - | 1,522,184 | 1,522,184 | 1,522,184 |
| Reinsurance Receivable | 13 | - | - | - | 2,447,299 | 2,447,299 | 2,447,299 |
| Premium Receivable | 14 | - | - | - | 3,694,158 | 3,694,158 | 3,694,158 |
| Other Receivables | 16 | - | - | - | 4,567,157 | 4,567,157 | 4,567,157 |
| Cash and Cash Equivalents | 18 | - | - | - | 15,470,696 | 15,470,696 | 15,470,696 |
| Total Financial Assets | | 4,050,081 | 62,780,395 | 55,020,955 | 52,776,264 | 174,627,695 | 176,438,780 |
| Financial Liabilities | | | | | | | |
| not measured at fair value | | | | | | | |
| Reinsurance Payable | | - | - | - | 2,789,967 | 2,789,967 | 2,789,967 |
| Bank Overdraft | 28 | - | - | - | 869,302 | 869,302 | 869,302 |
| Total Financial Liabilities | | - | - | - | 3,659,269 | 3,659,269 | 3,659,269 |

| As at 31 December | | 2016 | | | | | |
|------------------------------------|------|-----------------------------------|-------------------------------|-----------------------------|--------------------------------|---------------------------|--------------------|
| Group | | Fair Value | | | | | Fair Value |
| | Note | Through Profit or Loss Rs. 000 | Available For Sale Rs. 000 | Held To Maturity Rs. 000 | Loans & Receivables Rs. 000 | Carrying Value Rs. 000 | Value Rs. 000 |
| Financial assets | | | | | | | |
| measured at fair value | | | | | | | |
| Listed Shares | 5 | 5,320,605 | 30,914,016 | - | - | 36,234,621 | 36,234,621 |
| Unlisted shares | 5 | - | 47,972 | - | - | 47,972 | 47,972 |
| Unit Trusts | 5 | 128,595 | 964,320 | - | - | 964,320 | 964,320 |
| Listed Debentures | 5 | - | 19,566,029 | - | - | 19,566,029 | 19,566,029 |
| Treasury Bonds | 5 | - | 4,062,844 | - | - | 4,062,844 | 4,062,844 |
| Financial assets | | | | | | | |
| not measured at fair value | | | | | | | |
| Treasury Bills & Bonds | 5 | - | - | 49,313,553 | - | 49,313,553 | 45,815,016 |
| Unlisted Debentures | 5 | - | - | - | 500,534 | 500,534 | 500,534 |
| Term Deposits | 5 | - | - | - | 14,337,916 | 14,337,916 | 14,337,916 |
| Development Bonds | 5 | - | - | - | 7,158,558 | 7,158,558 | 7,158,558 |
| Loans to Life Policyholders | 12 | - | - | - | 1,518,719 | 1,518,719 | 1,518,719 |
| Reinsurance Receivable | 13 | - | - | - | 1,883,063 | 1,883,063 | 1,883,063 |
| Premium Receivable | 14 | - | - | - | 3,404,735 | 3,404,735 | 3,404,735 |
| Other Receivables | 16 | - | - | - | 6,476,856 | 6,476,856 | 6,476,856 |
| Cash and Cash Equivalents | 18 | - | - | - | 16,841,834 | 16,841,834 | 16,841,834 |
| Total Financial Assets | | 5,449,200 | 55,555,181 | 49,313,553 | 52,122,215 | 162,311,553 | 157,186,375 |
| Financial Liabilities | | | | | | | |
| not measured at fair value | | | | | | | |
| Reinsurance Payable | | - | - | - | 997,643 | 997,643 | 997,643 |
| Trade Payable | | - | - | - | 2,583,250 | 2,583,250 | 2,583,250 |
| Bank Overdraft | 28 | - | - | - | 991,500 | 991,500 | 991,500 |
| Total Financial Liabilities | | - | - | - | 4,572,393 | 4,572,393 | 4,572,393 |

NOTES TO THE FINANCIAL STATEMENTS

41 Financial Assets and Liabilities (Contd.)

41.1 Accounting Classifications and Fair Values (Contd.)

| As at 31 December | | 2017 | | | | | |
|------------------------------------|------|--|----------------------------------|--------------------------------|-----------------------------------|------------------------------|--------------------------|
| Company | | Fair Value Through Profit or Loss Rs. 000 | Available For Sale Rs. 000 | Held To Maturity Rs. 000 | Loans & Receivables Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 |
| | Note | | | | | | |
| Financial assets | | | | | | | |
| measured at fair value | | | | | | | |
| Listed Shares | 5 | 4,050,081 | 32,460,737 | - | - | 36,510,818 | 36,510,818 |
| Unlisted shares | 5 | - | 48,891 | - | - | 48,891 | 48,891 |
| Unit Trusts | 5 | - | 4,593,369 | - | - | 4,593,369 | 4,593,369 |
| Listed Debentures | 5 | - | 21,017,947 | - | - | 21,017,947 | 21,017,947 |
| Treasury Bonds | 5 | - | 4,659,451 | - | - | 4,659,451 | 4,659,451 |
| Financial assets | | | | | | | |
| not measured at fair value | | | | | | | |
| Treasury Bills & Bonds | 5 | - | - | 55,020,955 | - | 55,020,955 | 56,832,040 |
| Unlisted Debentures | 5 | - | - | - | 500,534 | 500,534 | 500,534 |
| Term Deposits | 5 | - | - | - | 14,708,677 | 14,708,677 | 14,708,677 |
| Development Bonds | 5 | - | - | - | 7,539,703 | 7,539,703 | 7,539,703 |
| Loans to Life Policyholders | 12 | - | - | - | 1,522,184 | 1,522,184 | 1,522,184 |
| Reinsurance Receivable | 13 | - | - | - | 2,447,299 | 2,447,299 | 2,447,299 |
| Premium Receivable | 14 | - | - | - | 3,694,158 | 3,694,158 | 3,694,158 |
| Other Receivables | 16 | - | - | - | 2,461,615 | 2,461,615 | 2,461,615 |
| Cash and Cash Equivalents | 18 | - | - | - | 2,598,518 | 2,598,518 | 2,598,518 |
| Total Financial Assets | | 4,050,081 | 62,780,395 | 55,020,955 | 35,472,688 | 157,324,219 | 159,135,204 |
| Financial Liabilities | | | | | | | |
| not measured at fair value | | | | | | | |
| Reinsurance Payable | | - | - | - | 2,789,967 | 2,789,967 | 2,789,967 |
| Bank Overdraft | 28 | - | - | - | 635,929 | 635,929 | 635,929 |
| Total Financial Liabilities | | - | - | - | 3,425,896 | 3,425,896 | 3,425,896 |

| As at 31 December Company | Note | 2016 | | | | | Fair Value Rs. 000 |
|--|------|--|----------------------------------|--------------------------------|-----------------------------------|------------------------------|--------------------------|
| | | Fair Value Through Profit or Loss Rs. 000 | Available For Sale Rs. 000 | Held To Maturity Rs. 000 | Loans & Receivables Rs. 000 | Carrying Value Rs. 000 | |
| Financial assets measured at fair value | | | | | | | |
| Listed Shares | 5 | 5,320,605 | 30,914,016 | - | - | 36,234,621 | 36,234,621 |
| Unlisted shares | 5 | - | 47,972 | - | - | 47,972 | 47,972 |
| Unit Trusts | 5 | - | 964,320 | - | - | 964,320 | 964,320 |
| Listed Debentures | 5 | - | 19,566,029 | - | - | 19,566,029 | 19,566,029 |
| Treasury Bonds | 5 | - | 4,062,844 | - | - | 4,062,844 | 4,062,844 |
| Financial assets not measured at fair value | | | | | | | |
| Treasury Bills & Bonds | 5 | - | - | 49,313,553 | - | 49,313,553 | 45,815,016 |
| Unlisted Debentures | 5 | - | - | - | 500,534 | 500,534 | 500,534 |
| Term Deposits | 5 | - | - | - | 12,336,280 | 12,336,280 | 12,336,280 |
| Development Bonds | 5 | - | - | - | 7,158,558 | 7,158,558 | 7,158,558 |
| Loans to Life Policyholders | 12 | - | - | - | 1,518,719 | 1,518,719 | 1,518,719 |
| Reinsurance Receivable | 13 | - | - | - | 1,883,063 | 1,883,063 | 1,883,063 |
| Premium Receivable | 14 | - | - | - | 3,404,735 | 3,404,735 | 3,404,735 |
| Other Receivables | 16 | - | - | - | 4,850,226 | 4,850,226 | 4,850,226 |
| Cash and Cash Equivalents | 18 | - | - | - | 1,623,723 | 1,623,723 | 1,623,723 |
| Total Financial Assets | | 5,320,606 | 55,555,181 | 49,313,553 | 33,275,878 | 143,465,176 | 139,966,638 |
| Financial liabilities not measured at fair value ** | | | | | | | |
| Reinsurance Payable | | - | - | - | 997,643 | 997,643 | 997,643 |
| Bank Overdraft | 28 | - | - | - | 699,950 | 699,950 | 699,950 |
| Total Financial Liabilities | | - | - | - | 1,697,593 | 1,697,593 | 1,697,593 |

NOTES TO THE FINANCIAL STATEMENTS

41 Financial Assets and Liabilities (Contd.)

41.2 Fair value hierarchy for assets carried at fair value

The Group uses the fair value hierarchy in determining and disclosing the fair value of financial instruments. Following note shows an analysis of financial investments recorded at fair value by level of the fair value hierarchy.

| Level | Fair Value Measurement Method |
|---------|---|
| Level 1 | Quoted prices (unadjusted) 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 |

| As at 31 December 2017 | Group | | | | Company | | | |
|--|--------------------|-------------------|---------------|--------------------|--------------------|-------------------|---------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Available-For-Sale (AFS) | | | | | | | | |
| Listed Shares | 32,460,737 | - | - | 32,460,737 | 32,460,737 | - | - | 32,460,737 |
| Unlisted Shares | - | - | 48,891 | 48,891 | - | - | 48,891 | 48,891 |
| Unit Trusts | 4,593,369 | - | - | 4,593,369 | 4,593,369 | - | - | 4,593,369 |
| Listed Debentures | 21,017,947 | - | - | 21,017,947 | 21,017,947 | - | - | 21,017,947 |
| Treasury Bonds | 4,659,451 | - | - | 4,659,451 | 4,659,451 | - | - | 4,659,451 |
| Total | 62,731,504 | - | 48,891 | 62,780,395 | 62,731,504 | - | 48,891 | 62,780,395 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | | | | | | | | |
| Listed Shares | 4,050,081 | - | - | 4,050,081 | 4,050,081 | - | - | 4,050,081 |
| Total | 4,050,081 | - | - | 4,050,081 | 4,050,081 | - | - | 4,050,081 |
| Held-To-Maturity (HTM) | | | | | | | | |
| Treasury Bonds | 56,832,040 | - | - | 56,832,040 | 56,832,040 | - | - | 56,832,040 |
| Total | 56,832,040 | - | - | 56,832,040 | 56,832,040 | - | - | 56,832,040 |
| Loans & Receivables (L & R) | | | | | | | | |
| Unlisted Debentures | - | 500,534 | - | 500,534 | - | 500,534 | - | 500,534 |
| Term deposits | - | 17,034,533 | - | 17,034,533 | - | 14,708,677 | - | 14,708,677 |
| Development Bonds | - | 7,539,703 | - | 7,539,703 | - | 7,539,703 | - | 7,539,703 |
| Total | - | 25,074,770 | - | 25,074,770 | - | 22,748,914 | - | 22,748,914 |
| Total Financial Assets | 123,613,625 | 25,074,770 | 48,891 | 148,737,286 | 123,613,625 | 22,748,914 | 48,891 | 146,411,430 |

| As at 31 December 2016 | Group | | | | Company | | | |
|--|--------------------|-------------------|---------------|--------------------|--------------------|-------------------|---------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Available-For-Sale (AFS) | | | | | | | | |
| Listed Shares | 30,914,016 | - | - | 30,914,016 | 30,914,016 | - | - | 30,914,016 |
| Unlisted Shares | - | - | 47,972 | 47,972 | - | - | 47,972 | 47,972 |
| Unit Trust | 964,320 | - | - | 964,320 | 964,320 | - | - | 964,320 |
| Listed Debentures | 9,450,696 | 10,115,332 | - | 19,566,029 | 6,450,696 | 10,115,332 | - | 19,566,029 |
| Treasury Bonds | 4,062,844 | - | - | 4,062,844 | 4,062,844 | - | - | 4,062,844 |
| Total | 45,391,876 | 10,115,332 | 47,972 | 55,555,180 | 45,391,876 | 10,115,332 | 47,972 | 55,555,180 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | | | | | | | | |
| Listed Shares | 5,320,606 | - | - | 5,320,606 | 5,320,606 | - | - | 5,320,606 |
| Total | 5,320,606 | - | - | 5,320,606 | 5,320,606 | - | - | 5,320,606 |
| Held-To-Maturity (HTM) | | | | | | | | |
| Treasury Bonds | 49,313,553 | - | - | 49,313,553 | 49,313,553 | - | - | 49,313,553 |
| Total | 49,313,553 | - | - | 49,313,553 | 49,313,553 | - | - | 49,313,553 |
| Loans & Receivables (L & R) | | | | | | | | |
| Unlisted Debentures | - | 500,534 | - | 500,534 | - | 500,534 | - | 500,534 |
| Term deposits | - | 14,337,916 | - | 14,337,916 | - | 12,336,280 | - | 12,336,280 |
| Development Bonds | - | 7,158,558 | - | 7,158,558 | - | 7,158,558 | - | 7,158,558 |
| Total | - | 21,997,008 | - | 21,997,008 | - | 19,995,372 | - | 19,995,372 |
| Total Financial Assets | 100,026,035 | 32,112,340 | 47,972 | 132,186,347 | 100,026,035 | 30,110,704 | 47,972 | 130,184,711 |

NOTES TO THE FINANCIAL STATEMENTS

41 Financial Assets and Liabilities (Contd.)

41.3 Valuation Techniques used in determining fair values

1. The fair values Listed Stocks, Treasury Bills and Treasury Bonds are based on their market prices as they are traded in active markets.
2. The fair values of Unlisted Floating Rate Debentures and Development Bonds are estimated to be equal to their amortized cost.
3. The fair values of Fixed Deposits are estimated to be equal to their amortized cost as maturities do not exceed one year.
4. The fair values of Unlisted Fixed Rate Debentures are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
5. The fair values Listed Debentures, which are traded in active markets, are based on their market prices.
6. The fair values Listed Debentures, which are not traded in active markets, are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
7. The fair values of Unit Trusts are based on their bid prices as quoted by the Unit Trust management companies.
8. The fair values of Unlisted Shares, where the company pays regular Dividends, are derived using the Discounted Cash Flow method. Otherwise, the fair value will be based on the Net Asset Value.

41.4 Reconciliation of movements in Level 3 financial instruments measured at fair value

| | Balance as at 1/1/2017 | Total Gains/ (Losses) in Income Statement | Total Gains/ (Losses) in OCI | Purchases | Sales | Transfers from Level 1 & 2 | Balance as at 31/12/2017 | Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2017 |
|---------------------------------|------------------------------|---|---------------------------------------|-----------|---------|----------------------------------|--------------------------------|--|
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Available-For-Sale (AFS) | | | | | | | | |
| Unlisted Stocks | 47,972 | 4,772 | 919 | - | - | - | 48,891 | 5,690 |
| | Balance as at 1/1/2016 | Total Gains/ (Losses) in Income Statement | Total Gains/ (Losses) in OCI | Purchases | Sales | Transfers from Level 1 & 2 | Balance as at 31/12/2016 | Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2016 |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Available-For-Sale (AFS) | | | | | | | | |
| Unlisted Stocks | 20,754 | 1,916 | 2,093 | 25,125 | - | - | 47,972 | (156) |

NOTES TO THE FINANCIAL STATEMENTS

42 All outstanding balances with Government related entities which are significant for the users of this annual report are listed below.

Outstanding Balances as at 31 December 2017

| Nature of the Transaction/ Name of the Company/Entity | Bank of Ceylon | People's Bank | National Savings Bank | Regional Development Bank PLC | People's Leasing & Finance PLC |
|--|------------------|------------------|-----------------------|-------------------------------|--------------------------------|
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Listed Debentures | 1,104,020 | - | - | - | 1,342,635 |
| Unlisted Debentures | - | - | 500,534 | - | - |
| Fixed Deposit | 6,288,471 | 1,049,906 | 2,741,206 | 87,580 | - |
| Unlisted Shares | - | - | - | - | - |
| Listed Shares | - | - | - | - | 119,390 |
| | 7,392,491 | 1,049,906 | 3,241,740 | 87,580 | 1,462,025 |

Outstanding Balances as at 31 December 2016

| Nature of the Transaction/ Name of the Company/Entity | Bank of Ceylon | People's Bank | National Savings Bank | Regional Development Bank PLC | People's Leasing & Finance PLC |
|--|------------------|------------------|-----------------------|-------------------------------|--------------------------------|
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Listed Debentures | 1,637,448 | - | - | - | 2,138,328 |
| Unlisted Debentures | - | - | 500,534 | - | - |
| Fixed Deposit | 5,331,003 | 1,079,172 | 1,420,852 | 82,360 | - |
| Unlisted Shares | - | - | - | - | - |
| Listed Shares | - | - | - | - | 68,964 |
| Advance given | - | - | - | - | - |
| | 6,968,451 | 1,079,172 | 1,921,386 | 82,360 | 2,207,292 |

The direct holding of 99.97% of the voting rights of the SLIC is owned by Secretary to the Treasury and the rest is owned by employees and ex-employees of the Company. Therefore, Secretary to Treasury has controlling power over the financial and operating policies of the Company.

The Company has considered the Secretary to the Treasury and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as Related Parties according to LKAS 24 - "Related Party Disclosures".

In accordance with the LKAS 24 - "Related Party Disclosures", transactions in relation to insurance premiums and claims are not being disclosed due to the impracticability of capturing and disclosure of the same.

| Merchant Bank of Sri Lanka Bank Rs. 000 | State Mortgage & Investment Rs. 000 | People's Merchant Finance PLC Rs. 000 | Sri Lanka Telecom PLC Rs. 000 | HDFC Bank Rs. 000 | Associated Newspapers of Ceylon Rs. 000 | Lanka Cement PLC Rs. 000 | Department of Treasury Rs. 000 |
|--|--|--|----------------------------------|----------------------|--|-----------------------------|-----------------------------------|
| 119,673 | - | - | - | 260,676 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 450,000 | - | - | - | - | - | - |
| - | - | - | - | - | 8,579 | - | - |
| - | - | 19 | 561,050 | - | - | - | - |
| 119,673 | 450,000 | 19 | 561,050 | 260,676 | 8,579 | - | - |

| Merchant Bank of Sri Lanka Bank Rs. 000 | State Mortgage & Investment Rs. 000 | People's Merchant Finance PLC Rs. 000 | Sri Lanka Telecom PLC Rs. 000 | HDFC Bank Rs. 000 | Associated Newspapers of Ceylon Rs. 000 | Lanka Cement PLC Rs. 000 | Department of Treasury Rs. 000 |
|--|--|--|----------------------------------|----------------------|--|-----------------------------|-----------------------------------|
| 113,679 | - | - | - | 258,746 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 400,258 | - | - | - | - | - | - |
| - | - | - | - | - | 7,844 | - | - |
| - | - | 29 | 721,067 | - | - | 3,007 | - |
| - | - | - | - | - | - | - | 2,851,265 |
| 113,679 | 400,258 | 29 | 721,067 | 258,746 | 7,844 | 3,007 | 2,851,265 |

NOTES TO THE FINANCIAL STATEMENTS

43 Related Party Disclosures

43.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 (LKAS) - "Related Party Disclosures", key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Chairman and the Board of Directors have been classified as key management personnel of the Group.

The Lanka Hospitals Corporation PLC

Key Management Personnel include the member of the Board of Directors of the Company. The compensation of Key Management Personnel for the year ended 31st December 2017 amounted to Rs. 17,024,000/- (2016 – Rs. 30,600,000/-) and the professional fee earned from providing professional service to the company by Key Management Personnel amounted to Rs. 5,927,296

Canwill Holding (Private) Limited

Helanco Hotels & Spa (Private) Limited has hand over the vehicle, Land Rover Defender KY-5208, to Mr Sujeewa, K.P Jaymanne in lieu of vehicle allowance provided to Executive Director of the company, with effect from 30th November 2017.

43.1.1 Key Management Personnel compensation

Key management personnel compensation comprised the following:

| For the year ended 31 December | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Salaries and Short Term Employee Benefits | 61,788 | 51,318 | 12,615 | 19,539 |
| Consultation Fee | 524 | 9,048 | - | - |
| Attendance Fees | 1,161 | - | - | - |

43.2 Transactions with Subsidiary Companies

| Name of the Company | Nature of the Relationship | Nature of Transactions | Transactions with SLIC | | Transactions with Group Companies | |
|---|----------------------------|------------------------------------|------------------------|-----------|-----------------------------------|-------------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Management Services | | | | | | |
| Rakshana (Pvt) Ltd | Subsidiary | Loan granted ** | 49,924 | 29,584 | 49,924 | 29,584 |
| | | Payment of Emoluments *** | 428,684 | 345,013 | 428,684 | 345,013 |
| The Lanka Hospital Corporation PLC | | | | | | |
| | Subsidiary | Insurance Premium | 26,726 | 28,350 | 26,726 | 28,350 |
| | | Amount paid | (26,726) | (28,350) | (26,726) | (28,350) |
| | | Dividend Received | 116,570 | - | 116,570 | - |
| | | Services | 125,375 | 127,218 | 125,375 | 127,218 |
| | | Amount received from services | (119,619) | (140,137) | (119,619) | (140,137) |
| | | Auditorium hiring charges received | (13,687) | (17,807) | (13,687) | (17,807) |
| | | Auditorium hiring charges | 16,882 | 15,940 | 16,882 | 15,940 |
| Litro Gas Lanka Ltd | | | | | | |
| | Subsidiary | Rent charged | 17,217 | 17,039 | 17,217 | 17,039 |
| | | Insurance Premium | 90,370 | 81,100 | 90,370 | 81,100 |
| | | Claims paid | 101,681 | 76,383 | 101,681 | 76,383 |
| | | Throughput fee | - | - | (2,155,418) | (2,098,067) |
| | | Reimbursement of expenses | - | - | 205,180 | 20,483 |
| | | Repayment for the services | - | - | (64,516) | 2,045,977 |
| | | Dividend received | - | - | 2,198,238 | - |
| | | Fuel and Rent | - | - | 178 | - |
| | | Utility | 9,634 | 5,227 | 9,634 | 5,227 |
| Litro Gas Terminal Lanka Ltd | | | | | | |
| | Subsidiary | Insurance Premium | - | 21,012 | - | 21,012 |
| | | Throughput fee | - | - | 2,155,418 | 2,098,067 |
| | | Reimbursement of expenses | - | - | 205,180 | (20,483) |
| | | Repayment for the services | - | - | (64,530) | 56,911 |
| | | Payments | - | - | 2,198,238 | - |

NOTES TO THE FINANCIAL STATEMENTS

43.2 Transactions with Subsidiary Companies (contd.)

| Name of the Company | Nature of the Relationship | Nature of Transactions | Transactions with SLIC | | Transactions with Group Companies | |
|----------------------------------|----------------------------|-------------------------------|------------------------|---------|-----------------------------------|-----------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Canwill Holdings (Pvt) Ltd | Subsidiary | Insurance Premium | 881 | - | 924 | 13,857 |
| | | Utilities | - | - | 3,303 | 2,334 |
| | | Reimbursement of expenses | - | - | 2,421 | 4,985 |
| | | Staff salaries & allowances | - | - | 97,943 | 108,411 |
| | | Foreign currency transactions | 27 | - | 27 | - |
| | | Fund transfers | - | - | 890,409 | 2,600,000 |
| | | Cash settlement | 1,323 | - | (64,450) | 108,036 |
| | | Capital reduction | - | - | (3,500,000) | - |
| Canowin Hotels & Spas (Pvt) Ltd | Subsidiary | Insurance Premium | (4,422) | (2,704) | (4,422) | (2,704) |
| | | Purchase of goods/ services | - | - | (2,366) | (10,014) |
| | | Claims paid | - | - | - | - |
| | | Cash settlement | 3,858 | 3,117 | 8,259 | 18,620 |
| Sinolanka Hotels & Spa (Pvt) Ltd | Subsidiary | Insurance Premium | - | 1,166 | - | 1,166 |
| | | Reimbursement of expenses | - | - | (2,421) | 4,581 |
| | | Foreign currency transactions | (27) | 29 | 27 | 29 |
| | | Tax paid | - | - | - | 19,441 |
| | | Fund transfers | 713 | 1,254 | (2,189,287) | 1,254 |
| | | Staff related cost | - | - | (96,250) | (102,061) |
| | | Short term loans | - | - | 1,050,000 | (250,000) |
| | | Insurance service cost | - | - | (43) | 25,982 |
| | | Capital reduction | - | - | 3,500,000 | - |
| | | Expenses | - | - | 63 | 454 |
| | | Cash settlement | - | - | 58,658 | 141,576 |
| Common Cost Avocation | - | - | (7,834) | - | | |

| Name of the Company | Nature of the Relationship | Nature of Transactions | Transactions with SLIC | | Transactions with Group Companies | |
|---|----------------------------|---|------------------------|---------|-----------------------------------|-----------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Helanco Hotels & Spas (Pvt) Ltd | Subsidiary | Reimbursement of expenses | - | - | - | 12,205 |
| | | Settlements | - | - | (2,201,766) | 33,694 |
| | | Short term loans | - | - | - | 1,050,000 |
| | | Tax paid | - | - | - | 19,441 |
| Lanka Hospitals Diagnostics (Private) Limited | Subsidiary | Laboratory Services provided | - | - | (668,811) | (650,878) |
| | | Amount paid | - | - | 720,000 | 600,000 |
| | | Reimbursement of expenses & rent income received | - | - | 64,174,592 | - |
| | | Amount received | - | - | (25,000,000) | - |
| Seylan Bank PLC | Affiliate | Insurance Premium | - | 15,963 | - | 15,963 |
| | | Claims paid | - | 7,554 | - | 7,554 |
| Ceybank Asset Management | Affiliate | Investments in Unit Trusts | 5,700 | 4,386 | 5,700 | 4,386 |
| | | Claims paid | 1,921 | 1,281 | 1,921 | 1,281 |
| | | Insurance Premium received | 2,523 | 2,259 | 2,523 | 2,259 |
| Ceylon Asset Management Co Ltd | Affiliate | Investments in Unit Trusts | 35,783 | 29,003 | 35,783 | 29,003 |
| | | Redemption of Units | - | 25,754 | - | - |
| Super Religre Laboratories Limited | Affiliate | Technical services provided to Lanka Hospital Diagnostics (Private) Limited | - | - | (76,321) | (67,131) |
| | | Test charges from LHD | - | - | (9,090) | 71,377 |
| | | Amounts paid | - | - | 86,166 | - |

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43.2 Transactions with Subsidiary Companies (contd.)

| Name of the Company | Nature of the Relationship | Nature of Transactions | Transactions with SLIC | | Transactions with Group Companies | |
|--|----------------------------|----------------------------|------------------------|-----------|-----------------------------------|---------|
| | | | 2017 | 2016 | 2017 | 2016 |
| | | | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| People's Bank | Affiliate | Insurance Premium | - | 22,761 | - | 22,761 |
| | | Claims Paid | - | 15,856 | - | 15,856 |
| | | Settlements | - | - | (3,547) | (4,269) |
| | | Services | - | - | 3,598 | 4,974 |
| Capital Alliance Investments Ltd | Affiliate | New shares issued | - | 25,125 | - | - |
| | | Dividend Received | - | 1,635 | - | - |
| | | Investments in Unit Trusts | - | 1,204,478 | - | - |
| | | Redemption of Units | - | 1,229,604 | - | - |
| Sinolanka Hotels & Spa (Private) Limited | Common | Expenses paid | - | - | 57 | - |
| | | Short Term Loan | - | - | (1,050,000) | - |
| | | Settlements | - | - | (116) | - |

| | Balances with SLIC | | Balances with Group Companies | |
|--|-----------------------|-----------------|----------------------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Amount due from subsidiaries | | | | |
| 43.4 Amount due from related companies | | | | |
| Management Services Rakshana (Pvt) Ltd** | 6,763 | - | 6,763 | - |
| The Lanka Hospital Corporation PLC | 4,769 | 4,769 | 4,769 | 4,769 |
| Lanka Hospitals Diagnostics (Private) Limited | - | - | - | - |
| Litro Gas Lanka Ltd | 65,093 | 59,365 | 91,300 | 268,877 |
| Litro Gas Terminal Lanka Ltd | 23,047 | 23,118 | 49,076 | 23,118 |
| Canwill Holdings (Pvt) Ltd | 384 | 826 | 14,138 | 1,305,296 |
| Canowin Hotels & Spas (Pvt) Ltd | 1,539 | 976 | 1,599 | 3,922 |
| Sinolanka Hotels & Spa (Pvt) Ltd | 776 | 1,462 | 54,392 | 2,371,129 |
| Helanco Hotels & Spas (Pvt) Ltd | - | - | 57 | 116 |
| | 102,371 | 90,516 | 222,094 | 3,977,227 |
| Amount due from other related companies | | | | |
| Sri Lanka Investment Holdings | - | - | 100,260 | 100,260 |
| People's Bank | - | - | 1,461 | 705 |
| | - | - | 101,721 | 100,965 |
| 43.5 Amount due from related parties | | | | |
| Amount due to Subsidiaries | | | | |
| Management Services Rakshana (Pvt) Ltd | - | 51,744 | - | 53,101 |
| The Lanka Hospital Corporation PLC* | 6,763 | 3,568 | 6,763 | 3,568 |
| Litro Gas Lanka Ltd | - | - | 13,932 | 4,082 |
| Litro Gas Terminal Lanka Ltd | 23,047 | - | 49,076 | 209,498 |
| Canwill Holdings (Pvt) Ltd | - | - | 292 | 1,321,575 |
| Canowin Hotels & Spas (Pvt) Ltd * | - | - | 222 | 130 |
| Sinolanka Hotels & Spa (Pvt) Ltd * | - | - | 63 | 1,095 |
| Helanco Hotels & Spas (Pvt) Ltd | - | - | 57 | 2,349,591 |
| | 29,810 | 55,312 | 70,405 | 3,942,639 |

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| | Balances with SLIC | | Balances with Group Companies | |
|---|-----------------------|---------|----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| <i>Amount due to other related companies</i> | | | | |
| Super Religre Laboratories Limited | 18,712 | - | 18,712 | 19,467 |
| | 18,712 | - | 18,712 | 19,467 |

- * Insurance claims paid during the year and claims outstanding as at the reporting date arising in the normal course of business have not been eliminated in consolidated financial statements due to differences arising from reinsurance components attributable to claims and the claims outstanding estimates which are assessed from the individual company's point of view and need not be the same as provision determined by the insurer.
- * The amounts reflect staff loans granted during the year by SLIC to the seconded employees of Management Services Rakshana (Private) Limited and the outstanding balance of the same.
- *** The gratuity charges invoiced by MSRL has not been eliminated due to timing differences in recording the same by SLIC and also differences arising from the treatment for VAT amounts in SLIC books has not been considered in elimination.

44 Insurance and Financial Risk Management

Overview

The Group has exposure to the following risks arising from insurance business and from financial instruments:

- ★ Insurance risk
- ★ Market risk
- ★ Credit risk
- ★ Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks as required by the

SLFRS 4 and SLFRS 7 together with the quantitative disclosures relating to the same.

Risk Management Framework

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

44.1 Insurance Risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

44.1.1 Life Insurance Contracts

The following paragraph describes the concentration of life insurance based on the nature of the contract;

Concentration of Insurance Risk

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

1. From a market risk perspective, although the Company has 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 counter-parties failing to fulfil their financial obligations, which is analysed in the "Credit Risk" section in the Risk Review.

The Group has established procedures and processes to evaluate the above risks which if not properly controlled and managed can impact its operations. The procedures are in place to cover all critical stages from product development to benefit administration. In addition to all life financial streams are modelled and profit testing is produced by the Actuary thus mitigating product design and pricing risk. Also the Group uses matching instruments to back liabilities (ALM), if available.

From 01.01.2016 onwards, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka, IRCSL, SLIC fully implemented the Risk Based Capital (RBC) solvency framework as such adopted the "Gross Premium Valuation" basis (GPV) which is required under RBC regime for liability valuation purpose and continue the same approach to the valuation of liabilities as at 31.12.2017 where the liability is calculated in market consistent manner for the solvency requirements. SLIC has adopted a more prudent valuation basis for its surplus computation with compared to minimum regulatory basis (RBC).

NOTES TO THE FINANCIAL STATEMENTS

Provide assumptions used in determining life insurance contract liability

| Assumption | Description |
|-------------------|---|
| Mortality | -Factored A67/70 for non-annuity business to allow best estimate experience rate |
| | -Weighted average of a(90)m and a(90)f with one year age setback to allow approximated 1% mortality improvement of annuitants |
| Investment return | Risk Free Rate structure proposed by IRCSL as at 31.12.2017 |

SLIC maintained steady and strong solvency ratio over the year 2017 for its Life Insurance business and as at 31.12.2017 the Risk-based Capital Adequacy Ratio, (CAR), stands at 432% and it was 427% as at 31.12.2016. This is well above the regulatory minimum requirement which is 120%.

| Assumption | Change in Assumption | Impact on Liability |
|-------------------|-------------------------------|---------------------|
| Mortality | 10% | 408 million |
| | -10% | (409) million |
| Investment return | Up shock scenario under RBC | (9,484) million |
| | Down shock scenario under RBC | 13,449 million |

Segregation of Policy Liability based on Product Category

| 31 December | 2017 | | | 2016 | | |
|---------------------|--|---|---|--|---|---|
| | 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 | 19,104 | 4,382 | 23,486 | 17,019 | 3,903 | 20,922 |
| Endowment Assurance | 43,641,458 | 2,472,452 | 46,113,910 | 33,016,145 | 1,944,305 | 34,960,450 |
| Term Assurance | - | 1,395,944 | 1,395,944 | - | 925,739 | 925,739 |
| Annuity | 7,355,651 | 1,646,657 | 9,002,308 | 4,701,352 | 1,343,935 | 6,045,287 |
| Rider Benefits | 2,446 | 1,794,651 | 1,797,097 | 2,709 | 1,436,417 | 1,439,126 |
| Total | 51,018,659 | 7,314,086 | 58,332,745 | 37,737,225 | 5,654,299 | 43,391,524 |

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

| Participating Fund vs Non-Participating Fund | Participating Rs. 000 | Non- Participating Rs. 000 | Total Rs. 000 |
|--|--------------------------|----------------------------------|-------------------|
| 2017 | 91,150,333 | 7,430,104 | 98,580,437 |
| Percentage | 92.46% | 7.54% | |
| 2016 | 81,138,670 | 6,218,715 | 87,357,385 |
| Percentage | 92.88% | 7.12% | |

44.1.2 Non - Life Insurance Contracts

General Insurance Risk

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of occurrence of insured events as well as in the severity of the resulting claims.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

44 Insurance and Financial Risk Management (contd.)

44.1 Insurance Risk (contd.)

44.1.2. Non-Life Insurance contracts (contd.)

General Insurance Risk

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.

| 2017 Class | GWP Rs. 000 | Reinsurance Rs. 000 | NWP Rs. 000 | % |
|---------------|-------------------|------------------------|-------------------|---------------|
| Motor | 11,562,659 | 300,239 | 11,262,420 | 78.33 |
| Fire | 1,445,191 | 1,325,393 | 119,798 | 0.83 |
| Marine | 422,751 | 280,747 | 142,004 | 0.99 |
| Other | 5,489,961 | 2,635,650 | 2,854,311 | 19.85 |
| | 18,920,562 | 4,542,029 | 14,378,533 | 100.00 |
| 2016 Class | GWP Rs. 000 | Reinsurance Rs. 000 | NWP Rs. 000 | % |
| Motor | 10,433,060 | 227,916 | 10,205,144 | 77.52 |
| Fire | 1,400,556 | 1,232,250 | 168,307 | 1.28 |
| Marine | 490,147 | 288,132 | 202,015 | 1.53 |
| Other | 3,397,030 | 808,439 | 2,588,590 | 19.66 |
| | 15,720,793 | 2,556,737 | 13,164,056 | 100.00 |

Reinsurance Risk

The Group purchases reinsurance as a part of its risks mitigation programme. It protects against significantly large claims or disasters, allowing the insurance company to cover more individuals without fear of bankruptcy should a disaster occur, resulting in multiple policyholders filing claims at one time.

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 Group has arrangements:

| Name of the Company | Debit FSS Rating | Credit Credit Rating | Rating Agency |
|---|---------------------|-------------------------|------------------|
| ACE European Group Ltd, London,England | AA+ | A++ | A. M. Best |
| ACE Insurance Ltd | AA | AA | S & P |
| ACE Underwriting Agencies Limited | A+ | A+ | S & P |
| African Reinsurance Corporation | A | A | A. M. Best |
| AIG Asia Pacific Insurance Pte Ltd | A+ | A | A. M. Best |
| AIG Europe Ltd | A | A | A. M. Best |
| Al Ahleia Insurance Kuwait | A- | A- | S & P |
| Allianz Global Corporate & Specialty SE | AA- | A+ | A. M. Best |
| Alte Leipziger Versicherung AG | A | A | S & P |
| Am Trust Syndicate | A+ | A+ | S & P |
| American Home Assurance Company | A | A | A. M. Best |
| Amlin Asia Pacific Pte Ltd | A+ | A+ | S & P |
| Amlin Underwriting Limited | A+ | A+ | S & P |
| AmTrust at Lloyd's Limited | A+ | A+ | S & P |
| Antares Managing Agency Limited | A+ | A+ | S & P |
| ANV Syndicates Limited | A+ | A+ | S & P |
| Apollo Syndicate Management Limited | A+ | A+ | S & P |
| Arab Insurance Group | A- | A- | A. M. Best |
| Arch Insurance Company (Europe) Ltd | AA- | A+ | A. M. Best |
| Argo Managing Agency Limited | A+ | A+ | S & P |
| Ark Syndicate Management Limited | A+ | A+ | S & P |
| Ascot Underwriting Limited | A+ | A+ | S & P |
| Asia Capital Reinsurance Group pte. Ltd | A- | A- | A. M. Best |
| Aspen Insurance UK Limited | A | A | A. M. Best |
| Aspen Managing Agency Limited | A+ | A+ | S & P |
| Assicurazioni Generali S.p.A., Uk Branch | A | A | A. M. Best |
| Asta Managing Agency Limited | A+ | A+ | S & P |
| Atrium Underwriters Limited | A+ | A+ | S & P |
| Aviabel S. A. Brussels, Belgium | A- | A- | A. M. Best |
| AXA Corporate Solutions Assurance | AA- | AA- | S & P |
| AXIS Specialty Europe SE | A+ | A+ | S & P |
| Barbican Managing Agency Limited | A+ | A+ | S & P |
| Beazley Furlonge Limited | A+ | A | A. M. Best |
| Brit Syndicates Limited | A+ | A+ | S & P |
| Canopus Managing Agents Limited | A+ | A+ | S & P |
| Catlin Insurance Company (UK) Ltd | A+ | A+ | S & P |
| Catlin Underwriting Agencies Limited | A+ | A+ | S & P |
| Chaucer Syndicates Limited | A+ | A+ | S & P |
| China Continent Property & Casualty Insurance Company Ltd | A | A | A. M. Best |
| Chubb Managing Agent Ltd | A+ | A+ | S & P |

NOTES TO THE FINANCIAL STATEMENTS

| Name of the Company | Debit FSS Rating | Credit Credit Rating | Rating Agency |
|---|---------------------|-------------------------|------------------|
| Delta Lloyd Schadeverzekering N.V | A+ | A+ | S & P |
| Dongbu Insurance Co.Ltd | A- | A- | S & P |
| Dore Underwriting Services Ltd | A+ | A | A. M. Best |
| Emirates Insurance Company P.S.C | A- | A- | A. M. Best |
| Endurance at Lloyd's Limited | A | A | A. M. Best |
| ERGO Insurance Pte. Limited | A- | A- | A. M. Best |
| Everest Reinsurance Company | AA- | A+ | A. M. Best |
| FALCON Insurance company (Hong Kong) Ltd | A- | A- | S & P |
| First Capital Insurance Ltd, Singapore | A | A | A. M. Best |
| Fubon Insurance Company Ltd, Taipei, Taiwan | A+ | A | A. M. Best |
| General Insurance Corporation of India | A- | A- | A. M. Best |
| Hannover Re(Ireland)Limited | AA- | A+ | A. M. Best |
| Hardy (Underwriting Agencies) Limited | A+ | A+ | S & P |
| HDI Versicherung AG, Germany | A+ | A+ | S & P |
| Helvetia Schweizerische Versicherungsgesellschaft AG | A | A | S & P |
| Hiscox Syndicates Limited | A+ | A | A. M. Best |
| India International Ins. Comp. Pte LTD | A+ | A | A. M. Best |
| International Insurance Co. of Hannover Se | AA+ | A+ | A. M. Best |
| IRB-Brasil Resseguros SA | A- | A- | A. M. Best |
| Korean Reinsurance Company | A | A | A. M. Best |
| Kuwait reinsurance Company | A- | A- | A. M. Best |
| La Reunion Aerieenne | A | A | S & P |
| Liberty Mutual Ins. Europe Ltd | A | A | S & P |
| Liberty Syndicate Management Limited | A+ | A+ | S & P |
| Malaysian Reinsurance Berhad | A- | A+ | A. M. Best |
| Mapfre Global Risks | A | A | A. M. Best |
| Markel International Singapore Pte Ltd | A+ | A | A. M. Best |
| Markel Syndicate Management Limited | A+ | A+ | S & P |
| Marketform Managing Agency Limited | A+ | A+ | S & P |
| MISR insurance Company, Egypt | BBB | B++ | A. M. Best |
| Mitsui Sumitomo Insurance | AA | A+ | A. M. Best |
| Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited | A+ | A | A. M. Best |
| Ms Amlin Underwriting Limited | A+ | A+ | S & P |
| MSIG Insurance(singapore) pte Limited | A | A | S & P |
| Muenchener Rueckversicherungs Gesellschaft | AA- | A+ | A. M. Best |
| Navigators Underwriting Agency Limited | A+ | A+ | S & P |
| Neon Underwriting Limited | A+ | A+ | S & P |
| New India Assurance Company Ltd | A- | A- | A. M. Best |
| Novae Syndicates Limited | A+ | A+ | S & P |
| Oman Insurance Company P.S.C | A | A | A. M. Best |
| Partner Reinsurance Europe SE | A+ | A | A. M. Best |
| PICC Property and Casualty Company Ltd. | Aa3 | | Moody's |

| Name of the Company | Debit FSS Rating | Credit Credit Rating | Rating Agency |
|---|---------------------|-------------------------|------------------|
| Pioneer Underwriting Limited | A+ | A+ | S & P |
| Qatar General Insurance & Reinsurance Company PJSC | A- | A- | A. M. Best |
| QBE Insurance (Europe) Limited | A | A | A. M. Best |
| Royal & Sun Alliance PLC -Dubai | A | A | S & P |
| Royal Insurance Corporation of Bhutan | BBB- | B+ | A. M. Best |
| Samsung Reinsurance Pte. Ltd | A | A | A. M. Best |
| Scor Reinsurance Asia Pacific Pte Ltd | A+ | A | A. M. Best |
| Sirius International Insurance Corporation (publ) | A | A | A. M. Best |
| Sompo Japan Nipponkoa Insurance Inc | AA- | A+ | A. M. Best |
| Starr Insurance & Reinsurance Limited (United Kingdom Branch) | A | A | A. M. Best |
| Starstone Underwriting Limited | A+ | A+ | S & P |
| Steamship Mutual Underwriting Association Limited. | A | A | S & P |
| Swiss Re International SE | AA- | A+ | A. M. Best |
| Taian Insurance Co. Ltd | A- | A- | S & P |
| Taiping General Insurance Co.Ltd | A | A | A. M. Best |
| Talbot Underwriting Ltd | A+ | A+ | S & P |
| The Channel Managing Agency Ltd | A+ | A+ | S & P |
| The Oriental Insurance Company Limited | BBB+ | B++ | A. M. Best |
| Tokio Marine & Nichido Fire Insurance Co- Limited | A+ | A+ | S & P |
| Tokio Marine Kiln Syndicates Ltd | A+ | A+ | S & P |
| Travelers Syndicate Management Limited | A+ | A+ | S & P |
| Trust International Insurance and Reinsurance | A- | A- | A. M. Best |
| W R Berkley Syndicate Management Limited | A+ | A+ | S & P |
| XL Insurance Company SE | A+ | A | A. M. Best |
| Zurich Insurance Company | AA- | A+ | A. M. Best |

Financial Risks

The investment activities of the Group are exposed to the financial risks which include the credit risks, liquidity risks and market risks. The Investment Committee is responsible in mitigating those risks and optimizing the investment returns.

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

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

NOTES TO THE FINANCIAL STATEMENTS

44.2 Market Risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is maintaining the maximum exposure limit for the equity in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

| Company | Rise of market | | Fall of market | |
|-------------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | Impact on Profit Rs. 000 | Impact on OCI Rs. 000 | Impact on Profit Rs. 000 | Impact on OCI Rs. 000 |
| As at 31 December 2017 | | | | |
| Shock Level: | | | | |
| 5% | 202,504 | 1,623,037 | (202,504) | (1,623,037) |
| 10% | 405,008 | 3,246,074 | (405,008) | (3,246,074) |
| | 607,512 | 4,869,111 | (607,512) | (4,869,111) |
| As at 31 December 2016 | | | | |
| Shock Level: | | | | |
| 5% | 266,030 | 1,545,701 | (266,030) | (1,545,701) |
| 10% | 532,061 | 3,091,402 | (532,061) | (3,091,402) |
| | 798,091 | 4,637,102 | (798,091) | (4,637,102) |

44.2.1 Interest Rate Risk

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

Interest rate risk is managed over each major maturity bucket with adherence to the aggregated positions with risk limits. The Investment Committee proactively managed the fixed income portfolio by strategically shifting from low-yielding investments to relatively high-yielding ones, mitigating the pressure on interest income while closely monitoring the duration mismatches.

Further the Group has adopted the following policies to mitigate the interest rate risk:

- 1 A considerable portion of the investments are made in risk free investments of government securities with adherence to the rules and regulations issued by the IRC SL in maintaining the risk free investments.
- 2 The major part of the investment portfolio is made in rated financial institutions or in rated instruments.
- 3 Investment Committee makes the investment decisions and approval from the Board of Directors is sought wherever necessary.

Exposure to Interest Rate Risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows.

| 31 December Company | 2017 Rs. 000 | 2016 Rs. 000 |
|--|--------------------|-------------------|
| Fixed Rate Instruments | | |
| Held-To -Maturity (HTM) | | |
| Treasury Bonds | 55,020,955 | 49,313,553 |
| Loans and Receivable (L&R) | | |
| Unlisted Debentures | 500,534 | 500,534 |
| Fixed Deposits | 14,708,677 | 12,336,280 |
| Available-For-Sale (AFS) | | |
| Listed Debentures | 20,523,470 | 18,848,172 |
| Treasury Bond | 4,659,451 | 4,062,844 |
| | 95,413,087 | 85,061,383 |
| Floating Rate Instruments | | |
| Loans and Receivables (L & R) | | |
| Development Bonds | 7,539,703 | 7,158,558 |
| Available-For-Sale (AFS) | | |
| Listed Debentures | 494,477 | 717,859 |
| | 8,034,180 | 7,876,417 |
| | 103,447,267 | 92,937,800 |

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity Analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and interest income by the amounts shown below.

| 31 December 2017 | 100bps Upward Parallel Shift of Yield Curve | | 100bps Downward Parallel Shift of Yield Curve | |
|---|---|--------------------------------|---|--------------------------------|
| | Impact on Interest Income Rs. 000 | Impact on Equity Rs. 000 | Impact on Interest Income Rs. 000 | Impact on Equity Rs. 000 |
| Company | | | | |
| Financial Investments | | | | |
| Held-To-Maturity (HTM) | - | - | - | - |
| Loans and Receivable (L&R) | 72,795 | - | (72,795) | - |
| Available-For-Sale (AFS) | 5,000 | 270,258 | (5,000) | 81,516 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | - | - | - | - |
| | 77,795 | 270,258 | (77,795) | 81,516 |
| 31 December 2016 | | | | |
| | | | | |
| Company | | | | |
| Financial Investments | | | | |
| Held-To-Maturity (HTM) | - | - | - | - |
| Loans and Receivable (L&R) | 70,689 | - | (70,689) | - |
| Available-For-Sale (AFS) | 7,000 | (562,460) | (7,000) | 590,487 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | - | - | - | - |
| | 77,689 | (562,460) | (77,689) | 590,487 |

*In case of a shift in yield curve, there is:

No impact to the Interest Income or to the Equity for the fixed rate debt instruments classified under HTM and L&R

An impact to the Interest Income but no impact to the Equity for the floating rate debt instruments classified under HTM and L&R

No impact to the Interest Income but there is an impact to the Equity for the fixed rate debt instruments classified under AFS

An impact to the Interest Income but no impact to the Equity for the floating rate debt instruments classified under AFS

44.2.2 Foreign Currency Risk

The Group is exposed to currency risk on investments in financial assets that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which these transactions primarily denominated are United States Dollars (USD), Euros (EUR), Australian Dollar (AUD) and Sterling Pound. (GBP).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts;

| Company | Carrying Value | |
|---------------------------|-------------------|-------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 |
| Development Bonds: | | |
| USD | 7,539,703 | 7,158,558 |
| Fixed Deposits: | | |
| USD | 2,896,620 | 2,310,332 |
| GBP | - | 971,416 |
| AUD | - | 2,055,394 |
| EUR | - | 27,565 |
| | 10,436,323 | 12,523,265 |

The following significant exchange rates were applicable during the year;

| | Average Rate | | Reporting date spot rate | |
|-----|---------------|--------|--------------------------|--------|
| | 2017 | 2016 | 2017 | 2016 |
| | Rs. | Rs. | Rs. | Rs. |
| USD | 149.88 | 136.00 | 151.40 | 148.35 |
| GBP | 192.09 | 205.55 | 202.76 | 181.42 |
| AUD | 111.52 | 104.05 | 116.79 | 106.25 |
| EUR | 167.32 | 155.43 | 179.52 | 155.12 |

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD,GBP,EURO,AUD at 31st December 2017 would have increased/ (decreased) the forex gain/loss and interest income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| As at 31 December 2017 Company | Exchange Rate Shock Level | | |
|-----------------------------------|---------------------------|-----------------|-----------------|
| | 1.0% Rs. 000 | 1.5% Rs. 000 | 2.0% Rs. 000 |
| Impact on Forex Gain/Loss | | | |
| Floating Rate Instruments | | | |
| USD | 75,397 | 113,096 | 150,794 |
| Fixed Rate Instruments | | | |
| USD | 28,966 | 43,449 | 57,932 |
| Total Impact | 104,363 | 156,545 | 208,726 |
| Impact on Interest Income | | | |
| Floating Rate Instruments | | | |
| USD | 3,295 | 4,942 | 6,590 |
| Fixed Rate Instruments | | | |
| USD | 893 | 1,340 | 1,786 |
| GBP | 432 | 648 | 864 |
| AUD | 793 | 1,190 | 1,586 |
| EUR | 1 | 2 | 2 |
| Total Impact | 5,414 | 8,121 | 10,828 |
| As at 31 December 2016 | | | |
| Impact on Forex Gain/Loss | | | |
| Floating Rate Instruments | | | |
| USD | 71,586 | 107,378 | 143,171 |
| Fixed Rate Instruments | | | |
| USD | 23,103 | 34,655 | 46,207 |
| GBP | 9,714 | 14,571 | 19,428 |
| AUD | 20,554 | 30,831 | 41,108 |
| EUR | 276 | 413 | 551 |
| Total Impact | 125,233 | 187,848 | 250,465 |

| As at 31 December 2016 Company | Exchange Rate Shock Level | | |
|-----------------------------------|---------------------------|-----------------|-----------------|
| | 1.0% Rs. 000 | 1.5% Rs. 000 | 2.0% Rs. 000 |
| Impact on Interest Income | | | |
| Floating Rate Instruments | | | |
| USD | 3,332 | 4,998 | 6,664 |
| Fixed Rate Instruments | | | |
| USD | 707 | 1,060 | 1,414 |
| GBP | 384 | 576 | 768 |
| AUD | 828 | 1,241 | 1,655 |
| EUR | 4 | 6 | 8 |
| | 5,255 | 7,881 | 10,509 |

44.2.3 Market Rate Risk

The Group is maintaining the maximum exposure limit for the equity in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

Portfolio Diversification of Equity Risks

Sri Lanka Insurance Corporation Limited - Life Insurance Business

| Sector | Industry Group | 2017 | | 2016 | |
|-------------------------------|----------------------------------|-------------------------|--------------|-------------------------|-------------|
| | | Market Value Rs. 000 | % | Market Value Rs. 000 | % |
| Financials | Banks | 19,595,358 | 80.38 | 18,812,778 | 76.07 |
| | Diversified Financials | 1,077 | 0.00 | 1,371 | 0.01 |
| Financials | | 19,596,435 | 80.38 | 18,814,149 | 76.08 |
| Consumer Discretionary | Consumer Services | 1,311,079 | 5.38 | 1,583,011 | 6.40 |
| | Retailing | 28,229 | 0.12 | 33,405 | 0.14 |
| | Automobiles & Components | 8,067 | 0.03 | 11,810 | 0.05 |
| Consumer Discretionary | | 1,347,375 | 5.53 | 1,628,226 | 6.58 |
| Industrials | Capital Goods | 705,301 | 2.89 | 1,612,255 | 6.52 |
| *Health Care | Health Care Equipment & Services | 1,457,914 | 5.98 | 1,457,914 | 5.90 |
| Telecommunication Services | Telecommunication Services | 503,070 | 2.06 | 657,051 | 2.66 |
| Materials | Materials | 373,645 | 1.53 | 324,537 | 1.31 |
| Consumer Staples | Food & Staples Retailing | 313,257 | 1.28 | 143,548 | 0.58 |
| Real Estate | Real Estate | 81,826 | 0.34 | 92,984 | 0.38 |
| Energy | Energy | 92 | 0.00 | 132 | 0.00 |
| Information Technology | Technology Hardware & Equipment | - | - | 88 | 0.00 |
| Total | | 24,378,916 | 100 | 24,730,883 | 100% |

* Including the Lanka Hospitals Corporation PLC which is a subsidiary of SLIC

NOTES TO THE FINANCIAL STATEMENTS

44.2.3 Market Rate Risk (contd.)

Portfolio Diversification of Equity Risks (contd.)

Sri Lanka Insurance Corporation Limited - General Insurance Business

| Sector | Industry Group | 2017 | | 2016 | |
|-------------------------------|----------------------------------|-------------------------|--------------|-------------------------|--------------|
| | | Market Value Rs. 000 | % | Market Value Rs. 000 | % |
| Financials | Banks | 12,482,431 | 82.36 | 11,999,316 | 82.54 |
| | Diversified Financials | 119,409 | 0.79 | 68,994 | 0.47 |
| Financials | | 12,601,840 | 83.15 | 12,068,310 | 83.02 |
| Consumer Discretionary | Consumer Durables & Apparel | 9,053 | 0.06 | 15,839 | 0.11 |
| Consumer Discretionary | - | 9,053 | 0.06 | 15,839 | 0.11 |
| *Health Care | Health Care Equipment & Services | 1,575,156 | 10.39 | 1,575,156 | 10.84 |
| Industrials | Capital Goods | 346,401 | 2.28 | 645,857 | 4.44 |
| Materials | Materials | - | - | 157,000 | 1.08 |
| Utilities | Utilities | 500,000 | 3.30 | - | - |
| Real Estate | Real Estate | 74,500 | 0.49 | - | - |
| Telecommunication Services | Telecommunication Services | 57,980 | 0.38 | 74,516 | 0.51 |
| Energy | Energy | 92 | - | 132 | 0.00 |
| Total | | 15,155,469 | 100 | 14,536,810 | 100 |

*Including Lanka Hospitals Corporation PLC which is a subsidiary of SLIC

44.3 Credit Risk

Credit risk is the risk of financial loss to the Group if investee companies, reinsurers and any other counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The Group has established its own limits on concentration of investments by single issuers and certain asset classes and also limits investments in illiquid instruments.

No investment has been made in term deposits other than in Licensed Commercial Banks and Licensed Specialized Banks.

Investment grade credit rating for both the entity and the instrument by a recognized credit rating agency is expected for all investments in corporate debentures and commercial papers.

No debt investment has been made in any of the related companies.

A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

The Maximum Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

| As at 31 December | Note | Group | | Company | |
|----------------------------|------|--------------------|--------------------|--------------------|-------------------|
| | | 2017 Rs. 000 | 2016 Rs. 000 | 2017 Rs. 000 | 2016 Rs. 000 |
| Held-To-Maturity (HTM) | 5 | 55,020,955 | 49,313,553 | 55,020,955 | 49,313,553 |
| Loans and Receivable (L&R) | 5 | 8,040,237 | 7,659,092 | 8,040,237 | 7,659,092 |
| Available-For-Sale (AFS) | 5 | 25,677,398 | 23,628,873 | 25,677,398 | 23,628,873 |
| Loans to policyholders | 12 | 1,522,184 | 1,518,719 | 1,522,184 | 1,518,719 |
| Reinsurance receivable | 13 | 2,447,299 | 1,883,063 | 2,447,299 | 1,883,063 |
| Receivable | 14 | 3,694,158 | 3,404,735 | 3,694,158 | 3,404,735 |
| Other assets | 16 | 725,666 | 6,814,262 | 3,010,325 | 5,187,631 |
| Cash and cash equivalents | 18 | 15,470,696 | 16,841,834 | 2,598,518 | 1,623,723 |
| | | 112,598,593 | 111,064,129 | 102,011,074 | 94,219,389 |

Government Securities

Government securities consist of investments in treasury bills, treasury bonds, B615 development bonds and reverse repurchase agreements which are referred to as risk free instruments in its nature.

Corporate Debt Securities

The corporate debt securities consist of corporate debentures which are listed in Colombo Stock Exchange and are guaranteed by local and foreign credit rating agencies. An analysis of credit ratings of the issuers of debt securities are given in this note.

Loans to policyholders

Credit risk related to the policyholder loans is the financial losses could arise due to non - settlement of loans by policyholders.

The Group has issued loans to policyholders considering the surrender value of the policy as collateral. As at the reporting date, the carrying value of the policy loans granted amounted to Rs.1,518million (2015 - Rs. 1,569 million) and its related surrender value is Rs.2,520 (2015 - 2,582 million).

Reinsurance receivable

This is the risk of reinsurers failing to fulfil their financial obligations towards the Group.

Management assesses the creditworthiness of reinsurers on a regular basis and ascertains the suitable allowance for impairment of reinsurance assets.

The Board of Directors has assessed the potential impairment loss of reinsurance receivables and provide the Rs. 64,194 million (2015 - Rs. 66,296 million)to financial statements as at the reporting date in respect to the reinsurance receivable.

NOTES TO THE FINANCIAL STATEMENTS

44.3 Credit Risk (Contd.)

The Maximum Exposure to credit risk (Contd.)

Premium receivable

This consist of premium receivables from policyholders and intermediaries that create the risk of financial losses due to non settlement of dues or taking substantial time to settle dues.

In life insurance, credit risk is minimal since premium is collected before the policy is issued. In General Insurance Business, the premium warranty clause which state that a claim is not payable if the premium is not settled within 60 days, has reduced the credit risk to a greater extent.

The Board of Directors has assessed the potential impairment loss on premium receivables as at the reporting date and adequate provisions have been made in the financial statements.

Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Cash and cash equivalents

This consists of short term investments, cash at bank and cash in hand as at reporting date. Short term deposits include fixed deposits and call deposits placed in both banks and financial institutions. Further, the cash at bank is mainly consists of favorable balances in saving and current accounts of private and government commercial banks.

The Group has selected its bankers by considering the credit ratings of the rating agencies and efficiency in transaction processing by them. The Group held cash and cash equivalents of Rs.15,471 million as at 31st December 2016 (Rs.16,841 million as at 31st December 2015) which represent its maximum credit exposure on these assets.

Credit Risk Exposure - Life Insurance Business

| As at 31 December | 2017 | | 2016 | |
|---------------------------------------|-------------------|-----------------|-------------------|-----------------|
| | Rs. 000 | % of Allocation | Rs. 000 | % of Allocation |
| Financial Investments | | | | |
| Debt Securities - Loans & Receivables | 8,803,687 | 32 | 8,221,457 | 32 |
| Debt Securities - Available For Sale | 18,496,859 | 68 | 17,531,260 | 68 |
| | 27,300,546 | 100 | 25,752,717 | 100 |

Credit Risk Exposure - General Insurance Business

| As at 31 December | 2017 | | 2016 | |
|---|------------------|-----------------|------------------|-----------------|
| | Rs. 000 | % of Allocation | Rs. 000 | % of Allocation |
| Financial Investments | | | | |
| Debt Securities - Loans and Receivables | 6,405,524 | 72 | 4,615,357 | 69 |
| Debt Securities - Available For Sale | 2,521,088 | 28 | 2,034,771 | 31 |
| | 8,926,612 | 100.0 | 6,650,128 | 100 |

Debt Securities Allocation according to Credit Ratings*Life Insurance Business*

| As at 31 December Rating | 2017 | | 2016 | |
|--------------------------|---------------|---------------|---------------|---------------|
| | Rs. Mn | % of Total | Rs. Mn | % of Total |
| AAA | 3,666 | 13.43 | 3,067 | 11.91 |
| AA+ | 1,334 | 4.89 | 1,580 | 6.14 |
| AA | 2,264 | 8.29 | 2,584 | 10.03 |
| AA- | 5,060 | 18.53 | 7,412 | 28.78 |
| A+ | 3,174 | 11.63 | 2,616 | 10.16 |
| A | 4,924 | 18.04 | 2,983 | 11.58 |
| A- | 2,583 | 9.46 | 2,159 | 8.38 |
| BBB+ | 2,392 | 8.76 | 1,404 | 5.45 |
| BBB | 564 | 2.07 | 565 | 2.19 |
| BBB- | 320 | 1.17 | 330 | 1.28 |
| BB+ | - | - | 208 | 0.81 |
| Unrated | 1,021 | 3.74 | 845 | 3.28 |
| Total | 27,301 | 100.00 | 25,753 | 100.00 |

*Credit Risk on Fixed Deposits is based on Credit risk of the Bank.

General Insurance Business

| As at 31 December Rating | 2017 | | 2016 | |
|--------------------------|--------------|------------|--------------|---------------|
| | Rs. Mn | % of Total | Rs. Mn | % of Total |
| AAA | 5,377 | 60 | 3,697 | 56 |
| AA+ | 544 | 6 | - | - |
| AA | 17 | - | 15 | 0.0 |
| AA- | 700 | 8 | 1,254 | 19 |
| A+ | 870 | 10 | 403 | 6 |
| A | 467 | 5 | - | - |
| A- | 721 | 8 | 1,184 | 18 |
| BBB+ | 129 | 1 | - | - |
| BBB | 101 | 1 | 97 | 1 |
| Total | 8,926 | 100 | 6,650 | 100.00 |

*Credit Risk on Fixed Deposits is based on Credit risk of the Bank.

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44 Insurance and Financial Risk Management (Contd.)

44.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Maturity Analysis

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

| As at 31 December 2017 | Carrying Value | No fixed tenure | Up to 1 Year | 1 to 2 Years | 2 to 5 Years | 5 to 10 Years | Over 10 Years | Total |
|---|--------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|--------------------|
| Company | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Financial Assets | | | | | | | | |
| Held-To-Maturity (HTM) | 55,020,955 | - | 11,036,230 | 1,500,000 | 6,050,000 | 12,357,717 | 21,950,000 | 52,893,947 |
| Loans and Receivable (L&R) | 22,748,914 | - | 20,683,968 | 231,794 | 1,213,094 | - | - | 22,128,856 |
| Available-For-Sale (AFS) | 62,780,395 | 37,102,997 | 6,694,137 | 4,781,090 | 8,896,513 | 5,499,122 | 50,000 | 63,023,859 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | 4,050,081 | 4,050,081 | - | - | - | - | - | 4,050,081 |
| Loans to policyholders | 1,522,184 | - | 1,522,185 | - | - | - | - | 1,522,185 |
| Reinsurance receivable | 2,447,295 | - | 2,278,941 | 57,285 | 105,549 | 5,520 | - | 2,447,295 |
| Premium receivable | 3,694,158 | - | 3,694,158 | - | - | - | - | 3,694,158 |
| Other assets | 3,174,893 | - | 3,174,893 | - | - | - | - | 3,174,893 |
| Cash and cash equivalents | 2,598,518 | - | 2,598,517 | - | - | - | - | 2,598,517 |
| | 158,037,397 | 41,153,078 | 51,683,029 | 6,570,169 | 16,265,156 | 17,862,359 | 22,000,000 | 155,533,791 |
| Financial Liabilities | | | | | | | | |
| Reinsurance payable | 2,789,967 | - | 845,612 | 55,005 | 109,478 | 1,450 | 7,624 | 1,019,169 |
| Current tax liabilities | 750,176 | - | 750,175 | - | - | - | - | 750,175 |
| Other liabilities | 4,001,048 | - | 4,001,047 | - | - | - | - | 4,001,047 |
| Financial liabilities | 635,929 | - | 635,929 | - | - | - | - | 635,929 |
| | 8,177,120 | - | 6,232,763 | 55,005 | 109,478 | 1,450 | 7,624 | 6,406,320 |

| As at 31 December 2016 | Carrying Value | No fixed tenure | Up to 1 Year | 1 to 2 Years | 2 to 5 Years | 5 to 10 Years | Over 10 Years | Total |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Company | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Financial Investments | | | | | | | | |
| Held-To-Maturity (HTM) | 49,313,553 | - | 3,900,000 | 11,036,230 | 4,900,000 | 10,050,000 | 17,600,000 | 47,486,230 |
| Loans and Receivable (L&R) | 19,995,372 | - | 12,641,642 | 6,497,194 | 500,000 | - | - | 19,638,836 |
| Available-For-Sale (AFS) | 55,555,182 | 31,926,308 | 1,754,780 | 6,694,137 | 10,238,603 | 5,499,122 | - | 56,112,950 |
| Fair-Value-Through-Profit-or-Loss (FVTPL) | 5,320,606 | 5,320,606 | - | - | - | - | - | 5,320,606 |
| Loans to policyholders | 1,518,719 | - | 1,518,719 | - | - | - | - | 1,518,719 |
| Reinsurance receivable | 1,883,063 | - | 1,823,101 | 17,449.00 | 40,586.00 | 1,908.00 | 19.00 | 1,883,063 |
| Premium receivable | 3,404,735 | - | 3,404,735 | - | - | - | - | 3,404,735 |
| Other assets | 5,354,114 | - | 5,354,116 | - | - | - | - | 5,354,116 |
| Cash and cash equivalents | 1,623,723 | - | 1,623,723 | - | - | - | - | 1,623,723 |
| | 143,969,065 | 37,246,913 | 32,020,815 | 24,245,009 | 15,679,189 | 15,551,030 | 17,600,019 | 142,342,975 |
| Liabilities | | | | | | | | |
| Reinsurance payable | 997,643 | - | 824,086 | 55,005 | 109,478 | 1,450 | 7,624 | 997,643 |
| Current tax liabilities | 438,483 | - | 438,483 | - | - | - | - | 438,483 |
| Other liabilities | 3,473,505 | - | 3,473,505 | - | - | - | - | 3,473,505 |
| Financial liabilities | 699,950 | - | 699,950 | - | - | - | - | 699,950 |
| | 5,609,581 | - | 5,436,025 | 55,005 | 109,478 | 1,450 | 7,624 | 5,609,582 |

NOTES TO THE FINANCIAL STATEMENTS

45 Commitments, Contingencies and Guarantees

45.1 Commitments

The Group does not have significant capital commitments as at the reporting date other than described below.

(A) Litro Gas Lanka Limited

The capital expenditure approved by the Board and contracted for as at 31st December 2017 is Rs. 229 million. (2016 - Rs. 851 million)

(B) Litro Gas Terminal (Pvt) Ltd

Operating lease commitments

The future minimum lease payments under cancellable operating leases are as follows:

| | 2017 Rs. 000 | 2016 Rs. 000 |
|--|------------------|-----------------|
| Lease payment for land at Kerawalapitiya | 5,281,108 | 5,309,994 |
| Lease payment for storage facility at Hambantota | 544,471 | 630,154 |

(C) Lanka Hospitals Corporation PLC

The following commitments for capital expenditure approved by the Directors as at 31st December have not been provided for in the financial statements.

| As at 31 December, | 2017 Rs. 000 | 2016 Rs. 000 |
|--|-----------------|-----------------|
| Approximate amount approved but not contracted | - | - |
| Approximate amount contracted for but not incurred | 157,646 | 176,192 |

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 (Excluding taxes) Rs. 000 |
|--------------|---|
| 1999 to 2003 | 9,273 |
| 2004 to 2025 | 18,547 |
| 2026 | 9,273 |

The future aggregate minimum lease payments under non cancellable operating lease by 2026 as follows:

| | 2017 Rs. 000 | 2016 Rs. 000 |
|------------------------|-----------------|-----------------|
| Within 1 Year | 18,546 | 18,546 |
| One year to five years | 74,186 | 74,186 |
| After 5 Years | 64,913 | 83,460 |
| | 157,645 | 176,192 |

Lanka Hospitals Diagnostics (Private) Limited is committed to make a minimum investment of Rs. 500,000,000 in project fixed assets to get the entitlement for a tax exemption period of seven years. The Company has invested Rs. 413,819,215/= in fixed assets as of 31 st December 2017 and the balance commitment amounting to Rs. 86,180,785/= to be fulfilled.

(D) Approximate Amount Contracted for but not Incurred

The following commitments for capital expenditure approved by the Directors as at 31st December 2014 have not been provided in the financial statements of the subsidiaries, Sinolanka Hotels & Spa (Pvt) Ltd. and Helanco Hotels & Spa (Pvt) Ltd.

| | 2017 Rs. 000 | 2016 Rs. 000 |
|---|-------------------|-----------------|
| Approximate amount contracted for but not incurred | | |
| Sinolanka Hotels & Spa (Pvt) Ltd | 25,887,629 | 13,256,720 |
| Lanka Hospital Corporation Limited | 157,646 | 176,192 |

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

Sinolanka Hotels & Spa (Pvt) Ltd

Arbitration was established against Sinolanka Hotels & Spa (Private) Limited which a sub-subsiary with 72.97% share holding with Sri Lanka Insurance Corporation Limited (including indirect holding with Litro Gas Lanka Limited 27.03%) by Interna Contract Spa (Italy) who was awarded the interior décor contract (contract value Euro 28,869,372) and which was subsequently cancelled by Sinolanka Hotels & Spa (Private) Limited. Interna Contract Spa (Italy) has claimed Euro 20,552,242 for work done, loss of profit and costs incurred on execution of the contract. In addition, Interna Contract Spa (Italy) has claimed for costs incurred on arbitration processing to be reimbursed as well.

The award of the aforesaid arbitration officially communicated by the tribunal on 29th September 2017. In terms of the arbitration award a sum of Euro 7,432,062.79 has been awarded to the claimant.

The management of Sinolanka Hotels & Spa (Pvt) Ltd has challenged the action filed by Internal Contract Spa in Commercial High Court of Colombo to enforce the aforesaid arbitral award in Sri Lanka on the basis that the arbitral tribunal has no jurisdiction to hear or determine the

NOTES TO THE FINANCIAL STATEMENTS

claims of Internal Contract Spa. And also Sinolanka Hotels & Spa (Pvt) Ltd of the view that the claim awarded to Internal Contract Spa cannot be sustained as the agreement in said to be controversial.

Based on the above information no provision has been made in the financial statements in respect of the claim by Internal Contract Spa (Italy).

Lanka Hospitals Corporation PLC

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 202 million exist as at the reporting date. Based on the information currently available the management is in the view that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

There were no material contingent liabilities as at the reporting date which require adjustments to or disclosure in the financial statements, other than mentioned above.

Sri Lanka Insurance Corporation Ltd.

Value Added Tax Assessments issued by the Commissioner General of Inland Revenue

The Inland Revenue Department has taken a view that Reinsurance claims received from foreign reinsurers for the General insurance is liable for the Value Add Tax. Accordingly Company received a Value added Tax (VAT) Assessment on the Reinsurance Claims outstanding to Rs. 318,099,913/- and Rs. 26,903,739/- years of assessments 2004/2005 and 2005/2006 respectively.

This is a common assessment issued by the department of Inland Revenue to most insurance companies in the General Insurance business. However as a General Insurance Industry view of that, they are not liable for the VAT on Reinsurance Claim.

The company has filed valid appeals against these assessments with the consultation of tax consultants. The Board of Review by letter dated 21st July 2010 determined that the assessments are valid. The Company is making an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the Liability of Rs. 345 million pending the decision of the Court of Appeal.

The company has received an official communication from Inland Revenue Department stating that the company is liable for Value Added Tax and Nation Building Tax on the Financial Service based on the section 25C of the VAT Act, No 14 of 2002 . Accordingly Company received assessment on the VAT on Financial Service for the period ending 31st December 2010 & 2011 amounting to Rs. 2,363 million and Rs. 374 million respectively

The company has duly appealed against these assessments with the consultation of company tax consultants and the states of each assessment are as follows.

| Year Of Assessment | Status Of Assessment | Nature of Contingent impact to the company | Measurement of contingent Impact to the company |
|--------------------|---|--|---|
| 2010/2011 | Pending decision from Tax Appeal Commission | VAT on financial Services | An additional Tax Liability of Rs. 2,364 Mn |
| 2011/2012 | Pending decision from Tax Appeal Commission | VAT on financial Services | An additional Tax Liability of Rs. 374 Mn |

However the Insurance Companies in the industry and the company's Tax Consultants are of view that the Insurance companies are not liable for VAT on Financial Services since the company do not engage in the business of Financial Services. Hence no additional provision has been made in the financial statements.

Income Tax

The Company received Income Tax Assessment for the year of assessment 2011/2012, 2012/2013 amounting to Rs. 524 million & Rs. 296 million respectively with respect to taxation of Life Insurance. This assessment was issued by the Inland Revenue Department in contrary to the Section 92 of Inland Revenue Act, No 10 of 2016. Further this is a common Income Tax assessment that has been issued by the Inland Revenue Department for the Life Insurance companies in the insurance Industry. The view of the industry, Company and the company's tax consultants are those assessment will not metalize. Therefore, no additional provision has been made in the financial statements.

The company has duly appealed against these assessments with the consultation of company tax consultants and the states of each assessment are provided in table below.

| Year of Assessment | Status of Assessment | Status of Assessment Impact to the company | Measurement of contingent impact to the company |
|--------------------|---|--|---|
| 2011/2012 | Pending decision from Tax Appeal Commission | Additional Tax Liability | An additional Tax Liability of Rs 524Mn |
| 2012/2013 | Pending decision from Tax Appeal Commission | Additional Tax Liability | An additional Tax Liability of Rs 296Mn |

45.2.2 Guarantees

Litro Gas Terminal (Pvt) Ltd - Operating lease with Land Reclamation Board

According to LKAS 17, the standard requires lease payments under an operating lease to be recognized 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 two operating lease arrangements. The first one is with Land Reclamation Board for Kerawalapitiya land, where the lease term is 50 years from 1996 and the rental increases by 75% every five years. The second one is with Sri Lanka Ports Authority for Hambanthota terminal, where the lease term is 10 years from 2013 and the rental increases by different rate in different years. However, the Company does not recognize 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

There were no significant events after the reporting date other than disclosed below.

Lanka Hospitals Corporation PLC

The Board of Directors of the Company has declared an interim dividend of LKR 1.00 per share for the financial year 31st December 2017 on 23rd February 2018. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors

has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31st December 2017.

No circumstance have arisen since the reporting date, which require adjustments to or disclosure in the Financial Statements other than mentioned above.

Litro Gas Lanka Limited

No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the financial statements.

Helanco Hotels & Spa (Private) Limited

Sinolanka Hotels & Spa (Pvt) Ltd who is the owner of Grand Hyatt Colombo project is currently experiencing short-fall in liquidity due to a delay in the proposed loan program and requested the company to grant a short term funding arrangement till the syndicated loan facility is made available. The Board of Directors of the company has decided for the funding arrangement of Rs. 400 million to Sinolanka Hotels & Spa (Pvt) Ltd from the funds idling with the company. Although the Board of Directors do not accept the rationale of paying interest, due to the urgent funding requirement of Rs. 400 million as a short term funding of from the treasury, the Company approved the interest payment of 8.79% per annum to Helanco Hotels & Spa (Private) Limited for the borrowing of Rs. 400M. Accordingly, the loan has been given to Sinolanka Hotels & Spa after the reporting dated. In accordance with LKAS 10 - "Events After Reporting Period", the funding arrangement has not been recognised as asset in financial statements.

Further, with reference to Note No. 2.5 & Note No. 16, the company has assigned KPMG to revalue the company for the purpose of transferring stake to the shareholders. According to the draft valuation report submitted by KPMG, the value of the company is ranging from Rs. 623.8 Mn to 709.99 Mn. The value increase of amounting to Rs. 106.05 Mn, in the Leasehold Land has resulted in increase in total value of the company. Lawyers opinion further exaggerate that the value of the leasehold land could be increased since, the company would have to spend an amount closer to the estimated market value of the asset, to lease a similar asset to start a new project in future. Further, the company could generate cash flows in future by utilizing the asset for a new project. In accordance

NOTES TO THE FINANCIAL STATEMENTS

with LKAS 10 - "Events After Reporting Period", the revaluation of the company has not been recognised as asset in financial statements.

47 The Segregation of the Life and General Insurance Business

As stipulated in the Amendment to the Insurance Act, No. 03 of 2011, composite insurance companies are required to segregate the long-term insurance business and the general insurance business carried on by it, into two separately established companies and the said compliance was to be effective by 11.02.2015. The Company is currently discussing with the relevant ministries to agree a methodology to satisfy the legal framework. Since the Company has not been able to segregate the composite business due to the aforementioned facts, the disclosure requirements of the "Guidelines on the presentation and disclosure of the long-term and general business under Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 issued by the Institute of Chartered Accountants of Sri Lanka" are not applicable.

48 Use of Terminal Facility

Litro Gas Lanka Limited

The company obtains bulk storage facilities for LPG from Litro Gas Terminal Lanka (Private) Limited. In obtaining this services, the company uses the latter's own storage tanks, pipelines and pumping stations and pays a 'throughput fee' to Litro Gas Terminal Lanka (Private) Limited for the facilities obtained. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, thus, constitute a finance lease arrangement as per the terms of the contract. However, in view of the storage facility of the terminal being available for other importers as well as the management's intention to enter into contracts with other importers to store the LPG, the said storage facilities have not been recognised in the books of account of the company. However, during the year under review Litro Gas Terminal Lanka (Private) Limited had not entered in to an agreement to lease out the facilities in absence of any favourable proposal from prospective importers.

Litro Gas Terminal Lanka (Private) Limited

The company provides bulk storage facilities for LPG and distribution of the same to Litro Gas Lanka Limited. In performing this function, the company uses its own storage tanks, pipelines and pumping stations and receives a 'throughput fee' from Litro

Gas Lanka Limited for the facilities provided. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, thus, constitute a finance lease arrangement as per the terms of the contract. However, in view of the storage facility of the terminal being available for other importers as well as the management's intention to enter in to contracts with other importers to store LPG, the said storage facilities have not been derecognised in the books of account of the company. However, during the year under review no agreement was entered in to lease out the facilities in the absence of any favorable proposal from prospective importers.

49 Going Concern

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

However the Board of Directors of Helanco Hotels & Spa (Pvt) Ltd the company has resolved to discontinue the project to construct the Hotel in Hambantota. As a consequence, the hotel construction activities of the company has come to an end. Further, the Ministry of Public Enterprise Development has given their instruction to transfer the company's stake to its shareholders in Canwill Holdings (Pvt) Ltd (Parent Company), in accordance with the Cabinet Decision No. 17/1613/733/029 dated 01st August 2017. The transfer of shares held by Canwill Holdings (Pvt) Ltd in Helanco Hotels & Spa (Pvt) Ltd should be based on an independent valuation which is in the process as in the reporting date. Hence, the Company has not resolved to liquidate the Company in the foreseeable future. Therefore, the Financial Statements continue to be prepared on the Going Concern basis.

ADDITIONAL INFORMATION

STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE

| As at 31 December | Notes | 2017 Rs. 000 | 2016 Rs. 000 |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Financial Investments | A | 113,256,786 | 102,671,994 |
| Investments in Subsidiaries | B | 1,457,914 | 1,457,914 |
| Property, Plant and Equipment | E | 66,048 | 61,344 |
| Loans to Policyholders | C | 1,522,185 | 1,518,719 |
| Reinsurance Receivable | | 474,950 | 429,440 |
| Premium Receivable from Policyholders | | 166,105 | 107,268 |
| Deferred Tax Assets | | 171,476 | 131,317 |
| Other Assets | D | 2,892,591 | 1,957,358 |
| Cash and Cash Equivalents | | 1,731,684 | 1,189,865 |
| Total Assets | | 121,739,739 | 109,525,219 |
| Equity | | | |
| Available-For-Sale Reserve | F | 8,053,087 | 13,102,021 |
| Revenue Reserves | G | 7,853,762 | 7,991,179 |
| Policyholder Reserve Fund | H | - | (4,711,130) |
| Restricted Regulatory Reserves | | 98,237 | - |
| Revaluation Reserve | | 31,128 | 43,296 |
| Total Equity Attributable to Equity Holders of The Company | | 16,036,214 | 16,425,367 |
| Liabilities | | | |
| Insurance Contract Liabilities (Provision) - Life | I | 101,671,180 | 90,010,165 |
| Reinsurance Creditors | | 210,639 | 112,894 |
| Tax Liability | | 561,248 | 404,919 |
| Provision for Retirement Benefits | | 643,433 | 495,304 |
| Agency Commission Payable | | 373,082 | - |
| Other Liabilities | J | 1,970,863 | 1,855,507 |
| Financial Liabilities (Bank overdraft) | | 273,080 | 221,064 |
| Total Liabilities | | 105,703,525 | 93,099,853 |
| Total Equity and Liabilities | | 121,739,739 | 109,525,219 |

NOTES TO THE FINANCIAL STATEMENTS - LIFE INSURANCE FUND

| As at 31 December | Note | 2017 | | 2016 | |
|--|-------|---------------------------|-----------------------|---------------------------|-----------------------|
| | | Carrying Value Rs. 000 | Fair Value Rs. 000 | Carrying Value Rs. 000 | Fair Value Rs. 000 |
| A. Financial Investments | | | | | |
| Held-To-Maturity (HTM) | A.1 | 52,472,450 | 54,236,574 | 47,280,871 | 43,886,759 |
| Loans & Receivables (L & R) | A.2 | 11,461,721 | 11,461,721 | 10,809,369 | 10,809,366 |
| Available-For-Sale (AFS) | A.3 | 45,996,971 | 45,996,971 | 39,860,063 | 39,860,060 |
| Fair Value Through Profit or Loss (FVTPL) | A.4 | 3,325,644 | 3,325,644 | 4,721,691 | 4,721,691 |
| | | 113,256,786 | 115,020,910 | 102,671,994 | 99,277,876 |
| A.1 Held-To-Maturity (HTM) | | | | | |
| Treasury Bonds | | 52,472,450 | 54,236,574 | 47,280,871 | 43,886,759 |
| | | 52,472,450 | 54,236,574 | 47,280,871 | 43,886,759 |
| A.2 Loans & Receivables (L & R) | | | | | |
| Unlisted Debentures | A.2.1 | 500,534 | 500,534 | 500,534 | 500,534 |
| Fixed Deposits | | 8,303,153 | 8,303,153 | 7,720,926 | 7,720,923 |
| Development Bonds | | 2,658,034 | 2,658,034 | 2,587,909 | 2,587,909 |
| | | 11,461,721 | 11,461,721 | 10,809,369 | 10,809,366 |
| A.3 Available-For-Sale (AFS) | | | | | |
| Listed Stocks | A.3.1 | 19,595,358 | 19,595,358 | 18,551,276 | 18,551,276 |
| Unit Trusts | A.3.2 | 4,361,144 | 4,361,144 | 762,396 | 762,395 |
| Listed Debentures | A.3.3 | 18,496,859 | 18,496,859 | 17,531,260 | 17,531,258 |
| Treasury Bonds | | 3,543,610 | 3,543,610 | 3,015,132 | 3,015,132 |
| | | 45,996,971 | 45,996,971 | 39,860,063 | 39,860,060 |
| A.4 Fair-Value-Through-Profit-or-Loss (FVTPL) | | | | | |
| Listed Stocks | A.4.1 | 3,325,644 | 3,325,644 | 4,721,691 | 4,721,691 |
| | | 3,325,644 | 3,325,644 | 4,721,691 | 4,721,691 |

FVTPL investments and AFS investments are valued at fair value. HTM and L&R Investments are valued at amortised cost.

| As at 31 December | 2017 | | | | 2016 | | | |
|----------------------------------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| | Maturity | Face | Carrying | Fair | Maturity | Face | Carrying | Fair |
| | Date | Value | Value | Value | Date | Value | Value | Value |
| | | Rs. 000 | Rs. 000 | Rs. 000 | | Rs. 000 | Rs. 000 | Rs. 000 |
| A.3.3 Listed Debentures | | | | | | | | |
| Financials | | | | | | | | |
| Banks | | | | | | | | |
| Bank of Ceylon | 29.11.2017 | 500,000 | - | - | 29.11.2017 | 500,000 | 520,264 | 520,264 |
| Bank of Ceylon | 24.10.2018 | 287,970 | 301,021 | 301,021 | 24.10.2018 | 287,970 | 299,897 | 299,897 |
| Bank of Ceylon | 21.09.2019 | 500,000 | 491,468 | 491,468 | 21.09.2019 | 500,000 | 488,568 | 488,568 |
| Bank of Ceylon | 24.10.2023 | 67,050 | 69,773 | 69,773 | 24.10.2023 | 67,050 | 71,282 | 71,282 |
| Bank of Ceylon | 06.10.2020 | 250,000 | 241,757 | 241,757 | 06.10.2020 | 250,000 | 257,437 | 257,437 |
| Hatton National Bank PLC | 12.06.2018 | 316,717 | 346,640 | 346,640 | 12.06.2018 | 316,717 | 347,875 | 347,875 |
| Hatton National Bank PLC | 14.12.2019 | 500,000 | 495,790 | 495,790 | 14.12.2019 | 500,000 | 519,640 | 519,640 |
| Hatton National Bank PLC | 31.03.2021 | 478,459 | 340,854 | 340,854 | 31.03.2021 | 478,459 | 287,315 | 287,315 |
| Hatton National Bank PLC | 28.03.2021 | 100,000 | 96,599 | 96,599 | 28.03.2021 | 100,000 | 99,599 | 99,599 |
| Hatton National Bank PLC | 30.08.2023 | 126,888 | 111,240 | 111,240 | 30.08.2023 | 126,888 | 102,497 | 102,497 |
| Hatton National Bank PLC | 01.11.2023 | 250,000 | 255,432 | 255,432 | 01.11.2023 | 250,000 | 255,432 | 255,432 |
| Hatton National Bank PLC | 31.03.2024 | 1,362,794 | 680,443 | 680,443 | 31.03.2024 | 1,362,794 | 558,064 | 558,064 |
| Commercial Bank of Ceylon PLC | 08.03.2026 | 1,000,000 | 1,003,637 | 1,003,637 | 08.03.2026 | 1,000,000 | 1,035,137 | 1,035,137 |
| Commercial Bank of Ceylon PLC | 27.10.2021 | 274,680 | 245,308 | 245,308 | 27.10.2021 | 274,680 | 280,550 | 280,550 |
| Commercial Bank of Ceylon PLC | 27.10.2026 | 185,110 | 192,351 | 192,351 | 27.10.2026 | 185,110 | 189,148 | 189,148 |
| National Development Bank PLC | 19.12.2023 | 750,000 | 749,250 | 749,250 | 19.12.2023 | 750,000 | 863,700 | 863,700 |
| National Development Bank PLC | 24.06.2020 | 444,000 | 423,576 | 423,576 | 24.06.2020 | 444,000 | 442,535 | 442,535 |
| Seylan Bank PLC | 21.02.2018 | 449,520 | 476,197 | 476,197 | 21.02.2018 | 449,520 | 485,772 | 485,772 |
| Seylan Bank PLC | 22.12.2019 | 500,000 | 476,360 | 476,360 | 22.12.2019 | 500,000 | 447,510 | 447,510 |
| Seylan Bank PLC | 15.07.2021 | 66,650 | 72,938 | 72,938 | 15.07.2021 | 66,650 | 70,686 | 70,686 |
| Seylan Bank PLC | 15.07.2023 | 57,280 | 60,948 | 60,948 | 15.07.2023 | 57,280 | 60,948 | 60,948 |
| Sampath Bank PLC | - | - | - | - | 11.10.2017 | 36,600 | 45,201 | 45,201 |
| Sampath Bank PLC | 04.12.2018 | 340,190 | 355,680 | 355,680 | 04.12.2018 | 340,190 | 362,423 | 362,423 |
| Sampath Bank PLC | 14.12.2019 | 500,000 | 445,416 | 445,416 | 14.12.2019 | 500,000 | 490,761 | 490,761 |
| Sampath Bank PLC | 18.11.2020 | 300,000 | 294,010 | 294,010 | 18.11.2020 | 300,000 | 277,000 | 277,000 |
| Sampath Bank PLC | 16.06.2021 | 500,000 | 535,105 | 535,105 | 16.06.2021 | 500,000 | 535,505 | 535,505 |
| Sampath Bank PLC | 21.12.2022 | 452,000 | 453,703 | 453,703 | - | - | - | - |
| Nations Trust Bank PLC | 08.11.2021 | 600,000 | 633,069 | 633,069 | 08.11.2021 | 600,000 | 611,229 | 611,229 |
| DFCC Bank PLC | 10.06.2020 | 250,000 | 253,999 | 253,999 | 10.06.2020 | 250,000 | 240,049 | 240,049 |
| DFCC Bank PLC | 09.11.2023 | 500,000 | 509,257 | 509,257 | 09.11.2023 | 500,000 | 509,257 | 509,257 |
| DFCC Bank PLC | 18.03.2019 | 500,000 | 542,113 | 542,113 | 18.03.2019 | 500,000 | 542,063 | 542,063 |
| Pan Asia Banking Corporation PLC | - | - | - | - | 18.03.2017 | 200,000 | 207,904 | 207,904 |
| Pan Asia Banking Corporation PLC | 29.09.2018 | 300,000 | 302,960 | 302,960 | 29.09.2018 | 300,000 | 290,510 | 290,510 |

NOTES TO THE FINANCIAL STATEMENTS - LIFE INSURANCE FUND

| As at 31 December | 2017 | | | | 2016 | | | |
|---|------------|-----------|-----------|-----------|------------|---------|----------|---------|
| | Maturity | Face | Carrying | Fair | Maturity | Face | Carrying | Fair |
| | Date | Value | Value | Value | Date | Value | Value | Value |
| | | Rs. 000 | Rs. 000 | Rs. 000 | | Rs. 000 | Rs. 000 | Rs. 000 |
| The Housing Development Finance | | | | | | | | |
| Corporation Bank of Sri Lanka | 23.10.2018 | 100,000 | 118,520 | 118,520 | 23.10.2018 | 100,000 | 124,660 | 124,660 |
| The Housing Development Finance | | | | | | | | |
| Corporation Bank of Sri Lanka | 20.11.2025 | 150,000 | 142,156 | 142,156 | 20.11.2025 | 150,000 | 134,086 | 134,086 |
| Diversified Financials | | | | | | | | |
| Merchant Bank of Sri Lanka PLC | 11.12.2019 | 113,520 | 119,673 | 119,673 | 11.12.2019 | 113,520 | 113,679 | 113,679 |
| People's Leasing & Finance PLC | - | - | - | - | 23.09.2017 | 750,000 | 801,900 | 801,900 |
| People's Leasing & Finance PLC | 26.03.2018 | 105,900 | 116,505 | 116,505 | 26.03.2018 | 105,900 | 134,663 | 134,663 |
| People's Leasing & Finance PLC | 23.09.2018 | 750,000 | 819,938 | 819,938 | 23.09.2018 | 750,000 | 795,413 | 795,413 |
| LB Finance PLC | 28.11.2018 | 220,670 | 242,935 | 242,935 | 28.11.2018 | 220,670 | 243,442 | 243,442 |
| LB Finance PLC | 11.12.2022 | 1,000,000 | 1,007,623 | 1,007,623 | - | - | - | - |
| Senkadagala Finance PLC | 10.12.2018 | 100,000 | 100,943 | 100,943 | 10.12.2018 | 100,000 | 111,133 | 111,133 |
| Senkadagala Finance PLC | 09.11.2018 | 100,000 | 100,481 | 100,481 | 09.11.2018 | 100,000 | 101,781 | 101,781 |
| Citizens Development Business Finance PLC | 19.12.2018 | 37,350 | 38,811 | 38,811 | 19.12.2018 | 37,350 | 39,035 | 39,035 |
| Softlogic Finance PLC | 29.08.2019 | 12,600 | 13,005 | 13,005 | 29.08.2019 | 12,600 | 13,060 | 13,060 |
| Central Finance Company PLC | 01.06.2020 | 225,000 | 239,243 | 239,243 | 01.06.2020 | 225,000 | 226,935 | 226,935 |
| Commercial Leasing & Finance PLC | 21.07.2020 | 250,000 | 276,050 | 276,050 | 21.07.2020 | 250,000 | 274,700 | 274,700 |
| Commercial Credit & Finance PLC | 10.12.2020 | 400,000 | 396,907 | 396,907 | 10.12.2020 | 400,000 | 375,547 | 375,547 |
| Commercial Credit & Finance PLC | 01.06.2020 | 43,345 | 43,625 | 43,625 | 01.06.2020 | 43,345 | 44,840 | 44,840 |
| Vallibel Finance PLC | 31.03.2020 | 100,000 | 102,544 | 102,544 | 31.03.2020 | 100,000 | 102,584 | 102,584 |
| Siyapatha Finance PLC | 20.09.2019 | 125,000 | 127,961 | 127,961 | 20.09.2019 | 125,000 | 129,586 | 129,586 |
| Lanka Orix Leasing Company PLC | 24.11.2019 | 110,000 | 105,455 | 105,455 | - | - | - | - |
| Lanka Orix Leasing Company PLC | 31.07.2019 | 500,000 | 526,686 | 526,686 | - | - | - | - |
| Lanka Orix Leasing Company PLC | 31.07.2019 | 500,000 | 528,075 | 528,075 | - | - | - | - |
| Industrials | | | | | | | | |
| Capital Goods | | | | | | | | |
| Hayleys PLC | 06.03.2020 | 200,000 | 194,913 | 194,913 | 06.03.2020 | 200,000 | 183,313 | 183,313 |
| Hemas Holdings PLC | 29.04.2019 | 119,970 | 124,340 | 124,340 | 29.04.2019 | 119,970 | 121,545 | 121,545 |
| Richard Pieris and Company PLC | - | - | - | - | 16.05.2017 | 29,580 | 30,325 | 30,325 |
| MTD Walkers PLC | 30.09.2018 | 200,000 | 202,788 | 202,788 | 30.09.2018 | 200,000 | 195,228 | 195,228 |

| As at 31 December | 2017 | | | | 2016 | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| | Maturity | Face | Carrying | Fair | Maturity | Face | Carrying | Fair |
| | Date | Value | Value | Value | Date | Value | Value | Value |
| | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 | Rs. 000 |
| Health Care | | | | | | | | |
| Health Care Equipment & Services | | | | | | | | |
| Nawaloka Hospitals PLC | 30.09.2021 | 150,000 | 168,280 | 168,280 | 30.09.2021 | 150,000 | 161,965 | 161,965 |
| Consumer Discretionary | | | | | | | | |
| Consumer Durables & Apparel | | | | | | | | |
| Abans PLC | 20.12.2018 | 400,000 | 440,998 | 440,998 | 20.12.2018 | 400,000 | 441,558 | 441,558 |
| Retailing | | | | | | | | |
| Singer Sri Lanka PLC | 15.03.2019 | 200,000 | 205,094 | 205,094 | 15.03.2019 | 200,000 | 206,214 | 206,214 |
| Consumer Staples | | | | | | | | |
| Food, Beverage & Tobacco | | | | | | | | |
| The Lion Brewery Ceylon PLC | - | - | - | - | 17.06.2017 | 105,600 | 110,506 | 110,506 |
| The Lion Brewery Ceylon PLC | 17.06.2018 | 140,800 | 148,261 | 148,261 | 17.06.2018 | 140,800 | 150,528 | 150,528 |
| The Lion Brewery Ceylon PLC | 08.12.2019 | 400,000 | 388,155 | 388,155 | 08.12.2019 | 400,000 | 367,275 | 367,275 |
| | | | | | | | - | |
| | | 18,963,463 | 18,496,859 | 14,496,859 | | 18,023,243 | 17,531,258 | 17,531,258 |

- 1 Guaranteed by GuarantCo Ltd which is ultimately owned by multilateral G10 governments.
- 2 Guaranteed equally by HNB & Sampath.
- 3 Guaranteed by HNB.

NOTES TO THE FINANCIAL STATEMENTS - LIFE INSURANCE FUND

| As at 31 December | 2017 | | | 2016 | | |
|-------------------------------------|------------------|------------------------------|--------------------------|------------------|------------------------------|--------------------------|
| | 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 | | | | | | |
| Consumer Discretionary | | | | | | |
| Retailing | | | | | | |
| C M Holdings PLC | 392,076 | 28,229 | 28,229 | 392,076 | 33,405 | 33,405 |
| Consumer Services | | | | | | |
| Aitken Spence Hotel Holdings PLC | 5,518,727 | 162,251 | 162,251 | 5,518,727 | 238,961 | 238,961 |
| Asian Hotels & Properties PLC | 10,055,900 | 530,952 | 530,952 | 10,055,900 | 573,186 | 573,186 |
| John Keells Hotels PLC | 69,872,369 | 614,877 | 614,877 | 71,622,800 | 766,364 | 766,364 |
| Anilana Hotels & Properties Ltd | 2,500,000 | 3,000 | 3,000 | 2,500,000 | 4,500 | 4,500 |
| Automobiles & Components | | | | | | |
| Kelani Tyres PLC | 181,689 | 8,067 | 8,067 | 181,689 | 11,810 | 11,810 |
| Consumer Staples | | | | | | |
| Food Staples and Retelling | | | | | | |
| Cargils (Ceylon) PLC | 100,000 | 20,000 | 20,000 | - | - | - |
| Food, Beverage & Tobacco | | | | | | |
| The Lion Brewery Ceylon PLC | 50,726 | - | - | 308,706 | 143,548 | 143,548 |
| Nestle Lanka PLC | 180,466 | 293,257 | 293,257 | - | - | - |
| Energy | | | | | | |
| Energy | | | | | | |
| Laugfs Gas PLC | 3,900 | 92 | 92 | 3,900 | 132 | 132 |
| Financials | | | | | | |
| Diversified Financials | | | | | | |
| Nation Lanka Finance PLC | 979,500 | 1,077 | 1,077 | 979,500 | 1,371 | 1,371 |
| Banks | | | | | | |
| Sampath Bank PLC | - | - | - | 1,000,000 | 261,500 | 261,500 |

| As at 31 December | No. of Shares | 2017 Carrying Value Rs. 000 | Fair Value Rs. 000 | No. of Shares | 2016 Carrying Value Rs. 000 | Fair Value Rs. 000 |
|--|------------------|--------------------------------------|--------------------------|------------------|--------------------------------------|--------------------------|
| Real Estate | | | | | | |
| Real Estate | | | | | | |
| Overseas Reality (Ceylon) PLC | 4,649,218 | 81,826 | 81,826 | 4,649,218 | 92,984 | 92,984 |
| Industrials | | | | | | |
| Capital Goods | | | | | | |
| Renuka Holdings PLC | - | - | - | 1,526,316 | 32,205 | 32,205 |
| Aitken Spence PLC | 1,263,348 | 68,347 | 68,347 | 2,000,000 | 130,000 | 130,000 |
| John Keells Holdings PLC | - | - | - | 5,100,782 | 739,613 | 739,613 |
| Vallibel One PLC | 65,900 | 1,166 | 1,166 | 65,900 | 1,219 | 1,219 |
| ACL Cables PLC | 675,647 | 28,512 | 28,512 | - | - | - |
| Royal Ceramics PLC | - | - | - | 1,353,186 | 156,970 | 156,970 |
| Lanka Walltiles PLC | 807,600 | 82,294 | 82,294 | 807,600 | 80,518 | 80,518 |
| Brown & Company PLC | 786,990 | 62,881 | 62,881 | 906,990 | 75,643 | 75,643 |
| Colombo Dockyard PLC | 3,592,548 | 315,426 | 315,426 | 3,592,548 | 273,034 | 273,034 |
| Heyleys PLC | 397,418 | 95,380 | 95,380 | 397,418 | 107,303 | 107,303 |
| Expolanka Holdings PLC | 9,499,000 | 51,295 | 51,295 | 2,500,000 | 15,750 | 15,750 |
| Information Technology | | | | | | |
| Technology Hardware & Equipment | | | | | | |
| PC House PLC | - | - | - | 876,700 | 88 | 88 |
| Materials | | | | | | |
| Materials | | | | | | |
| Lanka Cement PLC | - | - | - | 509,700 | 3,007 | 3,007 |
| Swisstek (Ceylon) | 368,132 | 23,524 | 23,524 | - | - | - |
| Lanka Aluminium Industries PLC | 69,838 | 5,021 | 5,021 | 83,660 | 7,529 | 7,529 |
| Chevron Lubricants Lanka PLC | 2,900,000 | 345,100 | 345,100 | 2,000,000 | 314,000 | 314,000 |
| Telecommunication Services | | | | | | |
| Telecommunication Services | | | | | | |
| Dialog Axiata PLC | - | - | - | 1,000,000 | 10,500 | 10,500 |
| Sri Lanka Telecom PLC | 17,713,735 | 503,070 | 503,070 | 17,713,735 | 646,551 | 646,551 |
| | | 3,325,644 | 3,325,644 | | 4,721,691 | 4,721,691 |

| As at 31 December | Land Rs. 000 | Building Rs. 000 | Total Rs. 000 |
|---|-----------------|---------------------|------------------|
| D. Other Assets | | | |
| Inventories | | 32,106 | 23,708 |
| Other Debtors and Receivables | | 149,552 | 93,192 |
| Other Loans | | 1,958,879 | 1,414,768 |
| Investment Receivables | | - | - |
| Amount Due from General Division | | 222,417 | 107,359 |
| Prepaid Benefit on Loans | | 529,637 | 318,332 |
| | | 2,892,591 | 1,957,358 |
| E. Property, Plant and Equipment | | | |
| Freehold | | | |
| Cost | | | |
| Balance as at 01.01.2017 | 35,030 | 26,313 | 61,343 |
| Additions | - | 5,176 | 5,176 |
| Revaluation | | | - |
| Balance as at 31.12.2017 | 35,030 | 31,489 | 66,519 |
| Accumulated Depreciation | | | |
| Balance as at 01.01.2016 | - | - | - |
| Depreciation charge for the period | - | 471 | 471 |
| Transferred to Revaluation Reserve | - | - | - |
| Balance as at 31.12.2017 | - | 471 | 471 |
| Carrying Amount | | | |
| As at 31 December 2017 | 35,030 | 31,018 | 66,048 |

F. Available-For-Sale Reserve

Life Policyholders are entitled to Rs. 5,897 million and Shareholders are entitled for Rs. 8,053 million respectively.

NOTES TO THE FINANCIAL STATEMENTS - LIFE INSURANCE FUND

| | Note | 2017 Rs. 000 | 2016 Rs. 000 |
|---|------|------------------|--------------------|
| G. Revenue Reserve | | | |
| General Reserve | | 42,100 | 42,101 |
| Reserve on Actuarial Gain/(Loss) on Retirement Benefit | | (222,135) | (160,552) |
| Revenue Reserve Other Liabilities | | - | 535,902 |
| Surplus from Life Insurance | G.1 | 7,497,895 | 8,109,630 |
| | | 7,853,762 | 7,991,179 |
| G.1. Surplus from Life Insurance | | | |
| Balance as at 01st January | | 8,109,630 | 4,865,020 |
| Surplus attributable to Shareholders from Life Insurance | | 1,820,855 | 3,844,610 |
| Impact of last year AFS reserve transfer to share holders | | (2,898,769) | - |
| Transferd from One off Surplus-Un restricted Reserve | | 466,179 | - |
| Supper Gain Tax | | - | - |
| Transferred to Shareholders | | | (600,000) |
| Balance as at 31st December | | 7,497,895 | 8,109,630 |
| H. Policyholder Reserve Fund | | | |
| Balance as at 01st January | | (4,711,130) | (410,518) |
| Change in Fair Value measurements applicable to Life Contract liability | | 4,711,130 | (4,300,612) |
| Balance as at 31st December | | - | (4,711,130) |

| | 2017 Rs. 000 | 2016 Rs. 000 |
|--|--------------------|-------------------|
| I. Insurance Contract Liabilities - Life | | |
| Life Assurance Fund | 87,357,386 | 77,858,384 |
| Movement of the Fund | 10,058,978 | 9,042,999 |
| Impact of last year AFS reserve transfer to Share holders | 2,898,769 | - |
| Transferred from Life Policyholders Reserve Fund | (4,711,128) | 4,300,612 |
| Regulatory Restricted Reserves from One off Surplus | (98,237) | - |
| Impact of Current Year AFS Reserve Transfer to SH | (535,902) | - |
| Transfers of Surplus from One off Surplus -Un-Restricted Reserve | (466,179) | - |
| Transfers of Surplus from Long Term Insurance Business | (1,820,855) | (3,844,610) |
| | 92,682,832 | 87,357,386 |
| AFS Reserves | | |
| AFS Reserves - Life Fund | 5,897,605 | - |
| Policyholder Outstanding claims | 3,090,743 | 2,652,779 |
| | 101,671,180 | 90,010,165 |
| J. Other Liabilities | | |
| Agency Commission Payable | 373,082 | 302,209 |
| Premium Received in Advance | 339,172 | 285,009 |
| Trade Creditors & Accrued Expenses | 1,258,609 | 1,268,289 |
| | 1,970,863 | 1,855,507 |

TEN YEAR SUMMARY

| For the year ended 31 December | SLFRS /LKAS | | | |
|---------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 |
| Statement of Income | | | | |
| Non- Life | | | | |
| Gross Written Premium | 18,920,562 | 15,720,793 | 14,049,934 | 12,544,828 |
| Net Earned Premiums | 13,652,345 | 12,333,957 | 10,086,240 | 9,820,149 |
| Net Claims Incurred | (9,127,011) | (8,605,127) | (6,628,963) | (6,205,796) |
| Operating & administration Expenses | (4,138,944) | (3,815,993) | (2,877,500) | (3,977,357) |
| Investment and Other Income | 2,189,129 | 9,322,418 | 2,472,763 | 2,224,732 |
| Interest Expense | - | (3) | (1) | (14) |
| Profit before Taxation | 2,575,519 | 9,235,253 | 3,052,539 | 1,861,713 |
| Taxation | (391,642) | (308,911) | (538,488) | (217,101) |
| Profit after Taxation | 2,183,877 | 8,926,342 | 2,514,051 | 1,644,612 |
| Long Term | | | | |
| Gross Written Premium | 12,517,120 | 11,893,640 | 10,470,079 | 8,121,159 |
| Net Written Premium | 12,285,325 | 11,679,336 | 10,307,235 | 7,984,758 |
| Investment and Other Income | 11,272,937 | 8,772,049 | 8,290,528 | 9,272,341 |
| Claims Incurred | (6,899,557) | (5,871,667) | (6,304,646) | (5,733,524) |
| Commission Expenses | (1,688,772) | (1,560,526) | (1,240,955) | (1,127,919) |
| Management Expenses | (3,981,540) | (3,265,086) | (2,443,684) | (2,507,814) |
| Increase in Life Fund before Taxation | 10,988,385 | 9,754,105 | 8,608,478 | 7,887,842 |
| Taxation | (929,414) | (740,739) | (842,932) | (899,025) |
| | | - | | |
| Increase in Life Fund | 10,058,981 | 9,013,366 | 7,765,546 | 6,988,817 |
| Total Business | | | | |
| Revenue | 39,399,737 | 42,107,761 | 31,156,767 | 29,301,980 |
| Gross Written Premium | 31,437,682 | 27,614,433 | 24,520,012 | 20,665,987 |
| Net Earned Premiums | 25,937,670 | 24,013,294 | 20,393,475 | 17,804,905 |
| Benefits, losses and expenses | (26,025,128) | (21,870,192) | (21,360,285) | (18,928,978) |
| Investment and Other Income | 13,462,067 | 18,094,467 | 10,763,292 | 11,497,075 |
| Operating & administrative expenses | (7,484,404) | (6,446,601) | (4,975,705) | (5,999,863) |
| Profit before Taxation | 5,890,204 | 13,790,968 | 4,820,777 | 4,373,139 |
| Taxation | (1,321,055) | (1,049,650) | (1,381,420) | (1,116,126) |
| Profit after Taxation | 4,569,150 | 12,741,317 | 3,439,357 | 3,257,013 |

| 2013 Rs. 000 | Restated 2012 Rs. 000 | SLASs | | | |
|------------------|-----------------------------|-----------------------------|-------------------|------------------|------------------|
| | | Restated 2011 Rs. 000 | 2010 Rs. 000 | 2009 Rs. 000 | 2008 Rs. 000 |
| 12,953,151 | 12,803,592 | 11,477,600 | 9,266,637 | 8,764,542 | 9,140,844 |
| 9,504,974 | 9,487,217 | 7,828,645 | 6,034,185 | 6,592,541 | 6,478,099 |
| (4,934,074) | (6,194,011) | (4,970,962) | (2,885,793) | (5,379,207) | (4,819,146) |
| (2,850,951) | (2,008,614) | (2,129,670) | (1,917,779) | (2,186,107) | (2,006,750) |
| 2,516,799 | 2,064,835 | (245,498) | 10,112,693 | 1,940,038 | 1,202,306 |
| (51) | (110) | (12) | (98) | (1,935) | (16,225) |
| 3,736,069 | 2,829,411 | 158,513 | 11,343,207 | 965,330 | 838,283 |
| (803,033) | (900,971) | (407,432) | (843,740) | (233,096) | (254,598) |
| 2,933,035 | 1,928,440 | (248,919) | 10,499,467 | 732,232 | 583,685 |
| 8,397,718 | 7,369,032 | 6,743,073 | 6,009,859 | 4,819,860 | 4,497,919 |
| 8,300,082 | 7,281,225 | 6,593,457 | 5,945,561 | 4,769,590 | 4,381,490 |
| 7,658,997 | 6,811,040 | 3,236,025 | 13,026,350 | 7,227,092 | 5,398,818 |
| (4,870,410) | (4,089,232) | (3,592,818) | (4,957,675) | (3,831,985) | (3,289,846) |
| (1,053,299) | (1,088,644) | (933,627) | (648,033) | (547,848) | (552,689) |
| (2,306,933) | (2,146,961) | (2,129,210) | (1,483,218) | (1,317,279) | (2,037,946) |
| 7,728,350 | 6,767,312 | 3,173,803 | 11,882,985 | 6,299,570 | 3,899,827 |
| (897,006) | (726,442) | (813,114) | (1,151,175) | (1,075,883) | (793,213) |
| 6,831,344 | 6,040,870 | 2,360,689 | 10,731,810 | 5,223,687 | 3,106,614 |
| 27,890,852 | 25,644,316 | 17,207,927 | 43,777,495 | 22,306,632 | 17,460,713 |
| 21,350,869 | 20,172,624 | 18,220,673 | 15,239,001 | 13,584,399 | 13,638,763 |
| 17,805,056 | 16,768,442 | 14,422,101 | 11,942,251 | 11,362,130 | 10,859,589 |
| (16,467,961) | (15,625,260) | (7,718,624) | (22,203,564) | (16,673,008) | (13,450,368) |
| 10,175,796 | 8,875,874 | 2,785,827 | 28,538,494 | 10,945,554 | 6,601,124 |
| (5,158,022) | (4,155,798) | (4,054,218) | (3,185,346) | (2,776,014) | (2,248,664) |
| 6,354,869 | 5,863,255 | 5,435,086 | 15,130,395 | 2,851,431 | 1,631,497 |
| (1,700,039) | (1,627,413) | (1,220,547) | (1,860,560) | (1,322,893) | (1,047,811) |
| 4,654,830 | 4,235,842 | 4,214,539 | 13,269,836 | 1,528,566 | 583,685 |

TEN YEAR SUMMARY

| As at 31 December | SLFRSs/LKASs | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2017 Rs. 000 | 2016 Rs. 000 | 2015 Rs. 000 | 2014 Rs. 000 |
| Balance Sheet | | | | |
| Assets | | | | |
| Property, Plant and Equipment | 49,598,222 | 44,033,234 | 38,265,273 | 35,754,938 |
| Investments | 147,069,847 | 132,453,391 | 133,912,388 | 119,156,967 |
| Other Assets | 35,114,340 | 37,311,013 | 34,308,328 | 40,171,009 |
| Total Assets | 231,782,408 | 213,797,636 | 206,485,989 | 195,082,914 |
| Equity and Liabilities | | | | |
| Share Capital | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Capital Reserve | 10,442,923 | 11,623,290 | 8,523,861 | 8,681,951 |
| Regulatory restricted reserves from one off surplus | 98,237 | - | - | - |
| General Reserve | 643,442 | 643,442 | 643,442 | 643,442 |
| Available for Sale Reserve | 16,227,399 | 21,055,304 | 22,390,664 | 26,525,252 |
| Revenue Reserve | 44,600,992 | 39,514,579 | 44,611,275 | 37,499,812 |
| Non-Controlling Interest | 8,077,450 | 7,961,626 | 7,509,450 | 7,246,077 |
| Total Capital and Reserves | 86,090,443 | 86,798,241 | 89,678,692 | 86,596,534 |
| Liabilities | | | | |
| Insurance Provision-Long Term | 101,671,180 | 90,010,165 | 80,650,581 | 77,254,496 |
| Insurance Provision-Non -Life | 17,128,394 | 16,517,151 | 14,916,652 | 13,195,783 |
| Other Liabilities | 26,892,392 | 20,472,077 | 21,240,064 | 18,036,101 |
| Total Liabilities | 145,691,966 | 126,999,394 | 116,807,297 | 108,486,380 |
| Total Equity and Liabilities | 231,782,408 | 213,797,636 | 206,485,989 | 195,082,914 |
| Long Term -Supplemental | | | | |
| Assets | | | | |
| Property, Plant and Equipment | 66,048 | 61,344 | 41,658 | 42,172 |
| Investments | 114,714,700 | 104,129,908 | 96,996,254 | 92,914,463 |
| Other Assets | 6,958,991 | 5,333,967 | 6,055,405 | 6,140,884 |
| Total Assets | 121,739,738 | 109,525,219 | 103,093,317 | 99,097,519 |
| Liabilities | | | | |
| Long Term Insurance Funds | 98,580,437 | 87,357,386 | 77,858,384 | 74,706,062 |
| Other Liabilities | 7,123,087 | 5,742,466 | 6,031,340 | 5,764,890 |
| Equity Attributable to Shareholders | | | | |
| Capital Reserve | 31,128 | 43,296 | 27,877 | 27,877 |
| Revenue /Other Reserves | 16,005,086 | 16,382,071 | 19,175,716 | 18,598,689 |
| Total Liabilities | 121,739,738 | 109,525,219 | 103,093,317 | 99,097,519 |

| 2013 Rs. 000 | Restated 2012 Rs. 000 | SLASs | | | |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-------------------|-------------------|
| | | Restated 2011 Rs. 000 | Restated 2010 Rs. 000 | 2009 Rs. 000 | 2008 Rs. 000 |
| 32,337,013 | 27,909,258 | 16,531,061 | 15,955,573 | 6,926,428 | 4,748,020 |
| 94,771,272 | 88,784,965 | 93,335,443 | 98,061,820 | 56,626,575 | 43,191,685 |
| 45,113,975 | 36,136,924 | 21,494,742 | 25,282,852 | 11,545,918 | 16,818,869 |
| 172,222,260 | 152,831,147 | 131,361,246 | 139,300,245 | 75,098,921 | 64,758,574 |
| 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| 8,738,238 | 9,161,368 | 4,638,021 | 5,359,282 | 1,457,507 | 1,448,135 |
| - | - | - | - | - | - |
| 643,442 | 643,442 | 643,442 | 643,442 | 643,442 | 601,342 |
| 15,364,711 | 12,521,041 | 13,190,776 | 25,704,419 | - | - |
| 32,651,211 | 25,022,161 | 19,046,744 | 20,990,007 | 3,481,934 | 1,487,222 |
| 7,056,139 | 1,647,284 | 1,522,687 | 2,041,104 | 911,246 | - |
| 70,453,741 | 54,995,296 | 45,041,670 | 60,738,254 | 12,494,129 | 9,536,699 |
| 69,079,061 | 62,526,048 | 58,494,522 | 52,573,602 | 43,956,012 | 39,470,887 |
| 13,288,956 | 14,297,803 | 13,132,830 | 11,772,953 | 11,804,983 | 10,636,192 |
| 19,400,502 | 21,012,000 | 14,692,223 | 14,215,436 | 6,843,796 | 5,114,796 |
| 101,768,519 | 97,835,851 | 86,319,575 | 78,561,991 | 62,604,792 | 55,221,875 |
| 172,222,260 | 152,831,147 | 131,361,246 | 139,300,245 | 75,098,921 | 64,758,574 |
| 55,969 | 57,012 | 46,553 | 53,343 | 63,305 | 107,748 |
| 73,643,020 | 73,029,822 | 72,799,868 | 74,540,011 | 42,219,092 | 30,824,851 |
| 12,553,679 | 9,497,112 | 4,850,532 | 11,865,314 | 6,216,560 | 11,054,551 |
| 86,196,699 | 82,583,945 | 77,696,953 | 86,458,668 | 48,498,957 | 41,987,150 |
| 69,079,806 | 62,526,048 | 58,494,521 | 52,573,601 | 43,956,013 | 39,470,892 |
| 2,743,847 | 2,510,653 | 2,575,067 | 2,589,100 | 2,978,417 | 2,516,258 |
| 40,892 | 40,892 | 16,106 | 16,106 | 9,372 | - |
| 14,332,153 | 17,506,352 | 16,611,259 | 31,279,861 | 1,555,156 | - |
| 86,196,699 | 82,583,945 | 77,696,953 | 86,458,668 | 48,498,957 | 41,987,150 |

BRANCH OFFICES

Branch & CSC List - Region wise as @ 31st December 2017

Branch Administration Department

| Region | Branch | No of Branches | Province | Address | Telephone Number | | | Fax Number |
|------------|----------------|----------------|----------|---|------------------|---------------|---------------|---------------|
| Badulla | Badulla | 7 | UP | 14, R H Gunawardane Mawatha, Badulla | 055 - 2230972 | 055 - 5670251 | 055 - 2224777 | 055 - 2222372 |
| | Bandarawela | | UP | 250/1/A, Badulla Road, Bandarawela | 057 - 2223526 | 057 - 5670703 | | 057 - 2223526 |
| | Bibila | | UP | Opposite R.S. Office, Bibila | 055 - 5675673 | | | |
| | Mahiyangana | | UP | 14, 1st Floor, Samanala Building, Kandy Road, Mahiyanganaya | 055 - 2257179 | 055 - 5670344 | | 055 - 2257179 |
| | Monaragala | | UP | 114/1, Wellawaya Road, Monaragala | 055 - 2276145 | 055 - 5670525 | | 055 - 2276145 |
| | Welimada | | UP | 15 2/1, 2nd Floor, New Shopping Complex, Badulla Road, Welimada | 057 - 2245174 | 057 - 5670702 | | 057 - 2245174 |
| | Wellawaya | | UP | 145/1/1, Hambantota Road, Wellawaya | 055 - 2274133 | 055 - 5673345 | | 055 - 2274874 |
| Central 01 | Digana | 6 | CP | 42, Gonawala Road, Digana, Rajawella | 081 - 2376814 | 081 5630744 | | 081 2376814 |
| | Gampola | | CP | 176/A, Kandy Road, Gampola | 081 - 2351709 | 081 - 5675128 | | 081 - 2351709 |
| | Kandy | | CP | 25, Hill Street, Kandy | 081 - 2234296 | 081 - 2234954 | 081 - 2228172 | 081 - 2201685 |
| | Kandy FBD | | CP | 6, Wadugodapitiya Road, Kandy | 081 - 5627274 | | | 018 - 2204830 |
| | Matale | | CP | 134, Dharmapala Mawatha, Matale | 066 - 2233989 | 066 - 2224735 | 066 - 5671653 | 066 - 2222417 |
| | Pilimathalawa | | CP | 211/C, Colombo Road, Pilimathalawa | 081 - 2575444 | 081 - 5630070 | | 081 - 2575444 |
| Central 02 | Hatton | 6 | CP | 01,1/1, Sunday Fair Road, Hatton | 051 - 2222196 | 051 - 5670202 | | 051 - 2222196 |
| | Kegalle | | SG | 389, Main Street, Kegalle | 035 - 2222531 | 035 - 2222531 | | 035 - 2222531 |
| | Mawanella | | SG | 238,1/1,Kandy Road, Mawanella | 035 - 2249335 | 035 - 5672981 | | |
| | Nawalapitiya | | CP | 79, Kothmale Road, Nawalapitiya | 054 - 2222019 | | | 054 - 2222019 |
| | Nuwaraeliya | | CP | 60/1, Park Road, Nuwara - Eliya | 052 - 2222759 | 052 - 5670529 | | 052 - 2222759 |
| | Rikillagaskada | | CP | 68, Ragala Road, Rikillagaskada | 081 - 2365279 | 081 - 5674793 | | 081 - 2365279 |
| Colombo 01 | Athurugiriya | 8 | WP | 70/15 C, Main Street, Athurugiriya | 112 - 077868 | | | |
| | Battaramulla | | WP | 119, Pannipitiya Road, Battaramulla | 011 - 2866357 | 011 - 5634629 | | 011 - 2866357 |
| | Homagama | | WP | 64, High Level Road, Homagama | 011 - 2893426 | 011 - 5634670 | | 011 - 2893200 |

| Region | Branch | No of Branches | Province | Address | Telephone Number | | | Fax Number |
|------------|-----------------------------|----------------|----------|--|------------------|---------------|---------------|---------------|
| | Kirulapone | | WP | 88 1/1, 1st Floor, High Level Road, Kirulapone | 011 - 2514348 | 011 - 5649541 | | 011 - 2514348 |
| | Maharagama | | WP | 128, Opposite Elhena Road, High Level Road, Maharagama | 011 - 2843563 | 011 - 5635465 | | 011 - 2843010 |
| | Malambe | | WP | 821/3C, New Kandy Road, Malambe | 011 - 2762312 | 011 - 5651612 | | 011 - 2762312 |
| | Nugegoda | | WP | 310A, High Level Road, Colombo 06 | 011 - 2817739 | 011 - 2826364 | | 011 - 2826365 |
| | Pitakotte | | WP | 463, Kotte Road, Pita Kotte | 011 - 2866755 | | | 011 - 2866755 |
| Colombo 02 | Fort | 7 | WP | 24, Paul V1th Centre, 3rd Floor, Frount Street, Colombo 11 | 011 - 5741820 | | | 011 - 2423752 |
| | Kadawatha | | WP | 151/5, Kandy Road, Kadawatha | 011 - 2921567 | | | 011 - 2921567 |
| | Kaduwela | | WP | 482/8, Colombo Road, Kaduwela | 011 - 2579976 | 011 - 5628269 | | 011 - 2579976 |
| | Kiribathgoda | | WP | 101/1, Gala Junction, Kandy Road, Kiribathgoda | 011 - 5554485 | 011 - 5635483 | | 011 - 2912742 |
| | Kotahena | | WP | 178, Gold Tower , George R De Silva Mawatha, Colombo 13 | 011 - 5673345 | 011 - 2335254 | | |
| | Ragama | | WP | 34/1, Mahabage Road, Ragama | 011 - 2956371 | | | |
| | Wattala | | WP | 396, Negombo Road, Wattala | 011 - 5355531 | 011 - 5355532 | 011 - 5635480 | 011 - 5355532 |
| Colombo 03 | Bambalapitiya | 8 | WP | 316, Galle Road, Colombo 04 | 011 - 5632790 | 011 - 5673296 | | 011 - 5332427 |
| | Borella | | WP | 27, D. S. Senanayake Mawatha, Colombo 08 | 011 - 2678480 | | | 011 - 2678480 |
| | City Office | | WP | 288, Union Place, Colombo 02 | 011 - 2357562 | 011 - 2303914 | 011 - 5677136 | 011 - 2303914 |
| | Dehiwala | | WP | Ramanayake Automobile, No 121, 1/1, Galle Road, Dehiwala | 011 - 2713702 | 011 - 5744962 | | 011 - 2713702 |
| | Moratuwa | | WP | 710, Galle Road, Idama, Moratuwa | 011 - 5554451 | 011 - 5644634 | | 011 - 5554451 |
| | Narahenpita Service Counter | | WP | Department of Motor Traffic , P.O.Box 533, Narahenpita | 011 - 5746530 | | | 0 |
| | Piliyandala | | WP | 34, Vidyala Mawataha, Piliyandala | 011 - 2613976 | | | 011 - 2613976 |
| | Ratmalana | | WP | 143/2/4, Mount City, Galle Road, Ratmalana | 011 - 5635475 | 011 - 2715992 | | 011 - 2715982 |
| Eastern | Akkaraipattu | 6 | EP | 143, Main Street Akkaraipattu - 2, Akkaraipattu | 067 - 2279627 | | | 065 - 2222331 |
| | Ampara | | EP | 01, Inginiyagala Road, Ampara | 063 - 2222073 | 063 - 5670307 | | 063 - 2222073 |
| | Batticaloa | | EP | 30, Pioneer Road, Batticaloa | 065 - 2224470 | | | |

BRANCH OFFICES

| Region | Branch | No of Branches | Province | Address | Telephone Number | | | Fax Number |
|------------|------------------|----------------|----------|---|------------------|---------------|---------------|---------------|
| | Kalmunai | | EP | 102/1, Police Station Road, Kalmunai | 067 - 2229912 | 067 - 5670168 | | 067 - 2229912 |
| | Kantale | | EP | 62/P, Main Street Kantale | 026 - 2234043 | | | 026 - 2234043 |
| | Trincomalee | | EP | 46, Main Street, Trincomalee | 026 - 2222434 | 026- 5675025 | | 026 -2223123 |
| Galle | Ambalangoda | 10 | SP | 299, Wickramasuriya Road, Ambalangoda | 091 - 2258339 | 091- 5678298 | | 091 - 2255855 |
| | Baddegama | | SP | 60 1/1, Gall Road, Baddegama | 091 - 2292303 | 091 - 5624502 | | 091 - 2292303 |
| | Elpitiya | | SP | 18/12, 1/1, New Road, Elpitiya | 091 - 2291365 | 091 - 5673672 | | 091 - 2291365 |
| | Galle | | SP | 50 A, Havlock Road, Galle | 091 - 2234531 | 091 - 2224029 | 091 - 5676528 | 091 - 2241981 |
| | Habaraduwa CSC | | SP | Near the Petrol Shed, Matara Road, Habaraduwa | 091 - 2282605 | | | 091 - 2282605 |
| | Hikkaduwa CSC | | SP | 153 B, Galle Road, Hikkaduwa | 091 - 5627494 | | | |
| | Karapitiya CSC | | SP | Hirimbura Road, Karapitiya | 091 - 2247191 | | | 091 - 5624190 |
| | Thalgaswala | | SP | New Town Thalgaswala | 091 - 2296268 | | | 091 - 2296344 |
| | Thanipolgaha CSC | | SP | 290, Henry Pedris Mawatha, Galle | 091 - 2227041 | | | |
| | Udugama | | SP | Pasans New Building, Mavi Dola, Bar Junction, Udugama | 091 - 2285097 | 091-5674987 | | 091 - 2285097 |
| Gampaha | Gampaha | 9 | WP | 14, Holy Cross Road, Gampaha | 033 - 2222676 | 033 - 2224710 | 033 - 5675786 | 033 - 2222676 |
| | Ganemulla | | WP | 187/A/8, Main Street , Ganemulla | 033 - 5621208 | | | |
| | Kirindiwela CSC | | WP | 27/8/1, Colombo Road, Kirindiwela | 033 - 5621192 | | | |
| | Kuliyapitiya | | NW | 74/A, Hettipola Road, Kuliyapitiya | 037 - 2281304 | 037 - 5673401 | | 037 - 2281304 |
| | Minuwangoda | | WP | 21/B, M.P.De.Z. Siriwardhane Mawatha, Minuwangoda | 011 - 2280870 | 011 - 5667822 | | 011 - 2280870 |
| | Mirigama CSC | | WP | Opposite Police Station , Mirigama | 033 - 2273441 | | | |
| | Nittambuwa | | WP | New Super Market Complex, Nittambuwa | 033 - 2289709 | 033 - 5671351 | | 033 - 2289709 |
| | Pugoda CSC | | WP | 40/1, Kospitiyana, Pugoda | 033 - 5621223 | | | |
| | Veyangoda | | WP | 166, Negombo Road, Veyangoda | 033 - 2288027 | 033 - 5676037 | | 033 - 2288027 |
| Hambantota | Ambalantota | 5 | SP | 195, Main Steet, Ambalantota | 047 - 2223235 | 047 - 5670906 | | 047 - 2223235 |
| | Beliatla | | SP | 74, Tangalla Road, Beliatla | 047 - 2243211 | 047 - 5670908 | | 047 - 2243211 |
| | Hambantota | | SP | 59, Main Street, Hambantota | 047 - 2222572 | | | 047 - 2222571 |
| | Tangalle | | SP | 12, Indipokunagoda Road, Thangalla | 047 - 2242514 | 047 - 5676144 | | 047 - 2242514 |
| | Tissamaharama | | SP | 211 B, Kachcheriyagama, Tissamaharama | 047 - 2237152 | 047 - 5670905 | | 047 - 2237152 |

| Region | Branch | No of Branches | Province | Address | Telephone Number | | | Fax Number |
|------------|-----------------|----------------|-----------------------------------|--|------------------|---------------|---------------|---------------|
| Kalutara | Aluthgama | 6 | WP | 433, 1st Floor, Wickramarathne Building, Depot Junction, Galle Road, Aluthgama | 034 - 2276409 | 034 - 5674655 | | 034 - 2276409 |
| | Bandaragama | | WP | 72, Jayakody Building , Horana Road, Bandaragama | 038 - 2293940 | | | 038 - 2293940 |
| | Horana | | WP | 50/09/C, Graceland Circular Road, Horana | 034 - 2261351 | 034 - 5674512 | | 034 - 2261351 |
| | Kalutara | | WP | 55 1/1, Paranagama Building, Galle Road, Kalutara | 034 - 2222474 | 034 - 5674535 | 034 - 2236616 | 034 - 2228696 |
| | Matugama | | WP | 79/1/1, Kalutara Road, Matugama | 034 - 2247510 | 034 - 5674654 | | 034 - 2247510 |
| | Panadura | | WP | 534, Galle Road, Panadura | 038 - 2234736 | 038 - 5671547 | | 038 - 2234736 |
| Kurunegala | Alawwa CSC | 12 | NW | 29, Narammala Road, Alawwa | 071 - 8240786 | 037 - 2279187 | 037 - 2279184 | |
| | Anamaduwa | | NW | 70, Puttalam Road, Anamaduwa | 032 - 2263033 | 032 - 5675227 | | 032 - 2263033 |
| | Giriulla | | NW | 101, Negombo Road, Giriulla | 037 - 2288304 | 037 - 5673405 | | 037 - 2288304 |
| | Kurunegala | | NW | 16/1, Dambulla Road, Kurunegala | 037 - 2222376 | 037 - 2227433 | | 037 - 2224053 |
| | Kurunegala City | | NW | Karunaratne Building, 21,11 1/2, Rajapihilla Road, Kurunegala | 037 - 2234176 | | | 037 - 2234176 |
| | Mawathagama | | NW | 54/A, 1st Floor, Kandy Road, Mawathagama | 037 - 2299861 | | | |
| | Melsiripura | | NW | 197/1, Dambulla Road, Melsiripura | 037 - 2250459 | | | 037 - 2250459 |
| | Narammala | | NW | 159/A, Super City Building, U.B. Wijekoon Mawatha, Kurunegala Road, Narammala | 037 - 2248920 | | | 037 - 2248920 |
| | Nikaweratiya | | NW | 196, Puttalam Road, Nikaweratiya | 037 - 2260279 | 037 - 5673441 | | 037 - 2260279 |
| | Pannala CSC | | NW | 44/1, Negombo Road, Pannala | 037 - 2245100 | | | |
| Warakapola | | SG | 459, Main Street, Warakapola | 035 - 2267747 | 035 - 5671938 | | 035 - 2267747 | |
| Wariyapola | | NW | 29/1, Adikari Mawatha, Wariyapola | 037 - 2267451 | 037 - 5673407 | | 037 - 2267451 | |
| Matara | Akuressa | 10 | SP | 40 2/1, Matara Road, Akuressa | 041 - 2283590 | 041 - 5674482 | | 041 - 2283590 |
| | Deniyaya | | SP | 122, Rathna Mahal, Main Street, Deniyaya | 041 - 2273565 | 041 - 5674483 | | 041 - 2273565 |
| | Dickwella | | SP | 95, Matara Road, Dickwella | 041 - 2255630 | 041 - 5674476 | | 041 - 2255630 |
| | Hakmana | | SP | New Pradesheeya Sabha Building, Matara Road, Hakmana | 041 - 5670600 | | | 041 - 2287616 |
| | Imaduwa CSC | | SP | New Shopping Complex, Main Street, Imaduwa | 091 - 5678781 | | | |

BRANCH OFFICES

| Region | Branch | No of Branches | Province | Address | Telephone Number | | | Fax Number |
|------------------|----------------------|----------------|----------|---|------------------|---------------|---------------|---------------|
| | Kamburupitiya CSC | | SP | 154 A/1 , Matara Road , Kamburupitiya | 041 - 5670291 | | | |
| | Matara | | SP | 5A, Hakmana Road, Matara | 041 - 2227962 | 041 - 2222352 | | 041 - 2221472 |
| | Middeniya CSC | | SP | Walasmulla Road, Middeniya | 047 - 5670437 | | | |
| | Urubokka CSC | | SP | 2nd Floor, Shopping Complex, Main Street, Urubokka | 041 - 5670420 | | | |
| | Weligama | | SP | 352/2, Galle / Matara Middle Road, Weligama | 041 - 2250647 | 041 - 5673167 | | 041 - 2250647 |
| Negombo | Chilaw | 9 | NW | 431/1, Kurunegala Road, Chilaw | 032 - 2222371 | 032 - 5671749 | | 032 - 2222371 |
| | Divulapitiya CSC | | NW | 71/1, Diulapitiya Plaza, Colombo Road, Diulapitiya | 031 - 5674774 | | | |
| | Ja-Ela | | WP | 205/1/1, Negombo Road, Ja Ela | 011 - 2233169 | 011 - 5639270 | | 011 - 2233169 |
| | Kandana | | WP | 54, Negombo Road, Kandana | 011 - 2228848 | 011 - 5649536 | | 011 - 2228848 |
| | Kochchikade | | WP | 96, Chilaw Road, Kochchikade | 031 - 2274626 | 031 - 5677135 | | 031 - 2274626 |
| | Marawila | | WP | 02, Erick Suriyasena Mawatha , Marawila | 032 - 2254297 | 032 - 5672090 | | 032 - 2254297 |
| | Negombo | | WP | 20, Rajapaksha Broadway, Negombo | 031 - 2231374 | 031 - 2235235 | 031 - 2224426 | 031 - 2233498 |
| | Puttalam | | NW | 80, Kurunegala Road, Puttalam | 032 - 2265324 | 032 - 5672749 | | 032 - 2265324 |
| | Wennappuwa | | NW | 236/3/A, Chilaw Road, Wennappuwa | 031 - 2253319 | 031 - 5672447 | | 031 - 2253319 |
| North Central 01 | Anuradhapura | 6 | NC | 248, Maithripala Senanayaka Mawatha, Anuradhapura | 025 - 2222167 | 025 - 5673819 | | 025 - 2235258 |
| | Galgamuwa | | NW | 121, Anuradhapura Road, Galgamuwa | 037 - 2254141 | 037 - 5673406 | | 037 - 2254141 |
| | Horowpothana | | NC | Rest House Junction, Horowpothana | 025 - 2278600 | | | 025 - 2278600 |
| | Padavi Parakramapura | | NC | Infront of School, Padavi Parakramapura | 025 - 2254115 | | | |
| | Thambuttegama | | NC | 137, Rajina Junction Kurunegala Road, Thambuttegama | 025 - 2275088 | | 025 - 2275088 | |
| | Vavuniya | | NP | 119/1, Kandy Road, Vavuniya | 024 - 2222380 | 024 - 5670021 | | 024 - 2222380 |
| North Central 02 | Aralaganwila | 9 | NC | 208/14, New Town, Aralaganwila | 027 - 2050830 | | | |
| | Bakamuna | | NC | 10, Samupakara Mawatha, Bakamuna | 066 - 2256550 | | | |
| | Dambulla | | CP | 642, Anuradhapura Road, Dambulla | 066 - 2284616 | 066 - 5671624 | | 066 - 2284616 |
| | Dehiattakandiya | | EP | 256, Mahaweli Uyana, Dehiattakandiya | 027 - 2250318 | | | 027 - 2250318 |

| Region | Branch | No of Branches | Province | Address | Telephone Number | | | Fax Number |
|-----------|------------------|----------------|----------|--|------------------|---------------|--|---------------|
| | Galewela | | CP | 59-A, Kurunegala Road, Galewela | 066 - 2289285 | 066 - 5671651 | | 066 - 2289285 |
| | Hingurakgoda | | NC | 31, Main Street, Hingurakgoda | 027 - 2246345 | 027 - 2246295 | | |
| | Kaduruwela | | NC | 25, Batticaloa Road, Polonnaruwa | 027 - 2222954 | 027 - 5672041 | | 027 - 2222954 |
| | Kekirawa | | NC | 81, Thalawa Road, Kekirawa | 025 - 2264573 | 025 - 5673430 | | 025 - 2264573 |
| | Medirigiriya CSC | | NC | Pola Road, Medirigiriya | 071 - 8600247 | | | |
| Nothern | Chankanai | 7 | NP | 45, Ponnalai Road (Main Street), Chankanai | 021 - 2250462 | 021 - 2250463 | | 021 - 2250463 |
| | Chavakachcheri | | NP | A9 Road, Chavakachcheri | 021 - 2270711 | | | 021 - 2270711 |
| | Jaffna | | NP | 571, Hospital Road, Jaffna | 021 - 2222023 | | | 021 - 2224526 |
| | Kilinochchi | | NP | 31, A-09 Road, Karadippokku, Kilinochchi | 021 - 2280031 | | | 021 - 2280032 |
| | Mannar | | NP | Station Road, Opposite Pakiya Studio, Mannar | 023 - 2223236 | | | 023 - 2223235 |
| | Mullaitivu | | NP | Main Street, Mulativu | 021 - 2290089 | | | |
| | Nelliady | | NP | Main Street, Opposite Peoples Bank, Nelliady | 021 - 2264686 | | | 021 - 2264686 |
| Ratnapura | Avissawella | 8 | WP | 77, Ratnapura Road, Avissawella | 036 - 2222311 | 036 - 5672324 | | 036 - 2222311 |
| | Balangoda | | SG | 60/1/1, Barne's Ratwatte Mawatha, Balangoda | 045 - 2287670 | 045 - 5678445 | | 045 - 2287670 |
| | Eheliyagoda | | SG | 344, Main Street, Eheliyagoda | 036 - 2259014 | | | 036 - 2259014 |
| | Embilipitiya | | SG | 67, Pallegama, Embilipitiya | 047 - 2230389 | 047 - 5672205 | | 047 - 2230389 |
| | Kahawatta | | SG | 46/1A, Walawatte Road, Kahawatta | 045 - 2270160 | 045 - 5674248 | | 045 - 2270160 |
| | Kalawana | | SG | 56, Sampath Bank Building, Matugama Road, Manana, Kalawana | 045 - 2255930 | | | 045 - 2255930 |
| | Pallebedda | | SG | 151/1, Main Street, Pallebedda | 045 - 2241717 | | | |
| | Ratnapura | | SG | 258, Main Street, Rathnapura | 045 - 2222433 | | | 045 - 2231517 |

NOTICE OF ANNUAL GENERAL MEETING

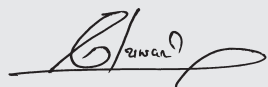
NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of SRI LANKA INSURANCE CORPORATION LTD will be held at the Auditorium of the Company at its Registered Office at No.21, Vauxhall Street, Colombo 02 on Thursday, 28th June 2018, at 10.00 a.m. for the following purposes:

- 1) To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st December 2017 and the Report of the Auditors thereon.
- 2) To declare a Final Dividend of Rs. 0.84 per share amounting to Rs. 503,784,288.00/- for the year ended 31st December, 2017, as recommended by the Directors.
- 3) To consider and if thought fit to pass the following Ordinary Resolution pertaining to the appointment of Mr. Hemaka D S Amarasuriya, as a Director of the Company:

That the age limit of seventy years stipulated in section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. Hemaka D S Amarasuriya, who at the date of this resolution, is 74 years of age (having reached 70 years of age on 19th November 2013), and accordingly that Mr. Hemaka D S Amarasuriya be and is hereby appointed as a Director of Sri Lanka Insurance Corporation Ltd, in terms of section 211 of the Companies Act, No. 07 of 2007.

- 4) To elect Mr. Nilu D. Wijedasa, Director who retires in terms of Article 98 of the Articles of Association of the Company
- 5) To elect Mr. M. Saadi A. Wadood, a Director who retires in terms of Article 98 of the Articles of Association of the Company
- 6) To elect Mr. Keerthi B. Kotagama, a Director who retires in terms of Article 98 of the Articles of Association of the Company
- 7) To re-elect Mr. Pradeep A Liyanamana, a Director who retires in terms of Article 92 of the Articles of Association of the Company
- 8) To authorize the Directors to determine donations for the year 2018 and up to the date of the next Annual General Meeting.
- 9) To re-appoint the Auditor General as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka
- 10) Any other business of which due notice has been given.

By Order of the Board,



B.A. Ruwani Dharmawardana
Company Secretary

FORM OF PROXY

I/We*of.....
 being a member /members* of Sri Lanka Insurance Corporation Ltd. hereby appoint:
 of
or failing him/her*

- Mr. Hemaka D.S. Amarasuriya of Colombo or failing him
- Mr. Keerthi B. Kotagama of Colombo or failing him
- Mr. Nilu D. Wijedasa of Colombo or failing him
- Mr. P Algama of Colombo or failing him
- Mr. Pradeep A Liyanamana of Colombo or failing him
- Mr. M Saadi A. Wadood 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 Forty Fourth Annual General Meeting of the Company to be held on Thursday, 28th June 2018, at 10.00 a.m. 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 2017 and the Report of the Auditors thereon | | |
| 2. To declare a Final Dividend of Rs. 0.84 per share amounting to Rs. 503,784,288.00/- for the year ended 31st December, 2017, as recommended by the Directors. | | |
| 3. To re-appoint Mr. Hemaka D. S. Amarasuriya, Director who retires having attained the age of 70 years on 19/11/2013, as a Director by passing the Ordinary Resolution as set out in the notice. | | |
| 4. To elect Mr. Nilu D. Wijedasa, Director who retires in terms of Article 98 of the Articles of Association of the Company | | |
| 5. To elect Mr. M. Saadi A. Wadood, a Director who retires in terms of Article 98 of the Articles of Association of the Company | | |
| 6. To elect Mr. Keerthi B. Kotagama, a Director who retires in terms of Article 98 of the Articles of Association of the Company | | |
| 7. To re-elect Mr. Pradeep A Liyanamana, a Director who retires in terms of Article 92 of the Articles of Association of the Company | | |
| 8. To authorize the Directors to determine donations for the year 2018 and up to the date of the next Annual General Meeting. | | |
| 9. To re-appoint the Auditor General as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka | | |

Signed this day of 2018

.....
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 The Company Secretariat, Sri Lanka Insurance Corporation Ltd, 08th Floor, No. 21, Vauxhall Street, Colombo 02, Not Less Than 48 Hours Before the Time Fixed for The Meeting.



Sri Lanka Insurance
Like a father - Like a mother

Sri Lanka Insurance Corporation Ltd.

No. 21, Vauxhall Street, Colombo 2.



www.srilankainsurance.com