



Sri Lanka Insurance
Like a father-Like a mother

WHEN IT COUNTS

Sri Lanka Insurance Corporation Ltd.
Annual Report 2016

WHEN IT COUNTS

In our ongoing journey to create secure, accessible and transparent insurance for all Sri Lankans, we have paid special attention to one of the most important aspects of our company; our service. In being in-line with the highest standards in delivering personalised customer service that has the all important human factor, we have focused on making our customers feel as if they interact and share their hopes and fears for the future with the people who care as much as they do. Their journey reflects our own and we are always there when it counts.

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The background is a solid dark blue color. Overlaid on this are several large, semi-transparent, lighter blue shapes that create a sense of motion and depth. These shapes are primarily curved, resembling thick, sweeping brushstrokes or the petals of a stylized flower. One large, dark blue curved shape starts from the top left and sweeps towards the center. Another similar shape is positioned below it, also curving towards the center. A third, lighter blue curved shape is visible on the left side, partially obscured by the others. The overall effect is a dynamic, abstract composition that frames the central text.

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 privatization programme of the then Government, the SLIC was privatized 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 privatization 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. 176.8 billion and in the Sri Lankan insurance sector, it accounts for the largest Shareholders' Fund of Rs. 62.9 billion and the highest Life Fund of Rs. 87.3 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 policy holders of Rs. 6.2 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

To be the trusted insurer to the nation.

MISSION

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

Ratings and Accreditations

AA(Ika)

National Long-term Rating
with Stable outlook



AA(Ika)
National Insurer Financial
Strength Rating with
Stable outlook



ISO 9001:2008

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

SLIC was incorporated on 03.02.1993 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 17.04.2008 bearing No. PB 289.

Board of Directors

Mr. Keith D. Bernard ceased to be a Director w.e.f. 20.12.2016 and accordingly, Mr. D.B. Aruna P.S. Siriwardhana was appointed to the Board w.e.f. 20. 12. 2016.

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

- Mr. Hemaka D.S. Amarasuriya (Chairman)
- Mr. T.M.R. Bangsa Jayah (Jt. Managing Director)
- Mr. D.B. Aruna P.S. Siriwardhana (Jt. Managing Director)
- Vidya Jyothi Professor L.G. Chandrasena (Non-Executive Director)
- Mr. P. Algama (Non-Executive Director)
- Mr. A. Sanjaya Padmaperuma (Non-Executive Director)
- Mr. Pradeep A. Liyanamana (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 percent shares was the Secretary to the Treasury, under

the Conversion of Public Corporations or Government owned Business Under-takings into Public Companies Act, No. 23 of 1987. Under the privatization programme of the Government, the company was privatized in 2003 and was under the private management for a brief period of six years. The 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% 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)

Subsidiaries

- ▣ Management Services Rakshana (Pvt) Ltd
- ▣ The Lanka Hospitals Corporation PLC
- ▣ Litro Gas Lanka Ltd
- ▣ Litro Gas Terminal Lanka (Pvt) Ltd
- ▣ Canwill Holdings (Pvt) Ltd
- ▣ Canowin Hotels and Spas (Pvt) Ltd

Sub-Subsidiaries

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

About SLIC [4-13](#)Performance Reviews 2016 [16-53](#)Governance and Internal Controls [56-82](#)Financial Statements [85-217](#)Additional Information [220-248](#)**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 Banking Corporation PLC
- ▣ DFCC Bank PLC

Actuary-Life

M/s Towers Watson Singapore Pte Ltd
63, Chulia Street
#09-01 OCBC Centre East
Singapore 049514

Actuary-Non-Life

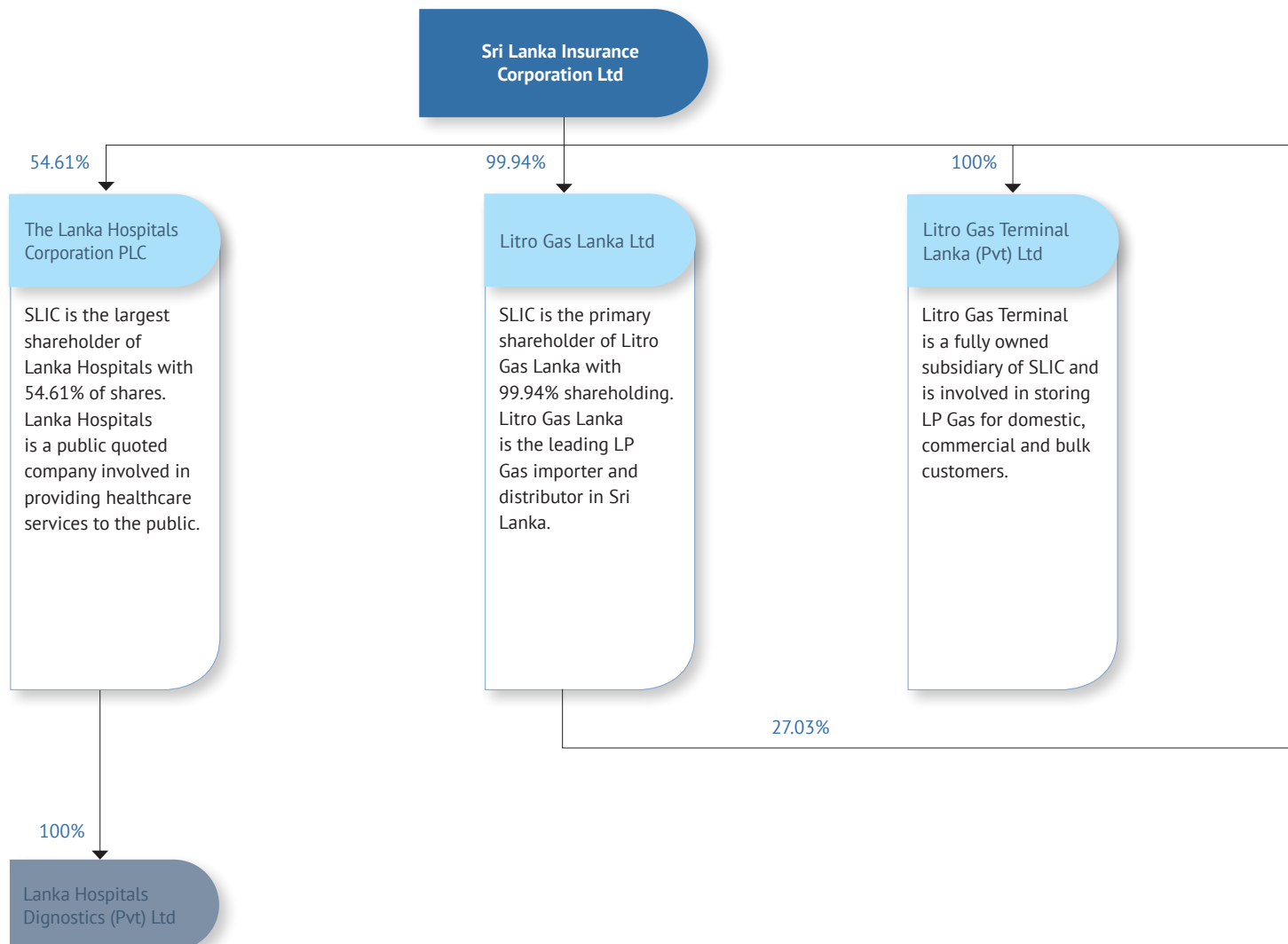
M/s NMG Financial Services Consulting
30, Hill Street,
#03-02A,
Singapore 179360

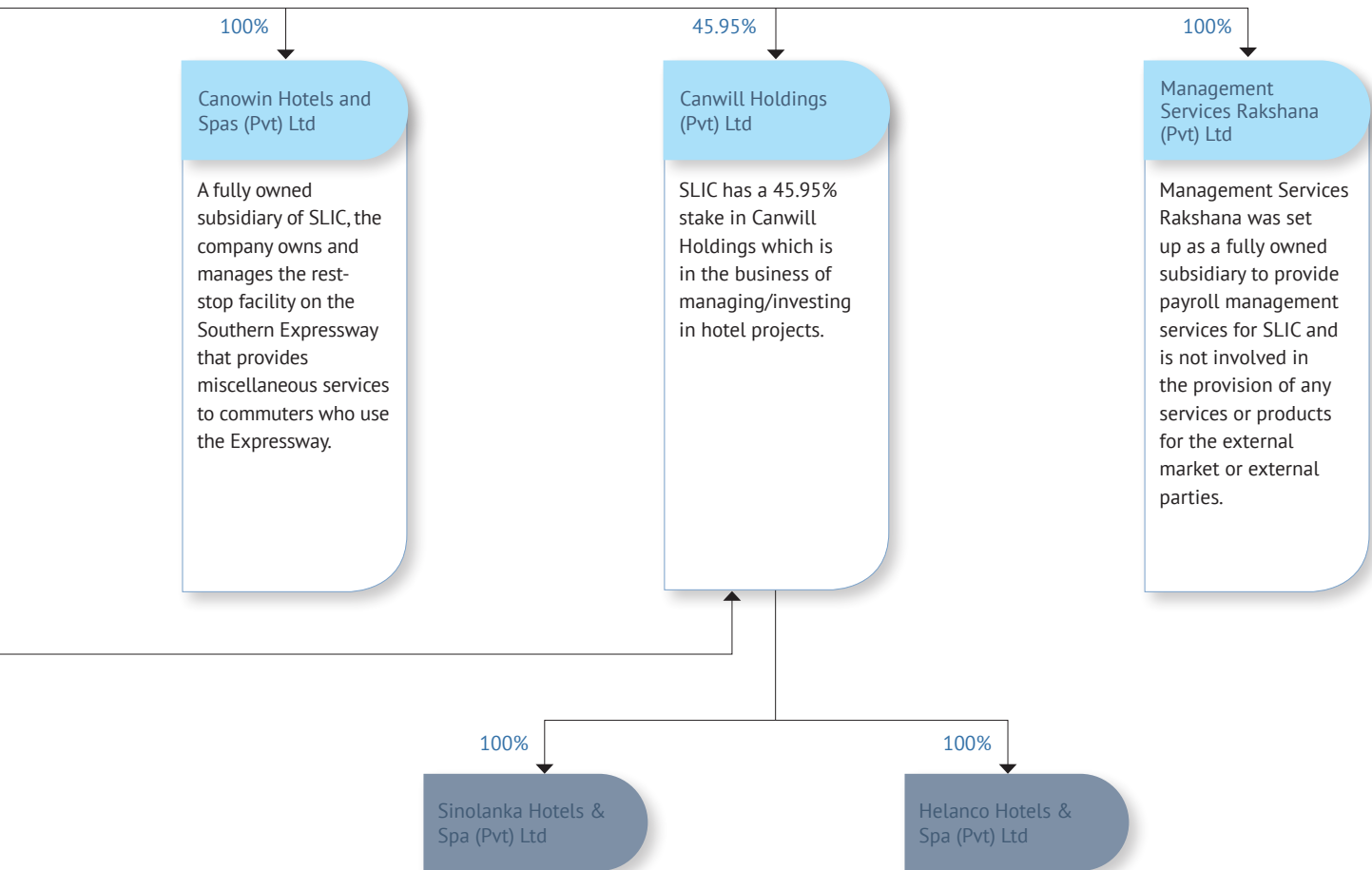
SLIC Group

As end December 2016, 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 3 fully owned subsidiaries and 3 partially owned subsidiaries.

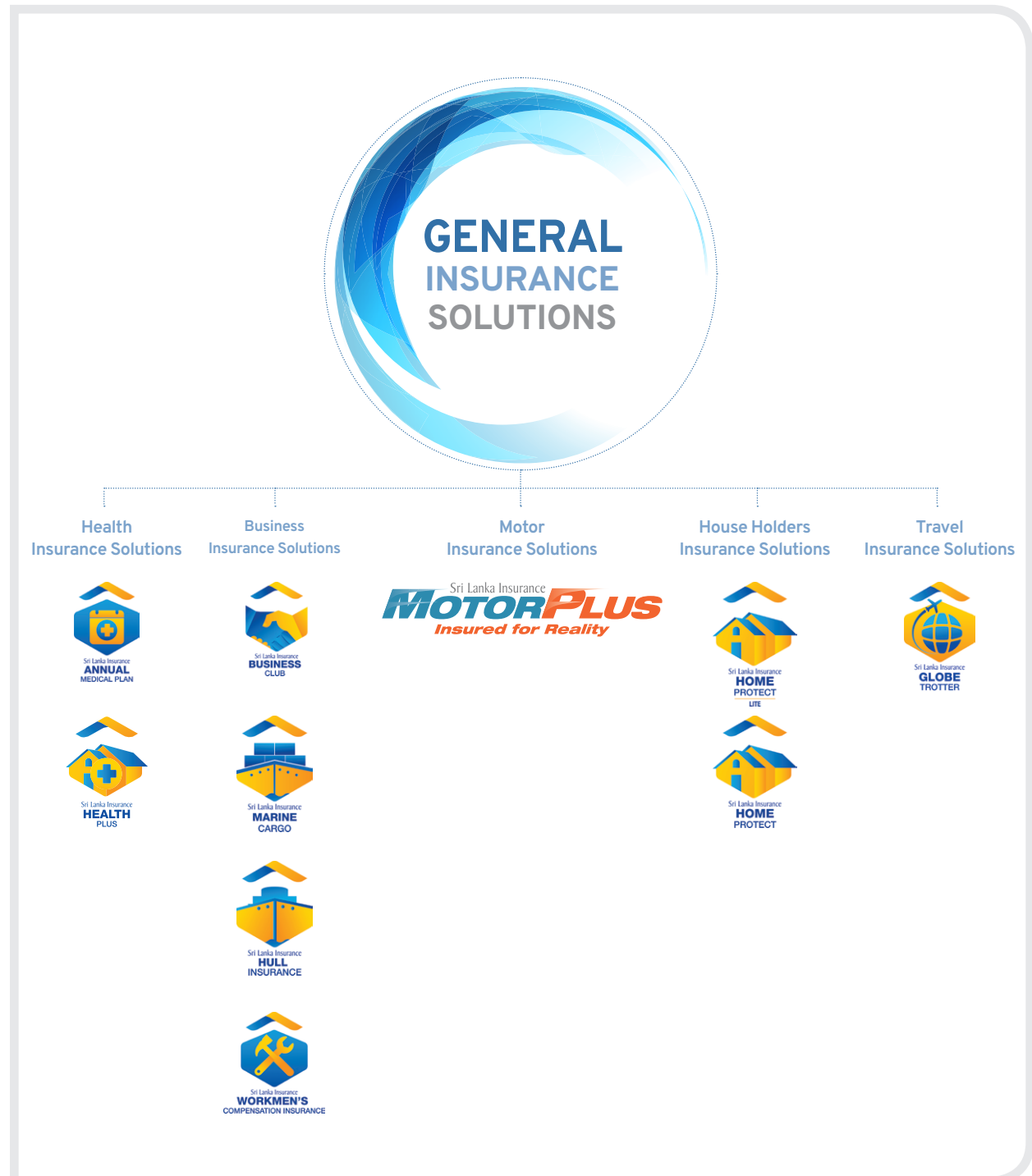
The SLIC Group's fully owned subsidiaries are Litro Gas Terminal Lanka (Pvt) Ltd, Canowin Hotels and Spas (Pvt) Ltd and Management Services Rakshana (Pvt) Ltd. The partially owned subsidiaries are Litro Gas Lanka Ltd (SLIC has 99.94% ownership), The Lanka Hospitals Corporation PLC (SLIC has 54.61% ownership) and Canwill Holdings (Pvt) Ltd (SLIC has 45.95% shareholding).

The SLIC Group Structure





General Insurance Product Portfolio



Life Insurance Product Portfolio



Our Network

North Central Province

Anuradhapura

- ▣ Anuradhapura
- ▣ Dambulla
- ▣ Galewela
- ▣ Galgamuwa
- ▣ Hingurakgoda
- ▣ Kaduruwela
- ▣ Kekirawa
- ▣ Thambuttegama
- ▣ Vavuniya
- ▣ Horowpathana
- ▣ Bakamuna
- ▣ Aralaganwila

Uva Wellassa Province

Badulla

- ▣ Ampara
- ▣ Badulla
- ▣ Bandarawela
- ▣ Bibile
- ▣ Mahiyangana
- ▣ Monaragala
- ▣ Welimada
- ▣ Wellawaya

Eastern Province

- ▣ Batticaloa
- ▣ Kalmunai
- ▣ Kantale
- ▣ Trincomalee
- ▣ Akkaraipattu
- ▣ Dehiattakandiya

Central Province

Central 1

- ▣ Digana
- ▣ FBD(Kandy)
- ▣ Pilimathalawa
- ▣ Gampola
- ▣ Kandy
- ▣ Matale

Central 2

- ▣ Hatton
- ▣ Kegalle
- ▣ Mawanella
- ▣ Nawalapitiya
- ▣ Nuwara Eliya
- ▣ Rikillagaskada

Western Province

Colombo 1

- ▣ Battaramulla
- ▣ Homagama
- ▣ Kirulapana
- ▣ Maharagama
- ▣ Malambe
- ▣ Nugegoda
- ▣ Pitakotte

Colombo2

- ▣ Colombo Fort
- ▣ Kadawatha
- ▣ Kaduwela
- ▣ Kiribathgoda
- ▣ Kotahena
- ▣ Wattala
- ▣ Ragama

Western Province

Colombo 3

- ▣ Bambalapitiya
- ▣ City Office
- ▣ Dehiwala
- ▣ Moratuwa
- ▣ Piliyandala
- ▣ Ratmalana

Colombo 4

- ▣ Borella

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Southern Province**Galle**

- ▣ Ambalangoda
- ▣ Baddegama
- ▣ Elpitiya
- ▣ Galle
- ▣ Thalgaswala
- ▣ Udugama

Hambantota

- ▣ Ambalantota
- ▣ Beliatta
- ▣ Tissamaharama
- ▣ Hambantota
- ▣ Tangalle

Southern Province**Matara**

- ▣ Matara
- ▣ Deniyaya
- ▣ Dickwella
- ▣ Akuressa
- ▣ Weligama
- ▣ Hakmana

Western Province**Gampaha**

- ▣ Gampaha
- ▣ Minuwangoda
- ▣ Nittambuwa
- ▣ Veyangoda
- ▣ Ja - Ela
- ▣ Kandana
- ▣ Negombo
- ▣ Kochchikade

Kalutara

- ▣ Bandaragama
- ▣ Aluthgama
- ▣ Horana
- ▣ Kalutara
- ▣ Matugama
- ▣ Panadura

Northern Province**Jaffna**

- ▣ Chankanai
- ▣ Jaffna
- ▣ Kilinochchi
- ▣ Mannar
- ▣ Nelliady
- ▣ Chavakachcheri
- ▣ Mullaitivu

North Western Province**Kurunegala**

- ▣ Anamaduwa
- ▣ Giriulla
- ▣ Kurunegala
- ▣ Melsiripura
- ▣ Narammala
- ▣ Kuliyapitiya
- ▣ Nikaweratiya
- ▣ Warakapola
- ▣ Wariyapola
- ▣ Chilaw
- ▣ Marawila
- ▣ Puttalam
- ▣ Wennappuwa

Sabaragamuwa Province**Ratnapura**

- ▣ Avissawella
- ▣ Balangoda
- ▣ Eheliyagoda
- ▣ Kahawatta
- ▣ Kalawana
- ▣ Ratnapura
- ▣ Embilipitiya

Note : Branches in Ragama, Bakamuna and Aralaganwila were opened in 2017



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Performance Reviews 2016

Financial Highlights

	2016	2015
Total Revenue	42,108	31,157
Gross Written Premium	27,614	24,521
Net Earned Premium	24,013	20,393
Profit Before Taxation (PBT)	13,791	4,821
Profit After Taxation (PAT)	12,741	3,439
Total Assets	176,802	166,947
Return on Assets (%)	7	2
General Insurance		
General Insurance Fund	16,517	14,917
Net Claims Ratio (%)	69.8	65
Expense Ratio (%)	29.1	28.52
Life Insurance		
Life Insurance Fund	87,357	77,858
Expense Ratio (%)	41	35
Face Value Bonus	6,216	5,385
Ratings		
Fitch Ratings	AA(Ika)	AA(Ika)
National Insurer Financial Strength	AA(Ika)	AA(Ika)
National Long Term Outlook	Stable	Stable



PROFIT FOR THE YEAR
Rs. 12.7 Bn



TOTAL ASSETS
Rs. 176.8 Bn



SIZE OF THE
LIFE FUND
Rs. 87.3 Bn



TOTAL BONUS
DECLARED FOR THE YEAR
Rs. 6.2 Bn

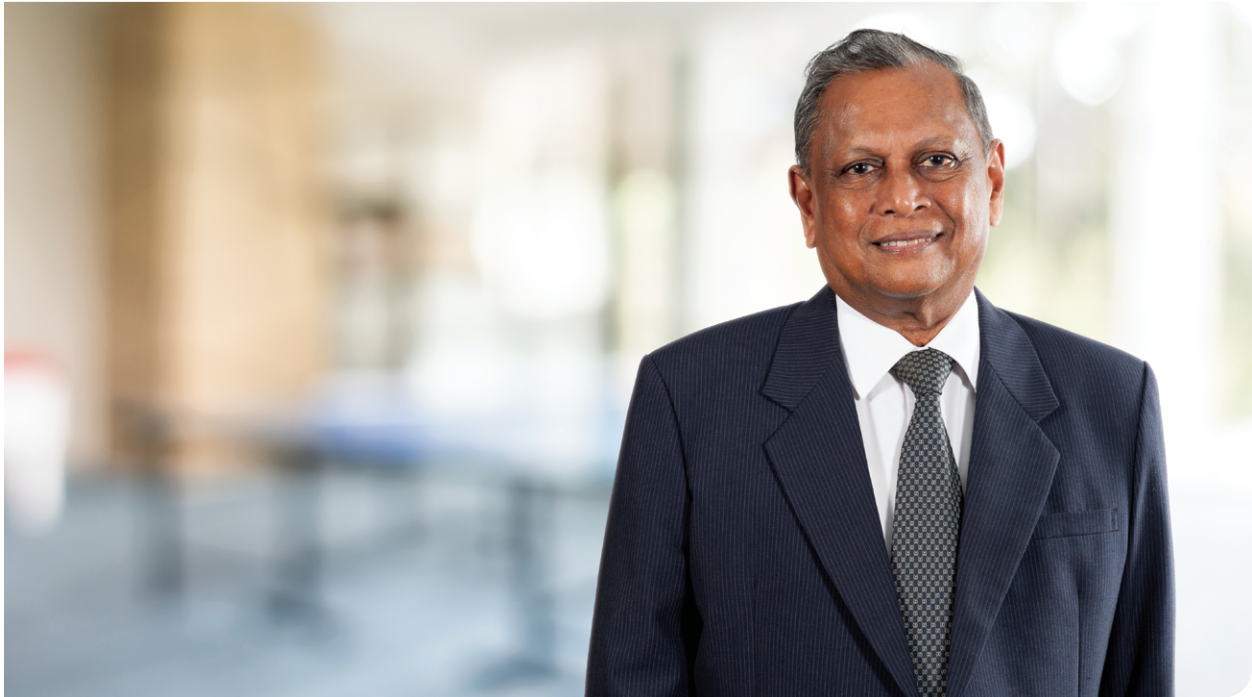


CONTRIBUTION
TO TAXES
Rs. 2.9 Bn



INVESTMENT
INCOME
Rs. 17.3 Bn

Message from the Chairman



“LARGE SCALE NATIONAL PROGRAMMES SUCH AS EXPRESSWAYS, THE MEGAPOLIS PROJECTS AND THE FINANCIAL CENTRE AT THE COLOMBO PORT CITY, WILL SEED MANY SUPPORT INDUSTRIES AND GENERATE DEMAND FOR INSURANCE PRODUCTS ACROSS DIFFERENT ECONOMIC SECTORS.”

I am pleased to report that Sri Lanka Insurance Corporation (SLIC) recorded another satisfactory year of business results in 2016, while discharging duties and obligations appropriately (like in other Government owned business undertakings), to the government of Sri Lanka (GOSL).

The GOSL is SLIC's major shareholder accounting for 99.9% of ownership. Likewise other Government owned business entities, SLIC's distributable profits are deployed to the public, through government intervention, and SLIC's growth and investment decisions are at times guided by the government policy. Therefore, SLIC's performance must necessarily be viewed from a public responsibility perspective, rather than in financial isolation, versus industry competitors. This will reflect the growing importance of State Owned Enterprises (SOEs) and the crying need to manage these with the best professional inputs and the relevant managerial expertise.

Dividends to the Government

During the financial year 2016, SLIC paid Rs. 10.85 billion in dividends to GOSL. This is a dividend payout ratio of 85% and payout increase of 46% year-on-year.

Tax Payments

SLIC continues to be a major tax payer contributing a total of Rs. 2.9 billion in taxes to state coffers, including income taxes, VAT and NBT etc.

Donations and CSR Contributions

In addition to dividends to the government and taxes that are redistributed to the public in the form of services and facilities, SLIC contributes directly to society through many charitable donations to religious, educational, health related, and other public institutions. The company also has a number of long term corporate social responsibility projects. Comprehended in the belief that carefully selected CSR programmes need to be sustainable if these are to be of meaningful benefit to the recipients and to the society at large.

All charitable contributions are approved by the Board of Directors through a formal process. As long term CSR projects have greater beneficial social impacts than one-off philanthropic activities, SLIC will continue to focus on such activities in the future, with a view to identifying its brand with such activity.

Market Behaviour

It was disappointing that in 2016 the total market, which first experienced a dismal 2014 and then bounced back strongly in 2015, was unable to replicate its buoyant growth pattern in 2016. The slowing down of the overall economy may be one of many reasons, but the inability of the insurance industry itself to sustain growth momentum by slowing down of branch expansion and of collectively reducing structured promotional programmes could be some of the compelling reasons for the industry slow down.

Slowdown of the corporate sector in the fourth quarter of 2016 denied this key sector of its traditional push driven growth to finish off a good year's performance and this rubbed off on the insurance sector as well.

Increasing inflation impacted consumer buying power. While 2015 was a vintage year for branch openings nationwide which pulsated penetration, new openings slowed down in 2016.

This leaves the growth patterns for 2017 in a state of uncertainty as at this early stage. An industry driven effort is a compelling need to drive growth beyond the average turn.

Business Performance

Given the subdued economic backdrop and changes experienced in the insurance industry during 2016, SLIC's financial performance is rated as satisfactory. SLIC sustained double digit revenue and a net profit growth of 270% in a challenging environment. Please refer to the Jt. Managing Director's Review for performance related information.

However, while not belittling these achievements, given Sri Lanka's low insurance penetration levels and SLIC's resources and brand recognition, we believe SLIC can do better in the future. Therefore, our focus during the next three years, will be on strategic intervention to realise most of this potential and drive growth rates to greater heights aimed at bettering the market rates of the past.

Contribution by Subsidiaries

As a state owned entity, SLIC's investments are subject to government policies. Out of SLIC's Rs. 151 billion investment portfolio, approximately Rs. 21 billion represents equity investments in subsidiaries. In 2016, these subsidiaries collectively contributed Rs. 7.9 billion as dividend to the total investment income and accounted for 46% of total investment income.

Message from the Chairman Contd.

The subsidiaries - Litro Gas Lanka Ltd (99.9% ownership), Litro Gas Terminal Lanka (Pvt) Ltd (100% ownership) and Canowin Hotels and Spas (Pvt) Ltd (100% ownership) - have reported outstanding performances, with both revenues and ROEs improving year-on-year. ROE from Litro Gas increased from 25% in 2015 to 27% in 2016, while the increase was 11% to 24% for Litro Terminal respectively.

The Lanka Hospitals Corporation PLC, in which SLIC has 54.6% ownership, also reported a strong year and contributed Rs. 972 million in net profit, with ROE stabilising from 17% to 16.63% year-on-year.

The exception has been the Grand Hyatt project, implemented through Canwill Holdings (Pvt) Ltd and its subsidiary Sinolanka Hotels & Spa (Pvt) Ltd, which is still not in operation, with construction in progress. The core structure of the hotel is all but complete and several teams of contractors are speeding up on the respective interior areas simultaneously, to meet the deadline for completion, which is the 3rd quarter of 2018.

The hotel project, which has an initial equity investment of Rs. 8.5 billion from SLIC and Rs. 5.0 billion each from its subsidiary, Litro Gas Lanka Ltd and the Employees' Provident Fund respectively, will leverage debt capital to conclude a structure which promises to be a Colombo city land mark when completed.

For more information on SLIC's subsidiaries please refer the chapter titled 'Performance of Subsidiaries.'

Business Sustainability

Fitch Ratings Lanka gave SLIC an 'AA(lka)' National Long-Term Rating and a 'AA(lka)' National Insurer Financial Strength (IFS) rating in January 2017. The rating reflects SLIC's position as the strongest players in the domestic insurance business. SLIC holds the second highest market share in the non-life business in the country at 20% and the second-highest share in life at 19% as measured by

GWP in 2016. SLIC's asset-base of Rs. 177 billion as at end-2016, accounts for over one third of total insurance sector assets.

SLIC's regulatory capital ratios, which are a key indicator of business sustainability are well above regulatory minimums and are among the strongest in the local insurance industry. The risk-based capital adequacy ratio for life was 427% as at end-December 2016 and 186% for general, against the required minimum of 120% for each. This reaffirms the strength of SLIC's financial position.

In addition, SLIC is backed by solid reinsurance coverage from IBSL approved, international reinsurers led by Swiss Re and Munich Re. This comprehensive reinsurance cover continued to safeguard SLIC's balance sheet in 2016, when faced with the sharp increase in claims due to floods in May 2016. We like to reiterate that there are no 'short cuts' to reinsurance models in the insurance business in emerging markets.

SLIC is fully compliant with all IBSL and other relevant regulations in 2016. For more information on SLIC's compliance status please refer the chapter on 'Governance.'

Future Structure

The IBSL regulatory changes enforced in 2016 requires composite insurers to segregate their business and list on the Colombo Stock Exchange. However, SLIC has continued to operate as an unlisted, composite insurer, primarily due to resistance by SLIC unions. Despite this status quo, we have been informed by IBSL that SLIC will, along with some foreign owned companies, be exempt from listing.

As regards to segregation the Government needs to make a final decision shortly.


Despite the above condition, we believe SLIC has great growth potential, while serving the local insurance industry. Many large scale investment projects that were

on hold are now revived, together with new national development projects. Large scale national programmes such as expressways, the Megapolis project and the financial centre at the Colombo Port City, will seed many support industries and generate demand for insurance products across different economic sectors. The prevailing GDP growth rate of 4.5% is poised to be speeded up towards the end of this decade. Such economic upturn will also generate investment opportunities through high yielding government and corporate debt instruments and encourage private equity investment for capital formation.

In this context, I see SLIC leveraging its proven brand equity to gain new business opportunities. Ranked No. 32 and No. 35 in the Brand Finance's Annual brand valuation for general and life respectively, we are locking the private sector lead insurer in-between. If considered as one brand, our brand value will be equivalent to Rs. 4.5 billion, giving us a brand position of No 23. The challenge for our advisors and sales force, is to transform this powerful brand equity, which is the 4th most valuable in the government sector (behind the 3 big banks), into strong revenue growth in 2017, supported by aggressive activation and macro programmes.

We have taken steps to meet this anticipated new demand growth. We have commenced the outline for a new 3-year business strategy from 2018 to 2020 including plans for rapid branch expansion. We continue to develop new, specialised insurance products for specific target groups. We believe that controlled branch expansion will be the key to achieving a faster rate of growth within the next three years.

I would like to conclude by thanking our line ministry, the Ministry of Public Enterprise Development and the Ministry of Finance for their guidance and cooperation during the year. As always, we are grateful to our customers, employees and advisors for their contributions to SLIC's growth and we look forward to a successful 2017.



Hemaka D.S. Amarasuriya

Chairman

25th May 2017

Jt. Managing Director's Review



“THE BALANCE SHEET OF THE COMPANY GREW BY RS. 9.8 BILLION TO REACH RS. 176.8 BILLION. THE VALUE OF THE LIFE FUND INCREASED BY RS. 9.4 BILLION, TO REACH RS. 87 BILLION, WHICH IS A GROWTH OF 12.2% FROM 2015. THE GENERAL INSURANCE PORTFOLIO ALSO EXPANDED BY 10.73% WHICH IS AN INCREASE OF RS. 1.6 BILLION, TO REACH RS. 16.5 BILLION.”

I am pleased to present SLIC's business performance for 2016 and plans for 2017.

SLIC's financial growth is primarily dependent on new insurance demands, investment incomes and renewal of existing policies. The generation of new demand in the country for insurance products remained slow moving in 2016 due to the slow down in economic activities of both the government and private sector along with the country's enormous debt servicing requirements. SLIC's business growth was also constricted by the escalating competition. However, SLIC gained on investment returns, despite a slow stock market and was also able to retain existing customers, in spite of increased premiums.

Operating Environment

Economic sectors in the country that drive large scale insurance demand, such as construction, logistics and trading, remained sluggish in 2016. Both government and private sector investments in large scale infrastructure

projects remained flat, which also contributed to lower transport, shipping, import-export trade and logistics activities that entail life and general insurance coverage. The lower economic activity also reduced investment opportunities in new projects and hindered debt financing. Meanwhile, the imposition of Value Added Tax (VAT) on some sectors, such as healthcare services, and the increase in VAT rates during the second quarter of 2016, continued to dampen insurance demand. The deceleration of the vehicle import and resale markets, due to rupee depreciation, revisions of import taxes and changes to lease lending rules for motor vehicles, was another cause for slower insurance demand growth. Together, these external factors slowed down the rate of growth of the overall insurance industry to below its growth potential.

Despite a lower growth rate, competition in the industry increased rapidly due to enforcement of the segregation rule. The break-up of composite insurers into separate life and general insurance companies saw the number of competitors increase. Another outcome of segregation has been the increase in cost structures within the insurance industry, due to doubling of administration costs, which did not affect us.

Another important development was extreme weather patterns. In 2016, the country experienced floods and landslides that spiked insurance claims, putting pressure on the industry's bottom line. During the year SLIC paid over Rs. 600 million on natural disaster claims alone. However, again, SLIC's bottom line was unaffected due to comprehensive reinsurance coverage, with rated reinsurers.

Performance Against Industry Benchmarks

Overall, SLIC has done well in 2016, compared to its competitors, as demonstrated by SLIC's performance against key industry indicators.

The Central Bank has estimated that total assets of the insurance sector grew by 10.9% in 2016 and was valued at

Rs. 503.1 billion. In comparison SLIC's total assets grew by 6% to Rs. 177 billion, making SLIC the single largest asset holder operating in the insurance sector.

Total value of industry Gross Written Premiums (GWP) was Rs. 140 billion by end 2016, which is a growth of 16% year-on-year. SLIC's total GWP reached Rs. 28 billion, which is a growth of 13%. Industry GWP was driven mainly by high growth in the premium income of the general insurance sector, particularly motor insurance which accounts for about 66% of the general insurance premium.

Insurance industry investment incomes increased by 30.4% to Rs. 40.7 billion in 2016 against 2015. SLIC recorded an investment income growth of 82% year-on-year, while total investment income of the company reached Rs. 17.27 billion by end 2016.

Industry Profits Before Tax (PBT) increased by 67.4% year-on-year, while SLIC recorded a PBT growth of 186.07% in 2016.

The industry Capital Adequacy Ratio (CAR) for life and general insurance sectors were 317% and 192% respectively, by end 2016. In comparison, SLIC has maintained a CAR of 427% and 186%, for life and general respectively, which is well above the minimum regulatory requirement.

SLIC's ROA and ROE was 7% and 20.24% in 2016, compared to the industry averages of Life 2.9% & Non-Life 7.3% and Life 25% & Non-Life 14.5% respectively. SLIC's reinsurance ceded ratio was 10% in 2016, compared to the industry reinsurance level of 15.7% in Non-Life.

I believe the above comparison indicates SLIC's stability and strength, which also contributes to the overall economic stability of the country, as being the national insurer.

Jt. Managing Director's Review Contd.

Performance

I am pleased to state that SLIC has been able to achieve all key financial targets for 2016. Please refer the Financial Review and Investment Review for further details.

During the year SLIC did not add new branches or service centres to the existing network of 117 branches and 15 service centres. Portfolio growth was achieved mainly through sales and marketing. Sales were driven by SLIC's experienced and professional agent network, which is the largest in the country.

The balance sheet of the company grew by Rs. 9.8 billion to reach Rs. 176.8 billion. The value of the Life Fund increased by Rs. 9.4 billion, to reach Rs. 87 billion, which is a growth of 12.2% from 2015. The general insurance portfolio also expanded by 10.73% which is an increase of Rs. 1.6 billion, to reach Rs. 16.5 billion.

SLIC has an investment portfolio of over Rs. 151 billion, out of which approximately Rs. 104 billion is the life investment portfolio and the balance Rs. 47 billion is the general investment portfolio. Investment income from the general insurance portfolio saw large, one-off gains during the year, with income reaching Rs. 9.3 billion mainly due to dividend payments from subsidiaries, Litro Gas Lanka and Litro Gas Terminal Lanka Ltd. The life insurance portfolio generated Rs. 7.9 billion in investment income.

Total revenue, which is the aggregate of GWP from life and general and investment incomes increased by 35% to reach Rs. 42.1 billion.

Total operating costs, meanwhile, increased by 32% year on year to Rs. 8.6 billion.

The company paid out Rs. 14 billion in insurance claims during the year and also gave the highest life insurance bonuses in the industry by distributing Rs. 6.2 billion to life policy holders as bonuses.

SLIC's total operating profit before tax increased by 186% and came to Rs. 13.7 billion, with life insurance accounting for Rs. 4.5 billion and General insurance accounting for Rs. 9.2 billion.

Total profit after tax came to Rs. 12.7 billion by end 2016, out of which Rs. 3.8 billion was contributed by life and Rs. 8.9 billion from general insurance.

Employees

In 2016 December SLIC renewed, a 3-year collective agreement with substantial salary increments for all permanent employees, numbering 2,432 as at end 2016. The package is unmatched by any other insurance company in Sri Lanka. We estimate management costs will increase by 25% annually, due to these changes. In addition, we invested Rs. 25 million on training and development activities for all employees and sales force.

To instill a performance oriented culture, in 2016, we also developed KPIs with targets for all senior managers and employees, which will be operationalised in 2017. I am hopeful the benefits provided by the Corporation, coupled with the guidance of KPIs, will enhance employee productivity in 2017.

Plans for 2017

Following the segregation of insurance companies, the insurance market has become more crowded and extremely competitive. To retain market share and sustain growth momentum, SLIC needs a clear growth strategy.

Therefore, in 2016, with the involvement of the SLIC management, a data collection process was initiated to formulate a 3-year corporate plan to guide SLIC's growth from 2018 to 2020. We hope to finalise and implement the strategic plan during 2017.

In the meantime, in 2017, SLIC will deploy a market penetration strategy by rapidly expanding the delivery network and by introducing a range of new, niche insurance products, customised for specific customer segments. Within the 2017 financial year, we plan to add 40 branches to the existing branch network of 117 branches, while strengthening all delivery channels and continuing the ongoing programmes to refurbish and upgrade existing branches. We believe branch expansion will considerably enhance SLIC's customer reach, while also facilitating better monitoring and servicing of policies.

Business growth in 2017 will be supported by new products that generate new revenues. In 2016 we commenced a pilot insurance scheme in Kuwait, for migrant workers, in partnership with the Gulf Insurance and Reinsurance Company, which is a company owned by the ruling family of Kuwait. The insurance scheme provides insurance cover for Sri Lankan migrant workers in case of accidents, death, disability, legal costs and repatriation. As the pilot project has been well received in Kuwait, we plan to expand the programme to all Middle Eastern countries within 2017.

On the directive of the government, SLIC is currently developing specialised insurance packages for the country's farming communities, teachers and school children. We hope to introduce these new policies in 2017. Another new product in the pipeline is inbound tourist

insurance policies, to make sure visitors to the country are insured against death, disability and health emergencies. We are also developing group insurance policies under life and general categories, for identified industry groups. I believe these new products will dramatically expand the country's insurance market and SLIC's portfolios.

I believe technology will play a key role in generating competitive advantages in the insurance industry in the future. Therefore, it is of strategic importance for SLIC to obtain a professional, technology support system. We invested Rs. 120 million on a new SAP system to support planning, administrative and operational functions. However, SLIC plans for a more comprehensive technology solution to face future challenges and I am confident of SLIC's continuous growth in the year 2017.

In conclusion, I would like to thank the Ministry of Public Enterprise Development and Ministry of Finance, for their support and guidance during the year. My thanks go out to all SLIC employees and sales force for their continued dedication and hard work and I extend my humble gratitude to all our customers for their continuous loyalty and patronage. I look forward to serving you better in the new financial year.



T. M. R. Bangsa Jayah
Jt. Managing Director

25th May 2017

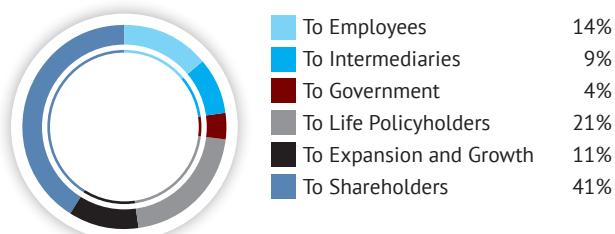
Financial Review

SLIC Value Added Statement

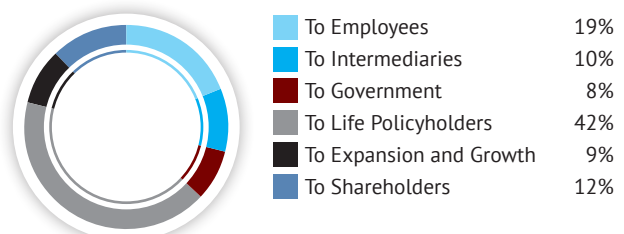
The value added statement shows how the SLIC value creation is distributed among employees, intermediaries, Government, life policyholders, expansion and growth.

	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn
Net Earned Premium	24,013	20,393	17,805	17,805	16,768
Investment and Other Income	18,094	10,763	11,497	10,176	8,875
	42,107	31,156	29,302	27,981	25,643
Less					
Net Claims and Benefits	14,477	12,933	11,939	9,804	10,283
Cost to External Services	2,838	1,544	3,527	2,735	2,005
Value Addition	24,792	16,679	13,836	15,442	13,355
Distribution of Value Added					
To Employees					
Salaries and Other Benefits	3,270	3,062	2,335	2,007	1,957
To Intermediaries					
Acquisition Costs	2,195	1,587	1,613	1,554	1,608
To Government					
Income Tax	1,050	1,381	1,116	1,700	1,627
To Life Policyholders					
Increase in Life Insurance Fund	5,198	6,840	5,376	5,109	3,733
To Shareholders					
Dividends Paid	10,011	2,003	1,002	1,200	-
To Expansion and Growth					
Retained as Depreciation	338	368	138	418	193
Retained as Reserves	2,730	1,436	2,255	3,454	4,235
	24,792	16,679	13,836	15,442	13,353

Distribution of Income 2016



Distribution of Income 2015



Overall Financial Performance

During 2016, the Company's assets reached Rs. 176.8 billion (Rs. 166.94 billion- 2015) while the Shareholders' Fund came to Rs. 62.9 billion (Rs. 63.67 billion-2015), with the highest Life Fund of Rs. 87.35 billion (Rs. 77.85 billion-2015).

During 2016, SLIC achieved a total revenue of Rs. 42.11 billion compared to Rs. 31.15 billion in the previous year. The combined Gross Written Premium (GWP) of Rs. 27.61 billion compared to the combined GWP of Rs. 24.52 billion recorded during the last year.

Operating and administrative expenses increased to Rs. 6.44 billion from Rs. 4.97 billion. However, SLIC recorded a robust Rs. 8.97 billion increase in profit before tax, which reached to Rs. 13.79 billion in 2016, compared to the Rs. 4.82 billion of 2015.

The recorded combined net profit after tax is Rs. 12.7 billion in the year 2016 against Rs. 3.4 billion in the year 2015.

Solvency Ratio

SLIC has maintained the required Solvency Margins/Risk Based Capital Adequacy Ratio during the financial year 2016 and 2015. Accordingly, the life insurance business has maintained the Capital Adequacy Ratio of 427% and the general insurance business recorded a Capital Adequacy Ratio of 186% for the year 2016. The life insurance Capital Adequacy Ratio of 402% and general insurance Capital Adequacy Ratio of 213% were reported for the year 2015.

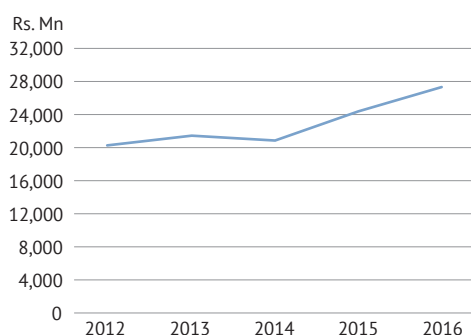
Life and General Combined Business Performance

The combined GWP of the company has increased over the last five years from Rs. 20,173 million to Rs. 27,614 million recording a 37% growth compared to 2012. The amount of investment and other incomes for the year 2016 is Rs. 18,094 million compared to the last year amount of Rs. 10,763 million, which is a increase of 68.11%. The company recorded Rs. 12,741 million in profit after tax in the year 2016.

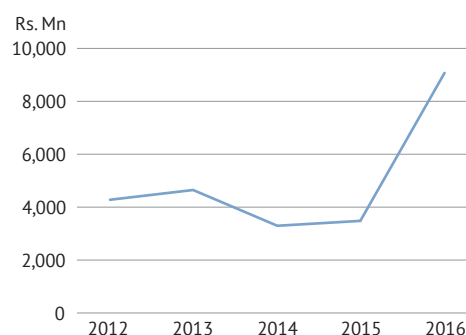
	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
Revenue	42,107,761	31,156,766	29,301,980	27,980,852	25,644,316
Gross Written Premium	27,614,433	24,520,012	20,665,985	21,350,869	20,172,623
Net Earned Premium	24,013,294	20,393,474	17,804,905	17,805,056	16,768,442
Benefits, Losses and Expenses	(21,870,191)	(21,360,285)	(18,928,978)	(16,467,961)	(15,625,259)
Investment and Other Income	18,094,467	10,763,292	11,497,075	10,175,796	8,875,874
Interest Expenses	(13)	(58)	(35)	(138)	(223)
Operating & Administrative Expenses	(6,446,588)	(4,975,647)	(5,999,828)	(5,158,022)	(4,155,575)
Profit Before Taxation	13,790,968	4,820,776	4,373,139	6,354,869	5,863,255
Taxation	(1,049,651)	(1,381,420)	(1,116,126)	(1,700,039)	(1,627,413)
Profit After Taxation	12,741,317	3,439,356	3,257,013	4,655,174	4,235,842

Financial Review Contd.

Combined GWP



Combined Profit After Tax



Combined Tax Payments

SLIC contributed Rs. 2,878 million (Rs. 4,190 million - 2015) as taxes to the government in the year 2016. These taxes are listed below.

	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
Value Added Tax	1,410,186	1,205,546	1,061,272	1,186,288	1,121,183
Nation Building Tax	337,820	62,108	252,955	267,011	258,914
Road Safety Fund	10,736	2,557	9,425	9,751	10,095
Economic Service Charge	53,817	-	-	-	-
Stamp Duty	16,006	3,087	11,487	8,186	8,175
Income Tax	1,049,650	1,381,420	1,116,126	1,700,039	1,627,413
Super Gain Tax	-	1,415,421	-	-	-
Total	2,878,215	4,190,660	2,451,265	3,171,275	3,025,780

Performance Review - General Insurance

Performance of General Insurance Business in 2016 and Future Outlook

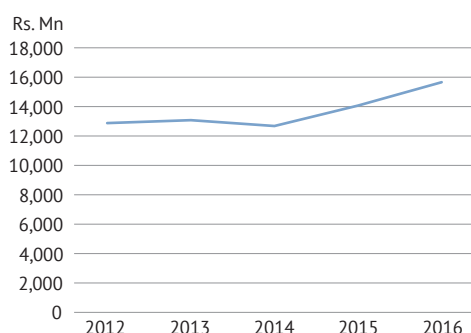
SLIC's market share in the general insurance market was 20.85%, as at end 2016 compared to 20.49% in the previous year. The financial year 2016 saw intense competition in the general insurance market which exerted growing pressure on pricing and prudent underwriting. Despite this, SLIC has recorded a 16% growth in the motor business year-on-year and approximately 5% in the non-motor classes of business. The general insurance business recorded a premium of Rs. 15.7 billion for the year which was a 11.89% growth over 2015.

General Insurance Business Performance

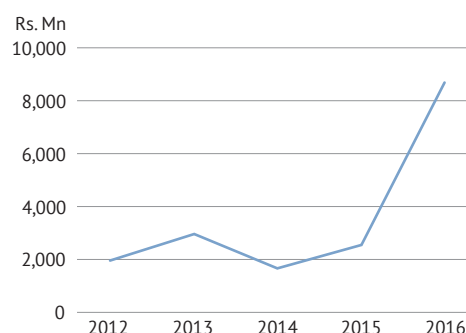
The general insurance GWP has increased over the last five years from Rs. 12,803 million to Rs. 15,721 million, which is a growth of 22.8% compared with the year 2012. The general insurance business recorded investment and other income of Rs. 9,322 million and Rs. 2,473 million for the years 2016 and 2015, respectively. The current year profit after tax for the general insurance business is Rs. 8,926 million.

	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
Gross Written Premium	15,720,793	14,049,933	12,544,828	12,953,151	12,803,491
Net Earned Premium	12,333,957	10,086,240	9,820,149	9,504,974	9,487,217
Net Claims Incurred	(8,605,127)	(6,628,963)	(6,205,796)	(4,934,075)	(6,194,011)
Operating & Administration Expenses	(3,815,992)	(2,877,500)	(3,977,357)	(3,351,580)	(2,528,520)
Investment and Other Income	9,322,419	2,472,764	2,224,732	2,516,798	2,064,835
Interest Expenses	(3)	(1)	(14)	(51)	(110)
Profit before Taxation	9,235,252	3,052,539	1,861,713	3,736,068	2,829,411
Taxation	(308,911)	(538,488)	(217,101)	(803,033)	(900,971)
Profit after Taxation	8,926,341	2,514,051	1,644,613	2,933,034	1,928,440

GWP- General Insurance Business



PAT - General Insurance Business



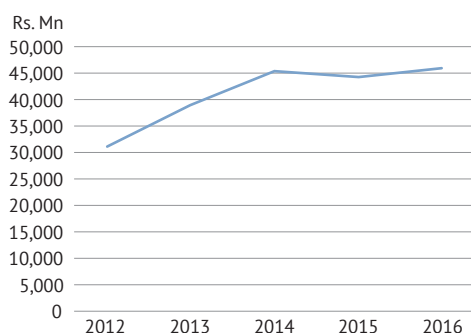
Financial Review Contd.

Stability of the General Insurance Business

As per section 26 (1) of the RII Act, insurers are required to maintain sound Solvency Risk Based Capital Adequacy (CAR) for both life and general insurance businesses. SLIC has maintained sound Solvency Margins/Risk Based Capital Adequacy Ratios for general insurance over the past 5 year period as depicted below.

	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
Net Assets Value	46,609,083	44,581,028	45,697,972	38,909,641	30,748,097
Solvency Ratio	-	3.93	3.80	4.30	3.25
Capital Adequacy Ratio	186%	213%	-	-	-

Net Assets Value - General Insurance



Approved Assets of the General Insurance Business

	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn
Approved Assets for Technical Reserves	21,417	23,708	16,808	22,760	20,720
Technical Reserve Values	14,641	13,581	11,929	11,881	12,570
Approved Assets in Excess Technical Reserves	6,776	10,127	4,879	10,879	8,150

Plans for 2017

Motor insurance is likely to face a challenging year due to the current leasing arrangements being less attractive to potential vehicle buyers. As a result, price competition is likely to be more intensive as a result of all insurers competing for a share of existing business. In response, SLIC is improving internal processes to enhance service standards as part of our efforts to attract new customers and retain existing ones, without compromising profitability.

As far as the non-motor business is concerned, the support of rated reinsurers will be leveraged for high value accounts. Additional focus will be directed towards writing retail business and this will be facilitated by opening several new branches island-wide during 2017.

Overall, SLIC is targeting a significant top line growth for 2017. Strategic tie ups with new business partners and service enhancements are in the pipeline to reduce competing on price and focus more on value added services. A healthy bottom line will be focused upon in 2017 and the business mix of general insurance will be determined to drive profitability.

Performance Review - Life Insurance

Performance of Life Insurance Business in 2016 and Future Outlook

During 2016, the GWP of the life insurance business increased from Rs. 10,470 million, to Rs. 11,894 million, which is a growth of 13.5% from 2015. SLIC recorded the highest Life Fund in the industry in the current year, amounting to Rs. 87,357 million, from Rs. 77,858 million in 2015. The increase in the Life Fund value for 2016 was 12.2% year-on-year.

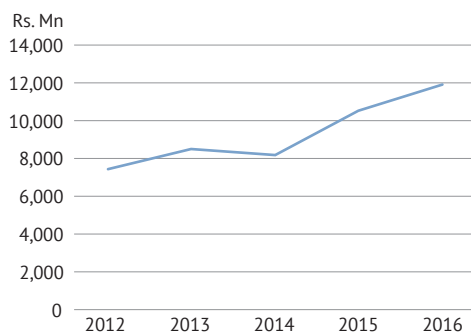
5-year Life Insurance Business Performance

The life insurance GWP has increased over the last five years from Rs. 7,369 million to Rs. 11,893 million which is a growth of 61.4% compared with the year 2012. The Life insurance business recorded investment and other income of Rs. 8,772 million and Rs. 8,290 million, for the year 2016 and 2015 respectively.

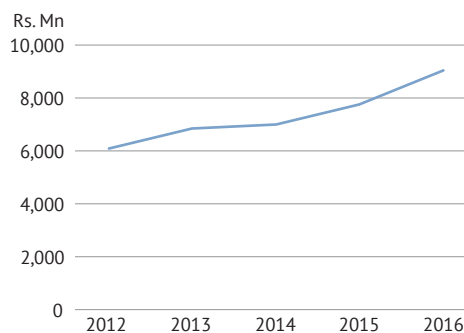
	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
Gross Written Premium	11,893,640	10,470,079	8,121,159	8,397,718	7,369,029
Net Written Premium	11,679,336	10,307,235	7,984,758	8,300,082	7,281,225
Investment and Other Income	8,772,049	8,290,528	9,272,341	7,659,011	6,811,040
Claims Incurred	(5,871,667)	(6,304,648)	(5,733,524)	(4,870,410)	(4,089,231)
Commission Expenses	(1,560,526)	(1,240,955)	(1,127,919)	(1,053,299)	(1,088,644)
Management Expenses	(3,265,087)	(2,443,685)	(2,507,813)	(2,307,020)	(2,147,076)
Increase in Life Fund before Taxation	9,754,105	8,608,479	7,887,842	7,728,364	6,767,314
Taxation	(740,739)	(842,932)	(899,025)	(897,006)	(726,442)
Increase in Life Fund	9,013,366	7,765,547	6,988,816	6,831,689	6,040,872

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

GWP - Life Insurance



Profitability - Life Insurance



Financial Review Contd.

Stability of the Life Insurance Business

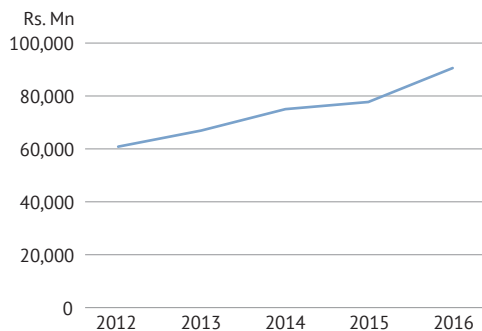
The life insurance business recorded a Risk Based Capital Adequacy Ratio of 427% for the year 2016 and a Capital Adequacy Ratio of 402% times in year 2015.

SLIC recorded the highest Life Fund in the industry, amounting to Rs. 87,357 million in the year 2016 compared to Rs. 77,858 million for the year 2015.

	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
Life Fund	87,357,385	77,858,383	74,706,065	66,511,606	60,084,899
Net Assets Value	16,425,367	19,203,590	18,625,842	14,373,045	17,547,244
Solvency Ratio	-	11.56	13.22	11.48	10.14
Capital Adequacy Ratio	427%	402%	-	-	-

Approved Assets of Life Insurance Business

Increase in Life Fund



Plans for 2017

The planned branch expansion will increase customer accessibility and enhance customer services to current and potential customers. This would enable the Company to strengthen market penetration in 2017.

With the modified life core system, SLIC expects greater productivity and value addition that will enhance competitiveness and cost efficiencies for an overall better customer experience and value.

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 IBSL, the strategy is aimed at meeting the obligations of the Fund.

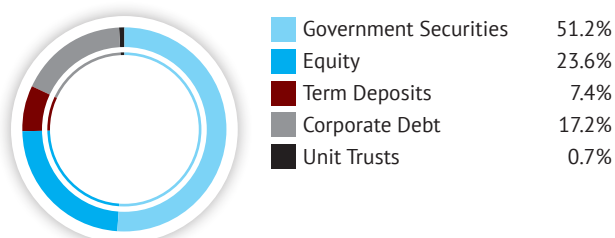
Investment Committee

The Investment Committee has a range of responsibilities including the management of SLIC's investment portfolio, reviewing & monitoring the strategic asset allocation, effective matching of asset & liabilities, and capitalizing tactical investment opportunities. The Committee adheres to the Asset Manager's Code of the CFA Institute.

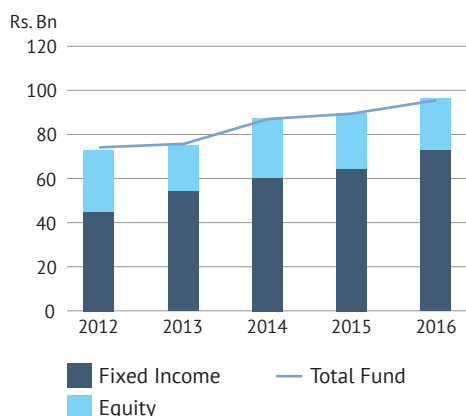
Asset Allocation

Life Fund:

Composition of the Fund

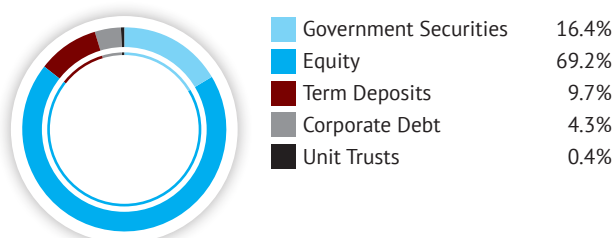


Growth of Investable Assets

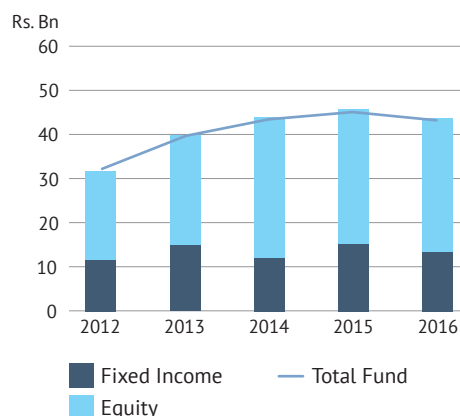


General Fund:

Composition of the Fund



Growth of Investable Assets



Asset - Liability Matching

Life Fund:

In the context of a relatively less-developed fixed income securities market, matching the maturity structure of the Life Fund 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

Investment Review Contd.

reap the benefit of income tax waivers granted. SLIC invested Rs. 5.5 billion in listed debentures during the year with maturities ranging from 03 to 10 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 up to 19 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 Fund:

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

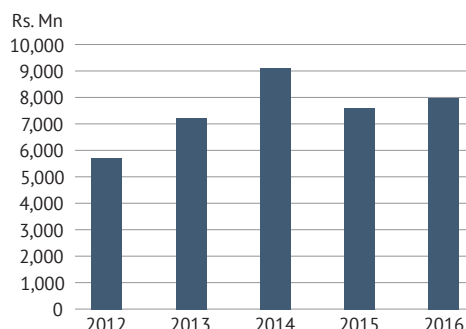
Investment Performance

The SLIC achieved healthy returns during 2016 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. 17.3 billion during the year.

Life Fund:

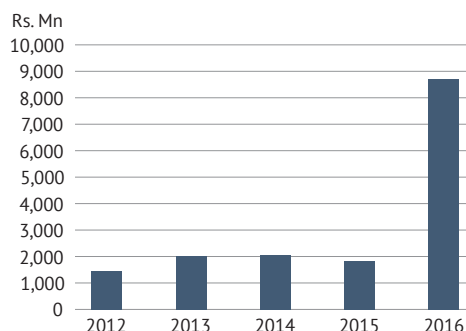
Investment Income



The Life Fund recorded a healthy investment income of Rs. 7.95 billion in 2016 which is a 4.7% growth from the preceding year.

General Fund:

Investment Income



The General Fund recorded an investment income of Rs. 8.72 billion in 2016 which is a staggering 380.3% growth from the preceding year. However, this includes an extraordinary dividend income of Rs. 6,750 million received from Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd.

Summary of Investments

Company	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000	2013 Rs. 000	2012 Rs. 000
At Cost					
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	14,660,337	13,790,250
At Net Asset Value					
Associates	138,448	128,090	122,425	105,727	71,697
Available-For-Sale					
Listed Shares	30,914,016	31,894,168	35,711,339	24,798,653	22,423,654
Unlisted Shares	47,972	20,754	20,832	18,753	18,884
Unit Trusts	964,320	1,043,587	1,146,236	1,426,408	1,437,209
Listed Debentures	19,566,031	15,228,277	11,880,406	7,190,339	3,424,049
Treasury Bills	-	-	-	483,700	-
Treasury Bonds	4,062,844	5,119,315	4,387,187	5,418,642	11,144,843
Fair-Value-Through-Profit-or-Loss					
Listed Shares	5,320,606	6,756,655	5,538,348	5,956,726	10,953,886
Held-To-Maturity					
Treasury Bills	-	488,795	487,576	-	969,775
Treasury Bonds	49,313,553	38,475,744	25,589,291	19,324,293	14,402,918
Loans & Receivables					
Unlisted Debentures	500,534	541,717	1,367,205	1,890,781	2,274,245
Term Deposits	12,336,280	17,309,842	27,945,442	22,864,910	16,290,231
Development Bonds	7,158,558	6,815,995	2,428,326	5,254,857	5,106,038
Commercial Papers	-	-	-	-	206,807
Trust Certificates	-	-	-	37,481	60,767
Reverse Repos	1,035,996	2,629,107	5,130,628	12,530,569	7,852,673
Total	152,445,063	147,537,950	142,841,145	124,887,745	113,353,493

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 IBSL insurance regulations.

Interest Rate Risk

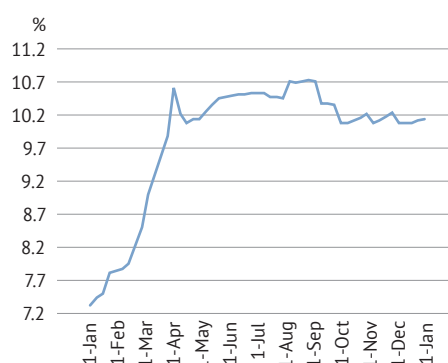
Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves while credit spread risk describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free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

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

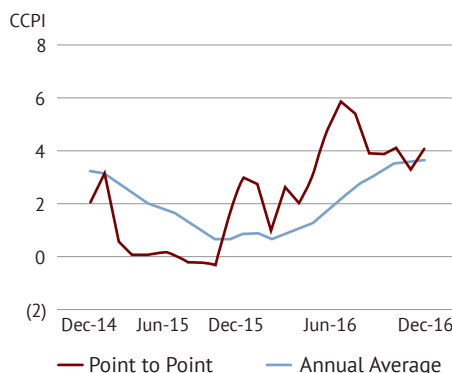
The Central Bank of Sri Lanka twice increased its Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 50 basis points each to reach 7.00% and 8.50% respectively at the end of the year.

Accordingly, Treasury Bill rate was on upward trend until the end of August before starting to drop slightly from September. However, with the receipt of the IMF loan facility and other foreign currency inflows, the pressure on exchange rate is expected to ease off and the interest rates are expected to stabilise.

1-Year T-Bill Rate



Point to Point & Annual Average Information (%)

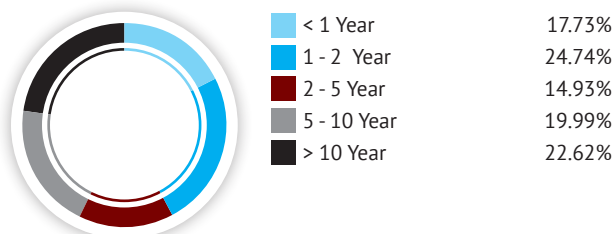


The lack of long-term fixed income instruments yielding acceptable level of returns and risk has brought in an asset-liability duration mismatch for the Life Fund. However, having analysed the situation, the Investment Committee proactively lengthened the duration of the fixed income portfolio by investing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

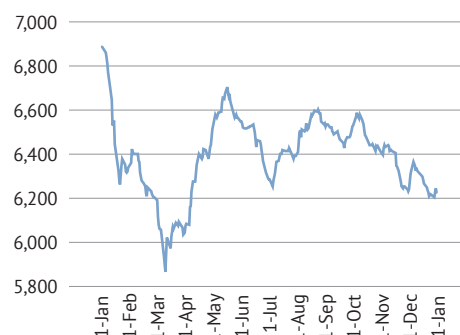
Further, the Company has already taken initial steps in developing a comprehensive Asset-Liability Management (ALM) Policy covering all these aspects.

Maturity Profile

Life Fund

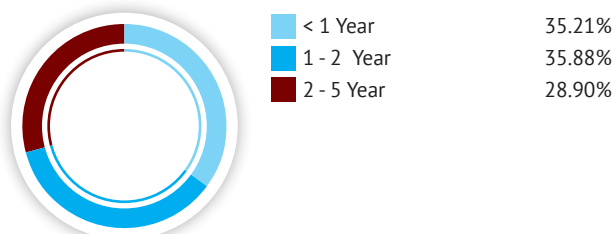


ASPI Movement FY 2016



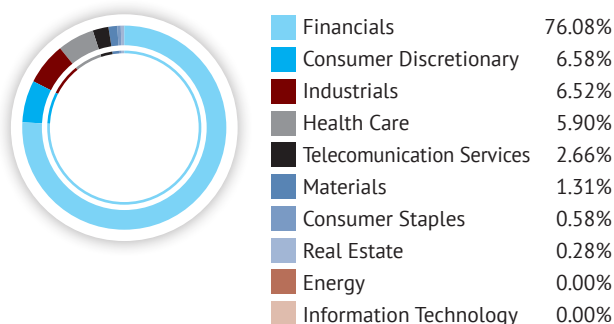
Maturity Profile

General Fund



Sector Allocation - Listed Equity Life

Fund



Market Risk

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

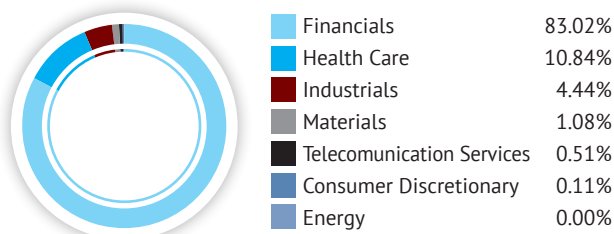
SLIC mitigates market risk by diversifying the equity portfolio into different sectors and companies. The annual drop of the equity market extended up to 9.66%, resulting from the challenging economic condition prevailed in both local and external fronts. However, as valuations of selected key counters 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.

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

Sector Allocation - Listed Equity

General Fund



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

Investment Risk Management Contd.

Credit Risk & Concentration Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil 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 recognized 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 Fund

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

However, in upcoming years greater than historical volumes of maturities and cash outflows are expected 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.

Short term allocation includes a funding cushion of over Rs. 850 million in liquid securities to meet policy obligations, tax obligations and investment opportunities collectively.

General Fund

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

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

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.

Operations Review

In 2016, SLIC's strategic corporate objective was to become the market leader for both life and general insurance categories.

Given the changing competitive landscape SLIC responded with a number of strategic moves to enhance competitiveness of the company. The objective is to recapture market share to regain the number 1 positions in both life and general insurance segments.

SLIC Network

As at end 2016, the SLIC network comprised 117 branches scattered island wide. No new branches were opened during the year. However, SLIC has a presence in all major strategic localities in the country. Please see List of Branches, as at the reporting date, on pages 236 to 245 full list of branches.

In addition to the branch network, the SLIC network comprised 15 service centres, 1 dedicated motor insurance claims centre in Kandy, 2,600 active agency force, marketing executive & bancassurance officers of 235 and 56 brokers as at 31.12.2016.

3-Year Corporate Strategy

Components of the growth strategy includes investment in ICT solutions, market penetration through expansion of the branch network, the development and introduction of new, specialised insurance products and improved performance indicators for SLIC management and staff.

Quality Certification

SLIC QUALITY POLICY

The company policy is clearly reflected in the Quality Policy, which is being displayed in each department and all branches. Senior Management ensures that the staff executes their work within the framework of the Quality Policy.

SLIC is proud to announce that it is an ISO certified company. SLIC obtained the ISO certificate in 2009 and renews it every 3- years. The current certificate is valid up to November, 2017 and then SLIC will transition to the latest version of ISO 9001:2015.

The certification covers life and non life underwriting, claims settlement and support services of the head office and its branches. All the departments have their own objectives cascading from the corporate objective.

Customer care is handled within the ISO system. Customer complaints are documented and effective action is taken at all of the Head office departments and branches. A Customer Satisfaction Survey is carried out to obtain feedback.

All the procedures, guidelines and forms are available to employees in the company intranet.

Operations Review Contd.

General Insurance Operations Overview 2016

The General Insurance category consists of two main strategic business units which are 'Motor' and 'Non-Motor'. Both categories comprise different characteristics. Therefore, the SLIC General Insurance Strategic Plan focuses separately for both Motor and Non-Motor categories.

SLIC General Insurance Marketing Strategy

The overall General Insurance marketing strategy for the period of 2016-2019 has been developed focusing on the following key strategic routes:

- ▣ Competitive Strategy
- ▣ Growth Strategy
- ▣ Marketing Communication Strategy
- ▣ Innovation strategy

The 'Motor Plus' brand has been positioned as the *"National Motor Insurance Brand"*, following its re-launch post nationalisation in 2009.

For Non-Motor, with the relaxation of regulations and intense competition, managing corporate insurance product is no longer going to be enough to be competitive under the existing market conditions. Therefore, prime focus will be to develop retail markets during the next 3 years whilst further developing corporate business.

Training and Development

Building confidence through knowledge enhancement with high level of grooming and work ethics is the key for a successful salesmanship for General Insurance. Well-structured training and development modules have been designed and rolled out with continuous updates towards

these focused areas. Further, GI training team will also focus on leadership and sales management development together with motivational programs during the year.

Reinsurance

Financially instable reinsurers can have a very big negative impact on the insurers who deal with them in claims recoveries. Therefore, we engage our reinsurance dealings with reinsurers with high financial ratings with treaty leaders being global high rankers.

Improving Customer Care Services

SLIC presented 132 Suzuki motorcycles to Technical Officers of its Motor Department who inspect accident damages and to their Health Claim Coordinators, to provide a better and more expeditious service to customers.

Market-Driven Approach

Clear marketing strategies were utilised to ensure that the company's branding initiatives stayed on top during 2016 as well. They enabled the company's various initiatives to reach the mass market in a very visible manner, with most such initiatives resulting in solid business leads.

Star Awards 2016 held at the BMICH in July to honour the top achievers among the SLIC sales team was one such initiative. The annual event was organised to honour and recognise the excellent and outstanding performances of its sales team during 2015. The event saw 426 best performers and team leaders being awarded for their excellent sales performance based on the achievement of set sales targets and standards.

Promotional activities were also organised throughout the country to increase brand awareness among the public. Some of these activities were exclusive Sri Lanka Insurance events while some were events organised

by other parties where SLIC actively took part, thereby enhancing its brand presence. One such event was the Build SL 2016 construction exhibition, organised by the Chamber of Construction Industry and held at the BMICH in May.

Sporting and cultural events were other areas where SLIC managed to mark a strong presence and carry its marketing activities to a new level. The Sri Lanka Super Sevens 2016 international rugby tournament organised by the Sri Lanka Rugby Football Union in August, the Commando Challenge Supercross motor racing event organised by the Commando Regiment of the Sri Lanka Army along with the Sri Lanka Association of Racing Drivers and Riders in October and a host of other religious and entertainment events saw SLIC's involvement.

There was a massive response for the free fuel promotion conducted in September and November at fuel stations in and around Colombo, Gampaha and Kandy. Each campaign had 10 lucky winners selected from among motorists driving in to designated fuel stations each day, who received free fuel worth Rs. 5,000.

The Business Club Consumer Forums were among the brand activation events conducted by the company during the year to spread the message of insurance far and wide. Some of the regions which played host to these forums were Colombo 1 and 3, Central 1 and 2, Negombo and Matara.

An awareness programme on insurance and a promotion was carried out at all 'Hela' clothing factories during September and October while activation programmes were also conducted in Colombo, Kandy and Anuradhapura as part of the Loyalty Rewards Regional Level Offers campaign.

In keeping with modern trends in the marketing sector around the world, SLIC commenced the effective 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. These efforts were supplemented by the revamped website and SLIC's focus on the mainstream media both print and electronic.

Many more marketing activities have been planned for the year 2017 among which is the Ceylon Motor Show 2017. Sri Lanka Insurance Motor Plus was the Title Partner for the fourth time of the premier motoring event organised by the Classic Car Club of Ceylon and Ceylon Motor Traders Association, held in January 2017 at the BMICH, Colombo.

Minimuthu Dayada Dream Collection



SLIC conducted the Minimuthu Dayada dream collection competition from 14.02.2016 to 31.03.2016, to mark the launch of the children's insurance product Minimuthu Dayada. The competition attracted more than 5,000 children's creations based on their future ambitions. The 10 winners had the opportunity of visiting Universal Studios in Singapore with a four nights and five days package, accompanied by a parent or guardian.

Operations Review Contd.

SLIC Powers Commando Challenge



Deputy General Manager – Marketing of Sri Lanka Insurance Niroshini Pethiyagoda hands over the sponsorship cheque to CoL Commandant of Commando Regiment Brig. Ralph Nugera.

The second phase was carried out on October 9 and comprised the Supercross racing challenge for motor cycles and cars. This was held at the 1.68km racing track of the Commando Regiment Training School at Uva Kuda Oya, which is believed to be the longest and fastest racing track in the island. The track has been developed to international standards. The Supercross comprised over 12 motor cars and 10 motor cycle encounters and saw the participation of over 100 drivers and riders.

Sri Lanka Insurance Motor Plus has always been in the forefront when it comes to assisting motor racing events. As the premier motor insurance provider, its involvement in such events has given the events as well as the participants a major boost.

SLIC Motor Plus stepped forward as the exclusive insurance partner and a sponsor of the high-adrenaline Commando Challenge Supercross motor racing event which took place in October.

The thrill-a-minute event was conducted under the theme 'Ride with the Commandos' which was organised by the Commando Regiment of the Sri Lanka Army along with the Sri Lanka Association of Racing Drivers and Riders (SLARDAR).

Organised under a unique format for the first time, it was carried out in two phases. The first phase comprised a three-day rally and expedition commencing on October 3, which was expected to be more of a fun and leisure event. The expedition covered over 560km, winding its way across four provinces – Western, Central, Eastern and Uva - covering varying geographies and climates.

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SLIC Partners Super Sevens Rugby



The sponsorship package is handed over by Joint Managing Director, Sri Lanka Insurance, Keith Bernard (L) to President, Sri Lanka Rugby Football Union, Asanga Seneviratne in the presence of Minister of Telecommunications and Digital Infrastructure Harin Fernando.

SLIC came onboard the Sri Lanka Super Sevens 2016 international rugby tournament as the Official Insurance Partner. The tournament was organised by the Sri Lanka Rugby Football Union and was held in two phases. The first leg of the tournament took place last week, on August 5 and 6, at the Racecourse Grounds in Colombo while the second leg took place on August 12 and 13 at the same venue.

According to the partnership, SLIC Motor Plus covers each franchise team player to the tune of one million rupees with the provision of personal accident cover and hospital/surgical benefits. The school team members also receive insurance coverage. This is another step taken by the State insurance giant in its drive to promote and support local sports.

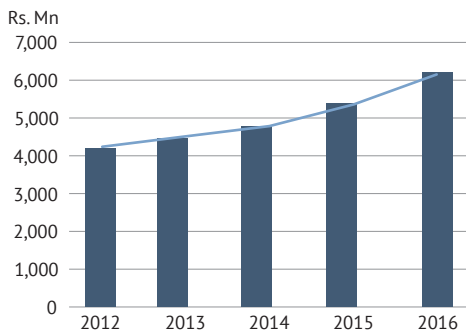
Operations Review Contd.

Life Insurance Operations Overview 2016

SLIC Records Unmatchable Life Bonus for 2016

Breaking all landmarks in the local insurance industry SLIC declared a life bonus of Rs. 6.2 billion for the year 2016, surpassing its own record of Rs. 5.4 billion declared the year before. SLIC has declared over Rs. 35 billion in total as Life Insurance Bonuses since 2006. This is ample evidence of the company's commitment to providing the highest returns while protecting its policyholders through wise investment management.

Bonus FV



New Products

A new children's insurance product was introduced in 2016 with the aim of enhancing protection for children. The product, which is called Mini Muthu Dayada, is an unique fund to support the heavy expenses associated with education and professional examinations of children. The policy provides in-built health coverage such as hospitalisation for child, as well as Accident Death Benefit and Total Permanent Disability Benefit Due to Accident or Sickness to policyholder, who is the parent or guardian of the child. The maturity payment is effected in five annual installments over 5 consecutive years starting from maturity date. Death or Disability of parent/guardian during premium payment or maturity payment period will further enhance the remaining installment payments.

Sales Force Activation

The life sales force was rejuvenated to push market penetration and a structured sales promotional campaigning system at regional level continued during the financial year 2016. This is in addition to the National Sales Campaigns and above the line activities.

Sales Training and Development

The sales force of the insurance industry requires a high level of skill and motivation with in-depth knowledge of products, benefits and technicalities compared to the other industries as the product itself is in an intangible nature. As the product delivery does not take place during the time of its purchase the ability to persuade customers is a key skill that should be developed. Well-structured training and development modules have been designed and rolled out with continuous updates towards Skill Development, Technical Competency Development, Team Leader Development, and Sales Management Skill Development for year 2017 as well. This contains an array of courses catering to all levels across the sales hierarchy from the agents to the senior level sales managers.

Promotional Activities

The Life Congress Competition for the Life sales force which is the best annual sales promotion helped to kick start the first half of the year to record the highest FYP growth in the industry in new business for the 01st half of 2016. Further, the Productivity Rewards and Jaya Sri Plus competitions launched during the year and the active and productive manpower/team leader drive, helped to keep the high business momentum and gain good results during the 2nd half of 2016.

Special Policy Revival Campaign

We continuously encourage our customers to maintain life policies under 'active' status, which is a practice in the life insurance industry around the globe. In 2016, SLIC Life launched a special revival campaign and successfully reactivated dormant policies. We look forward to introducing this revival campaign in year 2017 as well. The Special Policy Revival campaign will be a seasonal event,

along with the high bonus declaration for customers, in paving the way to activate their policies which had lapsed during the last 36 months.

Alternate Distribution

Bancassurance (Life)

The main project with Bank of Ceylon continued with branches being allocated with 23 Bancassurance Officers to promote life insurance. A senior Manager – Bancassurance Life was appointed in the 1st quarter of 2016 and recruitment of new Bancassurance Sales Officers were in progress to strengthen the sales carder of this bancassurance channel. Plans are made to develop sales lines with new banks with the manpower development and these banks will add nontraditional penetration activities, thus improving the business as well as minimise the risk of dependability of one channel.

Group Life

Focusing further on channel development, a Group and Bulk Sales Unit was established to concentrate on group life business. Retirement Market, Worksite Marketing showed a growth of 25% with Rs. 1.5 billion in 2016. Further, potential in the areas of government and corporate sector entities especially for retirement planning and other related schemes with tie-ups also were identified to proceed.

Strengthening the Market Penetration via Branch Network

This was a continuous focus in year 2016. Increasing SLIC service points up to 160 branches in 2017 through 20 new branches will be a key objective for the current year. Further, upgrading existing branches to be in par with the industry developments, branches are continuously being physically developed with face lifts, renovations and facility enhancements. Some of the branches were also shifted to more strategically advantageous new locations during the year. These are expected to contribute positively towards the business growth.

Marketing Strategy

Being the national insurer, we make all efforts to make life insurance reachable, flexible and affordable for all. In this regard a series of marketing and sales initiatives have been introduced to accomplish the said vision. 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 & equity for the SLIC brand and eases the selling effort of the salesman when approached. From a push strategy perspective the marketing annual event calendar consists of many events targeting sales promotions schemes developed to motivate our sales teams. Some of the key events are as given below:

- ▣ Life Congress, 6 month competition
- ▣ Quarterly schemes encouraging activation of manpower & productivity development
- ▣ Branch level GWP competition towards the year end
- ▣ Million Dollar Round Table (MDRT) event
- ▣ Annual awards

Performance of Subsidiaries

The Lanka Hospitals Corporation PLC

The Lanka Hospital Group recorded its highest profit of Rs. 972 million in 2016-17 and balance sheet growth of 16%. Market capitalization of Rs. 14.5 billion exceeded the Rs. 5.8 billion net worth of the company. The intrinsic value of the share reflects its potential based on its non-monetized assets such as adherence to globally accepted standards of care; structures, systems and processes that facilitate high levels of customer satisfaction, availability of skills and expertise and a proven track record of performance.

Lanka Hospitals contributed Rs. 220 million to SLIC in the form of dividends during the year which is a growth of 33% against the previous year.

The hospital is functioning at the maximum capacity and expansion is a priority. Resources will be allocated for expanding in the country and abroad, new technology and people development. This would include widening the scope of services.

Litro Gas Lanka Ltd

Total LPG sales of Litro Gas Lanka increased by 4.21% to Rs. 24,890 million in the financial year 2016-17.

Litro Gas Lanka recorded a before tax profit of Rs. 4,847 million in 2016-17 and an after tax profit of Rs. 3,433 million.

Litro Gas Lanka contributed Rs. 5,178 million to SLIC in the form of dividends and during the year which is a growth of 1,826% against the previous year.

Litro Gas Terminal Lanka (Pvt) Ltd

Litro Gas Terminal Lanka recorded a before tax profit of Rs. 1,780 million in 2016-17, which is a growth of 39.3% year-on-year and an after tax profit of Rs. 1,560 million, which is a growth of 44.2%.

Litro Gas Terminal Lanka contributed Rs. 2,499 million to SLIC in the form of dividends and during the year which is a growth of 3,837% against the previous year.

Canowin Hotels and Spas (Pvt) Ltd

The Canowin Arcade, which is located on either side of the 44km mile post in Welipanna on the Southern Expressway, is operated by Canowin Hotels and Spas. The premises consists of restaurants, supermarkets, Banks ATM machines, clothing stores, first aids and vehicle parking.

The Arcade generated Rs. 81 million in revenue during the financial year 2016-17 which is a growth of 5.12% against the previous years revenue of Rs. 77 million. Profit before tax of Canowin Hotels and Spas was Rs. 12 million from Rs. 19 million in the previous year. The company reported an after tax profit of Rs. 12 million in the current year from Rs. 19 million in the last financial year.

Canowin Hotels and Spas contributed Rs. 15 million to SLIC in the form of dividends.

Canwill Holdings (Pvt) Ltd

Canwill Holdings (Pvt) Ltd owns the Grand Hyatt Colombo Hotel, which is currently under construction. The US \$ 240 million property consists of 1.1 million sq. ft. built up area spread across 47 levels. It will have 453 rooms, 61 suites and 100 serviced apartments (ranging from one to three bed rooms) with a total of further 220 rooms. Hence Grand Hyatt Colombo will be the only five-star property in Sri Lanka catering to both short and long stay market segments. Furthermore, the luxury hotel will have 10 restaurants including three restaurants located at 43/44 levels. The hotel will be managed by the Hyatt Hotels Corporation, which is a leading American hospitality company.

During the current financial year the core structure of the hotel was almost completed and several teams of contractors are working on interior areas simultaneously, to meet the dateline for completion, which is the 3rd quarter of 2018.

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 our human resources to improve our services quality and to enhance overall competitiveness of the company. We are proud to record that our human resource base is one of the best in the domestic insurance industry. Our team is led by a senior management cadre that is both technically and academically qualified and our employees are exposed to regular and continuous training and skill development to maintain professionalism and quality of service.

Collective Agreement 2016–2019

The Collective Agreement 2016–2019 was signed on 11.01.2017 between SLIC and 8 unions that have subscribed to it, who represent the executive and non-executive categories of employees of SLIC in their membership.

The agreement came into force with effect from 01.12.2016 and it is the intention of the management of SLIC to extend the revised benefits to all employees coming under the above categories irrespective of whether the union they belong to, is a signatory to the Collective Agreement or not. On the basis of employees accepting the renewed benefits under the Collective Agreement, it will be considered that they have accepted the terms of the new Agreements, which they are obliged to follow in respect of their terms and conditions of employment, which would secure the industrial peace in the company as well.

Work Practices

Both Employer and Unions agree that work practices of the company shall be those that are specifically stipulated in contracts of employment of employees including job descriptions, existing policies, practices, both existing and those that may be varied from time to time by the company due to new policies being introduced or new view of amendments to existing policies, procedures, practices, job descriptions, KPIs (Key Performance Indicators) and performance appraisals to meet requirements of the company while adhering to good governance practices.

Staff Welfare

We provide an array of welfare facilities to our employees to keep their motivational levels high which include both statutory and non-statutory welfare schemes like household appliances at concessionary rates and Company maintained holiday bungalows at concessionary rates. Statutory welfare schemes include payments made on time to Employees' Trust Fund, Employees' Provident Fund, Gratuity Payment and maternity leave. Other non-statutory welfare schemes include gymnasium facilities, canteen facilities, in-house medical centre facilities, medical schemes, insurance at concessionary rates on account of special milestones and welfare through various societies; namely, Thrift Society, Sports Society and Literary Society etc.

Employee Profile

Employees by Type of Contract

Employment Type	2016	2015	2014
Permanent Staff	2,308	2,177	2,163
Contract Staff	124	107	186
Total	2,432	2,284	2,349

SLIC Team Contd.

Employment by Grade and Gender

	Number		Total	Composition %	
	Female	Male		Female	Male
Senior Managerial	14	54	68	20.6	79.4
Manager	34	114	148	23.0	77.0
Assistant Manager	42	99	141	29.8	70.2
Executive	363	192	555	65.4	34.6
Supra *	34	1	35	97.1	2.9
Supra ** (Skilled)		6	6	0.0	100.0
Clerical	649	449	1098	59.1	40.9
Technical Officer Grade		169	169	0.0	100.0
Non Clerical Grade	24	138	162	14.8	85.2
Minor Grade	2	48	50	4.0	96.0
Total	1162	1270	2432	47.8	52.2

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

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

Age Analysis

Age group	Female	Male	Total
18-25 years	81	73	154
26-35 years	337	408	745
36-45 years	252	428	680
46-55 years	393	278	671
55 years & above	99	83	182
Total	1162	1270	2432

Employees by Region

Region	Employees	
	Number	%
Anuradhapura	94	3.9
Badulla	67	2.8
Central -i	92	3.8
Central-ii	51	2.1
Colombo-i	90	3.7
Colombo-ii	62	2.5
Colombo-iii	83	3.4
Colombo-iv	12	0.5
Eastern	40	1.6
Galle	70	2.9
Gampaha	61	2.5
Hambantota	11	0.5
Jaffna	40	1.6
Kalutara	61	2.5
Kurunegala	105	4.3
Matara	89	3.7
Negombo	95	3.9
Ratnapura	72	3.0
Head Office	1237	50.8
Total	2432	100.0

Training

During the current year SLIC invested Rs. 8.7 million on employee training both in-house, local and overseas. An important focus is to develop the next level of junior managers vital to sustaining and growing the business. In this regards a series of management development programmes were introduced in the previous financial year in partnership with leading educational institutions, to develop the skills and competencies of junior managers.

Investment in Training and Development

Type	2016 (Rs.)	2015 (Rs.)
In-house Training	707,255	2,344,749
External Training	40,125	1,041,044
Conferences	423,743	281,696
Overseas Training	5,094,421	18,787,230
Insurance and Professional Education	2,474,365	1,296,918
Professional Memberships	1,102,642	842,616

Training Programmes

	2016	2015
Number of Programmes	93	95
Number of Hours	1,151	1,459

Induction Programmes

	2016	2015
Number of Programmes	2	0
Number of Hours	15.5	0

SLIC Attends the Million Dollar Round Table (MDRT)

The SLIC flag was flown high in the international arena once again when 42 of its top Life Insurance sales achievers qualified for the elite Million Dollar Round Table (MDRT) Annual Conference 2016 held from June 12 – 15 in Vancouver, Canada. This is the biggest contingent to represent SLIC at this leading finance industry event.

Acceptance to the MDRT is a privilege that is reserved for the best of the best in the Life insurance and other areas of the financial industry. It's a guarantee given to the public that members have exceptional professional knowledge, strict ethical conduct and outstanding client service.

To qualify for this elite gathering, Sri Lankan insurance advisors needed to achieve premium targets of over Rs. 4.8 million, while those who have surpassed targets of Rs. 14.4 million and Rs. 28.8 million qualified for the 'Court of the Table' and 'Top of the Table' membership respectively. Over 43,000 professionals representing over 470 organisations in 71 countries are members of the MDRT.

SLIC Team Contd.

The SLIC Star Awards 2016



The SLIC Star Awards 2016 was held at the BMICH to honour the top achievers among the SLIC sales team.

The Star Awards is an annual event organised by SLIC to honour and recognise the excellence and outstanding performances of its sales team. They were recognised and rewarded at the event for their sales performance in 2015. The Star Awards night saw 426 best insurance sales performers and team leaders being awarded for their excellent sales performance. They were awarded on the basis of achieving the set sales targets and standards. The first and second runners-up were also rewarded and were present to applaud the achievements of their colleagues.

Best Regional Sales Managers, Sales Managers, Team Leaders and Advisors were recognised under their respective business category, Life and Non-Life insurance business, with certificates and cash awards. The best of the best under these categories received awards and plaques in addition. The event also felicitated members of the Achievers' Clubs, Platinum Star Club and Platinum Club, while 42 members of the organisation who participated in the international Million Dollar Round Table conference

held in Vancouver, Canada in June 2016 were also awarded at the ceremony. Other achievers awarded at this prestigious event were from the Corporate Business Development Division, Technical Sales Division and Financial Business Development Division.

The chief guest at the event was Honorable Minister of Public Enterprises Development, Mr. Kabir Hashim while Deputy Minister of Public Enterprises Development Honorable Mr. Eran Wickramaratne and Secretary to the Ministry, Mr. Ravindra Hewavitharana took part as special invitees. The SLIC Board of Directors led by Chairman Mr. Amarasuriya, the corporate management, sales advisors and employees attended the event. Over 1,600 SLIC members were in attendance from across the island.

Corporate Social Responsibility

Annually, SLIC contributes to many philanthropic events and also conducts many ongoing CSR projects. Some of these activities are featured below.

SLIC Scholarship Scheme



The third award ceremony of the Sri Lanka Insurance Suba Pathum scholarship scheme was held in November at the Nelum Pokuna Theatre, where 307 scholarships were awarded to students from 25 districts.

This unique scholarship scheme was launched in June 2013 in an effort to nurture an academically sound generation. Financial scholarships were awarded to the top four performers at the grade five scholarship exam, the top four district level ranking students of the G.C.E (O/L) exam and the top 100 from the G.C.E (A/L) examination comprising the 25 top ranking students from the Bioscience, Mathematics, Commerce and Arts streams. The grade five scholarship award is Rs. 20,000 per student, while the O/L scholarship is Rs. 40,000 each and Rs. 50,000 is gifted to the eligible A/L students.

If the student's parents or guardian is a Sri Lanka Insurance Life Policy Holder, the benefit will be offered for a continuous period as an annual payment until the child faces the next national level examination. Eligible students should apply for the SLIC Suba Pathum scholarship scheme to receive the scholarship.

The scheme is one of the most beneficial of such schemes in the industry, supporting over 300 students each year, with the total value of scholarships exceeding Rs. 18 million.

Call to Donate



The CPAP machine bought through the Call to Donate campaign in 2015 being handed over to Dr. Damayanthi Pieris, Senior Consultant in Clinical Oncology of the Cancer Hospital and President of Sri Lanka College of Oncologists by Joint Managing Director of SLIC Keith Bernard (L) and Chairman Hemaka Amarasinghe (C).

The Call to Donate campaign, launched by SLIC on November 1, 2016, was an outstanding success, attracting over 500,000 missed calls within the short space of two weeks, long before its deadline of November 30.

The Call to Donate project used the novel mechanism of a 'missed call' to get public involvement for the project to finance a CRRT machine, for the National Cancer Institute in Maharagama. People could give a missed call to the number '1357' and for every such missed call, SLIC donates Rs. 10 towards the Cancer Hospital.

The first Call to Donate campaign introduced by SLIC in November last year, attracted 350,000 missed calls, enabling SLIC to donate Rs. 3.5 million towards the Cancer Hospital. Its success prompted the organisation to expand it further to 500,000 calls during this second phase.

SLIC donated a CPAP machine worth Rs. 775,000, prosthetic limbs worth Rs. 1.8 million, and much-needed

Corporate Social Responsibility Contd.

medication for cancer patients during the first phase. The CPAP (Continuous Positive Airway Pressure) machine allows cancer patients suffering from sleep apnea to breathe easier during sleep. The Cancer Hospital wasn't equipped with such a machine earlier.

One of the most vital necessities at the Cancer Hospital, as identified by doctors, was a CRRT (Continuous Renal Replacement Therapy) machine which will support critical cancer patients with their kidney functions. Therefore, SLIC's second Call to Donate campaign was dedicated to raise funding to donate a CRRT machine.

'Parissamen Gihin Enna' Project



At the launch of the 'Parissamen Gihin Enna' road safety programme under the patronage of His Excellency the President of Sri Lanka Hon. Maithripala Sirisena, Joint Managing Director, SLIC, Keith Bernard is also in the picture.

The number of deaths caused by road accidents in Sri Lanka in 2015 was a staggering 2,722; 814 of these were motor-cyclists, 777 pedestrians and 486 were three-wheeler passengers. Eight people die every day in road accidents; over 40,000 accidents are reported to the police every year while many more go unreported. The number of road deaths keeps increasing by about 300 on an annual basis.

The 'Parissamen Gihin Enna' programme was launched under the Sri Lanka Insurance Motor Plus banner, on December 1, under the distinguished patronage of His Excellency the President of Sri Lanka, Hon. Maithripala Sirisena, at Independence Square, Colombo. The programme was simultaneously launched in Gampaha and Kalutara. The objective is to raise public awareness about road safety. The programme is implemented in collaboration with the Sri Lanka Rupavahini Corporation and the Sri Lanka Police.

The campaign also includes health camps for drivers, workshops for bus drivers and conductors, upgrading road signs and crossings, road safety circles including in schools, a National Conference on Road Safety and billboards and street dramas highlighting the concept.

Sri Lanka Insurance Motor Plus, as the leading motor insurance provider, has always been in the forefront when it comes to promoting safety on the roads. One of the most comprehensive motor insurance solutions in the market, Sri Lanka Insurance Motor Plus offers a range of benefits to policy holders such as island-wide coverage, 24-hour service, flexibility in selecting the insurance plan of choice, third party claim settlements without any hassle and a dedicated and proactive customer care team.

Nurturing Cultural Festivities



SLIC Joint Managing Directors T.M.R. Bangsa Jayah and Keith Bernard and other personnel at the SLIC stall in Anuradhapura

SLIC has always been in the forefront when it comes to promoting and uplifting the cultural heritage of the island be it Buddhist, Hindu or others.

SLIC activities in this area commenced with its involvement in the Poson Poya festivities held in Anuradhapura during the month of June. SLIC, in cooperation with the Pradeshiya Sabha and Police, has been providing a service to assist pilgrims who got lost or separated from their families or groups to be reunited with their groups. SLIC has been providing this service for over 30 years from important religious venues related to the Poson festivities in Anuradhapura, e.g. the Atamasthana.

This was followed by the Esala Perahera of the Ruhunu Maha Kataragama Devalaya and Devinuwara Sri Vishnu Maha Devalaya during July. These events are attended by both the Buddhist and Hindu communities of the country. The pinnacle of the festive season was the Kandy Esala Perahera which is held annually to honour the Buddha's Sacred Tooth Relic and the Temple of the Tooth in Kandy

which houses the Relics. This perahera is renowned as one of the grandest pageants of the world and attracts visitors from across the globe.

Apart from coming on board as a sponsor, SLIC's role at the peraheras includes providing a Rs. 50,000 Personal Accident Cover to all those who are present at the perahera site – that is all persons taking part in the perahera, officials and all spectators. This service has been provided by SLIC for a long time under the 'Ira Handa Pavathina Thuru' policy.

The involvement of SLIC in these events not only contributes towards their success, but also ensures that the traditional rituals, cultural practices and heritage of the different communities of the island are preserved for the enjoyment of many future generations.



The background is a solid dark blue. On the left side, there is a white spiral that starts from the top left and curves downwards and to the right. Overlaid on this are several concentric circles in various shades of blue, ranging from a very light blue to a dark blue. The circles are centered towards the right side of the image. The text is centered within the lightest blue circle.

Governance and Internal Controls

Corporate Governance

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 is 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:



Board of Directors

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. 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.

Board Sub Committees

The above named Committees are chaired by Non-Executive Directors and the Audit & 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 involve 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 Ministry of Public Enterprise Development.

The number of Board Meetings and Board Sub-Committee Meetings held during 2016 and details of attendance of each Director present at these meetings are given below:

Board Meetings – 2016

Six board meetings were held during 2016.

Name of the Director	Attended
Mr. Hemaka D.S. Amarasuriya (Chairman)	06
Mr. T.M.R. Bangsa Jayah (Jt. Managing Director)	06
Prof. L.G. Chandrasena (Non-Executive Director)	05
Mr. P. Algama (Non-Executive Director)	05
Mr. Keith D. Bernard (Jt. Managing Director)	05
Mr. Asela S. Padmaperuma (Non-Executive Director)	04
Mr. Pradeep A. Liyanamana (Non-Executive Director)	04

(Mr. Keith D. Bernard ceased to be a Director of the company w.e.f. 20.12.2016 and Mr. D.B. Aruna P.S. Siriwardhana was appointed w.e.f. 20.12.2016.)

Audit and Compliance Committee Meetings (ACCM) – 2016

There were 4 ACCMs during the year 2016 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)	04
Prof. L.G. Chandrasena (Non-Executive Director)	04

Investment Committee Meetings - 2016

There were 24 Investment Committee meetings during 2016 and the Committee is chaired by the Non-Executive Director, Mr. Pradeep A. Liyanamana.

Name of the Director	Attended
Mr. Hemaka D.S. Amarasuriya (Chairman)	19
Mr. T.M.R. Bangsa Jayah (Jt. Managing Director)	18
Mr. P.P.J. Perera (Executive Director)	09
Mr. Pradeep A. Liyanamana (Non-Executive Director)	13
Mr. Keith D. Bernard (Jt. Managing Director)	16

(Mr. P. P. J. Perera ceased to be a Director w.e.f. 01.03.2016 and Mr. Keith D. Bernard ceased to be a Director of the company w.e.f. 20.12.2016.)

Risk Management Committee Meetings - 2016

There were 03 Risk Management Committee meetings during 2016 and was chaired by the Non-Executive Director, Prof. L.G. Chandrasena. 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
Mr. Hemaka D.S. Amarasuriya (Chairman)	02
Mr. T.M.R. Bangsa Jayah (Jt. Managing Director)	03
Prof. L.G. Chandrasena (Non-Executive Director)	03
Mr. P. Algama (Non-Executive Director)	02

Human Resources Committee Meetings-2016

There were 04 Human Resources Committee meetings during 2016 and was chaired by the Non-Executive Director, Prof. L.G. Chandrasena.

Name of the Director	Attended
Prof. L.G. Chandrasena (Non-Executive Director)	04
Mr. Asela S. Padmaperuma (Non-Executive Director)	00
Mr. Keith D. Bernard (Jt. Managing Director)	01

(Mr. Keith D. Bernard ceased to be a Director w.e.f. 20.12.2016)

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



01

MR. HEMAKA D.S. AMARASURIYA
Chairman



02

MR. T.M.R. BANGSA JAYAH
Joint Managing Director



03

MR. ARUNA SIRIWARDHANA
Joint Managing Director



04

VIDYA JYOTHI PROF. LAL CHANDRASENA
Non-Executive Director



05

MR. PRIYANGA ALGAMA

Non-Executive Director



06

MR. SANJAYA PADMAPERUMA

Non-Executive Director



07

MR. PRADEEP LIYANAMANA

Non-Executive Director

Board of Directors Contd.

01. Mr. Hemaka D.S. Amarasuriya

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 the Bata Shoe Company of Ceylon Ltd, Bata Exports (Pvt) Ltd, ACL Cables PLC, C. W. Mackie PLC, Lanka Aluminium PLC & ACME Printing & Packaging PLC and other 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.

02. Mr. T.M.R. Bangsa Jayah

Joint Managing Director

Mr. T.M.R. Bangsa Jayah is a retired commissioned Police Officer, with 29 years of Police service. During his career with the Police Department he has worked as the Chief Security Officer for the Deputy Speaker and the North- East Governor.

He is a product of St. Anne's College, Kurunegala, with advanced studies at the Aquinas College, Colombo. During his school days he excelled in sports including cricket and soccer. He was a member of the School Cadetring Team as well. He completed his First-in- Laws at the Law Faculty, Colombo.

Mr. Jayah has over 15 years of experience in the construction industry and was a principal partner in a well-known piling company. Mr. Jayah serves the Boards of the Colombo Dockyard PLC and Management Services Rakshana (Pvt) Ltd.

He is also the Chairman of the Ceylon Asset Management Company Ltd.

03. Mr. Aruna Siriwardhana

Joint Managing Director

Mr. Aruna Siriwardhana was the co-founder and first Chairman of Celltel Lanka Ltd (now Etisalat), the first cellular telecommunications services provider, not only in Sri Lanka, but in South and South East Asia as well. He was responsible for introducing US Millicom International in the late 1980s, to launch this network.

He was also the Co-founder and Director/CEO of Remedium One Ltd, the first company approved by the Government to conduct clinical trials in the island, and served as Chief Executive of Digital Information Technologies Ltd, Precision Motors Ltd, Dynanet Ltd and Interfreight (Pvt) Ltd. He also serves as a Guest Lecturer at the University of Sri Jayewardenepura's Post Graduate Institute of Management and the University of Colombo's Institute of Performing Arts. He is a Director of The Lanka Hospitals Corporation PLC as well.

Mr. Siriwardhana is the son of former top civil servant, the late Mr. D.B.I.P.S. Siriwardhana and author and educationist, the late Ms. Eileen Siriwardhana. He is a past student of St. Thomas' College, Mt. Lavinia and is also a renowned musician and President of Jazz Unlimited. He imparts his knowledge of music to students free of charge to pass-on his love of music to future generations.

04. Vidya Jyothi Prof. Lal Chandrasena

Non-Executive Director

Prof. Chandrasena is a Clinical Biochemist by profession and counts over 24 years of University Academic service and over 22 years of experience in hospital and healthcare administration and laboratory sciences. He retired as the Foundation Professor of Biochemistry and Clinical Chemistry and Senior Professor of the Faculty of Medicine, University of Kelaniya in June 2011 and presently holds the title of Emeritus Professor.

Prof. Chandrasena has a Doctorate in Philosophy from the University of Liverpool (UK), a Bachelor of Science (Hons) from the University of Liverpool (UK); and is a Fellow of the Institute of Chemistry, Ceylon and is a Chartered Chemist. In addition, he is a Fellow of the Royal Society of Chemistry (UK), a Fellow of the National Academy of Sciences of Sri Lanka and Post – Doctoral Fellow, Colorado State University, USA. He is also a Fellow member of the Institute of Certified Professional Managers and holds a certificate in Hospital Administration from the Indian Institute of Management, Ahmadabad. He is the current President of the Association of Private Hospitals, Sri Lanka, President of the Association for Clinical Biochemistry, Sri Lanka and a member of the Private Health Services Regulatory Council of the Ministry of Health.

He is also a Director of Nawaloka Hospitals PLC, Nawaloka Hospitals International (Pvt) Ltd, Nawaloka College of Higher Studies (Pvt) Ltd, Nawaloka Guardian International (Pvt) Ltd, and Nawaloka Hospitals Research and Education Foundation.

Board of Directors Contd.

05. 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 Practising Accountants). He possesses wide experience in systems and procedures of financial regulation, government procurement policy framework, Government assets management, project proposals of government agencies and corporate plans etc.

06. Mr. Sanjaya Padmaperuma

Non-Executive Director

Mr. Sanjaya holds a BSc. in Business Administration, majoring in Computer Information Systems from the Western Carolina University, Cullowhee, North Carolina and a Diploma in Computer Systems Analysis and Design from NIBM along with a Certificate of Achievement in Computer Information System from Diablo Valley College, Pleasant Hill, California. He is the CEO of the South Asian Technologies (Pvt) Ltd as well. He has well over 22 years of experience in different facets of ICT and is a Charter member of the Kappa Gamma Chapter of the Sigma Chi International Fraternity, Western Carolina University. He has represented Western Carolina University in Rugby and Seylan Bank in Basketball.

07. Mr. Pradeep 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 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.

Senior Management Team

No	Name	Designation	Qualifications
1.	Mr. Suresh Paranavitana	Chief Officer-Life/ Principal Officer	FCII, MBA, DipM, FCIM, M.I. Mgt, CMA (Aus)
2.	Ms. Ruanthi Gooneratne (Appointed w.e.f. 16.01.2017)	Chief Officer-General Insurance	FCII, Chartered Insurer
3.	Mr. Ranjith Perera (Retired w.e.f. 30.04.2017)	Senior DGM-Finance Chief Financial Officer	BSc (Hons) (Pub.Admin.Sp.), MBA, MA, PG. Dip. in Corp. Finance, FCMA, FCA
4.	Ms. E M Malanie Tennakoon (Appointed w.e.f. 01.03.2017)	Chief Financial Officer	MBA, FCA (SL), CPA (AUS), CIMA (UK)
5.	Ms. Niroshini Pethiyagoda	DGM-Marketing	MBA (MGSM, Syd), FCIM (UK), DipM (UK), Chartered Marketer
	Mr. Ajith Wijayasundara	DGM-ICT	Bsc (Eng.), MBA
6.	Ms. Thanuja Hingulage	DGM-General Insurance	BSc. (Hons), FCII (UK), Chartered Insurer, ANZIIF (Fellow)
7.	Mr. Nalin Subasinghe	DGM-Actuarial & Risk Management	MSc in Actuarial Management. (UK), BSc (Hons. Mathematics Special), Dip. in Computer Studies
8.	Mr. Dhanuka Liyanagamage	DGM-Investments	BSc (Eng) (Hons), MBA (Finance), CFA, Member of the CFA Institute (USA) and CFA Sri Lanka Society
9.	Ms. Ruwani Dharmawardana	DGM-Compliance / Company Secretary	LLB, Attorney-at-law, MBA, ACISI (UK)
10.	Mr. Dayaratne Perera	DGM-Life (Technical)	BSc (Hons), FCII, Dip. In BA, Chartered Insurer, MBA (USJ), AUKP (UK)
11.	Dr. (Ms.) 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
12.	Mr. Hasantha Perera	AGM-ICT Governance & Admin.	MSc (IT), MSc (Const. PMgmt.), MBA, BSc (Eng.), AIPMSL, AIESL, Dip. in Credit Mgmt. (IBSL)
13.	Mr. Rasika Ranathunga	AGM-Facilities Management	Member (ASHRAE) (USA), Member (ASHRAE) (SL), Dip. HVAC (USA)
14.	Mr. Jerome Vincent	AGM-Sales Support	B.com (Special - Hons), MBA, Dip. in Journalism, Dip. in Marketing (UK) MCIM, AIII
15.	Mr. Chaminda Athauda	AGM-Life (Technical)	BSc.(Hons), FCII, AIII, ANZIIF (Fellow), MBA (Colombo), Chartered Insurer
16.	Ms. Champa Kannangara	AGM-ICT Systems Development	BSc, Msc (Comp.Sc.), MBCS
17.	Ms. Namalee Silva	AGM-Marketing & Corporate Communication	MCIM (UK), Chartered Marketer, Prof. Dip. in Marketing-CIM, ACIB (UK)
18.	Mr. Chaminda Gunasinghe	AGM-Finance	B.B.Mgt. (Accountancy) Sp. (Hons), FCA, ACMA, MBA(Finance)
19.	Mr. Malaka Bandara	AGM-Management Accounting & Budgetary Control	BSc. - Accountancy (Sp.), FCA, MBA (Colombo)
20.	Mr. Lalith De Silva	AGM-Motor	P.G. Dip. In Finance & Bus. Admin., MBA
21.	Mr. Roshan Collas	AGM-National Sales (Life)	MBA, CMA (Aus), Dip. In Marketing(SLIM), MSLIM, FCPM, MIM (SL)
22.	Mr. Mahendra Silva	AGM-Administration & Employee Relation	Attorney-at-Law, LLB (SL), MBA in HRM (OUSL), PG . Dip in HRM, NDES, MIIE (SL), I ENG, AMIPM (SL)
23.	Mr. Sudath Nishantha (Appointed w.e.f. 01.08.2016)	AGM-National Sales (Non- Life)	B.Sc. (B/Admin.)(Sp.), MIM (SL), PG. Dip. in Labour Relations & HRM
24.	Mr. Luxman Ranasinghe (Appointed w.e.f. 03.04.2017)	AGM-Motor (Technical)	MIE (SL), MIIE (SL), FIAE (SL)
25.	Mr. Chandrasiri Gannile (Ceased to be effective w.e.f. 31.03.2017)	Chief Officer- Administration & HR	MBA, B.LE (Sp.), FCMI (UK), FIMSL, FIPM, Dip. In Journalism, National Dip. In PM (IPM), HNDA, National Dip. in Teaching (NIE), MITD (SL)

Senior Managers

No	NAME	DESIGNATION
26.	Mr. W.D.C. Vithanage	Senior Manager-Key Accounts
27.	Mr. C.V.S. Fernando	Deputy Chief Motor Engineer
28.	Mr. S.P.A. Rodrigo	Senior Manager-Security
29.	Mr. W.R.M.H.B. Weerasooriya	Senior Manager-Special Projects
30.	Mr. K.G.D.G. Kandegama	Senior Manager - IT Data Centre
31.	Ms. W.S. Kulasinghe	Senior Manager - Finance
32.	Mr. K.S. Pushpakumara	Senior Manager - Special Projects (Life)
33.	Mr. D.P.J.S. Maithiriratne	Senior Manager - General Accident
34.	Ms. D.N.C.A. Gunawardhana	Senior Manager - Marine
35.	Mr. N.G.K. Bandara	Senior Regional Engineer
36.	Mr. R.M.A.K. Rajapaksha	Senior Regional Engineer
37.	Mr. M.D. Chandiram	Senior Manager - ME & Alternate Channel Dev. (Gen.)
38.	Mr. A.G.M.M. Gamage	Senior Category Manager - General
39.	Mr. R.N. Senadheera	Senior Motor Engineer
40.	Ms. M.D. Attanayake	Senior Manager - Legal (Life)
41.	Mr. P.A.M.P.W. Gunathilake	Senior Manager - Network & Communication
42.	Mr. M.J.S. Dabarera	Senior Manager - Bancassurance (Life)
43.	Ms. G.K.M.S. Nanayakkara	Senior Manager - Life
44.	Mr. G.W.R.C. De Silva	Senior Manager - Life
45.	Mr. G.A.P. Deshpriya	Senior Manager - Internal Audit
46.	Ms. H.L.R.A. Wijewardene	Senior Manager - Legal (Administration)
47.	Ms. S. Pathirana	Senior Manager - Legal (Title Insurance)
48.	Ms. N.D.K.M. Jayatilaka	Senior Manager - Legal (Litigation)
49.	Mr. M.K.S. Fernando	Regional Sales Manager
50.	Mr. W.L.J.W.K. Welgama	Regional Sales Manager
51.	Mr. M.D.P. Nawagamuwa	Regional Sales Manager
52.	Mr. T.D.P. Peiris	Regional Sales Manager
53.	Mr. U.G.U.R. Kumara	Regional Sales Manager
54.	Mr. M.P.N. Kumara	Regional Sales Manager
55.	Mr. D.N.K. Narangammana	Senior Manager-TSD
56.	Mr. W.M.A.U.K. Kulasena	Regional Sales Manager
57.	Mr. R. Hewapathirana	Regional Sales Manager
58.	Mr. N.K.S.S. Kumara	Regional Sales Manager
59.	Mr. K.R.D. Rodrigo	Regional Sales Manager
60.	Mr. P. Sathian	Regional Sales Manager
61.	Mr. H.J.S. Mendis	Regional Sales Manager
62.	Mr. L.H.A.S. Sirimanna	Regional Sales Manager
63.	Mr. M.B.K.T. Jayasinghe	Regional Sales Manager
64.	Mr. T.S.K. Peiris	Regional Sales Manager
65.	Mr. A.M.H. Adikari	Regional Sales Manager
66.	Mr. H.M.G. Sarathchandra	Regional Sales Manager
67.	Mr. R.B.W.M.S.P. Kumara	Regional Sales Manager (Retired w.e.f. 28.02.2017)
68.	Mr. L.G.N. Priyantha	Regional Sales Manager

General Insurance Team



Life Insurance Team



Senior Management Teams Contd.

Ancillary Services Team



ICT Services Team



Administration, HR, Medical and Legal Team



Finance Team



Senior Management Teams Contd.

Sales & Marketing Team 1



Sales & Marketing Team 2



Sales & Marketing Team 3



Sales & Marketing Team 4



Risk Management

Sri Lanka Insurance Corporation Ltd has been in business for over 55 years and despite ongoing market volatility SLIC remains a strong, stable and financially sound company. The core competency of our company is dealing professionally with risk in ensuring that obligations assumed under insurance policies can be satisfied at all times. Great importance is placed on expanding and continuously optimising the company's risk management process and the creation of an appropriate risk culture. The wide range of our businesses and breadth of our distribution networks consisting of 131 branches & customer centers, 2,600 active agency force, marketing executive & bancassurance officers of 235, and 56 brokers as at 31.12.2016 help us to naturally diversify and mitigate risk. Our diversified product portfolio provides us abundant sources of earnings and cash flows without being overly exposed to any single business or risk.

SLIC'S RISK-BASED CAPITAL

The insurance companies in Sri Lanka are highly regulated and subject to stringent capital requirements developed to ensure that insurance companies are financially resilient.

A key measure of our strength and stability is the risk-based capital (or RBC) ratio which is estimated to be 427% as of 31.12.2016 pertaining to life insurance business (comparative figure for 2015 was 402%) and a Capital Adequacy Ratio of 186% for the year 2016 pertaining to non-life insurance business (comparative figure for 2015 was 213%), whereas the required ratio is 120% as per the IBSL rules & regulations.

This number means we are holding more than three times the amount of capital that insurance regulators deem necessary to meet the obligations to policyholders.

SLIC is fortunate to have a strong balance sheet and a long history of maintaining a quality investment portfolio, governed by a sound and disciplined investment policy which ensures that the SLIC has the capital and liquidity to meet its financial obligations and claims across all business lines. Further, the company limits its potential

liability from its insurance business by passing some of the assumed risks to world renowned, rated reinsurers. The company has integrated risk management into daily business activities: products and portfolios are structured, underwritten, priced, approved and managed appropriately in compliance with internal and external rules and regulations; and delegated authorities mainly to the board sub-committee; namely, Investment Committee, Audit & Compliance Committee, Risk Management Committee and HR Committee and to the Chief Officer-Life, Chief Officer-General, Chief Financial Officer and the other heads of divisions are consistent with the overall strategy and risk appetite.

Chief Officers and the respective department heads have primary responsibility for the day-to-day management of the risk and form the first line of defence. The Risk Management Committee which described below is the second line of defence along with the other board sub-committees which form an integral part of the risk management function. The internal audit function provides an ongoing independent and objective assessment of the effectiveness of the internal controls, including financial and operational risk management and forms the third line of defence. Insurance industry being a highly regulated industry, the regulator and the external auditors act as the fourth line of defence. As per the present legal framework, annual RBC returns are required to be signed by the external auditors of the company.

Enterprise Risk Management Policy

The company has a board approved 'Enterprise Risk Management Policy' according to which the company intends to adopt a holistic view on Enterprise Risk Management (ERM) pertaining to four main risks; namely, strategic, financial, operational and hazard. The Risk Management Committee (RMC), which is a board sub-committee, is responsible for the implementation of the risk management framework which focuses on the RMC-future performance, broader risks at both strategic,

managerial and operational level. The RMC is responsible to ensure that the company's management regularly assess its risks and updates its risk register and ensure that the risk assessment is part of the decision making process and that risks are within the risk appetite levels set by the board. In addition, the RMC has an oversight role in developing, updating, enforcing, and monitoring the implementation of the risk-management policy on behalf of the board.

The number of Risk Management sub-committees held during 2016 and details of attendance of each Director present at these meetings are given below:

Risk Management Meetings – 2016

Name of the Director	No. of Meetings	
	Held	Attended
Prof. L.G. Chandrasena (Non – Executive Director)	3	3
Mr. P. Algama (Non –Executive Director)	3	2
Mr. H.D.S. Amarasuriya	3	2
Mr. T.M.R. Bangsa Jayah	3	3
Mr. Keith D. Bernard	3	0

(Mr. Keith D. Bernard ceased to be a Director of the company w.e.f. 20.12.2016 and Mr. D.B. Aruna P.S. Siriwardhana was appointed w.e.f. 20.12.2016.)

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.

From 01.01.2016, as per the mandatory requirement by the insurance regulator, IBSL, 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. Previously SLIC followed the “Net Premium Valuation” basis (NPV). This is a significant change with respect to liability valuation under the new approach where liability will have to be calculated in market consistent manner. Therefore 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 has to be carried an explicit margin for future expected level of bonus, which

Risk Management Contd.

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 policy holder 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 IBSL 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.

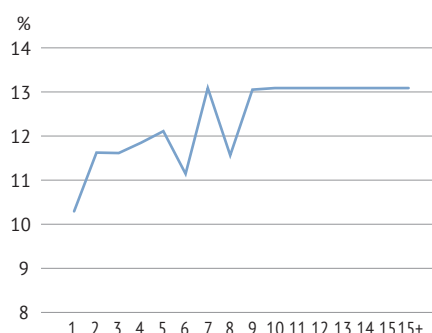
The RM used by SLIC is consistent with the factors defined in the RBC framework and represent a 75% confidence interval with respect to the underlying probability distribution of the possible outcomes.

Main assumptions used in determining life insurance contract liability

The main assumptions used in determining life insurance contract liability are below tabulated:

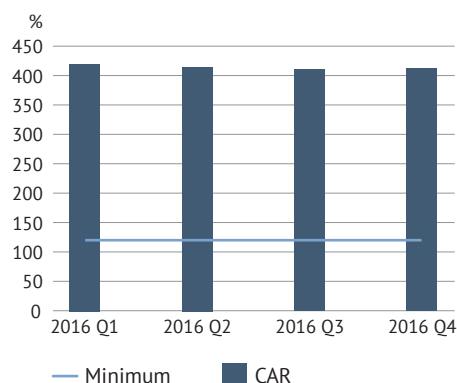
Assumption	Description
Mortality	<ul style="list-style-type: none"> Factored A67/70 for non-annuity business to allow best estimate experience rate Weighted average of a(90)m and a(90)f with one year age setback to allow approximated 1% mortality improvement of annuitants
Investment return	Risk Free Rate structure proposed by IBSL as at 31.12.2016

Risk Free Rate



SLIC maintained steady and strong solvency ratio over the year 2016 for its Life Insurance business and as at 31.12.2016 the Risk-based Capital Adequacy Ratio, CAR, stands at 427% and it was 402% as at 31.12.2015. 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. Mn
Mortality	+10%	311
	-10%	(312)
Discount Rate	Up shock scenario under RBC	(6,983)
	Down shock scenario under RBC	10,425

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

	Participating Rs. 000	Non- Participating Rs. 000	Total Rs. 000
31.12.2016	81,138,670	6,218,715	87,357,386
Percentage	92.88%	7.12%	

General Insurance Risk

From 01.01.2016, as per the mandatory requirement by the insurance regulator, IBSL, 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.

Prudency in setting up reserves

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

Ultimate Loss Ratio for the last two to three accident years and provision for adverse deviation as to reflect the additional volatility as the exposure is yet to occur.

Claims Development Information

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

THE SLIC HAS BEEN IN BUSINESS FOR OVER 55 YEARS AND DESPITE ONGOING MARKET VOLATILITY, IT REMAINS A STRONG, STABLE AND FINANCIALLY SOUND COMPANY.

Risk Management Contd.

Rs. 000	2011	2012	2013	2014	2015	2016
Gross reserves for losses and loss adjustment expenses	7,898,097	8,720,583	7,817,801	7,709,471	7,893,502	8,663,903
Reinsurance recoverable	(1,168,930)	(1,509,188)	(1,160,449)	(1,004,432)	(976,138)	(1,434,140)
Net reserves for losses and loss adjustment expenses	6,729,167	7,211,395	6,657,352	6,705,038	6,917,364	7,229,762
Cumulative paid as of December 31:						
One year later	3,632,757	4,545,085	4,481,214	4,572,093	4,981,269	6,637,140
Two years later	4,903,405	5,908,837	5,873,386	5,907,060	6,989,106	
Three years later	4,980,093	6,016,063	5,960,968	6,055,117		
Four years later	5,014,506	6,042,845	6,010,004			
Five years later	5,047,142	6,072,977				
Six years later	5,080,082					
Cumulative Reported as of December 31:						
One year later	4,740,385	5,765,263	5,564,838	5,631,797	6,325,676	7,912,768
Two years later	5,147,257	6,199,144	6,107,021	6,204,339	7,290,857	
Three years later	5,195,146	6,287,566	6,209,496	6,352,291		
Four years later	5,289,159	6,285,316	6,218,063			
Five years later	5,266,479	6,309,599				
Six years later	5,258,996					

Sensitivity 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. 000	Reported Net Claim Outstanding Rs. 000	Impact on Gross Liabilities Rs. 000	Impact on Net Liabilities Rs. 000	Impact on Profit Before Tax Rs. 000	Impact on Equity (After Tax) Rs. 000
31.12.2016	+1%	6,284,617	4,923,394	82,323	67,958	(67,958)	(48,930)

ICT Risk Management

Information Communication Technology related risk profiling is carried out annually by the company external auditors. The significant ICT risk related areas are identified and mitigatory measures are put in place to manage these risks.

The operational risk to the business operations as a result of using ICT systems has been mitigated by robust and high availability ICT systems with the backup of a Disaster Recovery site and regular testing of its systems. The focus this year will be on carrying out vulnerability assessments and identifying information security risks and adopting risk mitigation measures in the communications network.

It is planned to review and further enhance the performance of these ICT systems in mitigating the operational risks during the ensuing year.

Compliance Risk Management

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. 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.

Some of these laws, rules and regulations include the Companies Act No. 07 of 2007, the amended Inland Revenue Act No. 10 of 2006, Electronic Transactions Act No. 19 of 2006, Intellectual Property Act No. 36 of 2003 and Arbitration Act No. 11 of 1995 as applicable to the insurance industry, in addition to industry- specific laws, rules and 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 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 controls, legal and human resources.

Risk Management Contd.

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 pertaining to the appointment of Directors, in accordance with which the Directors are nominated by the respective ministries and appointed.

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 the third line of defence for the "money laundering" function; the

regulator, i.e., the Insurance Board of Sri Lanka (IBSL) 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 & Compliance Committee and the Risk Management Committee.

The likelihood of compliance risk has been minimised by ensuring that the following are in place: setting and communicating risk appetite; integrating monitoring of compliance and risk management; supporting open and transparent reporting; building relationships with the stakeholders. The Board of Directors reviews the Audit and Compliance Committee Charter periodically and with the recommendation of the Audit and Compliance Committee, the board approved a new charter in April 2016 to positively support the compliance function.

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 in 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 organization to a variety of operational risks such as legal, regulatory, or reputational damage. At SLIC, experienced business personnel with 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 etc. premium collection, credit control and 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 Management

An organisation's success is largely dependent on the quality and 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 up 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.

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 the following steps:

- ▣ Identifying the annual cadre requirement of the organisation

- ▣ Conducting recruitment programmes to hire insurance assistants to the organisation
- ▣ Develop efficient processes for on boarding talent to ensure new starters become productive quickly (Orientation programmes)

Regulatory and Compliance

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

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

Pay and Compensation

In order to increase the retention of employees and as well as the productivity, SLIC has taken several vital steps throughout the year as given below:

- a. Conducting the salary survey in 2016 along with the salary revisions
- b. Using collective bargaining mechanism to revise the salaries and other benefits
- c. Continuous improvement of Medical insurance and staff loan facilities

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:

- a. Conducting annual training need analysis
- b. Developing the training calendar and preparing the training budget to accommodate the training plan
- c. Providing opportunities for employees to grow through training and skills development programmes (Local & Overseas)
- d. Encouraging a learning culture across the organisation

Audit and Compliance Committee Report

During 2016, the Audit and Compliance Committee (ACC) comprised of two Non-Executive Directors; namely, Mr. P. Algama (Treasury Representative on Board) and Prof. L.G. Chandrasena. Company Secretary of the Company acts as the Secretary of the meetings.

The Committee, with the valuable services provided by the senior support staff, has an adequate blend of financial, 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, 2016, 4 meetings of the committee were held. The proceedings of the committee meetings are recorded with adequate details and are reported regularly to the Board of Directors. The attendance of the committee members at the meeting is stated below.

Audit and Compliance (ACC) Meetings - 2016

Name of the Director	Attendance
Mr. P. Algama (Non-Executive Director and the Chairman of the Committee)	4
Prof. L.G. Chandrasena (Non-Executive Director)	4

Responsibilities and Duties of the ACC

I. Financial Reporting System

To ensure that, inter-alia, the following features are in place for a sound Financial Reporting System:-

- ▣ Necessary resources for formulating and designing systems, documenting such systems and standardizing and updating where necessary.
- ▣ Systems to obtain feedback on satisfactory implementation and review.
- ▣ Adequate content and quality of Management Information Reports, including exceptional reporting.
- ▣ Establish a sound internal control system for Financial Transactions including proper delegation of financial functions with adequate financial authority limits.
- ▣ System to safeguard assets both tangible and intangible.
- ▣ In an automated system, reviews of software/hardware use, authority to access to the IT Systems, dependency on key staff, degree of reliance on information technology and the risks associated therewith.
- ▣ Propose approval of quarterly accounts to the Board of Directors.
- ▣ To review the Management Letter with key members and the External Auditors

II. Business Risk Management

To review the appropriateness of the procedures in place for the identification, evaluation and management of business risks.

Examples of Risks, include, but are not limited to the following :

- ▣ Disruption to Production, Distribution, Sales due to civil unrest
- ▣ Competitor Entry
- ▣ Removal/Imposition of Tariffs
- ▣ Exchange Rate Fluctuations/Interest Rate fluctuations
- ▣ Sudden Loss of Key Employees
- ▣ I.T. System failure (in view of the importance of information technology in relation to the business, to evaluate the adequacy of controls relating to computer security and electronic data processing)
- ▣ Changes in regional and global environment
- ▣ To ensure that the number of personnel in the internal audit team is adequate to courier the extent of the audit plan.
- ▣ Regulatory changes

III. Internal Controls

- a) To ensure that systems of internal control with regard to all functions, viz. Production, Marketing, Finance, Procurement, Human Resources, I.T. General etc. are soundly conceived and effectively administered and to seek assurance that control systems are in place, are operating efficiently and are regularly monitored.
- b) To ensure that there are proper plans for controls prior to the commencement of major business changes and for the monitoring of such changes.
- c) To be satisfied that the strategies, plans, manning and organization for the internal auditing and the methodologies promulgated as best practices are carried out specially:
 - i. To review internal audit plans and to be satisfied as to their consistency, coverage and methodologies.

- ii. To be satisfied that internal audit has the proper resources and appropriate standing to enable it to complete its mandates and approved audit plans.
 - iii. To review status reports from internal audit and recommend any broader reviews deemed appropriate as a consequence of the issues or concerns identified.
 - iv. To ensure that internal audit has full, free and unrestricted access to all end market activities, records, property and personnel necessary to fulfil its agreed objectives.
 - v. To review system failures and take appropriate actions to remedy such weaknesses.
 - vi. To request and review any special audit which it deems necessary.
- d) To ensure that there are satisfactory arrangements for monitoring internal control in keeping with delegated authorities.
 - e) To carry out a comprehensive review of the internal control system and identify gaps if any.
 - f) To ensure that there are adequate systems for reporting conflicts of interest situations with the management and to assess whether they are fair and reasonable and reported in accordance with the prevailing regulations and standards.
 - g) To ensure that the Internal Auditor should have the required autonomy to investigate and report the financial irregularities/misconducts/non-compliance with regulations with appropriate remedial actions to address the situation.

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.

Audit and Compliance Committee Report Contd.

External Audit

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 have 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 31st December 2016, 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 process is adequate.

Independent External Advice

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

Compliance Function

The compliance program of the company is implemented by the Senior Deputy General Manager-Finance, Deputy General Manager-Compliance and Senior Manager-Finance, with the assistance of the compliance coordinators in each department. 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. In addition, as a third line of defence, the compliance function is also annually audited by the internal audit department.

Good Governance

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

Conclusion

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

The ACC approved this report on 3rd May 2017.



Mr. P. Algama

Chairman - Audit and Compliance Committee
 25th May 2017

Investment Committee Report

Investment Strategy

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

Composition of the IC

Board Members:

- ▣ Mr. Pradeep Liyanamana – Chairman of the Investment Committee
- ▣ Mr. Hemaka Amarasuriya – Chairman of the Board
- ▣ Mr. Bangsa Jayah – Jt. Managing Director
- ▣ Mr. Aruna Siriwardhana – Jt. Managing Director

Investment Managers:

- ▣ Mr. Dhanuka Liyanagamage – Deputy General Manager/ Investments (Ex-officio member)

Other Staff Members:

- ▣ Mr. Suresh Parनावитана – Principal Officer (Ex-officio member)
- ▣ Mr. Ranjith Perera – Consultant/Chief Financial Officer
- ▣ Ms. Malanie Tennakoon – Chief Financial Officer (Ex-officio member)
- ▣ Mr. Nalin Subasinghe – Deputy General Manager/ Actuarial Services (Ex-officio member)
- ▣ Mr. Chaminda Gunasinghe – Asst. General Manager/ Finance

(Mr. Ranjith Perera retired w.e.f. 30.04.2017)

The quorum of the Investment Committee is 03 members including at least one Board Member and Deputy General Manager/Investments who is the convener of the Committee.

Investment Committee Report Contd.

Charter of the IC

The IC has a range of responsibilities including, but not limited to, the following:

1. Review the investment policy on a regular basis so that it remains appropriate, recognising among other things, changes in business in force and the economic environment.
2. Ensure that the investment policy is consistent with the Asset-Liability Management (ALM) strategies required to support any Fund requirement.
3. Meet as frequently as is required, but no less than monthly, to review upcoming maturities and interest rate environment and approve investments/disposals.
4. Effect the Fund's activities through separate bank accounts.
5. Provide quarterly reporting to the Board of Directors to review investment performance and cash flow requirements.
6. Adhere to the CFA Institute Asset Manager Code of Professional Conduct.
7. Ensure resources dedicated to the investment activities are sufficient to implement and manage the approved investment policy and any other activities requested by the Board of Directors.

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 monitor and control the investment portfolio effectively and efficiently.



P.A. Liyanamana

Chairman – Investment Committee

25th May 2017

The background is a solid dark blue. On the left side, there is a complex geometric pattern consisting of several overlapping, curved, triangular and polygonal shapes in various shades of blue, creating a sense of depth and movement. In the center-right area, there are two concentric circles. The inner circle is a lighter shade of blue, and the outer circle is a slightly darker shade. A spiral-like shape, also in a medium blue shade, is positioned between the two circles, partially overlapping them.

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 for the year ended 31st December 2016 of the Company and the Group and the Auditor's Report on those financial statements confirming the requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995 and amendments made thereon and best practices of corporate governance.

As at 31st December 2016, 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. SLICL 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 Holding (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 21.04.2017.

Principle Activities of the Company & the Group

The principle activities of the company are to transact life and non-life insurance (general insurance) in Sri Lanka. There were no major changes to the principle 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 & 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 31.12.2016 are prepared based on the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

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

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 31.12.2016 in terms of article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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

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

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.

	2016 Rs. 000	2015 Rs. 000
Statutory Audit Fees	3,700	3,900
Audit Related Services	1,000	2,095
Non-audit Related Services	-	4,740

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.

Turn Over / Gross Witten Premium (GWP)

The total turnover of the Company recorded Rs. 42,107 million for the year under review and Rs. 31,156 million for the comparative figure (2015).

The total GWP, Rs. 27,614 million comprised of life insurance Gross Written Premium of Rs. 11,893 million and non-life insurance Gross Written Premium of Rs. 15,720 million for the year 2016. The reported value for total Gross Written Premium in 2015 was Rs. 24,520 million out of which life insurance Gross Written Premium was Rs. 10,470 million and non-life insurance Gross Written Premium, Rs. 14,050 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

	2016 Rs. 000	2015 Rs. 000
Profit Before Taxation (PBT)	13,791	4,820
Income Tax Expenses	1,050	1,381
Profit After Taxation	12,741	3,439
Other Comprehensive Income	(159)	8
Transfers to Shareholders	600	500
Unappropriated Profit Brought Forward	24,338	23,954
Profits Available for Appropriation	37,520	27,901
Appropriations		
Dividends Paid	10,011	2,003
Super Gain Tax	-	635
Surplus attributable to Shareholders from Life Insurance	3,845	925
Un appropriated Profit Carried Forward	23,664	24,338

Dividends

The Board declared a First Interim Dividend of Rs. 10.01 per share (Totalling a sum of Rs. 6,003,429,432) for the year ended 31.12.2016, payable on all Ordinary Shares in issued and fully paid up as at 30.08.2016. The Board declared a Second Interim Dividend of Rs. 1.67 per share (Totalling a sum of Rs. 1,001,571,144/-) for the year ended 31.12.2016, payable on all Ordinary Shares in issued and fully paid up as at 31.10.2016 and further, the board declared a Third Interim Dividend of Rs. 1.67 per share (Totalling a sum of Rs. 1,001,571,144/-) for the year ended 31.12.2016, payable on all Ordinary Shares in issued and fully paid up as at 30.11.2016.

Further, the Board of Directors recommends a final dividend of Rs. 4.76 per share (Totalling Rs. 2,852,097,469.99), payable on 01.07.2017, to holders of issued and paid-up ordinary shares of the Company as at the close of business on 30.06.2017.

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. 3.34 per share amounting to Rs. 2,003,142, 288/- was declared for the year 2015.

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 31.12.2016 amounted to Rs. 152,445 million (2015- Rs. 147,538 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 31.12.2016.

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.

Directors' Remunerations

The Directors' fees and emoluments paid during the year was Rs. 19.5 million and the figure reported in the last year was Rs. 17.2 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 31.12.2016, 99.97% shares were vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

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

Statutory Payments

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

Intangible Assets

Intangible Assets as at 31.12.2016 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 25.05.2017

Board of Directors

Mr. Hemaka D.S. Amarasuriya (Chairman)
 Mr. T.M.R. Bangsa Jayah (Jt. Managing Director)
 Mr. D.B. Aruna P.S. Siriwardhana (Jt. Managing Director)
 Vidya Jyothi Prof. L.G. Chandrasena (Non-Executive Director)
 Mr. P. Algama (Non-Executive Director)
 Mr. Asela S. Padmaperuma (Non-Executive Director)
 Mr. Pradeep A. Liyanamana (Non-Executive Director)
(Mr. Keith D. Bernard ceased to be a Director of the company w.e.f. 20.12.2016 and Mr. D.B. Aruna P.S. Siriwardhana was appointed w.e.f. 20.12.2016.)

Annual General Meeting

The Annual General Meeting will be held on 30.06.2017 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 2017

FOR BOARD OF DIRECTORS



Hemaka D.S. Amarasuriya



T.M.R. Bangsa Jayah



D.B. Aruna P.S. Siriwardhana

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.

The 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 SLFRS/LKAS, 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 the life insurance business, were determined.

By Order of the Board,



B. A. Ruwani Dharmawardana
Company Secretary
25th May 2017

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 2016 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.

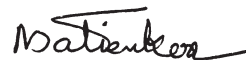
The Board of Directors has appointed an Audit and Compliance Committee, which is headed by an

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 2017

Certificate of Actuary of the Insurer



Private and Confidential

05 May 2017

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


Actuarial Valuation of the Long Term Insurance Business as at 31 December 2016

In accordance with the engagement letter dated 23 June 2014, Towers Watson Singapore Pte Limited ("Willis Towers Watson", "we", "our" or "us") has carried out an actuarial review of the valuation of long term insurance liabilities of Sri Lanka Insurance Corporation Ltd's Long Term Insurance Business as at 31 December 2016.

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 2016, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
3. The total long term insurance provisions maintained within the life fund on the surplus distribution basis is Rs. 43,391.52 million. The value of assets held within the life fund is Rs. 90,828.43 million. The surplus transferred to the shareholder fund from life fund is Rs. 3,471.04 million during 2016. The surplus transferred to shareholders is post allowance for transfer of riders business attached to participating policies from participating fund to non-participating fund that has been undertaken during the year. The said transfer of riders includes transfer of provisions as at 31 December 2016 in respect of the riders (other than those offered as in-built benefits to participating products), as well as cash-flows such as premiums received, expenses incurred, benefits paid, among others, over the year as part of transfer of the Profit and Loss Account as well. Subsequent to the shareholder transfers, the life fund is Rs. 87,357.39 million as at 31 December 2016.

Mark Alan Birch, FIA
Director, Insurance Consulting, South East Asia,
Towers Watson Singapore Pte Ltd

Signature: 
Place: Singapore
Date: 05 May 2017

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Liability Adequacy Test

WillisTowersWatson 

Private and Confidential

05 May 2017

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

Liability Adequacy Test

- 1.1. 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 Ltd as contemplated by SLFRS 4.
- 1.2. 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 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.
- 1.3. The projections are based on in-force policies and riders as at 31 December 2016.
- 1.4. Based on the checks undertaken, I certify:
 - ☐ that the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - ☐ that the assumptions used for such valuation are reasonable estimates based on available experience studies and after allowing for suitable margins for adverse deviation; and
 - ☐ that the long term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Ltd as per the audited accounts of the Company for the year ended 31 December 2016 is in excess of the liabilities computed in the above mentioned manner.

Mark Alan Birch, FIA
Director, Insurance Consulting, South East Asia,
Towers Watson Singapore Pte Ltd

Signature : 

Place : Singapore

Date : 05 May 2017

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Towers Watson Singapore Pte Ltd (198600361K)

Certificate of Incurred But Not (Enough) Reported Claims



28 April 2017

To the shareholders of Sri Lanka Insurance Corporation Limited

Sri Lanka Insurance Corporation Limited 31 December 2016 Net IBNR and LAT Certification

I hereby certify that the 75% confidence level IBNR provision of Rs. 2,306,368,464 is adequate in relation to the Claim Liability of Sri Lanka Insurance Corporation Limited as at 31 December 2016, 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 2016, 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 Rs. 7,853,248,467 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 2016, 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".

Matthew Maguire
Fellow of the Institute of Actuaries of Australia (FIAA)
For and on behalf of NMG Financial Services Consulting
Dated 28 April 2017

T: +65 6325 9855 F: +65 6325 4700 E: contact@NMG-Group.com
www.NMG-Group.com
30 Hill Street #03-02A, Singapore 179360

Independent Auditors' Report



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මගේ අංකය
எனது இல.
My No. }

BAF/E/SLIC/FA/6/2016/01

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

26 May 2017

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 2016

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 2016 comprising the statements of financial position as at 31 December 2016 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 of Chartered Accountants 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 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, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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www.auditorgeneral.gov.lk

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 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 2016, 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, and listed its shares at a stock exchange licensed under the Security and Exchange Commission of Sri Lanka Act No.36 of 1987, in accordance with sections 52 and 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.



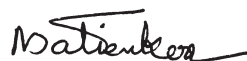
H. M. Gamini Wijesinghe
Auditor General

Statement of Financial Position

As at 31 December	Note	Group		Company	
		2016	2015	2016	2015
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Assets					
Financial investments	5	132,314,943	133,784,298	130,184,713	123,694,831
Investment in subsidiaries	6	-	-	21,085,905	21,085,905
Investment in associates	7	138,448	128,090	138,448	128,090
Property, plant & equipment	8	44,033,232	38,265,273	10,248,900	8,112,393
Investment properties	9	1,396,200	1,241,642	619,200	465,231
Leasehold property	10	212,255	198,759	20,268	20,537
Intangible assets	11	3,201,401	3,269,504	148,272	215,625
Loans to policyholders	12	1,518,719	1,569,342	1,518,719	1,569,342
Reinsurance receivable	13	1,883,063	1,275,104	1,883,063	1,275,104
Premium receivable	14	3,404,735	3,229,376	3,404,735	3,229,376
Deferred tax assets	15	131,742	95,549	131,317	95,158
Other assets	16	8,279,873	5,961,703	5,354,111	3,371,903
Deferred expenses	17	441,191	358,991	441,191	358,991
Cash and cash equivalents	18	16,841,834	17,108,358	1,623,723	3,324,978
Total Assets		213,797,636	206,485,989	176,802,565	166,947,464
Liabilities and Shareholders' Equity					
Equity					
Stated capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Revaluation reserve	20	11,623,290	9,167,303	8,159,082	5,850,502
Available-For-Sale reserve	21	21,055,304	22,390,664	21,055,304	22,390,664
Revenue reserves	22	40,158,021	44,611,274	27,706,557	29,435,948
Total Equity Attributable to					
Equity Holders of the Company		78,836,615	82,169,241	62,920,943	63,677,114
Non-controlling interest		7,961,626	7,509,450	-	-
Total Equity		86,798,241	89,678,691	62,920,943	63,677,114

		Group		Company	
As at 31 December		2016	2015	2016	2015
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Liabilities					
Insurance provision - Life	23	90,010,165	80,650,581	90,010,165	80,650,581
Insurance provision - Non-life	24	16,517,151	14,916,652	16,517,151	14,916,652
Reinsurance payable		997,643	1,000,368	997,643	1,000,368
Current tax liabilities	25	964,284	1,565,937	438,483	706,956
Deferred tax liabilities	15	3,085,990	3,049,176	709,090	742,027
Retirement benefit obligations	26	1,340,289	980,858	1,035,635	730,991
Other liabilities	27	13,092,373	13,409,588	3,473,505	3,533,715
Financial liabilities	28	991,500	1,234,138	699,950	989,060
Total Liabilities		126,999,395	116,807,298	113,881,622	103,270,350
Total Liabilities and Equity		213,797,636	206,485,989	176,802,565	166,947,464

Notes to the Financial Statements set out on pages 110 to 217, 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. 07 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 Amarasuriya
Chairman



T.M.R. Bangsa Jayah
Jt. Managing Director



D.B. Aruna P.S. Siriwardhana
Jt. Managing Director

25th May 2017
Colombo.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

	Note	Group 2016 Rs. 000	2015 Rs. 000	Company 2016 Rs. 000	2015 Rs. 000
Revenue	29	67,764,329	62,072,276	42,107,761	31,156,766
Gross Written Premium	30	27,480,100	24,390,274	27,614,433	24,520,012
Net change in reserve for unearned premium		(634,184)	(991,335)	(634,184)	(991,335)
Gross Earned Premium		26,845,916	23,398,939	26,980,249	23,528,677
Premium ceded to reinsurers		(2,771,041)	(2,590,205)	(2,771,041)	(2,590,205)
Net change in reserve for unearned reinsurance premium		(195,914)	(544,998)	(195,914)	(544,998)
Net Earned Premium		23,878,961	20,263,736	24,013,294	20,393,474
Revenue from other operations		30,590,103	29,290,519	-	-
		54,469,064	49,554,255	24,013,294	20,393,474
Other Income					
Investment income	31	11,357,205	10,427,556	17,273,652	9,506,165
Fees and commission income	32	52,289	51,522	52,289	51,522
Net realized gains	33	295,518	651,427	338,013	689,772
Net fair value gains and losses		(599,797)	(90,796)	(599,797)	(90,796)
Other income	34	2,190,050	1,478,312	1,030,310	606,629
		13,295,265	12,518,021	18,094,467	10,763,292
Total Net Revenue		67,764,329	62,072,276	42,107,761	31,156,766
Benefits, Losses and Expenses					
Net benefits and claims	35	(14,476,794)	(12,933,609)	(14,476,794)	(12,933,609)
Underwriting and net acquisition costs (including reinsurance)	36	(2,195,008)	(1,586,435)	(2,195,008)	(1,586,435)
Change in contract liabilities - life fund		(5,198,390)	(6,840,241)	(5,198,390)	(6,840,241)
Other operating and administrative expenses	37	(9,212,981)	(7,145,713)	(6,446,601)	(4,975,705)
Cost of services of subsidiaries		(22,867,093)	(21,522,817)	-	-
Net Benefits, Losses and Expenses		(53,950,265)	(50,028,815)	(28,316,792)	(26,335,990)
Profit Before Taxation		13,814,064	12,043,461	13,790,968	4,820,776
Income tax expense	38	(3,329,128)	(3,457,641)	(1,049,651)	(1,381,420)
Net Profit for the year		10,484,936	8,585,820	12,741,317	3,439,356

For the year ended 31 December					
	Note	Group		Company	
		2016	2015	2016	2015
		Rs. 000	Rs. 000	Rs. 000	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		2,744,048	(168,149)	2,348,695	(168,149)
Deferred tax effect on revaluation of property, plant and equipment		(76,649)	47,081	(40,115)	47,081
Actuarial gains/(losses) on retirement benefit obligations		(242,701)	(7,822)	(221,287)	10,760
Deferred tax effect on actuarial gains/(losses)		59,768	2,354	61,960	(3,013)
<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		(1,347,976)	(4,125,764)	(1,347,976)	(4,125,764)
Deferred tax effect on fair value of Available-For-Sale reserve		12,616	(8,824)	12,616	(8,824)
Other comprehensive income for the year, net of tax		1,149,106	(4,261,124)	813,894	(4,247,909)
Total comprehensive income for the Year		11,634,042	4,324,696	13,555,211	(808,553)
Profit for the year attributable to:					
Equity holders of the company		9,979,440	8,162,284	12,741,317	3,439,356
Non-controlling interest		505,496	423,535	-	-
Profit for the year		10,484,936	8,585,819	12,741,317	3,439,356
Total comprehensive income attributable to:					
Equity holders of the company		10,978,756	3,900,786	13,555,211	(808,553)
Non-controlling interest		655,286	423,909	-	-
Total comprehensive income for the year		11,634,042	4,324,695	13,555,211	(808,553)
Basic earnings per share (Rs.)	39	16.63	13.60	21.24	5.73

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 110 to 217 which, form an integral part of these Financial Statements.

Statement of Changes In Equity

For the year ended 31 December 2015

Group	Stated Capital Rs. 000	Revaluation Reserve Rs. 000	General Reserve Rs. 000	Available- For-Sale Reserve Rs. 000	Surplus from Life Insurance Rs. 000	Retained Earnings Rs. 000	Total Rs. 000	Non- Controlling Interest Rs. 000	Total Equity Rs. 000
Balance as at 01 January 2015	6,000,000	9,325,393	643,442	26,525,252	4,450,665	32,405,705	79,350,457	7,246,077	86,596,534
Super gain tax paid during the year	-	-	-	-	(10,947)	(1,986,324)	(1,997,271)	(8,205)	(2,005,476)
Balance as at 01 January 2015	6,000,000	9,325,393	643,442	26,525,252	4,439,718	30,419,381	77,353,186	7,237,872	84,591,058
Total Comprehensive Income for the year									
Profit for the year	-	-	-	-	-	8,162,284	8,162,284	423,535	8,585,819
Other comprehensive income	-	(121,068)	-	(4,134,588)	-	(5,842)	(4,261,498)	374	(4,261,124)
Total Comprehensive Income for the year	-	(121,068)	-	(4,134,588)	-	8,156,442	3,900,786	423,909	4,324,695
Transaction with Owners of the Company recorded directly in equity									
Realisation of revaluation surplus	-	(34,190)	-	-	-	34,190	-	-	-
Transfer of revaluation reserve on disposal of property, plant and equipment	-	(2,832)	-	-	-	2,832	-	-	-
Transfer to shareholders	-	-	-	-	(500,000)	500,000	-	-	-
Change in fair value measurements applicable to life contract liability	-	-	-	-	-	2,918,411	2,918,411	-	2,918,411
Surplus attributable to shareholders of life insurance	-	-	-	-	925,303	(925,303)	-	-	-
Dividend paid	-	-	-	-	-	(2,003,142)	(2,003,142)	-	(2,003,142)
Dividend paid by subsidiary companies to non controlling interest	-	-	-	-	-	-	-	(152,331)	(152,331)
	-	(37,022)	-	-	425,303	526,988	915,269	(152,331)	762,938
Balance as at 31 December 2015	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

Super Gain Tax

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30.10.2015, the Group is liable for super gain tax of Rs. 2,774 million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessments which commenced on 01.04.2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, Hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24.11.2015. However, Life Insurance Segment has not distributed all the profits to shareholders and hence super gain tax relating to life business was adjusted in both retained earnings (shareholder) and life insurance provisions. (Note 23)

For the year ended 31 December 2016									
Group	Stated Capital Rs. 000	Revaluation Reserve Rs. 000	General Reserve Rs. 000	Available- For-Sale Reserve Rs. 000	from Life Insurance Rs. 000	Surplus Retained Earnings Rs. 000	Total Rs. 000	Non- Controlling Interest Rs. 000	Total Equity 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	-	2,520,104	-	(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	86,798,242

The above Statement of Changes In Equity is to be read in conjunction with the Notes to the Financial Statement, from pages 110 to 217 which, form an integral part of these Financial Statements.

Statement of Changes In Equity Contd.

For the year ended 31 December 2015

Company	Stated Capital Rs. 000	Revaluation Reserve Rs. 000	General Reserve Rs. 000	Available- For-Sale Reserve Rs. 000	Surplus from Life Insurance Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
Balance as at 01 January 2015	6,000,000	5,971,570	643,442	26,525,252	4,450,665	20,625,381	64,216,316
Super gain tax paid during the year	-	-	-	-	(10,947)	(634,965)	(645,912)
Adjusted balance as at 01 January 2015	6,000,000	5,971,570	643,442	26,525,252	4,439,718	19,990,416	63,570,398
Total Comprehensive Income for the Year							
Profit for the year	-	-	-	-	-	3,439,356	3,439,356
Other comprehensive income	-	(121,068)	-	(4,134,588)	-	7,747	(4,247,909)
Total Comprehensive Income for the Year	-	(121,068)	-	(4,134,588)	-	3,447,103	(808,553)
Transaction with Owners of the Company recorded directly in equity							
Transfer to shareholders	-	-	-	-	(500,000)	500,000	-
Change in fair value measurements applicable to life contract liability	-	-	-	-	-	2,918,411	2,918,411
Surplus attributable to shareholders from life insurance	-	-	-	-	925,303	(925,303)	-
Dividend declared and paid	-	-	-	-	-	(2,003,142)	(2,003,142)
Balance as at 31 December 2015	6,000,000	5,850,502	643,442	22,390,664	4,865,021	23,927,485	63,677,114

Super Gain Tax

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30.10.2015, the Company is liable for super gain tax of Rs. 1,415.4 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessments which commenced on 01.04.2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24.11.2015. However, Life Insurance Segment has not distributed all the profits to shareholders and hence super gain tax relating to life business has been adjusted in both retained earnings (shareholder) and life insurance provisions. (Note 23)

For the year ended 31 December 2016							
Company	Stated Capital Rs. 000	Revaluation Reserve Rs. 000	General Reserve Rs. 000	Available- For-Sale Reserve Rs. 000	Surplus from Life Insurance Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
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)	813,974
Total Comprehensive Income for the Year	-	2,308,580	-	(1,335,360)	-	12,581,991	13,555,211
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

The above Statement of Changes In Equity is to be read in conjunction with the Notes to the Financial Statement, from pages 110 to 217 which, form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December

	Note	Group 2016 Rs. 000	2015 Rs. 000	Company 2016 Rs. 000	2015 Rs. 000
Cash flows from operating activities					
Premium received from customers		27,222,542	23,922,069	27,323,042	23,997,226
Reinsurance premium paid		(2,381,620)	(2,261,978)	(2,381,620)	(2,261,978)
Insurance claims and benefits paid		(15,133,738)	(13,062,206)	(15,133,738)	(13,062,206)
Reinsurance receipts in respect of claims and benefits		680,189	478,318	680,190	478,318
Cash receipts from debtors		30,979,473	32,411,367	(340,028)	170,152
Cash paid to and on behalf of employees		(5,596,594)	(3,523,641)	(3,117,473)	(2,934,441)
Interest received		11,300,467	9,325,027	7,864,787	7,513,546
Dividend received		955,496	1,435,076	8,881,288	1,980,435
Other operating cash payments		(28,554,232)	(20,801,516)	(5,692,580)	(2,951,150)
Cash flows from operating activities		19,471,983	27,922,516	18,083,868	12,929,902
Retiring gratuity paid		(62,715)	(57,439)	-	-
Income tax paid (Include super gain tax paid)		(3,064,971)	(6,139,235)	(1,352,759)	(1,611,940)
Net cash from operating activities		16,344,297	21,725,842	16,731,109	11,317,962
Cash flows from investing activities					
Acquisition of financial investments		(47,669,665)	(61,733,016)	(47,669,668)	(54,175,904)
Proceeds from financial investments		46,282,132	42,061,810	39,692,179	42,061,060
Proceeds from disposal of property, plant & equipment		12,427	18,924	7,882	31,870
Acquisition of property, plant & equipment		(4,909,118)	(6,271,636)	(129,043)	(210,951)
Acquisition of investment property		(9,620)	(36,552)	-	-
Premium paid on leasehold land		(18,547)	(18,546)	-	-
Acquisition of intangible assets		(11,189)	(137,656)	-	-
Net cash used in investing activities		(6,323,579)	(26,116,672)	(8,098,650)	(12,293,925)
Cash flows from financing activities					
Dividend paid		(10,010,771)	(2,155,473)	(10,010,771)	(2,003,142)
Net cash used in financing activities		(10,010,771)	(2,155,473)	(10,010,771)	(2,003,142)
Effect of exchange rate changes on cash and cash equivalents		(33,833)	12,768	(33,833)	(64,497)
Net decrease in cash and cash equivalents		(23,886)	(6,533,535)	(1,412,145)	(3,043,602)
Cash and cash equivalents at the beginning of the year		15,874,220	22,407,755	2,335,918	5,379,520
Cash and cash equivalents at the end of the year		15,850,334	15,874,220	923,773	2,335,918
Cash and cash equivalents at the end of the year					
Cash at bank & in hand	18	1,131,676	1,020,184	587,727	695,871
Short term investments	18	15,710,158	16,088,174	1,035,996	2,629,107
Bank overdraft	28	(991,500)	(1,234,138)	(699,950)	(989,060)
		15,850,334	15,874,220	923,773	2,335,918

The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statement, from pages 110 to 217 which, form an integral part of these Financial Statements.

A Reconciliation of operating profit with cash flow from operating activities

Company	2016 Rs:'000	2015 Rs:'000
Profit from operations	9,235,253	3,052,541
Increase in Long Term Insurance Fund	9,754,105	8,608,477
Depreciation charge	407,193	427,970
Profit on sale of investments	1,485,260	448,760
Gratuity provision	127,667	107,017
Gain/(loss) on foreign exchange transaction	(338,013)	(689,772)
Gratuity payment	(44,311)	(44,406)
(Increase)/decrease in debtors	(3,684,831)	(1,357,097)
Increase/(decrease) in unearned premium	796,267	1,481,751
Increase/(decrease) in claims provisions	631,204	428,300
Increase/(decrease) in creditors	(285,926)	466,361
Net cash from operating activities	18,083,868	12,929,902

Segmental Review: Statement of Income

For the Year ended 31 December

	Non Life Insurance Rs. 000	Life Insurance Rs. 000	Healthcare Rs. 000	2016 Energy Rs. 000	Other Rs. 000	Eliminations Rs. 000	Total Rs. 000
Gross Written Premium	15,720,793	11,893,640	-	-	-	(134,333)	27,480,100
Net Change in Reserves for Unearned Premium	(634,184)	-	-	-	-	-	(634,184)
Gross Earned Premium	15,086,609	11,893,640	-	-	-	(134,333)	26,845,916
Premium Ceded to Reinsurers	(2,556,737)	(214,304)	-	-	-	-	(2,771,041)
Net Change in Reserve for Unearned Reinsurance Premium	(195,914)	-	-	-	-	-	(195,914)
Net Earned Premium	12,333,958	11,679,336	-	-	-	(134,333)	23,878,961
Revenue from other operations	-	-	5,886,442	26,720,060	81,668	(2,098,067)	30,590,103
Total Revenue	12,333,958	11,679,336	5,886,442	26,720,060	81,668	(2,232,400)	54,469,064
Benefits and Losses							
Insurance claims and benefits (net)	(8,605,127)	(5,871,667)	-	-	-	-	(14,476,794)
Underwriting and net acquisition costs	(634,481)	(1,560,526)	-	-	-	-	(2,195,007)
Change in contract liabilities - Life fund	-	(5,198,390)	-	-	-	-	(5,198,390)
Cost of services of subsidiaries	-	-	(3,026,123)	(19,840,970)	-	-	(22,867,093)
Total Benefits and Losses	(9,239,608)	(12,630,583)	(3,026,123)	(19,840,970)	-	-	(44,737,284)
Other Revenue							
Investment income	9,317,044	7,956,607	120,814	1,533,048	435,483	(8,005,792)	11,357,204
Fees and commission income	-	52,289	-	-	-	-	52,289
Net realized gains	268,142	69,871	62,019	(104,891)	377	-	295,518
Net fair value Gains and losses	(599,797)	-	-	-	-	-	(599,797)
Other income	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
Expenses							
Other operating, investment related and administrative expenses	(3,181,514)	(3,265,087)	(2,014,240)	(2,742,475)	(554,099)	2,544,434	(9,212,980)
Profit before Taxation	9,235,252	4,555,715	1,081,454	6,632,698	314,737	(8,005,792)	13,814,064
Income tax expense	(308,911)	(740,739)	(109,430)	(1,236,390)	(63,997)	(869,660)	(3,329,128)
Net Profit after Taxation/							
Transfer to Shareholders' Fund	8,926,341	3,814,976	972,024	5,396,308	250,739	(8,875,452)	10,484,936

Non Life Insurance Rs. 000	Life Insurance Rs. 000	Healthcare Rs. 000	2015 Energy Rs. 000	Other Rs. 000	Eliminations Rs. 000	Total Rs. 000
14,049,933	10,470,079	-	-	-	(129,738)	24,390,274
(991,335)	-	-	-	-	-	(991,335)
13,058,598	10,470,079	-	-	-	(129,738)	23,398,939
(2,427,362)	(162,843)	-	-	-	-	(2,590,205)
(544,998)	-	-	-	-	-	(544,998)
10,086,238	10,307,236	-	-	-	(129,738)	20,263,736
-	-	5,514,070	25,292,505	77,687	(1,593,743)	29,290,519
10,086,238	10,307,236	5,514,070	25,292,505	77,687	(1,723,481)	49,554,255
(6,628,963)	(6,304,646)	-	-	-	-	(12,933,609)
(345,480)	(1,240,955)	-	-	-	-	(1,586,435)
-	(6,840,241)	-	-	-	-	(6,840,241)
-	-	(2,313,873)	(18,621,547)	-	-	(20,935,420)
(6,974,443)	(14,385,842)	(2,313,873)	(18,621,547)	-	-	(42,295,705)
1,907,084	7,599,082	61,585	1,016,269	388,895	(545,359)	10,427,556
5,300	46,222	-	-	-	-	51,522
494,485	195,287	94,700	(133,839)	794	-	651,427
(90,796)	-	-	-	-	-	(90,796)
156,692	449,937	36,003	836,527	329,514	(330,361)	1,478,312
2,472,765	8,290,528	192,288	1,718,957	719,203	(875,720)	12,518,021
(2,532,021)	(2,443,684)	(2,425,598)	(1,794,667)	(590,790)	2,053,650	(7,733,110)
3,052,539	1,768,238	966,887	6,595,248	206,100	(545,551)	12,043,461
(538,488)	(842,932)	(107,249)	(1,877,846)	(63,427)	(27,699)	(3,457,641)
2,514,051	925,306	859,638	4,717,402	142,673	(573,250)	8,585,820

Segmental Review: Statement of Financial Position

As at 31 December

	Non Life Insurance Rs. 000	Life Insurance Rs. 000	Healthcare Rs. 000	2016 Energy Rs. 000	Other Rs. 000	Eliminations Rs. 000	Total Rs. 000
Assets							
Financial investments	27,512,721	102,671,994	2,028,554	101,672	-	-	132,314,946
Investment in subsidiaries	19,735,493	1,457,914	-	5,000,000	18,500,000	(44,693,407)	-
Investment in associates	138,448	-	-	-	-	-	138,448
Property, plant & equipment	10,187,556	61,344	4,082,880	13,003,658	16,697,796	-	44,033,234
Investment properties	619,200	-	-	-	777,000	-	1,396,200
Leasehold property	20,268	-	189,307	-	2,680	-	212,255
Intangible assets	148,272	-	60,324	-	-	2,992,805	3,201,401
Loans to policyholders	-	1,518,719	-	-	-	-	1,518,719
Reinsurance receivable	1,775,795	107,268	-	-	-	-	1,883,063
Premium receivable	2,975,295	429,440	-	-	-	-	3,404,735
Deferred tax assets	-	131,317	-	-	425	-	131,742
Other assets	3,515,811	1,957,360	825,651	1,968,585	4,164,691	(4,152,224)	8,279,872
Deferred expenses	441,191	-	-	-	-	-	441,191
Cash and cash equivalents	433,858	1,189,865	165,601	11,811,244	3,241,266	-	16,841,834
Total Assets	67,503,909	109,525,219	7,352,317	31,885,160	43,383,858	(45,852,826)	213,797,636
Liabilities and Equity							
Liabilities							
Insurance provision - Life Insurance	-	90,010,165	-	-	-	-	90,010,165
Insurance provision - General Insurance	16,517,151	-	-	-	-	-	16,517,371
Reinsurance payable	884,749	112,894	-	-	-	-	997,643
Current tax liabilities	33,564	404,919	36,108	460,930	28,762	-	964,284
Deferred tax liabilities	709,090	-	426,596	1,935,870	14,433	-	3,085,989
Retirement benefit obligations	540,332	495,304	133,613	93,688	77,352	-	1,340,289
Other liabilities	1,736,835	1,855,506	677,864	8,691,382	4,282,781	(4,152,215)	13,092,152
Financial liabilities	478,886	221,064	233,863	-	57,687	-	991,500
Total Liabilities	20,900,827	93,099,852	1,508,044	11,181,871	4,461,016	(4,152,215)	126,999,396
Equity							
Stated capital	6,000,000	-	2,671,543	1,947,109	37,870,087	(42,488,740)	6,000,000
Capital reserve	8,115,786	43,296	1,284,778	3,917,519	-	(1,738,089)	11,623,290
Available-For-Sale reserve	7,953,284	13,102,020	-	-	-	-	21,055,304
Revenue reserves	24,534,012	3,280,051	1,887,952	14,838,660	1,052,754	(5,327,899)	40,158,029
Non-controlling interest	-	-	-	-	-	7,961,626	7,961,626
Total Equity	46,603,082	16,425,367	5,844,273	20,703,289	38,922,841	(41,700,613)	86,798,240
Total Liabilities and Equity	67,503,909	109,525,219	7,352,317	31,885,160	43,383,858	(45,852,826)	213,797,636

Non Life Insurance Rs. 000	Life Insurance Rs. 000	Healthcare Rs. 000	2015 Energy Rs. 000	Other Rs. 000	Eliminations Rs. 000	Total Rs. 000
28,156,490	95,538,340	1,530,610	4,224,374	4,334,483	-	133,784,297
19,735,493	1,457,914	-	5,000,000	18,500,000	(44,693,407)	-
128,090	-	-	-	-	-	128,090
8,070,735	41,658	3,649,507	11,447,692	15,055,681	-	38,265,273
465,231	-	-	-	776,411	-	1,241,642
20,537	-	175,443	-	2,779	-	198,759
215,625	-	61,001	-	73	2,992,805	3,269,504
-	1,569,342	-	-	-	-	1,569,342
1,205,786	69,318	-	-	-	-	1,275,104
2,904,443	324,933	-	-	-	-	3,229,376
-	95,158	-	-	391	-	95,549
1,515,023	2,537,192	711,821	1,798,596	338,472	(939,400)	5,961,704
358,991	-	-	-	-	-	358,991
1,865,516	1,459,462	215,260	12,742,935	825,185	-	17,108,358
64,641,960	103,093,317	6,343,642	35,213,597	39,833,475	(42,640,002)	206,485,989
-	80,650,581	-	-	-	-	80,650,581
14,916,652	-	-	-	-	-	14,916,652
957,091	43,277	-	-	-	-	1,000,368
247,873	459,083	20,472	816,669	21,840	-	1,565,937
742,027	-	347,229	1,949,648	10,272	-	3,049,176
381,387	349,604	118,241	91,237	40,389	-	980,858
2,320,940	1,893,084	688,281	8,555,119	891,562	(939,399)	13,409,587
494,962	494,098	179,288	-	65,790	-	1,234,138
20,060,932	83,889,727	1,353,511	11,412,673	1,029,853	(939,399)	116,807,297
6,000,000	-	2,671,543	1,947,109	37,870,087	(42,488,739)	6,000,000
5,822,625	27,877	994,282	3,913,233	-	(1,590,714)	9,167,303
7,656,834	14,733,830	-	-	-	-	22,390,664
25,101,569	4,441,883	1,324,306	17,940,582	933,535	(5,130,600)	44,611,275
-	-	-	-	-	7,509,450	7,509,450
44,581,028	19,203,590	4,990,131	23,800,924	38,803,622	(41,700,603)	89,678,692
64,641,960	103,093,317	6,343,642	35,213,597	39,833,475	(42,640,002)	206,485,989

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 2016, 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 2016.

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 Hospitals Corporation PLC	Providing healthcare and laboratory services
Litro Gas Lanka Ltd	Importing, processing, storing, distributing and selling of Liquid Petroleum Gas (LPG) and provide other incidental services.
Litro Gas Terminal Lanka (Pvt) Ltd	Providing bulk storage facilities for Liquid Petroleum Gas (LPG)

Name of the Subsidiary	Principal Activities
Canowin Hotels and Spas (Pvt) Ltd	Providing office space on rent for commercial purpose and engage in hospitality trade.
Canwill Holdings (Pvt) Ltd	Investment promotion related to leisure sector, controlling and monitoring subsidiaries as a holding company
Management Services Rakshana (Pvt) Ltd	Providing payroll management services to Sri Lanka Insurance Corporation Limited

2. Basis Of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (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, 2017.

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 Lanka 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, the 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.

Notes to The Financial Statements Contd.

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 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.

Notes to The Financial Statements Contd.

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.

(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.

Notes to The Financial Statements Contd.

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.

Employees 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.

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.

Notes to The Financial Statements Contd.

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 and 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, Pipes Lines and fittings	- 25 years
▣ LP Gas Cylinders	- 10 years
▣ Other fixed assets	- 5-12 years

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

3.5.1.5 De-recognition

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

3.5.1.6 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 lives 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.

Notes to The Financial Statements Contd.

De-recognition

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

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 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.

Notes to The Financial Statements Contd.

(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 Board of Sri Lanka (IBSL), 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.

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 Board of Sri Lanka (IBSL), the DAC is calculated broadly based on the 365 basis.

Notes to The Financial Statements Contd.

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 gross premium method as specified by the Insurance Board of Sri Lanka (IBSL) ACT, No. 43 of 2000 based on the recommendation of the Independent Appointed Actuary. The liability is determined as the sum of the discounted value of the expected future benefits and expenses, 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 non-guaranteed 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 appointed 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. Profit for the first year will only be recognized in the 2nd year and thereafter it is periodically recognized.

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.

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.

Notes to The Financial Statements Contd.

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:

- 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
- 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 2016

- ▣ SLFRS 14 – “Regulatory Deferral Accounts”
- ▣ Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to LKAS 16 and LKAS 38)
- ▣ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- ▣ Equity Method in Separate Financial Statements (Amendments to LKAS 27)
- ▣ Disclosure Initiative (Amendments to LKAS 1)

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 Contd.

As at 31 December	Note	Group				Company			
		2016	2016	2015	2015	2016	2016	2015	2015
		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) Financial Assets	5.1	49,313,553	45,815,016	41,085,278	41,346,657	49,313,553	45,815,016	38,964,539	39,225,918
Loans & Receivables (L & R)	5.2	21,997,008	21,997,008	28,301,780	28,287,729	19,995,372	19,995,372	24,667,535	24,653,484
Available-For-Sale (AFS) Financial Assets	5.3	55,555,182	55,555,182	53,306,102	53,306,102	55,555,182	55,555,182	53,306,102	53,306,102
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets	5.4	5,449,200	5,449,200	11,091,138	11,091,138	5,320,606	5,320,606	6,756,655	6,756,655
Total Financial Investments		132,314,943	128,816,405	133,784,298	134,031,626	130,184,713	126,686,175	123,694,831	123,942,159

5.1 Held-To-Maturity (HTM) Financial Assets

Treasury Bills	-	-	2,609,534	2,610,189	-	-	488,795	489,450
Treasury Bonds	49,313,553	45,815,016	38,475,744	38,736,468	49,313,553	45,815,016	38,475,744	38,736,468
	49,313,553	45,815,016	41,085,278	41,346,657	49,313,553	45,815,016	38,964,539	39,225,918

5.2 Loans & Receivables (L & R)

Unlisted Debentures	5.2.1	500,534	500,534	541,698	527,647	500,534	500,534	541,698	527,647
Term Deposits		14,337,916	14,337,916	20,944,087	20,944,087	12,336,280	12,336,280	17,309,842	17,309,842
Development Bonds		7,158,558	7,158,558	6,815,995	6,815,995	7,158,558	7,158,558	6,815,995	6,815,995
		21,997,008	21,997,008	28,301,780	28,287,729	19,995,372	19,995,372	24,667,535	24,653,484

As at 31 December	Maturity Date	2016				2015			
		Face Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000		Face Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000	
5.2.1 Unlisted Debentures									
Commercial Bank of Ceylon PLC	-	-	-	-	15.05.2016	125,000	141,608	127,557	
Lankem Ceylon PLC	-	-	-	-	08.04.2016	200,000	200,045	200,045	
National Development Bank PLC	-	-	-	-	30.06.2016	200,000	200,045	200,045	
National Savings Bank	29.12.2021	500,000	500,534	500,534	-	-	-	-	-
		500,000	500,534	500,534		525,000	541,698	527,647	

As at 31 December	Note	Group				Company			
		2016	2016	2015	2015	2016	2016	2015	2015
		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) Financial Assets									
Listed Shares	5.3.1	30,914,016	30,914,016	31,894,169	31,894,169	30,914,016	30,914,016	31,894,169	31,894,169
Unlisted Shares	5.3.2	47,972	47,972	20,754	20,754	47,972	47,972	20,754	20,754
Unit Trusts	5.3.3	964,320	964,320	1,043,587	1,043,587	964,320	964,320	1,043,587	1,043,587
Listed Debentures	5.3.4	19,566,029	19,566,029	15,228,277	15,228,277	19,566,029	19,566,029	15,228,277	15,228,277
Treasury Bonds		4,062,844	4,062,844	5,119,315	5,119,315	4,062,844	4,062,844	5,119,315	5,119,315
		55,555,182	55,555,182	53,306,102	53,306,102	55,555,182	55,555,182	53,306,102	53,306,102

As at 31 December	No. of Shares	2016 Carrying Value Rs. 000	Fair Value Rs. 000	No. of Shares	2015 Carrying Value Rs. 000	Fair Value Rs. 000
Company						

5.3.1 Listed Shares

Financials

Banks

Commercial Bank of Ceylon PLC	77,844,533	11,287,457	11,287,457	76,739,485	10,781,898	10,781,898
DFCC Bank PLC	26,509,832	3,247,454	3,247,454	26,509,832	4,477,511	4,477,511
Seylan Bank PLC	26,396,608	2,441,686	2,441,686	26,396,608	2,507,678	2,507,678
Hatton National Bank PLC	48,447,755	10,891,745	10,891,745	47,635,487	10,098,723	10,098,723
National Development Bank PLC	17,193,914	2,682,251	2,682,251	17,193,914	3,370,007	3,370,007
Sector Total		30,550,593	30,550,593		31,235,817	31,235,817

Industrials

Capital Goods

Colombo Dockyard PLC	3,592,998	273,068	273,068	3,592,998	549,729	549,729
Sector Total		273,068	273,068		549,729	549,729

Telecommunication Services

Telecommunication Services

Sri Lanka Telecom PLC	2,041,538	74,516	74,516	2,041,538	95,952	95,952
Sector Total		74,516	74,516		95,952	95,952

Consumer Discretionary

Consumer Durables & Apparel

Blue Diamonds Jewellery Worldwide PLC	10,559,100	15,839	15,839	10,559,100	12,671	12,671
Sector Total		15,839	15,839		12,671	12,671
Total Investment in Listed Shares		30,914,016	30,914,016		31,894,169	31,894,169

The impairment has been recognized on the investments in Colombo Dockyard PLC amounting to Rs. 582,735,141.

As at 31 December	No. of Shares	2016 Carrying Value Rs. 000	Fair Value Rs. 000	No. of Shares	2015 Carrying Value Rs. 000	Fair Value Rs. 000
Company						

5.3.2 Unlisted Shares

Associated Newspapers of Ceylon Ltd	61,206	7,844	7,844	61,206	6,707	6,707
Fitch Ratings Lanka Ltd	62,500	1,785	1,785	62,500	1,649	1,649
Texpro Industries Ltd	2,250,000	10,688	10,688	2,250,000	12,398	12,398
Capital Alliance Investments Ltd	125,000	27,655	27,655	-	-	-
Total Investment in Unlisted Shares		47,972	47,972		20,754	20,754

Unlisted Shares has been tested for impairment and the impairment has been recognized on the investment in Texpro Industries Ltd amounting to Rs. 11,812,500.

Notes to The Financial Statements Contd.

As at 31 December		2016		2015	
	No. of	Carrying	Fair	No. of	Carrying
	Units	Value	Value	Units	Value
Company		Rs. 000	Rs. 000		Rs. 000

5.3.3 Unit Trusts

Ceybank Unit Trust	18,200,565	464,842	464,842	18,200,565	505,066	505,066
Ceylon Income Fund	21,269,000	297,553	297,553	23,241,000	317,472	317,472
Ceylon Treasury Income Fund	24,836,957	201,925	201,925	24,836,957	221,049	221,049
		964,320	964,320		1,043,587	1,043,587

As at 31 December		2016		2015			
	Maturity	Face	Carrying	Fair	Maturity	Face	Carrying
	Date	Value	Value	Value	Date	Value	Value
		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	29.11.2017	500,000	506,995	506,995
Bank of Ceylon	24.10.2018	287,970	299,897	299,897	24.10.2018	287,970	319,892	319,892
Bank of Ceylon	21.09.2019	500,000	488,568	488,568	21.09.2019	500,000	488,568	488,568
Bank of Ceylon	24.10.2023	67,050	71,282	71,282	24.10.2023	67,050	80,376	80,376
Bank of Ceylon	06.10.2020	250,000	257,437	257,437	06.10.2020	250,000	255,429	255,429
Hatton National Bank PLC	12.06.2018	316,717	347,875	347,875	12.06.2018	316,717	382,045	382,045
Hatton National Bank PLC	14.12.2019	500,000	519,640	519,640	14.12.2019	500,000	468,940	468,940
Hatton National Bank PLC	31.03.2021	478,459	287,315	287,315	31.03.2021	478,459	285,927	285,927
Hatton National Bank PLC	30.08.2023	126,888	102,497	102,497	30.08.2023	126,888	108,286	108,286
Hatton National Bank PLC	31.03.2024	1,362,794	558,064	558,064	31.03.2024	1,362,794	554,930	554,930
Hatton National Bank PLC	28.03.2021	100,000	99,599	99,599	-	-	-	-
Hatton National Bank PLC	01.11.2023	250,000	255,432	255,432	-	-	-	-
Commercial Bank of Ceylon PLC	-	-	-	-	18.12.2016	250,000	297,100	297,100
Commercial Bank of Ceylon PLC	08.03.2026	1,000,000	1,035,137	1,035,137	-	-	-	-
Commercial Bank of Ceylon PLC	27.10.2021	274,680	280,550	280,550	-	-	-	-
Commercial Bank of Ceylon PLC	27.10.2026	185,110	189,148	189,148	-	-	-	-
National Development Bank PLC	19.12.2023	750,000	863,700	863,700	19.12.2023	750,000	982,125	982,125
National Development Bank PLC	24.06.2020	444,000	442,535	442,535	24.06.2020	444,000	473,122	473,122
Seylan Bank PLC	21.02.2018	449,520	485,772	485,772	21.02.2018	449,520	473,905	473,905
Seylan Bank PLC	22.12.2019	500,000	447,510	447,510	22.12.2019	500,000	501,010	501,010
Seylan Bank PLC	15.07.2021	66,650	70,686	70,686	-	-	-	-
Seylan Bank PLC	15.07.2023	57,280	60,948	60,948	-	-	-	-
Sampath Bank PLC	11.10.2017	36,600	45,201	45,201	11.10.2017	36,600	45,201	45,201
Sampath Bank PLC	04.12.2018	340,190	362,423	362,423	04.12.2018	340,190	362,484	362,484

As at 31 December	2016				2015			
	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								
Financials								
Banks								
Sampath Bank PLC	14.12.2019	500,000	490,761	490,761	14.12.2019	500,000	490,816	490,816
Sampath Bank PLC	18.11.2020	300,000	277,000	277,000	18.11.2020	300,000	303,190	303,190
Sampath Bank PLC	10.06.2021	500,000	535,505	535,505	-	-	-	-
Nations Trust Bank PLC	-	-	-	-	03.08.2016	200,000	211,161	211,161
Nations Trust Bank PLC	08.11.2021	945,180	962,869	962,869	-	-	-	-
DFCC Bank PLC	18.08.2017	64,660	65,576	65,576	18.08.2017	64,660	66,928	66,928
DFCC Bank PLC	-	-	-	-	07.09.2016	148,148	148,185	148,185
DFCC Bank PLC	10.06.2020	250,000	240,049	240,049	10.06.2020	250,000	266,799	266,799
DFCC Bank PLC	09.11.2023	500,000	509,257	509,257	-	-	-	-
DFCC Bank PLC	18.03.2019	500,000	542,063	542,063	-	-	-	-
Pan Asia Banking Corporation PLC	18.03.2017	200,000	207,904	207,904	18.03.2017	200,000	205,984	205,984
Pan Asia Banking Corporation PLC	29.09.2018	400,000	387,346	387,346	29.09.2018	400,000	409,786	409,786
The Housing Development Finance Corporation Bank of Sri Lanka	23.10.2018	100,000	124,660	124,660	23.10.2018	100,000	124,660	124,660
The Housing Development Finance Corporation Bank of Sri Lanka	20.11.2025	150,000	134,086	134,086	20.11.2025	150,000	152,066	152,066
Sanasa Development Bank PLC ⁴	31.12.2018	400,000	402,945	402,945	31.12.2018	400,000	400,105	400,105
Diversified Financials								
Merchant Bank of Sri Lanka and Finance PLC	11.12.2019	113,520	113,679	113,679	11.12.2019	113,520	120,729	120,729
People's Leasing & Finance PLC	23.09.2017	750,000	801,900	801,900	23.09.2017	750,000	745,950	745,950
People's Leasing & Finance PLC	26.03.2018	105,900	134,663	134,663	26.03.2018	105,900	134,688	134,688
People's Leasing & Finance PLC	23.09.2018	750,000	795,413	795,413	23.09.2018	750,000	822,188	822,188
People's Leasing & Finance PLC	16.11.2021	400,000	406,352	406,352	-	-	-	-
LB Finance PLC	28.11.2018	220,670	243,442	243,442	28.11.2018	220,670	265,443	265,443
Senkadagala Finance PLC	10.12.2018	100,000	111,133	111,133	10.12.2018	100,000	111,133	111,133
Senkadagala Finance PLC	09.11.2018	100,000	101,781	101,781	-	-	-	-
Citizens Development Business Finance PLC	19.12.2018	37,350	39,035	39,035	19.12.2018	37,350	42,270	42,270
Softlogic Finance PLC ¹	29.08.2019	12,600	13,060	13,060	29.08.2019	12,600	12,989	12,989
Commercial Leasing & Finance PLC	21.07.2020	250,000	274,700	274,700	21.07.2020	250,000	260,952	260,952
Central Finance Company PLC	01.06.2020	225,000	226,935	226,935	01.06.2020	225,000	240,146	240,146
Commercial Credit & Finance PLC ²	10.12.2020	400,000	375,547	375,547	10.12.2020	400,000	402,507	402,507
Commercial Credit & Finance PLC ³	01.06.2020	43,345	44,840	44,840	01.06.2020	43,345	44,843	44,843
Siyapatha Finance PLC	20.09.2019	125,000	129,586	129,586	-	-	-	-
Vallibel Finance PLC ³	31.03.2020	140,200	143,822	143,822	31.03.2020	140,200	143,822	143,822
Sector Total		17,427,332	16,927,390	16,927,390		13,021,381	12,713,675	12,713,675

Notes to The Financial Statements Contd.

As at 31 December		2016			2015			
	Maturity Date	Face Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000	Maturity Date	Face Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000
5.3.4 Listed Debentures Company (Contd.)								
Industrials								
Capital Goods								
Hayleys PLC	-	-	-	-	09.07.2016	80,800	86,328	86,328
Hayleys PLC	06.03.2020	200,000	183,313	183,313	06.03.2020	200,000	205,033	205,033
Hayleys PLC	31.05.2019	250,000	252,518	252,518	-	-	-	-
Hemas Holdings PLC	29.04.2019	119,970	121,545	121,545	29.04.2019	119,970	125,900	125,900
MTD Walkers PLC	30.09.2018	200,000	195,228	195,228	30.09.2018	200,000	204,968	204,968
Richard Pieris and Company PLC	16.05.2017	29,580	30,325	30,325	16.05.2017	29,580	30,739	30,739
Sector Total		799,550	782,929	782,929		630,350	652,968	652,968
Health Care								
Health Care Equipment & Services								
Nawaloka Hospitals PLC	30.09.2021	150,000	161,965	161,965	30.09.2021	150,000	173,485	173,485
Sector Total		150,000	161,965	161,965		150,000	173,485	173,485
Consumer Discretionary								
Consumer Durables & Apparel								
Abans PLC	20.12.2018	400,000	441,558	441,558	20.12.2018	400,000	499,558	499,558
Singer Sri Lanka PLC	07.06.2018	345,020	343,686	343,686	07.06.2018	345,020	359,978	359,978
Singer Sri Lanka PLC	22.12.2017	68,340	73,978	73,978	22.12.2017	68,340	73,978	73,978
Singer Sri Lanka PLC	15.03.2019	200,000	206,214	206,214	-	-	-	-
Sector Total		1,013,360	1,065,436	1,065,436		813,360	933,514	933,514
Consumer Staples								
Beverages, Food & Tobacco								
The Lion Brewery Ceylon PLC	17.06.2016	-	-	-	17.06.2016	105,600	115,211	115,211
The Lion Brewery Ceylon PLC	17.06.2017	105,600	110,506	110,506	17.06.2017	105,600	109,260	109,260
The Lion Brewery Ceylon PLC	17.06.2018	140,800	150,528	150,528	17.06.2018	140,800	145,769	145,769
The Lion Brewery Ceylon PLC	08.12.2019	400,000	367,275	367,275	08.12.2019	400,000	384,395	384,395
Sector Total		646,400	628,309	628,309		752,000	754,635	754,635
Total Investment in Listed Debentures		20,036,642	19,566,029	19,566,029		15,367,291	15,228,277	15,228,277

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	Group				Company			
	2016		2015		2016		2015	
	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	5,320,605	5,320,605	6,756,655	6,756,655	5,320,606	5,320,606	6,756,655	6,756,655
Unit Trusts	128,595	128,595	4,334,483	4,334,483	-	-	-	-
	5,449,200	5,449,200	11,091,138	11,091,138	5,320,606	5,320,606	6,756,655	6,756,655

Fair Value Through Profit or Loss Investments and Available-For-Sale Investments have been measured at fair value. Held-To-Maturity Investments and Loans & Receivables are measured at amortized cost.

	2016			2015	
	No. of	Carrying	Fair	No. of	Carrying
	Shares	Value	Value	Shares	Value
		Rs. 000	Rs. 000		Rs. 000

5.4.1 Listed Shares

Consumer Discretionary

Consumer Durables & Apparel

Teejay Lanka PLC	-	-	-	11,000,000	391,600	391,600
Sector Total		-	-		391,600	391,600

Retailing

CM Holdings PLC	392,076	33,405	33,405	392,076	43,246	43,246
Singer Sri Lanka PLC	-	-	-	87,500	12,066	12,066
Sector Total		33,405	33,405		55,312	55,312

Consumer Services

Aitken Spence Hotel Holdings PLC	5,518,727	238,961	238,961	5,518,727	375,273	375,273
Asian Hotels & Properties PLC	10,055,900	573,186	573,186	10,055,900	593,298	593,298
John Keells Hotels PLC	71,622,800	766,364	766,364	71,622,800	1,102,991	1,102,991
Anilana Hotels & Properties PLC	2,500,000	4,500	4,500	2,500,000	10,000	10,000
Sector Total		1,583,011	1,583,011		2,081,562	2,081,562

Automobiles & Components

Kelani Tyres PLC	181,689	11,810	11,810	128,128	9,930	9,930
Sector Total		11,810	11,810		9,930	9,930

Notes to The Financial Statements Contd.

As at 31 December		2016			2015	
	No. of	Carrying	Fair	No. of	Carrying	Fair
Company	Shares	Value	Value	Shares	Value	Value
		Rs. 000	Rs. 000		Rs. 000	Rs. 000

5.4.1 Listed Shares (Contd.)

Consumer Staples

Food, Beverage & Tobacco

The Lion Brewery Ceylon PLC	308,706	143,548	143,548	-	-	-
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Food & Staples Retailing

TESS Agro PLC	-	-	-	33,993,806	54,390	54,390
Sector Total		143,548	143,548		54,390	54,390

Energy

Energy

Laugfs Gas PLC	7,800	264	264	7,800	324	324
Sector Total		264	264		324	324

Financials

Diversified Financials

LB Finance PLC	-	-	-	3,685,800	439,716	439,716
People's Merchant Finance PLC	1,500	29	29	1,500	30	30
Nation Lanka Finance PLC	979,500	1,371	1,371	979,500	2,938	2,938
People's Leasing & Finance PLC	4,033,000	68,964	68,964	4,033,000	88,726	88,726
Sector Total		70,364	70,364		531,411	531,411

Banks

Sampath Bank PLC	1,000,000	261,500	261,500	1,595,024	398,756	398,756
Sector Total		261,500	261,500		398,756	398,756

Real Estate

Real Estate

Overseas Reality PLC	4,649,218	92,984	92,984	4,649,218	108,327	108,327
Sector Total		92,984	92,984		108,327	108,327

As at 31 December	No. of Shares	2016 Carrying Value Rs. 000	Fair Value Rs. 000	No. of Shares	2015 Carrying Value Rs. 000	Fair Value Rs. 000
Company						
Industrials						
Capital Goods						
John Keells Holdings PLC	5,100,782	739,613	739,613	4,340,333	774,749	774,749
Richard Pieris & Company PLC	2,430,000	19,683	19,683	2,430,000	20,655	20,655
Vallibel One PLC	1,121,800	20,753	20,753	1,121,800	24,231	24,231
Heyleys PLC	397,418	107,303	107,303	347,162	107,099	107,099
ACL Cables PLC	-	-	-	558,557	67,585	67,585
Royal Ceramics PLC	4,034,456	467,997	467,997	4,083,186	453,234	453,234
Lanka Walltiles PLC	807,600	80,518	80,518	807,600	88,028	88,028
Renuka Holdings PLC	1,703,308	35,940	35,940	1,703,308	46,841	46,841
Brown & Company PLC	906,990	75,643	75,643	906,990	91,788	91,788
Lankem Ceylon PLC	313,500	18,810	18,810	313,500	28,215	28,215
Colombo Dockyard PLC	3,592,548	273,034	273,034	3,592,548	549,660	549,660
Expolanka Holdings PLC	2,500,000	15,750	15,750	-	-	-
Aitken Spence PLC	2,000,000	130,000	130,000	-	-	-
Sector Total		1,985,044	1,985,044		2,252,085	2,252,085
Information Technology						
Technology Hardware & Equipment						
PC House PLC	876,700	88	88	876,700	263	263
Sector Total		88	88		263	263
Materials						
Materials						
Lanka Cement PLC	509,700	3,007	3,007	509,700	4,027	4,027
Tokyo Cement Company (Lanka) PLC	-	-	-	333,932	16,363	16,363
Lanka Aluminium Industries PLC	83,660	7,529	7,529	83,660	9,060	9,060
Chevron Lubricants Lanka PLC	3,000,000	471,000	471,000	-	-	-
Sector Total		481,536	481,536		29,450	29,450
Telecommunication Services						
Telecommunication Services						
Dialog Axiata PLC	1,000,000	10,500	10,500	1,000,000	10,700	10,700
Sri Lanka Telecom PLC	17,713,735	646,552	646,552	17,713,735	832,546	832,546
Sector Total		657,052	657,052		843,246	843,246
Total Investment in Listed Shares		5,320,605	5,320,605		6,756,655	6,756,655

Notes to The Financial Statements Contd.

Company	Available- For-Sale Financial Assets Rs. 000	Fair Value Through- Profit or Loss Financial Assets Rs. 000	Held To Maturity Financial Assets Rs. 000	Loans & Receivables Rs. 000	Total Rs. 000
5.5 Movement in Carrying Values of Financial Investments					
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
Unrealized Capital Gains/(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	5,320,605	49,313,553	19,995,372	130,184,713
As at 01 January 2015	53,268,426	5,538,348	26,076,868	31,740,973	116,624,615
Purchases	13,438,990	1,666,124	13,218,686	25,852,103	54,175,903
Maturities	(2,321,480)	-	(1,150,001)	(33,315,258)	(36,786,739)
Disposals	(7,205,707)	(17,500)	-	-	(7,223,207)
Fair Value Gain Recorded in					
Other Comprehensive Income	(4,216,560)	-	-	-	(4,216,560)
Realized Capital Gains/(Losses)	97,770	0	-	-	97,770
Realized/unrealised Capital Gains/(Losses)	-	(430,317)	-	-	(430,317)
Interest Amortization	115,694	-	461,313	-	577,007
Foreign Currency Translation Adjustments	-	-	-	625,274	625,274
Re-classification from Unlisted					
Shares to Associates (Note 7)	(128,090)	-	-	-	(128,090)
Interest/Coupon Receipts	(1,666,039)	-	(2,819,117)	(1,879,806)	(6,364,962)
Interest Income	1,923,098	-	3,176,790	1,644,249	6,744,137
As at 31 December 2015	53,306,102	6,756,655	38,964,539	24,667,535	123,694,831

As at 31 December	Sub Note	Company 2016 Rs. 000	Company 2015 Rs. 000
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6 Investment in Subsidiaries

At Cost

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

As at 31 December		2016			2015			
	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
6.1 Listed Subsidiaries								
The Lanka Hospitals Corporation PLC	122,177,993	54.61	2,925,567	7,941,570	122,177,993	54.61	2,925,567	7,501,729
			2,925,567	7,941,570			2,925,567	7,501,729

As at 31 December		2016			2015		
	No. of Shares	SLIC Holding %	Carrying Value Rs. 000		No. of Shares	SLIC Holding %	Carrying Value Rs. 000
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	5,280,188
Management Services Rakshana Ltd	5	100.00	-		5	100	-
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	870,087
			18,160,338				18,160,338

Unlisted Subsidiaries have been tested for impairments and there were no impairments required for the year.

6.3 Group Holdings in Principal Subsidiaries

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

Company	Principal activities	Class of shares held	Proportion of shares held %	Group Interest %		Non Controlling Interest %	
				2016	2015	2016	2015
The Lanka Hospitals Corporation PLC	Healthcare and Laboratory Services	Ordinary	54.61	54.61	54.61	45.39	45.39
Lanka Hospitals Diagnostics Ltd	Healthcare and Laboratory Services	Ordinary	100.00	54.61	54.61	45.39	45.39
Litro Gas Lanka Ltd	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	Hoteliering	Ordinary	100.00	100.00	100.00	-	-
Canwill Holdings (Pvt) Ltd	Investment promotion in relation to leisure sector	Ordinary	72.97	72.97	72.97	27.03	27.03
Sinolanka Hotels & Spa (Pvt) Ltd	Hoteliering	Ordinary	100.00	72.97	72.97	27.03	27.03
Helanco Hotels & Spa (Pvt) Ltd	Hoteliering	Ordinary	100.00	72.97	72.97	27.03	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.

Notes to The Financial Statements Contd.

7 Investment in Associates

Group/Company	2016				2015			
	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 Ltd	1,250,000	21.37	7,250	7,250	1,250,000	21.37	8,375	8,375
Ceybank Asset Management Ltd	759,998	26.57	131,198	131,198	759,998	26.57	119,715	119,715
			138,448	138,448			128,090	128,090

The investments are measured at SLIC's share of net assets value (NAV) of the investee (based on the unaudited financial statements) and change in values are recognized in OCI. There is no material impact on the Group's profit after tax or EPS, or cash flows. The equity method as required under LKAS 28 "Investments in Associates and Joint Ventures" is not adopted as the Company considers the impact to be immaterial. Associates have been tested for impairment and the impairment has been recognized on the investment in Ceylon Asset Management Company Ltd amounting to Rs. 5,250 ('000)

As at 31 December	2016 Rs. 000	2015 Rs. 000
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8 Property, Plant & Equipment

8.1 Group

Carrying Amount	29,120,134	25,106,793
Work-in-Progress (Note 8.1.3)	14,913,098	13,158,480
	44,033,232	38,265,273

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

Cost/Valuation

Freehold

Balance as at 01 January 2016	5,883,632	3,095,472	3,602,125	3,601,635	548,515	875,078
Additions during the Year	-	21,235	40,257	261,352	41,819	84,235
Revaluation	2,262,832	(138,752)	172,172	-	-	-
Disposals	(1,542)	-	-	(6,500)	(415)	(7,190)
Transfers	-	2,398	31,889	38,449	663	-
Balance as at 31 December 2016	8,144,922	2,980,353	3,846,443	3,894,936	590,582	952,123

Accumulated Depreciation

Freehold

Balance as at 01 January 2016	2,320	166,511	215,170	1,854,299	252,745	586,881
Charge during the year	1,741	146,401	102,183	245,972	51,357	182,099
Revaluation	-	(269,448)	(258,090)	-	-	-
Disposals	-	-	-	(6,500)	(415)	(7,073)
Balance as at 31 December 2016	4,061	43,464	59,263	2,093,771	303,687	761,907

Net Book Value

As at 31 December 2015	5,881,312	2,928,961	3,386,955	1,747,336	295,770	288,197
As at 31 December 2016	8,140,861	2,936,889	3,787,180	1,801,165	286,895	190,216

Electrical Generators	Fixtures & Fittings	Air Condition Plant	Plant and Machinery	Storage Tanks, Pipe Lines and Pumping Stations	LPG Cylinders	Others	Total
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
267,719	10,041	167,083	1,266,570	5,416,923	6,424,518	197,028	31,356,339
-	73	10,408	18,341	11,907	2,535,496	27,969	3,053,092
(166,523)	-	-	-	-	-	-	2,129,729
-	-	-	-	-	(40,351)	-	(55,998)
-	-	-	25,796	515	-	-	99,710
101,196	10,114	177,491	1,310,707	5,429,345	8,919,663	224,997	36,582,872
34,423	9,290	16,238	193,006	958,742	1,842,790	117,130	6,249,545
27,280	165	18,766	61,239	220,794	745,621	24,165	1,827,783
(49,198)	-	-	-	-	-	-	(576,736)
-	-	-	-	-	(23,866)	-	(37,854)
12,505	9,455	35,004	254,245	1,179,536	2,564,545	141,295	7,462,738
233,296	751	150,845	1,073,564	4,458,181	4,581,728	79,898	25,106,793
88,691	659	142,487	1,056,462	4,249,809	6,355,118	83,702	29,120,134

Notes to The Financial Statements Contd.

8.1.1 Land

Freehold Lands

The Lanka Hospitals Corporation PLC - carried at revalued amount

Location	Extent	Method of valuation	Effective date of valuation	Significant unobservable inputs	Carrying value as at 31.12.2015 Rs.	Revaluation surplus Rs.	Carrying value at cost Rs.
8.1.1 Lands							
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.35 perches	Open market value method	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 perches	Open market value method	31st December 2016	Estimated price per perch Rs. 2,702,702	27,027,027	21,769,876	5,257,151

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 Mn 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 Sinolanka Hotels & Spa (Pvt) Ltd is in the process of negotiating to purchase this land from the current owners.

Leasehold Land

Helanco Hotels & Spa (Pvt) Ltd

Helanco Hotels & Spa (Pvt) Ltd entered into an agreement dated 01.09.2014 with the Urban Development Authority (UDA), whereby UDA allocated to the Helanco Hotels & Spa (Pvt) a block of land situated at Lewaya Road, Hambantota, 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/-.

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 Company is in negotiation to

dispose of the property. The Directors are of the view that the un-amortized leasehold land value of Rs. 168,258,069/- as at 31.12.2016 could be recovered from the disposal of the property. Hence, no impairment provision had been considered necessary on the asset.

8.1.2 Buildings on Leasehold Land

The Lanka Hospitals Corporation PLC - carried at revalued amount

Location	Method of valuation	Effective date of valuation	Significant unobservable inputs	Cost as at 31.12.2015 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net Carrying Amount Rs.
578, Elvitigala Mawatha, Colombo 05	Depreciated replacement cost method	31st December 2016	Estimated value per square foot Rs.9,000	1,551,946,957	154,892,808	1,397,054,149

Sinolanka Hotels & Spa (Pvt) Ltd

The Sinolanka Hotels & Spa (Pvt) Ltd entered into an agreement dated 16.07.2012 with the Urban Development Authority ("UDA"), whereby UDA allocated a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising an extent of 0.6057 Hectares together with the partly constructed building thereon, for an annual nominal lease of Rs. 10,000/- for a term 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.

In addition to the aforesaid lease agreement, the Government Valuation Department shall determine 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 (premises No. 116) 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 immovable properties constructed on the said lease land.

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
8 Property, Plant & Equipment (Continued)				
8.1.3 Capital Work-in-Progress				
At the beginning of the Year	13,158,480	11,057,322	-	-
Cost incurred during the Year	1,856,026	4,079,557	-	-
Amount capitalised during the Year	(101,408)	(1,866,617)	-	-
Write-off	-	(678)	-	-
Provision for impairment	-	(111,104)	-	-
At the end of the Year	14,913,098	13,158,480	-	-

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

Capital work in progress of The Lanka Hospitals Corporation PLC mainly comprises cost incurred on hospital information system integration project.

Impairment of Property, Plant and Equipment

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.

8.1.4 Fully Depreciated Assets

Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 286.5 million (2015 - Rs.286.5 million) from the SLIC, Rs. 1.4 billion (2015 - 1.37 billion) from the Lanka Hospitals Corporation PLC, Rs. 1.4 billion (2015 -Rs.1.37 billion) from Litro Gas Lanka Ltd, Rs. 382,000 (2014 - Rs. 382,000) from Litro Gas Terminal Lanka (Pvt) Ltd respectively.

8.1.5 Litro Gas Terminal Lanka (Private) Limited and Litro Gas Lanka Limited

Certain types of assets; storage tanks, pipelines, pumping stations, instrumentation equipment, 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 assets are to be requalified for use, the cost and the accumulated depreciation relating to those assets are derecognized. Subsequent to requalification, the previous written down values of the assets and the additional costs incurred to requalify the assets are capitalized as it is expected that future economic benefits associated with the assets will flow to the entity.

8.1.6 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	28,095	2,282,470	4,810
Land & Building situated at No. 267, Union Place, Colombo 2	A 0 R 0 P 37.62	451,440	360,762	812,202	5,559
Land & Building situated at No. 21, Vauxhall Street, Colombo 2	A 02 R 00 P 05.62	2,860,250	1,874,616	4,734,866	96,519
Land & Building situated at Thelawala, Katubedda, Moratuwa	A 02 R 00 P 13	166,500	40,722	207,222	2,273
Land & Building situated at Lake Road, 4th Lane, Anuradhapura	A 0 R 0 P 30	7,500	5,284	12,784	282
Land & Building situated at Main Street, 2nd Lane Anuradhapura	A 0 R 0 P 34.9	64,565	27,258	91,823	704
Land & Building situated at 571, Hospital Road, Jaffna	A 0 R 1 P 26.38	112,846	17,213	130,059	601
Land & Building situated at No. 25, Kande Veediya, Kandy	A 0 R 0 P 16.45	106,925	36,189	143,114	19,773
Land & Building situated at No. 20, Rajapaksha Broadway, Negombo	A 0 R 0 P 19	52,250	60,682	112,932	1,924
Land & Building situated at No. 7, Hakmana Road, Matara	A 0 R 0 P 47.89	141,993	22,020	164,013	1,278
Land & Building situated at No. 60/1, Park Road, Nuwara Eliya	A 0 R 02 P 23.01	118,462	8,316	126,778	714
Land & Building situated at No. 16/1, Dambulla Road, Kurunegala	-	-	65,382	65,382	2,795

Notes to The Financial Statements Contd.

Location	Extend of the land	Land Rs. 000	Building Rs. 000	Total Rs. 000	Carrying Amount at Cost Rs. 000
Land & Building situated at No. 14A, Pulathisigama, Hingurakgoda	A O R O P 49.42	3,954	523	4,476	295
Land & Building situated at No. 46, Main Street, Trincomalee	A O R 01 P 37.65	89,298	4,478	93,775	1,978
Land & Building situated at No. 77, Ratnapura Road, Awissawella	A O R O P 30.75	87,638	3,195	90,833	2,182
Land situated at Bauddhaloka Mawatha, Gampaha	A O R O P 24.54	73,620	-	73,620	3,759
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	2,919	12,919	1,894
Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy	A O R 01 P 02	34,000	14,000	48,000	3,366
Land & Building situated at No. 97, New Road, Ambalangoda	A O R 01 P 02	105,000	31,880	136,880	2,257
Land & Building situated at No. 211/C, Colombo Road, Pilimalawala	A O R O P 08	22,000	11,671	33,671	19,319
Land situated at No. 42, Kurunegala Road, Chilaw	A O R O P 15.63	32,823	-	32,823	2,587

Location	Extend of the land	Land Rs. 000	Building Rs. 000	Total Rs. 000	Carrying Amount at Cost Rs. 000
Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya.	A O R O P 09.96	5,229	390	5,619	205
Land & Building situated at Bogahahena, Dikwella Road, Beliatta	A O R 01 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	5,348	23,124	18,291
Land situated at Gorakadeniya, Yatinuwara, Kandy.	A O R 02 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	9,413	21,913	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	1,784	16,484	16,465
Land & Building situated at No. 389, Main Street, Kegalle	A O R O P 07.51	22,530	16,900	39,430	14,864
Land situated at Kachchery Junction, Kandy Road, Jaffna	A O R O P 37.6	10,716	-	10,716	254
		6,979,085	2,649,038	9,628,123	292,183

Notes to The Financial Statements Contd.

As at 31 December	2016	2015
	Rs. 000	Rs. 000

8 Property, Plant & Equipment

8.2 Company

Carrying Amount	10,248,900	8,112,393
	10,248,900	8,112,393

	Land	Buildings on Freehold Land	Building on Leasehold Land
	Rs. 000	Rs. 000	Rs. 000

Cost/Valuation

Balance as at 01 January 2016

Balance as at 01 January 2016	4,775,199	2,700,802	8,777
Additions During the Year	-	18,452	-
Revaluation	2,205,428	(70,218)	60,923
Disposals	(1,542)	-	-
Balance as at 31 December 2016	6,979,085	2,649,036	69,700

Accumulated Depreciation

Balance as at 01 January 2016

Balance as at 01 January 2016	-	135,143	439
Depreciation Charge for the Year	-	134,305	(439)
Revaluation	-	(269,448)	-
Disposals	-	-	-
Balance as at 31 December 2016	-	-	-

Carrying amount

As at 31 December 2015	4,775,199	2,565,659	8,778
As at 31 December 2016	6,979,085	2,649,036	69,700

During the year the Company has acquired property, plant & equipment amounting to Rs. 126.85 million (2015 Rs. 85.062 million). There were no assets pledged against the borrowings.

Equipment	Furniture & Fittings	Motor Vehicle	Electrical Generators and Passenger Lift	Fixtures & Fittings Stations	Air Condition Plant	Others	Total
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
367,424	196,066	331,339	267,719	10,041	167,083	4,361	8,828,811
34,060	14,647	37,949	-	73	10,408	11,265	126,854
-	-	-	(166,523)	-	-	-	2,029,610
-	-	(6,340)	-	-	-	-	(7,882)
401,484	210,713	362,948	101,196	10,114	177,491	15,626	10,977,393
241,792	58,989	219,959	34,423	9,290	16,238	584	716,418
52,235	21,109	80,752	27,280	165	18,766	2,332	337,383
-	-	-	(49,198)	-	-	-	(319,085)
-	-	(6,223)	-	-	-	-	(6,223)
294,027	80,098	294,488	12,505	9,455	35,004	2,916	728,493
125,632	137,077	111,380	233,296	751	150,845	3,777	8,112,393
107,457	130,615	68,459	88,691	659	142,487	12,710	10,248,900

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
9 Investment Property				
Balance as at 01 January	1,241,642	1,203,431	465,231	465,231
Additions during the year	9,620	36,552	-	-
Fair Value Gains / (Loss)	144,938	1,659	153,969	-
Balance as at 31st December	1,396,200	1,241,642	619,200	465,231

Investment property held by Sri Lanka Insurance Corporation Ltd is located at No.6, Sir Baron Jayathilake Mawatha, Colombo 01. Extent of land is A0 R0 P38.88 and extent of the building is 40,000 sq.ft. The fair value has been recognized amounting to Rs. 153,969 as at 31.12.2016.

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 19.08.2011.

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 appropriately recognized the 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
Comparison method of valuation and depreciated replacement cost basis valuation	SLIC	Value per perch of land and value per square foot determined based on comparable properties	Estimated fair value would increase/ (decrease) if: <div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;"> <input type="checkbox"/> Value per perch of land was higher/(lower) <input type="checkbox"/> Value per square foot was higher/(lower) </div> </div>

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
10 Leasehold Property				
Leasehold Right to Land (Note 10.1)	20,268	20,537	20,268	20,537
Right-to-use of land on lease (Note 10.2)	191,987	178,222	-	-
Balance as at 31 December	212,255	198,759	20,268	20,537

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	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	7,478	7,209	7,478	7,209
Amortization during the year	269	269	269	269
Balance as at 31 December	7,747	7,478	7,747	7,478
Net balance as at 31 December	20,268	20,537	20,268	20,537

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	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000

10.2 Advance Lease Premium

Advance Lease Premium

Balance as at the 01 Jan	178,222	164,457	-	-
Premium Paid during the Period	18,547	18,546	-	-
Amortized during the Period	(4,782)	(4,781)	-	-
Transferred to Investment Property	-	-	-	-
Balance as at 31 December	191,987	178,222	-	-

Notes to The Financial Statements Contd.

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. 18,546,522/- 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 31.12.2016 a sum of Rs. 176 million is payable by 2026. (31.12.2015 - Rs. 195 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 on 01.03.2014. 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.

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
11 Intangible Assets				
Goodwill on Acquisition (Note 11.1)	2,992,805	2,992,805	-	-
Computer Software (Note 11.2)	208,596	276,699	148,272	215,625
	3,201,401	3,269,504	148,272	215,625

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
11.1 Goodwill on Acquisition				
Cost				
Balance as 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:

	2016	2015	2016	2015
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
The Lanka Hospitals Corporation PLC	1,577	1,577	-	-
Litro Gas Lanka Ltd	842	842	-	-
Litro Gas Terminal Lanka (Pvt) Ltd	574	574	-	-
	2,993	2,993	-	-

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

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000

11.2 Computer Software

Cost

Balance as at 01 January	435,380	276,882	362,286	240,210
Additions	11,189	137,656	2,190	126,679
Impairment during the year	-	(4,603)	-	(4,603)
Transferred from capital working progress	1,699	25,445	-	-
Balance as at 31 December	448,268	435,380	364,476	362,286

Amortization

Balance as at 01 January	158,681	102,916	146,661	98,874
Amortization Charge	80,991	57,157	69,543	49,179
Impairment	-	(1,392)	-	(1,392)
Balance as at 31 December	239,672	158,681	216,204	146,661
Net Balance as at 31 December	208,596	276,699	148,272	215,625

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000

12 Loans to Policyholders

Balance as at 01 January	1,569,342	1,510,067	1,569,342	1,510,067
Loans granted during the year	1,389,953	459,547	1,389,953	459,547
Interest Receivable on loans	344,908	350,557	344,908	350,557
Loans settled during the year (Against claims)	(1,785,484)	(750,829)	(1,785,484)	(750,829)
Balance as at 31 December	1,518,719	1,569,342	1,518,719	1,569,342

The surrender value of the loans granted to policyholders as at 31.12.2016 amounted to Rs. 2,520 million (2015 Rs.2,582million)

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 policyholders loans approximates to the fair value at the reporting date.

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
13 Reinsurance Receivables				
Reinsurance Receivables on Settled Claims	513,117	365,262	513,117	365,262
Reinsurance Receivables on outstanding Claims	1,434,140	976,138	1,434,140	976,138
Impairment on Reinsurance Receivables	(64,194)	(66,296)	(64,194)	(66,296)
	1,883,063	1,275,104	1,883,063	1,275,104

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 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	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
14 Premium Receivable				
Premium Receivable from Policyholders	2,660,911	2,503,265	2,660,911	2,503,265
Premium Receivable from Agents, Brokers and Intermediaries	743,824	726,111	743,824	726,111
	3,404,735	3,229,376	3,404,735	3,229,376

14.1 Premium Receivable from Policyholders

Premium Receivable from Policyholders	2,789,883	2,605,568	2,789,883	2,605,568
	2,789,883	2,605,568	2,789,883	2,605,568

Impairment on Premium Receivable

As at the Beginning of the Year	(102,303)	(217,828)	(102,303)	(217,828)
Reversal made during the Year	(26,669)	115,525	(26,669)	115,525
As at the End of the Year	(128,972)	(102,303)	(128,972)	(102,303)
Sub Total of Premium Receivable from Policyholders	2,660,911	2,503,265	2,660,911	2,503,265

14.2 Premium Receivable from Agents, Brokers and Intermediaries

Premium Receivable from Agents and Brokers	786,814	760,212	786,814	760,212
	786,814	760,212	786,814	760,212

Impairment on Premium Receivable

As at the Beginning of the Year	(34,101)	(72,609)	(34,101)	(72,609)
Reversal made during the Year	(8,890)	38,508	(8,890)	38,508
As at the End of the Year	(42,991)	(34,101)	(42,991)	(34,101)
Sub Total of Premium Receivable from Agents and Brokers	743,824	726,111	743,824	726,111
Total Premium Receivable	3,404,735	3,229,376	3,404,735	3,229,376

The Board of Directors has assessed the potential impairment loss on premium receivables as at the reporting date and adequate provisions 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;

Group	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

Group	Net Balance as at 01st January 2015 Rs. 000	Recognized in profit or loss Rs. 000	Recognized in OCI Rs. 000	Net Balance as at 31st December 2015 Rs. 000	Deferred Tax Asset Rs. 000	Deferred Tax Liability Rs. 000
Property, Plant and Equipment	3,084,704	122,721	(47,081)	3,160,344	-	3,160,344
Intangible Assets	-	1,137	-	1,137	-	1,137
Investment Property	62,811	151,588	-	214,399	-	214,399
Employee Benefits	(218,377)	(24,219)	(2,354)	(244,950)	(244,950)	-
Carry forward tax losses	(60,130)	(13,055)	-	(73,185)	(73,185)	-
Available-For-Sale financial assets	-	(21,312)	8,824	(12,488)	(12,488)	-
Provisions on inventory	(2,881)	(100)	-	(2,981)	(2,981)	-
Provisions on Trade Receivables	(118,574)	29,925	-	(88,649)	(88,649)	-
	2,747,553	246,685	(40,611)	2,953,627	(422,253)	3,375,880

Notes to The Financial Statements Contd.

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
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15.1.1 Movement in deferred tax balances contd.

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

	Net Balance as at 01st January 2015 Rs. 000	Recognized in profit or loss Rs. 000	Recognized in OCI Rs. 000	Net Balance as at 31st December 2015 Rs. 000	Deferred Tax Asset Rs. 000	Deferred Tax Liability Rs. 000
Property, Plant and Equipment	962,147	(93,220)	(47,081)	821,846	-	821,846
Investment Property	-	130,265	-	130,265	-	130,265
Employee Benefits	(187,146)	(20,545)	3,013	(204,678)	(204,678)	-
Available-For-Sale financial assets	-	(21,312)	8,824	(12,488)	(12,488)	-
Provisions on Trade Receivables	(118,574)	30,498	-	(88,076)	(88,076)	-
	656,427	25,686	(35,244)	646,869	(305,242)	952,111

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

	2016 Net deferred tax (asset)/ liability Rs. 000	2015 Net deferred tax (asset)/ liability Rs. 000
Group		
Sri Lanka Insurance Corporation Ltd - Life	(131,317)	(95,158)
Canwill Holding (Pvt) Limited	(425)	(391)
	(131,742)	(95,549)
Sri Lanka Insurance Corporation Ltd - Non Life	709,090	742,027
The Lanka Hospitals Corporation PLC	426,596	347,229
Litro Gas Lanka Ltd	1,504,763	1,262,979
Litro Gas Terminal Lanka (Pvt) Ltd	431,107	686,669
Canowin Hotels & Spa (Pvt) Ltd	14,433	10,272
	3,085,990	3,049,176
	2,954,247	2,953,627

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

	2016		2015	
	Temporary difference Rs. 000	Deferred tax Rs. 000	Temporary difference Rs. 000	Deferred tax Rs. 000
Life				
Deferred tax asset				
Retirement benefit obligation	(495,304)	(138,685)	(349,605)	(97,889)
Provision for Doubtful Debtors	-	-	-	-
Deferred tax liability				
Property plant & equipment	26,314	7,368	9,756	2,731
Investment Property	-	-	-	-
Available -For-Sale reserve	-	-	76,115	21,312
Revaluation Reserve	-	-	-	-
Net deferred tax (asset)/liability	(468,990)	(131,317)	(263,735)	(73,846)
Unrecognized deferred tax liability	-	-	(76,115)	(21,312)
Net deferred tax (asset)/liability	(468,990)	(131,317)	(339,849)	(95,158)

Notes to The Financial Statements Contd.

	2016		2015	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Non-Life	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Deferred tax asset				
Retirement benefit obligation	(540,332)	(151,293)	(381,387)	(106,788)
AFS negative reserve - Treasury Bonds	(35,907)	(10,054)	(44,602)	(12,488)
Provision for Doubtful Debtors	(89,657)	(25,104)	(314,559)	(88,076)
	(665,896)	(186,451)	(740,547)	(207,352)
Deferred tax liability				
Property plant & equipment and revaluation reserve	3,123,482	874,575	2,925,414	819,115
Investment property	74,879	20,966	465,231	130,264
	3,198,361	895,541	3,390,645	949,379
Net deferred tax (asset)/liability	2,532,465	577,773	2,650,097	646,869

15.2 Helanco Hotels & Spa (Pvt) Ltd

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

As at 31 December	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
16 Other Assets					
Inventories	16.1	1,465,613	1,472,198	166,485	109,821
Other Receivables		3,382,976	1,637,617	3,369,855	1,573,886
Impairment on Other Receivables		(130,049)	(126,841)	(129,291)	(126,841)
		3,252,927	1,510,776	3,240,567	1,447,045
Amount due from Distilleries Company of Sri Lanka PLC		194,889	171,852	194,889	171,852
Staff Loans	16.2	809,239	772,308	809,239	772,308
Prepaid Staff Cost		318,332	347,099	318,332	347,099
Other Loans		605,531	504,705	605,531	504,705
Advance on Fixed Assets		19,073	19,073	19,073	19,073
Trade and Other Receivables	16.3	1,572,393	1,124,848	-	-
Value added tax receivable		37,568	28,310	-	-
ESC Receivable		4,311	10,534	-	-
		8,279,873	5,961,703	5,354,111	3,371,903

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
16.1 Inventories				
Insurance	166,485	109,821	166,485	109,821
Healthcare	318,869	272,339	-	-
Energy	980,259	1,090,038	-	-
	1,465,613	1,472,198	166,485	109,821
16.2 Loans Due from Employees				
At the Beginning of the Year	772,308	564,406	772,308	564,406
Loans Granted during the Year	210,159	927,509	210,159	927,509
Recoveries during the Year	(264,516)	(560,411)	(264,516)	(560,411)
Fair Value Adjustment on Staff Loan	91,288	(159,196)	91,288	(159,196)
At the End of the Year	809,239	772,308	809,239	772,308
16.3 Trade and Other Receivables				
Trade Receivables				
Trade & Other Receivables	778,441	552,659	-	-
Provision for Doubtful Debt	(25,027)	(24,583)	-	-
Writeoff of trade receivables	(1,468)			
Total Trade Receivables - Net	751,946	528,076	-	-
Deposit and Prepayments	260,995	266,977	-	-
Advances and Other Receivables	559,452	329,795	-	-
	1,572,393	1,124,848	-	-
17 Deferred Expenses - Insurance Contract				
Net Deferred Acquisition Expenses				
Balance as at 01 January	470,403	393,946	470,403	393,946
Increase in Deferred Acquisition Expenses	62,682	76,457	62,682	76,457
Balance as at 31 December	533,085	470,403	533,085	470,403
Deferred Reinsurance Commission				
Balance as at 01 January	(111,412)	(132,086)	(111,412)	(132,086)
Increase in Deferred Acquisition Expenses	19,518	20,674	19,518	20,674
Balance as at 31 December	(91,894)	(111,412)	(91,894)	(111,412)
Net Deferred Acquisition Expenses	441,191	358,991	441,191	358,991

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
18 Cash and Cash Equivalents				
Cash in Hand and at Bank	1,131,676	1,020,184	587,727	695,871
Short-Term Investments	15,710,158	16,088,174	1,035,996	2,629,107
Total Cash and Cash Equivalents	16,841,834	17,108,358	1,623,723	3,324,978
Bank Overdraft used for Cash Management Purposes	(991,500)	(1,234,138)	(699,950)	(989,060)
Cash and Cash Equivalents in the Statement of Cash Flow	15,850,334	15,874,220	923,773	2,335,918

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

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	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
20 Revaluation Reserve					
Revaluation Reserve	20.1	11,623,290	9,167,303	8,159,082	5,850,502
		11,623,290	9,167,303	8,159,082	5,850,502

20.1 Revaluation Reserve

Balance as at 01 January		9,167,303	9,325,393	5,850,502	5,971,570
Surplus on Revaluation of Land and Building		2,520,024	-	2,348,695	-
Deficit on revaluation of other property, plant and equipment		-	(168,149)	-	(168,149)
Depreciation transfer on surplus on revaluation of building		(34,190)	-	-	-
Deferred Tax on Revaluation (Surplus)/Deficit		11,298	47,081	(40,115)	47,081
Realization of Revaluation Surplus		-	(34,190)	-	-
Transfer of revaluation reserve on disposal of property, plant and equipment		(41,145)	(2,832)	-	-
Balance as at 31 December		11,623,290	9,167,303	8,159,082	5,850,502

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000

21 Available-For-Sale Reserve

Balance as at 01 January	22,390,664	26,525,252	22,390,664	26,525,252
Other Comprehensive Income For the Year	(1,335,360)	(4,134,588)	(1,335,360)	(4,134,588)
Balance as at 31 December	21,055,304	22,390,664	21,055,304	22,390,664

Available-For-Sale reserves comprise of the impact arising from the changes in market values of financial assets classified under Available-For-Sale (AFS).

As at 31 December	Note	Group		Company	
		2016	2015	2016	2015
		Rs. 000	Rs. 000	Rs. 000	Rs. 000

22 Revenue Reserve

General Reserve		643,442	643,442	643,442	643,442
Surplus from Life Insurance	22.1	8,109,631	4,865,021	8,109,631	4,865,021
Policyholder Reserve Fund	22.2	(4,711,129)	(410,517)	(4,711,129)	(410,517)
Retained Earnings	22.3	36,116,076	39,513,329	23,664,612	24,338,002
		40,158,021	44,611,274	27,706,557	29,435,948

22.1 Surplus from Life Insurance

Balance as at 01 January		4,865,021	4,450,665	4,865,021	4,450,665
Surplus Attributable to Shareholders from Life Insurance		3,844,610	925,303	3,844,610	925,303
Super gain tax paid during the year		-	(10,947)	-	(10,947)
Transferred to Shareholders		(600,000)	(500,000)	(600,000)	(500,000)
Balance as at 31 December		8,109,631	4,865,021	8,109,631	4,865,021

22.2 Policyholder Reserve Fund

Balance as at 01 January		(410,517)	(3,328,928)	(410,517)	(3,328,928)
Change in fair value measurements applicable to life contract liability	23	(4,300,612)	2,918,411	(4,300,612)	2,918,411
Balance as at 31 December		(4,711,129)	(410,517)	(4,711,129)	(410,517)

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
22.3 Retained Earnings				
Balance as at 01 January	39,513,329	35,734,633	24,338,002	23,954,309
Profit for the year	9,979,440	8,162,284	12,741,317	3,439,356
Other comprehensive income	(185,348)	(5,842)	(159,327)	7,747
Depreciation transfer on surplus on revaluation of building	34,190			
Surplus Attributable to Shareholders from Life Insurance	(3,844,610)	(925,303)	(3,844,610)	(925,303)
Dividend Declared and Paid	(10,010,771)	(2,003,142)	(10,010,771)	(2,003,142)
Transfer to shareholders	600,000	500,000	600,000	500,000
Deferred Tax on Revaluation Surplus Transfer	(11,298)	-	-	-
Realization of Revaluation Surplus on disposal	41,145	2,832	-	-
Realization of Revaluation Surplus	-	34,190	-	-
Super gain tax paid during the year	-	(1,986,324)	-	(634,965)
Balance as at 31 December	36,116,076	39,513,329	23,664,612	24,338,002
23 Insurance Contract Liabilities - Life Insurance				
Life insurance fund as at 01 January	77,858,385	74,706,064	77,858,385	74,706,064
Surplus created due to the change in valuation method from NPV to GPV	(24,014,581)	-	(24,014,581)	-
Movement of the Fund	9,042,999	7,765,544	9,042,999	7,765,544
Super gain tax	-	(769,509)	-	(769,509)
Transferred from Life Policyholders Reserve Fund	4,300,612	(2,918,411)	4,300,612	(2,918,411)
Surplus distributed to Shareholders	(3,844,610)	(925,303)	(3,844,610)	(925,303)
Life Insurance Fund as at 31 December				
Excluding one off surplus	63,342,805	77,858,385	63,342,805	77,858,385
Surplus created due to the change in valuation method from NPV to GPV	24,014,581	-	24,014,581	-
Life Insurance Fund as at 31 December including one off surplus	87,357,386	77,858,385	87,357,386	77,858,385
Policyholder Outstanding Claims	2,652,779	2,792,196	2,652,779	2,792,196
	90,010,165	80,650,581	90,010,165	80,650,581

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 IBSL as at 2016.12.31
- ▣ - 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 reversionary bonus to be paid is determined annually by the Company. The bonus includes life policyholders share of net income that are required to be allocated by the insurance contract or, by insurance regulations.

Surplus created due to change in valuation method from NPV to GPV

From 01.01.2016, as per the mandatory requirement by the insurance regulator, IBSL, SLICL 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. Previously SLICL followed the "Net Premium Valuation" basis (NPV). This change in valuation basis has resulted an one-off release in life insurance policy liabilities. It has been quantified the releases as of 01.01.2016 are Rs: 23,450 million and Rs: 564 million with in participating fund and non-participating fund respectively. SLICL did not transfer/distribute any part of this one-off release and kept it with in Long Term Insurance Fund as mandated by IBSL letter dated 22.07.2016. In addition SLICL indicates this policy liability release in the name "Surplus created due to change in valuation method from NPV to GPV" as instructed by IBSL letter dated 30.12.2016.

	Rs: million
Long Term Insurance Fund excluding one-off surplus	63,343
Surplus created due to change in valuation method from NPV to GPV	24,015
Long Term Insurance Fund as at 31.12.2016	87,357

The valuation of the Insurance Provision - Life Insurance Business, as at 31.12.2016 was made by Mark Alan Birch, Fellow of the Institute and Faculty of Actuaries UK, affiliated to Towers Watson, for and on behalf of Sri Lanka Insurance Corporation Ltd. In accordance with the consultants actuary's report, the sum of provision, Rs. 1,273 million (In 2015 Rs. 2,983 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 31.12.2016 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 contingencies.

The Life Insurance Fund assets, inclusive of Shareholders' Transfer, as at 31.12.2016 stand at Rs. 91,201 million (2015 - Rs. 78,783 million). The Board of Directors decided to transfer Rs. 3,844 million (2015: Rs. 925 million) to the Shareholders' Fund in the statement of financial position in life insurance. Subsequent to this transfer, the life insurance fund stands at Rs. 87,357 million (2015 - Rs. 77,858 million).

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 Towers Watson, as at 31 December 2016 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 IBSL, 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 31.12.2016.

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 31 December 2015. No additional provision is required against the LAT as at 31.12.2016.

Notes to The Financial Statements Contd.

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	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Reserves for Net Unearned Premium	24.1	7,315,029	6,542,751	7,315,029	6,542,751
Reserves for Title Insurance and Unexpired Risk Reserve	24.2	538,219	480,399	538,219	480,399
Reserves for Gross Outstanding Claims	24.3	8,663,903	7,893,502	8,663,903	7,893,502
		16,517,151	14,916,652	16,517,151	14,916,652

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000

24.1 Reserve for Net Unearned Premium

Reserve for Unearned Premium

Balance as at 01 January	7,968,630	7,206,100	7,968,630	7,206,100
Transfer during the Year	576,364	762,530	576,364	762,530
Balance as at 31 December	8,544,994	7,968,630	8,544,994	7,968,630

Reserve for Unearned Reinsurance Premium

Balance as at 01 January	(1,425,879)	(1,970,877)	(1,425,879)	(1,970,877)
Transfer during the Year	195,914	544,998	195,914	544,998
Balance as at 31 December	(1,229,965)	(1,425,879)	(1,229,965)	(1,425,879)
Total Reserve for Net Unearned Premium	7,315,029	6,542,751	7,315,029	6,542,751

24.2 Reserve for Title Insurance and Unexpired Risk Reserve

Reserve for Title Insurance

Balance as at 01 January	480,399	251,594	480,399	251,594
Transfer during the year	57,820	228,805	57,820	228,805
Balance as at 31 December	538,219	480,399	538,219	480,399

Total Reserve for Title Insurance and Unexpired Risk Reserve	538,219	480,399	538,219	480,399
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As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
24.3 Reserves for Gross Outstanding Claims				
Balance as at 01 January	5,737,840	5,526,494	5,737,840	5,526,494
Claims Incurred during the year	9,617,064	7,056,638	9,617,064	7,056,638
Claims paid during the year	(9,070,287)	(6,845,292)	(9,070,287)	(6,845,292)
Balance as at 31 December	6,284,617	5,737,840	6,284,617	5,737,840
IBNR/IBNER balance as at 01 January	2,155,662	2,182,472	2,155,662	2,182,472
Increase in IBNR/IBNER	223,624	(26,810)	223,624	(26,810)
IBNR/IBNER balance as at 31 December	2,379,286	2,155,662	2,379,286	2,155,662
Total Reserves for Gross Outstanding Claims	8,663,903	7,893,502	8,663,903	7,893,502

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.

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for Non-Life Insurance contract liability was carried out by Mr. Matthew Maguire, Fellow of the Australian Actuarial Society (AAG) on behalf of the NMG Consulting as at 31.12.2016 as required by SLFRS 4- Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31.12.2016. No additional provision was required against the LAT as at 31.12.2016.

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Reconciliation between Insurance Contract				
Liabilities Non - Life and Technical Reserves				
Insurance Contract Liabilities - Non-Life	16,517,371	14,916,652	16,517,371	14,916,652
Reserve for Net Deferred Acquisition Expenses	(441,191)	(358,991)	(441,191)	(358,991)
Reinsurance on Claims Reserves	(1,461,165)	(976,138)	(1,461,165)	(976,138)
Technical Reserves	14,615,015	13,581,523	14,615,015	13,581,523

Notes to The Financial Statements Contd.

24.4 Claims Development Information

Table below presents changes in the historical non-life reserves, net of reinsurance. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each 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	2011 Rs.	2012 Rs.	2013 Rs.	2014 Rs.	2015 Rs.	2016 Rs.
Gross reserves for losses and loss adjustment expenses	7,898,096,692	8,720,582,620	7,817,800,636	7,709,470,517	7,893,502,368	8,663,902,790
Reinsurance recoverable	(1,168,930,136)	(1,509,187,974)	(1,160,448,524)	(1,004,432,194)	(976,138,208)	(1,434,140,460)
Net reserves for losses and loss adjustment expenses	6,729,166,556	7,211,394,646	6,657,352,112	6,705,038,323	6,917,364,160	7,229,762,330
Cumulative paid						
One year later	3,632,757,028	4,545,085,355	4,481,213,520	4,572,092,748	4,981,268,620	6,637,139,648
Two years later	4,903,405,392	5,908,837,239	5,873,385,629	5,907,059,777	6,989,105,660	-
Three years later	4,980,092,970	6,016,063,272	5,960,967,990	6,055,116,734	-	-
Four years later	5,014,506,148	6,042,845,103	6,010,003,985	-	-	-
Five years later	5,047,142,374	6,072,977,441	-	-	-	-
Six years later	5,080,082,222	-	-	-	-	-
Cumulative Reported						
One year later	4,740,384,794	5,765,263,148	5,564,838,084	5,631,797,127	6,325,675,770	7,912,768,429
Two years later	5,147,257,128	6,199,143,542	6,107,020,752	6,204,339,034	7,290,856,677	-
Three years later	5,195,146,471	6,287,566,401	6,209,495,887	6,352,290,520	-	-
Four years later	5,289,158,538	6,285,315,681	6,218,063,033	-	-	-
Five years later	5,266,478,759	6,309,598,907	-	-	-	-
Six years later	5,258,995,656	-	-	-	-	-

	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
As at 31 December				
25 Current Tax Liabilities				
Balance as at 01 January	1,565,937	1,505,977	706,956	963,165
Income Tax Charge for the Year	2,664,743	3,164,542	1,084,286	1,355,731
Income Tax Settlements made during the Year	(3,064,971)	(3,104,582)	(1,352,759)	(1,611,940)
Adjustment for cumulative effect of prior year error (Note 50)	(201,425)	-	-	-
Balance as at 31 December	964,284	1,565,937	438,483	706,956

	Group		Company	
As at 31 December	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
26 Employee Benefits				
Balance as at 01 January	980,858	872,574	730,991	668,381
Recognized in the statement of profit or loss				
Current Service Cost	95,776	75,214	61,878	42,416
Interest Expenses	88,739	82,686	65,789	63,496
Gratuity Adjustment	(5,071)	-	-	-
Recognized in the statement of other comprehensive income				
Actuarial (Gain)/Loss	242,701	5,501	221,287	(10,760)
	1,403,004	1,035,975	1,079,945	763,533
Benefit paid by the plan	(62,715)	(55,117)	(44,310)	(32,542)
Balance as at 31 December	1,340,289	980,858	1,035,635	730,991

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.

	2016	2015
26.2 Principal Actuarial Assumptions used		
Discount Rate	10%-12.5%	9% - 10%
Salary Increment Rate	10%-25%	5% - 10%
Staff turnover Factor	5%-18%	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 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.

Group	2016		2015	
	Increase Rs. 000	Decrease Rs. 000	Increase Rs. 000	Decrease Rs. 000
Discount rate 1%	1,146,834	1,334,693	3,040,159	3,595,882
Future salary growth 1%	1,366,594	293,244	3,562,110	3,066,623

Company	2016		2015	
	Increase Rs. 000	Decrease Rs. 000	Increase Rs. 000	Decrease Rs. 000
Discount rate 1%	938,206	1,134,595	662,754	792,806
Future salary growth 1%	1,128,716	94,149	789,623	664,417

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000

27 Other Liabilities

Policyholder Advance Payments	386,281	413,502	441,593	454,525
Agency Commission Payable	761,663	668,951	761,663	668,951
Economic Services Charge Tax	35,891	7,180	-	-
Others Including Accrued Expenses	2,690,454	2,490,158	2,270,249	2,065,239
Trade Payable	2,583,250	3,686,250	-	-
VAT Payable	598	30,132	-	-
Provision for assessment on VAT Liability	11,320	345,000	-	345,000
Other Payables	407,909	562,257	-	-
Advance Received	58,458	62,400	-	-
Customer Deposit Payable	6,006,410	5,143,758	-	-
Withholding tax payable (WHT)	150,139	-	-	-
Total Other Liabilities	13,092,373	13,409,588	3,473,505	3,533,715

28 Financial Liabilities

Bank Overdraft	991,500	1,234,138	699,950	989,060
Total Financial Liabilities	991,500	1,234,138	699,950	989,060

As at 31 December	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
29 Revenue					
Gross Written Premium	30	27,480,100	24,390,274	27,614,433	24,520,012
Net Change in Reserve for Unearned Premium	29.1	(634,184)	(991,335)	(634,184)	(991,335)
Gross Earned Premium		26,845,917	23,398,939	26,980,249	23,528,677
Premium Ceded to Reinsurers	29.2	(2,771,041)	(2,590,205)	(2,771,041)	(2,590,205)
Net Change in Reserve for Unearned Reinsurance Premium	29.3	(195,914)	(544,998)	(195,914)	(544,998)
Net Earned Premium	29.4	23,878,962	20,263,736	24,013,294	20,393,474
Income from Investments	31	11,357,205	10,427,556	17,273,652	9,506,165
Other Income		2,537,858	2,181,261	1,420,612	1,347,923
Net fair value gains and losses		(599,797)	(90,796)	(599,797)	(90,796)
Hospital Revenue		3,365,403	4,243,678	-	-
Pharmacy Revenue		1,536,680	1,270,392	-	-
Laboratory revenue		984,358	-	-	-
Room Rental and Services Charges		81,668	77,687	-	-
Revenue from Liquid Petroleum Gas (LPG) Activities		24,621,993	23,698,762	-	-
		67,764,329	62,072,276	42,107,761	31,156,766
29.1 Net Change in Reserve for Unearned Premium					
Non-Life Insurance					
Change in Reserve for Unearned Premium	24.1	(576,364)	(762,530)	(576,364)	(762,530)
Transfer to Title Insurance Reserve	24.2	(57,820)	(228,805)	(57,820)	(228,805)
		(634,184)	(991,335)	(634,184)	(991,335)
29.2 Premiums Ceded to Reinsurers					
Life Insurance		214,304	162,843	214,304	162,843
		214,304	162,843	214,304	162,843
Non- Life Insurance					
Fire		1,232,250	1,098,400	1,232,250	1,098,400
Motor		227,916	175,931	227,916	175,931
Marine		288,132	297,727	288,132	297,727
Miscellaneous		808,439	855,304	808,439	855,304
		2,556,737	2,427,362	2,556,737	2,427,362
Total Premium Ceded to Reinsurers		2,771,041	2,590,205	2,771,041	2,590,205

Notes to The Financial Statements Contd.

For the year ended 31 December	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000

29.3 Net Change in Reserve for Unearned Reinsurance Premium

Non-life Insurance

Change in Reserve for Unearned Premium	24.1	(195,914)	(544,998)	(195,914)	(544,998)
		(195,914)	(544,998)	(195,914)	(544,998)

Company	2016			2015		
	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	15,720,793	11,893,640	27,614,433	14,049,934	10,470,079	24,520,012
Change in Reserve for Unearned Premium	(576,364)	-	(576,364)	(762,530)	-	(762,530)
Gross Earned Premium	15,144,429	11,893,640	27,038,069	13,287,404	10,470,079	23,757,483
Premiums Ceded to Reinsurers	2,556,737	214,304	2,771,041	2,427,361	162,844	2,590,205
Change in Reserve for Unearned Reinsurance Premium	195,914	-	195,914	544,998	-	544,998
Gross Reinsurance Premium	2,752,651	214,304	2,966,955	2,972,359	162,844	3,135,203
Transfer to Title Insurance Reserve	(57,820)	-	(57,820)	(228,805)	-	(228,805)
	2,810,471	214,304	3,024,775	3,201,164	162,844	3,364,008
Net Earned Premium	12,333,958	11,679,336	24,013,294	10,086,240	10,307,235	20,393,475

As at 31 December		Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000

30 Gross Written Premium

Life Insurance

Group and Non Group	10,218,206	9,093,175	10,352,538	9,222,913
Group Term Life Assurance	1,541,101	1,247,166	1,541,101	1,247,166
Gross Written Premium - Life Insurance	11,759,307	10,340,341	11,893,640	10,470,079

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000

30 Gross Written Premium contd.

Non- Life Insurance

Fire & Engineering Risk	1,400,556	1,345,963	1,400,556	1,345,963
General Accident	3,397,030	3,223,559	3,397,030	3,223,559
Marine	490,147	457,924	490,147	457,924
Workmen's Compensation	-	-	-	-
Motor	10,433,060	9,022,487	10,433,060	9,022,487
Gross Written Premium- Non-Life Insurance	15,720,793	14,049,933	15,720,793	14,049,933
Total Gross Written Premium	27,480,100	24,390,274	27,614,433	24,520,012

For the year ended 31 December	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000

31 Investment Income

Interest Income	31.1	11,300,467	9,325,027	9,294,717	7,858,278
Dividend Income	31.2	955,496	1,435,076	8,881,288	1,980,435
Capital gains/(losses)	31.3	(898,759)	(332,548)	(902,354)	(332,548)
		11,357,205	10,427,556	17,273,652	9,506,165

31.1 Interest Income

Financial Investment at Held-To-Maturity (HTM)

Treasury Bonds	5,303,297	3,692,963	5,303,297	3,692,963
Treasury Bills	-	34,527	-	34,527

Financial Investments at Loans & Receivables (L&R)

Development Bonds	329,497	227,997	329,497	227,997
Unlisted Debentures	21,546	89,111	21,546	89,111
Term Deposits	1,562,738	1,665,493	928,566	1,334,308

Financial Investments at Available-For-Sale (AFS)

Treasury Bonds	504,296	749,737	504,296	749,737
Treasury Bills	12,450	-	12,450	-
Listed Debentures	1,833,506	1,388,767	1,833,506	1,388,767

Cash & Cash Equivalents

Reverse Repurchase Agreements	1,577,357	1,383,042	355,809	336,229
Unit Trusts	155,780	81,608	-	-
Call & Savings Accounts	-	11,782	5,750	4,639

Total Interest Income	11,300,467	9,325,027	9,294,717	7,858,278
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Notes to The Financial Statements Contd.

	Group		Company	
For the year ended 31 December	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000

31.2 Dividend Income

Financial Investments at Cost

Listed Subsidiaries	-	-	233,140	183,267
Unlisted Subsidiaries	-	-	7,692,652	362,092

Financial Investments at NAV

Associates	4,386	4,560	4,386	4,560
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Financial Investments at Available-For-Sale (AFS)

Listed Shares	696,230	1,174,766	696,230	1,174,766
Unlisted Shares	1,916	188	1,916	188
Unit Trusts	29,003	68,815	29,003	68,815

Financial Investments at Fair Value

Through Profit or Loss (FVTPL)

Listed Shares	223,961	186,747	223,961	186,747
Total Dividend Income	955,496	1,435,076	8,881,288	1,980,435

31.3 Capital Gains/(Losses)

Financial Investments at Available-For-Sale (AFS)

Listed Shares	-	3,257	-	3,257
Unit Trusts	62,979	2,900	59,384	2,900
Treasury Bonds	2,503	91,612	2,503	91,612

Financial Investments at Fair Value

Through Profit or Loss (FVTPL)

Listed Shares	(964,241)	(430,317)	(964,241)	(430,317)
Total Capital Gains/(Losses)	(898,759)	(332,548)	(902,351)	(332,548)

32 Fees and Commission Income

Reinsurance Commission	52,289	48,574	52,289	48,574
Policy Fees	-	2,948	-	2,948
	52,289	51,522	52,289	51,522

33 Net Realized Gains

Foreign Currency Gains	295,518	651,427	338,013	689,772
	295,518	651,427	338,013	689,772

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
34 Other Income				
Rent Income	125,608	81,893	113,893	74,533
Interest on Policyholders and Other Loans	615,586	271,111	615,586	271,111
Sundry Income	258,685	275,032	146,862	219,557
Non refundable deposit income (Note 34.1)	1,033,032	807,618	-	-
Net gain from change in fair value of investment property	144,938	1,659	153,969	-
Gain on redemption of financial assets classified as FVTPL	6,484	-	-	-
Gain on disposal of property, plant and equipment	5,717	(429)	-	-
Rental Income from Investment Properties	-	41,428	-	41,428
	2,190,050	1,478,312	1,030,310	606,629

34.1 Non refundable deposit income

LP Gas cylinders are issued by the Litro Gas Lanka Ltd to customers on payment of a cylinder deposit, which consists of two elements, part refundable and part non- refundable. The refundable deposit component is recognized as a liability while the non - refundable deposit component is recognized as income at the point of issuing the cylinder

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
35 Net Benefit and Claims				
(a) Gross benefits and claims paid				
Non-Life Insurance				
Fire	(1,005,948)	(131,009)	(1,005,948)	(131,009)
Motor	(6,331,368)	(4,640,261)	(6,331,368)	(4,640,261)
Marine	(37,848)	(389,570)	(37,848)	(389,570)
Miscellaneous	(2,241,900)	(1,895,797)	(2,241,900)	(1,895,797)
Total	(9,617,064)	(7,056,637)	(9,617,064)	(7,056,637)
Life Insurance				
Death Claims	(387,094)	(632,450)	(387,094)	(632,450)
Policy Maturities	(4,926,149)	(5,147,774)	(4,926,149)	(5,147,774)
Surrenders	(362,943)	(350,008)	(362,943)	(350,008)
Disability, Ex-gratia, Annuities, Hospitalization & Mortgage Protection	(248,068)	(211,983)	(248,068)	(211,983)
Total	(5,924,255)	(6,342,215)	(5,924,255)	(6,342,215)
Total Gross Benefits and Claims Paid	(15,541,318)	(13,398,852)	(15,541,318)	(13,398,852)

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
(b) Claims Ceded to Reinsurers				
Claims Recovered from Reinsurers	830,146	466,287	830,146	466,287
Total Claims Ceded to Reinsurers	830,146	466,287	830,146	466,287
(c) Gross Change in Contract Liabilities				
Change in Non-Life Insurance Contract				
Outstanding Claims Provision	(223,624)	26,810	(223,624)	26,810
Total Gross Change in Contract Liabilities	(223,624)	26,810	(223,624)	26,810
(d) Change in Contract Liabilities Ceded to Reinsurers				
Change in Non-Life Insurance Contract				
Outstanding Claims Provision	458,002	(27,854)	458,002	(27,854)
Total Change in Contract Liabilities Ceded to Reinsurers	-	-	-	-
Total Change in Contract Liabilities Ceded to Reinsurers	458,002	(27,854)	458,002	(27,854)
Total Net Benefits and Claims	(14,476,794)	(12,933,609)	(14,476,794)	(12,933,609)
36 Underwriting and Net Acquisition Costs (Including Reinsurance)				
Acquisition Cost	2,597,546	1,960,987	2,597,546	1,960,987
Net Change in Reserve for Deferred Acquisition Cost (DAC)	(62,682)	(76,457)	(62,682)	(76,457)
	2,534,864	1,884,530	2,534,864	1,884,530
Reinsurance Commission Received	320,338	277,421	320,338	277,421
Net Change in Reserve for Unearned Commission (UCR)	(19,518)	(20,674)	(19,518)	(20,674)
	339,856	298,095	339,856	298,095
	2,195,008	1,586,435	2,195,008	1,586,435
37 Other Operating and Administration Expenses including followings				
Audit Fees	8,166	7,625	3,700	3,900
Audit Related Fees	1,662	2,233	1,000	2,095
Fees for Non Audit Services	-	4,990	-	4,740
Depreciation		1,610,235	337,383	378,523
Amortization of Intangible Assets	80,991	57,157	69,543	49,179
Amortization of Leasehold Land	269	269	269	269
Staff Benefits	5,776,039	3,523,641	3,270,122	3,062,774

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
38 Income Tax Expense				
38.1 Amounts recognized in profit or loss				
Current Tax Expenses				
Current Tax Year	2,664,743	3,164,542	1,084,286	1,355,731
Over Provision in Previous Year	(203)	46,411	-	-
Cumulative effect of the prior period error (Note 50)	(201,425)	-	-	-
10% Withholding tax on intercompany dividends	869,659	-	-	-
	3,332,774	3,210,953	1,084,286	1,355,731
Deferred Tax Expenses				
Origination/(Reversal) of Temporary Differences	(3,646)	246,688	(34,635)	25,689
Income Tax Expenses Reported in the Income Statement	3,329,128	3,457,641	1,049,651	1,381,420
38.2 Amount recognized in OCI				
Remeasurement of defined benefit liability	59,043	2,354	61,960	(3,013)
Revaluation of Property, Plant & Equipment	(76,649)	47,081	(40,115)	47,081
Fair value changes in Available-For-Sale financial assets	12,616	(8,824)	12,616	(8,824)
	(4,265)	40,611	34,462	35,244
38.3 Income Tax Reconciliation				
Profit or loss before tax	13,814,064	12,043,461	13,790,968	4,820,777
Consolidation adjustments	8,005,792	545,551	-	-
	21,819,856	12,589,012	13,790,968	4,820,777
Less: Income excluded/exempt	(17,878,523)	(1,178,885)	(17,505,375)	(930,374)
Tax Deductible Expenses	(2,801,497)	(3,244,323)	(226,319)	(1,103,280)
Income from other sources	(1,259,760)	(415,322)	745,051	-
Add: Disallowable expenses	9,013,454	4,418,929	7,068,126	3,035,722
Tax Profit from Business	8,893,531	12,169,411	3,872,451	4,841,896
Add: Income from other sources	1,946,324	349,837	-	-
Less: Tax loss claimed during the year	(77,390)	(107,550)	-	-
Qualifying payments	(92,362)	(130,006)	-	-
Taxable Income	10,670,102	12,281,692	3,872,451	4,841,896
Tax on Business Income @ 28%	1,235,546	3,064,503	1,084,286	1,355,731
@ 12%	58,478	50,059	-	-
@ 10%	145,476	-	-	-
Tax on Non Business Income @ 28%	1,225,243	49,980	-	-
Income Tax Expense	2,664,743	3,164,542	1,084,286	1,355,731

Notes to The Financial Statements Contd.

As at 31 December	Group		Company	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
38.4 Tax loss Analysis				
Balance as at 01 January	278,678	214,750	-	-
Tax loss incurred during the year	208,504	114,253	-	-
Tax loss claimed during the year	(63,670)	(50,325)	-	-
Balance as at 31 December	423,512	278,678	-	-

The Company is liable to income tax of 28 % in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto. Current year tax charge consists of income tax charge on General Insurance and investment income in Life Insurance.

Litro Gas Terminal Lanka (Pvt) Ltd and Litro Gas Lanka Ltd business profits are exempted from income tax for a period of 15 years according to the agreement entered into by the Litro Gas Terminal Lanka Ltd and Litro Gas Lanka Ltd with Board of Investment of Sri Lanka. The said exemption period has commenced in 2000 and will expire in 2015. Accordingly, Litro Gas Terminal Lanka (Pvt) Ltd and Litro Gas Lanka Ltd are liable to income tax @ 28% of the adjusted taxable profits for the year.

The Lanka Hospitals Corporation PLC is liable to income tax at 12% on business profit and 28% on other income. They have claimed qualifying payment relief in terms of Section 34 (2) (s) of the Inland Revenue (Amendment) Act No.8 of 2012 on the investments made in fixed assets in the expansion of its business. Business activity of the Lanka Hospitals Corporation PLC is captured under Section 16C of the said amendment Act. Accordingly, out of the total qualified investment of Rs. 537,520,001/- the Company has already claimed Rs. 115,442,875/- and Rs. 78,160,311/- for the year of assessment 2015/2016 and 2016/2017 respectively. The Company has a carried forward unclaimed investment relief of Rs. 47,520,769/- as of 31.12.2016.

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.

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	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Amounts Used as the Numerators				
Net Profit Attributable to Ordinary Shareholders	9,979,440	8,162,284	12,741,317	3,439,356
Number of Ordinary Shares Used as Denominators				
Weighted Average Number of Ordinary Shares in Issue	600,000	600,000	600,000	600,000
Basic Earnings per share	16.63	13.60	21.24	5.73
40 Dividend Paid and Proposed				
Dividend Paid/Proposed	10,858,669	2,003,142	10,858,669	2,003,142
Weighted Average Number of Ordinary Shares in Issue	600,000	600,000	600,000	600,000
Dividend per Share	18.10	3.34	18.10	3.34

Notes to The Financial Statements Contd.

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 Group	Note	Fair-Value- -Through- Profit or Loss Rs. 000	Available- For-Sale Rs. 000	2016 Held-To- Maturity Rs. 000	Loans & Receivables Rs. 000	Carrying Value Rs. 000	Fair 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	17	-	-	-	16,841,834	16,841,834	16,841,834
Total Financial Assets		5,444,200	55,555,182	49,313,553	52,122,217	162,311,554	157,186,385
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		-	-	-	991,500	991,500	991,500
Total Financial Liabilities		-	-	-	4,572,393	4,572,393	4,572,393

As at 31 December				2015			
Group	Note	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
Financial assets							
measured at fair value							
Listed Shares	5	6,756,655	31,894,169	-	-	38,650,824	38,650,824
Unlisted Shares	5	-	20,754	-	-	20,754	20,754
Unit Trusts	5	4,334,485	1,043,587	-	-	5,378,070	5,378,070
Listed Debentures	5	-	15,228,277	-	-	15,228,277	15,228,277
Treasury Bonds	5	-	5,119,315	-	-	5,119,315	5,119,315
Financial assets not							
measured at fair value							
Treasury Bills & Bonds	5	-	-	41,085,278	-	41,085,278	41,346,657
Unlisted Debentures	5	-	-	-	541,698	541,698	527,647
Term Deposits	5	-	-	-	20,944,087	20,944,087	20,944,087
Development Bonds	5	-	-	-	6,815,995	6,815,995	6,815,995
Trust Certificates	-	-	-	-	-	-	-
Loans to Life Policyholders	12	-	-	-	1,569,342	1,569,342	1,569,342
Reinsurance Receivable	13	-	-	-	1,275,104	1,275,104	1,275,104
Premium Receivable	14	-	-	-	3,229,376	3,229,376	3,229,376
Other Receivables	16	-	-	-	5,961,703	5,961,703	5,961,703
Cash and Cash Equivalents	17	-	-	-	17,108,358	17,108,358	17,108,358
Total Financial Assets		11,091,138	53,306,102	41,085,278	57,445,663	162,928,181	163,175,509
Financial Liabilities not							
measured at fair value							
Reinsurance Payable		-	-	-	1,000,368	1,000,368	1,000,368
Trade Payable		-	-	-	3,686,250	3,686,250	3,686,250
Bank Overdraft		-	-	-	1,234,138	1,234,138	1,234,138
Total Financial Liabilities		-	-	-	5,920,756	5,920,756	5,920,756

Notes to The Financial Statements Contd.

41 Financial Assets and Liabilities (Contd.)

41.1 Accounting Classifications and Fair Values (Contd.)

As at 31 December Company	Note	Fair-Value- -Through- Profit or Loss Rs. 000	Available- For-Sale Rs. 000	2016 Held-To- Maturity Rs. 000	Loans & Receivables Rs. 000	Carrying Value Rs. 000	Fair 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	17	-	-	-	1,623,723	1,623,723	1,623,723
Total Financial Assets		5,320,605	55,555,180	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

As at 31 December Company	Note	Fair-Value- -Through- Profit or Loss Rs. 000	Available- For-Sale Rs. 000	2015 Held-To- Maturity Rs. 000	Loans & Receivables Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000
Financial assets							
measured at fair value							
Listed Shares	5	6,756,655	31,894,169	-	-	38,650,824	38,650,824
Unlisted Shares	5	-	20,754	-	-	20,754	20,754
Unit Trusts	5	-	1,043,587	-	-	1,043,587	1,043,587
Listed Debentures	5	-	15,228,277	-	-	15,228,277	15,228,277
Treasury Bonds	5	-	5,119,315	-	-	5,119,315	5,119,315
Financial assets not							
measured at fair value							
Treasury Bills & Bonds	5	-	-	38,964,539	-	38,964,539	39,225,918
Unlisted Debentures	5	-	-	-	541,698	541,698	527,647
Term Deposits	5	-	-	-	17,309,842	17,309,842	17,309,842
Development Bonds	5	-	-	-	6,815,995	6,815,995	6,815,995
Loans to Life Policyholders	12	-	-	-	1,569,342	1,569,342	1,569,342
Reinsurance Receivable	13	-	-	-	1,275,104	1,275,104	1,275,104
Premium Receivable	14	-	-	-	3,229,376	3,229,376	3,229,376
Other Receivables	16	-	-	-	3,371,903	3,371,903	3,371,903
Cash and Cash Equivalents	18	-	-	-	3,324,978	3,324,978	3,324,978
Total Financial Assets		6,756,655	53,306,102	38,964,539	34,438,238	176,465,234	136,712,862
Financial liabilities not							
measured at fair value **							
Reinsurance Payable		-	-	-	1,000,368	1,000,368	1,000,368
Bank Overdraft	28	-	-	-	1,234,138	1,234,138	1,234,138
Total Financial Liabilities		-	-	-	2,234,506	2,234,506	2,234,506

Notes to The Financial Statements 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	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).							

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 Trusts	964,320	-	-	964,320	964,320	-	-	964,320
Listed Debentures	9,450,696	10,115,332	-	19,566,029	9,450,696	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	5,320,605	-	-	5,320,605	5,320,606	-	-	5,320,606
Unit Trusts	128,595	-	-	128,595	-	-	-	-
Total	5,449,200	-	-	5,449,200	5,320,606	-	-	5,320,606
Held-To-Maturity (HTM)								
Treasury Bills	-	-	-	-	-	-	-	-
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	100,154,630	32,112,340	47,972	132,314,943	100,026,034	30,110,704	47,972	130,184,710

As at 31 December 2015	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	31,894,169	-	-	31,894,169	31,894,169	-	-	31,894,169
Unlisted Shares	-	-	20,754	20,754	-	-	20,754	20,754
Unit Trusts	1,043,587	-	-	1,043,587	1,043,587	-	-	1,043,587
Listed Debentures	11,622,951	3,605,326	-	15,228,277	11,622,951	3,605,326	-	15,228,277
Treasury Bonds	5,119,315	-	-	5,119,315	5,119,315	-	-	5,119,315
Total	49,680,022	3,605,326	20,754	53,306,102	49,680,022	3,605,326	20,754	53,306,102
Fair-Value-Through-Profit-or-Loss (FVTPL)								
Listed Shares	6,756,655	-	-	6,756,655	6,756,655	-	-	6,756,655
Unit Trusts	4,334,483	-	-	4,334,483	-	-	-	-
Total	11,091,138	-	-	11,091,138	6,756,655	-	-	6,756,655
Held-To-Maturity (HTM)								
Treasury Bills	2,610,189	-	-	2,610,189	489,450	-	-	489,450
Treasury Bonds	38,736,468	-	-	38,736,468	38,736,468	-	-	38,736,468
Total	41,346,657	-	-	41,346,657	39,225,918	-	-	39,225,918
Loans & Receivables (L & R)								
Unlisted Debentures	-	527,647	-	527,647	-	527,647	-	527,647
Term Deposits	-	20,944,087	-	20,944,087	-	17,309,843	-	17,309,843
Development Bonds	-	6,815,995	-	6,815,995	-	6,815,995	-	6,815,995
Total	-	28,287,729	-	28,287,729	-	24,653,485	-	24,653,485
Total Financial Assets	102,117,817	31,893,055	20,754	134,031,626	95,662,595	28,258,811	20,754	123,942,160

Notes to The Financial Statements Contd.

41.3 Valuation Techniques used in determining fair values

1. The fair values of Listed Stocks, Treasury Bills and Treasury Bonds are based on their market prices as they are traded in active markets.
2. The fair values of Unlisted Floating Rate Debentures and Development Bonds are estimated to be equal to their amortized cost.
3. The fair values of Fixed Deposits are estimated to be equal to their amortized cost as maturities do not exceed one year.
4. The fair values of Unlisted Fixed Rate Debentures are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
5. The fair values 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 Trusts 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 1/1/2016	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 31/12/2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000

Available-For-Sale (AFS)

Unlisted Shares	20,754	1,916	2,093	25,125	-	-	47,972	(156)
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	Balance as at 1/1/2015	Total Gains/ (Losses) in Income Statement	Total Gains/ (Losses) in OCI	Purchases	Sales	Transfers from Level 1 & 2	Balance as at 31/12/2015	Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2014
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000

Available-For-Sale (AFS)

Unlisted Shares	20,832	188	(78)	-	-	-	20,754	109
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41.5 Transfers between Level 1 and Level 2

At 31 December 2015, Available-For-Sale corporate debt securities with a carrying amount of Rs. 3,605,326 ('000) were transferred from level 1 to level 2 as quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from level 2 to level 1 in 2015 and no transfers to either direction in 2014.

Notes to The Financial Statements Contd.

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 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
Reverse Repo	-	-	-	-	-
Listed Debentures	1,637,448	-	-	-	2,138,328
Unlisted Debentures	-	-	500,534	-	-
Fixed Deposits	5,331,003	1,079,172	1,420,852	82,360	-
Unlisted Shares	-	-	-	-	68,964
Listed Shares	-	-	-	-	-
Advance given	-	-	-	-	-
	6,968,451	1,079,172	1,921,386	82,360	2,207,292

Outstanding Balances as at 31 December 2015

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
Reverse Repo	45,330	-	-	-	-
Listed Debentures	1,651,260	-	-	-	1,702,825
Fixed Deposits	5,633,245	2,936,710	3,720,161	63,627	-
Unlisted Shares	-	-	-	-	-
Listed Shares	-	-	-	-	88,726
Advance given	-	-	-	-	-
	7,329,835	2,936,710	3,720,161	63,627	1,791,551

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
-	-	-	-	-	-	-	-
113,679	-	-	-	258,746	-	-	-
-	-	-	-	-	-	-	-
-	400,258	-	-	-	-	-	-
-	-	29	721,067	-	7,844	-	-
-	-	-	-	-	-	3,007	-
-	-	-	-	-	-	-	2,851,265
113,679	400,258	29	721,067	258,746	7,844	3,007	2,851,265

Merchant Bank of Sri Lanka Bank Rs. 000	Urban Development Authority 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
-	-	-	-	-	-	-	-
120,729	-	-	-	124,660	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	6,707	-	-
-	-	30	95,952	-	-	4,027	-
-	-	-	-	-	-	-	1,000,000
120,729	-	30	95,952	124,660	6,707	4,027	1,000,000

Notes to The Financial Statements Contd.

43 Related Party Disclosures

43.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 (LKAS) - "Related Party Disclosures", key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Chairman and the Board of Directors have been classified as key management personnel of the Group.

43.1.1 Key Management Personnel compensation

Key management personnel compensation comprised the following:

For the year ended 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Salaries and Short Term Employee Benefits	51,318	63,797	19,539	17,205
Consultation Fee	9,048	12,169	-	-

Post employment benefits accrued are not included above as it cannot be identified separately due to the actuarial valuation.

43.1.2 Key Management Personnel Transactions

As at 31 December	Group		Company	
	2016	2015	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Sale of Goods and Services	-	476	-	476

43.2 Transactions with Subsidiary Companies

Name of the Company	Nature of the Relationship	Nature of Transactions	Transactions with SLIC		Transactions with Group Companies	
			2016	2015	2016	2015
			Rs. 000	Rs. 000	Rs. 000	Rs. 000
Management Services						
Rakshana (Pvt) Ltd	Subsidiary	Loan granted **	29,584	18,586	29,584	18,586
		Payment of Emoluments ***	345,013	323,376	345,013	323,376
The Lanka Hospital Corporation PLC						
	Subsidiary	Insurance Premium	28,350	11,777	28,350	11,777
		Amount paid	(28,350)	-	(28,350)	-
		Claims paid *	-	6,684	-	6,684
		Services	127,218	-	127,218	-
		Amount received from services	(140,137)	-	(140,137)	-
		Auditorium hiring charges received	(17,807)	-	(17,807)	-
		Auditorium hiring charges	15,940	13,152	15,940	13,152
Litro Gas Lanka Ltd						
	Subsidiary	Rent charged	17,039	16,446	17,039	16,446
		Insurance Premium	81,100	60,718	81,100	60,718
		Vehicle hiring charges	-	321	-	321
		Claims paid	76,383	-	76,383	-
		Throughput fee	-	-	(2,098,067)	1,593,743
		Reimbursement of expenses	-	-	20,483	51,000
		Repayment for the services	-	-	2,045,977	18,689
		Dividend received	-	298,608	-	298,608
		Utility	5,227	-	5,227	-
Litro Gas Terminal Lanka Ltd						
	Subsidiary	Insurance Premium	21,012	18,669	21,012	18,669
		Claims paid	-	-	-	-
		Throughput fee	-	-	2,098,067	1,593,743
		Reimbursement of expenses	-	-	(20,483)	18,652
		Repayment for the services	-	-	56,911	51,197

Notes to The Financial Statements Contd.

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	
			2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Canwill Holdings						
(Pvt) Ltd	Subsidiary	Insurance Premium	-	-	13,857	-
		Utilities	-	-	2,334	4,156
		Reimbursement of expenses	-	-	4,985	54,664
		Staff salaries & allowances	-	-	108,411	86,821
		Foreign currency transactions	-	-	-	-
		Fund transfers	-	-	2,600,000	13,725
		Cash settlement	-	-	108,036	109,067
Canowin Hotels						
& Spas (Pvt) Ltd	Subsidiary	Insurance Premium	(2,704)	438	(2,704)	438
		Purchase of goods/ services	-	-	(10,014)	-
		Claims paid	-	-	-	-
		Cash settlement	3,117	-	18,620	6,913
		Reimbursement of expenses	-	-	-	621
		Utilities	-	-	-	194
Sinolanka Hotels						
& Spa (Pvt) Ltd	Subsidiary	Insurance Premium	1,166	34,134	1,166	34,134
		Claims paid *	-	490	-	490
		Reimburesement of expenses	-	-	4,581	24,543
		Foreign currency transactions	29	-	29	-
		Tax paid	-	-	19,441	2,306
		Fund transfers	1,254	80	1,254	3,347
		Staff related cost	-	-	(102,061)	-
		Short term loans	-	-	(250,000)	-
		Insurance service cost	-	-	25,982	-
		Expenses	-	-	454	-
		Cash settlement	-	-	141,576	-

Name of the Company	Nature of the Relationship	Nature of Transactions	Transactions with SLIC		Transactions with Group Companies	
			2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Helanco Hotels						
& Spas (Pvt) Ltd	Subsidiary	Reimbursement of expenses	-	-	12,205	16,680
		Settlements	-	-	33,694	3,267
		Short term loans	-	-	1,050,000	-
		Tax paid	-	-	19,441	-
Lanka Hospitals						
Diagnostics (Pvt) Ltd	Subsidiary	Laboratory Services provided	-	-	(650,878)	536,710
		Amount paid	-	-	600,000	415,050
		Reimbursement of expenses & rent income received	-	-	-	68,456
		Amount received	-	-	-	2,137
		Share issued	-	-	-	64,000
Seylan Bank PLC	Affiliate	Insurance Premium	15,963	2,100	15,963	2,100
		Claims paid	7,554	1,002	7,554	1,002
Ceybank Asset Management	Affiliate	Investments in Unit Trusts	4,386	505,066	4,386	505,066
		Claims paid	1,281	-	1,281	-
		Insurance Premium received	2,259	826	2,259	826
		Investment in equity shares	-	119,715	-	119,715
Ceylon Asset Management Co Ltd	Affiliate	Investments in Unit Trusts	29,003	538,521	29,003	538,521
		Redemption of Units	25,754	-	-	-
		Investment in equity shares	-	8,375	-	8,375

Notes to The Financial Statements Contd.

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	
			2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Super Religre Laboratories Ltd	Affiliate	Technical services provided to Lanka Hospital Diagnostics (Pvt) Ltd	-	-	(67,131)	61,326
		Amounts paid	-	-	71,377	45,859
People's Bank	Affiliate	Investments made	-	-	-	-
		Insurance Premium	22,761	-	22,761	-
		Claims Paid	15,856	-	15,856	-
		Others	-	-	-	-
		Settlements	-	-	(4,269)	-
		Services	-	-	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	-	-	-

	Balances with SLIC		Balances with Group Companies	
	2016	2015	2016	2015
Amount due from subsidiaries	Rs. 000	Rs. 000	Rs. 000	Rs. 000

43.4 Amount due from related parties

Management Services Rakshana (Pvt) Ltd**	-	19,277	-	19,277
The Lanka Hospital Corporation PLC	4,769	7,905	4,969	7,905
Litro Gas Lanka Ltd	59,365	37,609	268,877	161,303
Litro Gas Terminal Lanka Ltd	23,118	20,671	23,118	20,671
Canwill Holdings (Pvt) Ltd	826	-	1,305,296	2,079
Canowin Hotels & Spas (Pvt) Ltd	976	1,389	3,922	9,596
Sinolanka Hotels & Spa (Pvt) Ltd	1,462	1,522	2,371,129	18,098
Helanco Hotels & Spas (Pvt) Ltd	-	-	116	2,574
	90,516	88,373	3,977,227	310,959

	Balances with SLIC		Balances with Group Companies	
	2016	2015	2016	2015
Amount due from other related companies	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Seylan Bank PLC	-	113	-	113
Sri Lanka Investment Holdings Ltd	-	-	100,260	100,260
Inreach Hotels & Spa (Pvt) Ltd	-	-	-	-
Nilyan Hotels & Spa (Pvt) Ltd	-	-	-	5
People's Bank	-	-	705	-
	-	113	100,965	100,378

Notes to The Financial Statements Contd.

	Balances with SLIC		Balances with Group Companies	
	2016	2015	2016	2015
Amount due to from subsidiaries	Rs. 000	Rs. 000	Rs. 000	Rs. 000

43.5 Amount due to related parties

Management Services Rakshana (Pvt) Ltd	51,744	35,589	53,101	36,946
The Lanka Hospital Corporation PLC*	3,568	75,737	3,568	75,737
Litro Gas Lanka (Pvt) Ltd	-	-	4,082	-
Litro Gas Terminal Lanka (Pvt) Ltd	-	-	209,498	123,694
Canwill Holdings (Pvt) Ltd	-	-	1,321,575	15,591
Canowin Hotels & Spas (Pvt) Ltd *	-	75	130	269
Sinolanka Hotels & Spa (Pvt) Ltd *	-	6,059	1,095	13,007
Helanco Hotels & Spas (Pvt) Ltd	-	-	2,349,591	-
	55,312	117,460	3,942,639	484,910

	Balances with SLIC		Balances with Group Companies	
	2016	2015	2016	2015
Amount due to other related companies	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Seylan Bank PLC	-	915	-	915
Super Religre Laboratories Ltd	-	-	19,468	23,712
	-	915	19,468	24,627

* 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 (Pvt) Ltd and the outstanding balance of the same.

*** The gratuity charges invoiced by MSRPL 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 analyze 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 behavior risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that SLIC is not exposed to significant concentrations of insurance risk.

Notes to The Financial Statements Contd.

The risks associated with life insurance include:

- ▣ 'Mortality risk' is the risk that actual policyholder death experiences on life insurance policies which higher than expected.
- ▣ 'Longevity risk' is the risk that annuitants live longer than expected.
- ▣ 'Morbidity risk' is the risk that policyholder health-related claims are higher than expected.
- ▣ 'Policyholder behavior risk' is the risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- ▣ 'Expense risk' is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- ▣ 'Market risk' is the risk associated with the Group's statement of financial positions where the value or cash flow depends on financial markets, which is analyzed in the "Market Risk" section in the Risk Review.
- ▣ 'Credit risk' is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the "Credit Risk" section in the Risk Review.

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

Sensitivity Analysis for Life Insurance Risk

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 bu IBSL as at 31.12.2016

The total liability set up under above guidelines is Rs. 64,946 million excluding cost of bonus.

SLIC participated in the RBC parallel run during 2015 and results as at 31.12.2015 are as follows. The total net liability set up under RBC guidelines for best estimated assumption is Rs.16,370million.

Assumption	Change in Assumption	Impact on Liability
Mortality	10%	311 million
	-10%	(312) million
Investment return	Up shock scenario under RBC	(6,983) million
	Down shock scenario under RBC	10,425 million

44.1 Insurance Risk contd.

44.1.1 Life Insurance Contracts contd.

Segregation of Policy Liability based on Product Category

31 December	2016			2015		
	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	17,019	3,903	20,922	60,127	37,372	97,499
Endowment Assurance	33,016,145	1,944,305	34,960,450	41,008,719	1,646,665	42,655,384
Term Assurance	-	925,739	925,739	-	1,820,843	1,820,843
Annuity	4,701,352	1,343,935	6,045,287	18,855,901	387,272	19,243,173
Rider Benefits	2,709	1,436,417	1,439,126	1,006,970	121,953	1,128,923
Total	37,737,225	5,654,299	43,391,524	60,931,717	4,014,105	64,945,822

The following table shows the participating and non-participating fund position of the Group. During the last quarter of the 2015, Group introduced "Yasas" single premium investment policy which boosted the non-participating portfolio.

Participating Fund vs Non-Participating Fund	Participating Rs. 000	Non-Participating Rs. 000	Total Rs. 000
2016	81,138,670	6,218,715	87,357,385
Percentage	92.88%	7.12%	
2015	73,844,279	4,014,105	77,858,384
Percentage	94.84%	5.16%	

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.

Notes to The Financial Statements Contd.

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

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

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

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

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

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

2015 Class	GWP Rs. 000	Reinsurance Rs. 000	NWP Rs. 000	%
Motor	9,022,487	175,931	8,846,556	76.12
Fire	1,345,963	1,098,400	247,563	2.13
Marine	457,924	297,727	160,197	1.38
Other	3,223,559	855,304	2,368,255	20.38
	14,049,933	2,427,362	11,622,571	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
Zurich Insurance Company - Australian	A+	A+	S & P
UNIQA Österreich Versicherungen AG	A	A	S & P
Trust International Insurance and Reinsurance	A-	A-	A.M.Best
Aviabel S.A. Brussels, Belgium	A-	A-	S & P
Huatai Property & Casualty Insurance Co. Ltd	A-		Fitch Ratings
PICC Property & Casualty Company Ltd	A1		Moody's
AXA Corporate Solutions Assurance SA, Aviation Division, Paris, France	A+	A	S & P
Generali osiguranje d.d.	BBB+	BBB+	S & P
HDI Gerling Insurance company Hannover, Germany	A	A+	A.M.Best
HDI - Gerling Industrie Versicherung AG,	A	A+	A.M.Best
International insurance company of Hannover Ltd	A+	AA-	A.M.Best
Württembergische Versicherung AG	A-	A-	S & P
TM Tryggingamidstodin hf	BBB-	BBB-	S & P
General Insurance Corporation of India, Mumbai, India	A-	A-	A.M.Best
The New India Assurance Company Ltd, Mumbai, India	A-	A-	A.M.Best
Partner Reinsurance Europe SE, Dublin, Ireland per Zurich branch	A+	AA-	A.M.Best
Tokyo Marine & Nichido Fire Insurance Co. Ltd, Tokyo, Japan	A++	AA+	A.M. Best
Malaysian Re	A-	A-	A.M.Best
African Reinsurance Corporation, Lagos, Nigeria per Mauritius branch	A-	A-	A.M.Best
Delta Lloyd Schadeverzekering N.V	A	A	S & P
Korean Reinsurance Company, Seoul, Korea	A	A	A.M.Best
Samsung Fire & Marine Insurance Co, Ltd, Seoul, Korea	A++	AA+	A.M.Best
Allianz GCS	A++	AA-	A.M.Best
Asia Capital Reinsurance Group Pte. Ltd	A-	A-	A.M.Best
Catlin Singapore Pte Ltd	A	A	A.M.Best
First Capital Insurance Ltd	A	A	A.M.Best
India International	A-	A-	S & P
Starr International Insurance Singapore Pte.Limited	A	A	A.M.Best
XL Insurance Co- Ltd	A	A+	A.M.Best

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Name of the Company	Debit FSS Rating	Credit Credit Rating	Rating Agency
Markel Syndicate Management Ltd	A	A+	A.M.Best
Sirius International Insurance Corporation (publ) Stockholm,Sweden per Zurich branch	A	A	A.M.Best
Helvetia Schweizerische Versicherungsgesellschaft AG	A	A	S & P
Zurich Insurance Company - Switzerland	A+	AA-	A.M.Best
Abu Dhabi National Insurance Company - UAE	A	A	A.M.Best
American Home Assurance Co-Dubai	A	A	A.M.Best
Oman Insurance Co. (PSC)Dubai, UAE	A	A	A.M.Best
Royal and Sun Alliance	A-	A-	S&P
ACE European Group Ltd, London, England	AA	AA	S & P
ACE Underwriting Agencies Ltd	A	A+	A.M.Best
AEGLIS Managing Agency Ltd	A	A+	A.M.Best
AIG Europe Ltd	A	A	A.M.Best
Allianz Global Corporate & Speciality SE Munich, Germany per London Branch	A+	AA-	A.M. Best
Amlin Underwriting Ltd	A	A+	A.M.Best
Antares Managing Agency Ltd	A	A+	A.M.Best
Ascot Underwriting Ltd	A	A+	A.M.Best
Aspen Managing Agency Ltd	A	A+	A.M.Best
Assicurazioni Generali S P A ,Global Risk, Trieste, Italy per London branch	A	A	A.M.Best
Asta Managing Agency Ltd	A	A+	A.M.Best
Atrium Underwriters Ltd	A	A+	A.M.Best
AXIS Specialty Europe SE, Dublin Ireland per London branch	A+	A+	S & P
Barbican Managing Agency Ltd	A	A+	A.M.Best
Beazley Furlonge Ltd	A	A+	A.M.Best
Brit Syndicates Ltd	A	A+	A.M.Best
Catlin Insurance Company (UK) Ltd, London,England	A	A	A.M.Best
Catlin Underwriting Agencies Ltd	A	A+	A.M.Best
Chubb Managing Agent Ltd	A	A+	A.M.Best
Global Aerospace Underwriting Managers Ltd,'A" London, England	A	A+	A.M.Best
Hardy (Underwriting Agencies) Ltd	A	A+	A.M.Best
HCC International Insurance Company PLC	AA	-	S & P
Liberty Syndicate Management Ltd	A	A+	A.M.Best
Mitsui Sumitomo Insurance Underwriting at Lloyd's Ltd	A	A+	A.M.Best
Novae Syndicates Ltd	A	A+	A.M.Best
QBE Underwriting Ltd	A	A+	A.M.Best
Talbot Underwriting Ltd	A	A+	A.M.Best
The Channel Managing Agency Ltd	A	A+	A.M.Best
Torus Underwriting Management Ltd	A	A+	A.M.Best
Travelers Syndicate Management Ltd	A	A+	A.M.Best
W R Berkley Syndicate Management Ltd	A	A+	A.M.Best
XL London Market Ltd	A	A+	A.M.Best
Chaucer Syndicates Ltd	A	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 (IBSL) insurance regulations.

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	Impact	Impact	Impact
	on Profit	on OCI	on Profit	on OCI
	Rs. 000	Rs. 000	Rs. 000	Rs. 000

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)

As at 31 December 2015

Shock Level:

5%	337,833	1,594,708	(337,833)	(1,594,708)
10%	675,666	3,189,417	(675,666)	(3,189,417)
	1,013,498	4,784,125	(1,013,498)	(4,784,125)

Notes to The Financial Statements Contd.

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 IBSL 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	2016 Rs. 000	2015 Rs. 000
Fixed Rate Instruments		
Held-To-Maturity (HTM)		
Treasury Bills	-	488,795
Treasury Bonds	49,313,553	38,475,744
Loans and Receivable (L&R)		
Unlisted Debentures	500,534	141,608
Fixed Deposits	12,336,280	17,309,842
Available-For-Sale (AFS)		
Listed Debentures	18,848,172	14,618,680
Treasury Bonds	4,062,844	5,119,315
	85,061,383	76,153,983

Exposure to Interest Rate Risk contd.

31 December	2016	2015
Company	Rs. 000	Rs. 000
Floating Rate Instruments		
Loans & Receivables (L & R)		
Development Bonds	7,158,558	6,815,995
Unlisted Debentures	-	400,090
Available-For-Sale (AFS)		
Listed Debentures	717,859	609,597
	7,876,417	7,825,683
	92,937,800	83,979,667

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 2016	100bps Upward Parallel Shift of Yield Curve		100bps Downward Parallel Shift of Yield Curve	
	Impact on Interest Income	Impact on Equity	Impact on Interest Income	Impact on Equity
Company	Rs. 000	Rs. 000	Rs. 000	Rs. 000
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)	(77,689v)	590,487

Notes to The Financial Statements Contd.

44.2 Market Risks (Contd.)

44.2.1 Interest Rate Risk (Contd.)

Sensitivity Analysis (Contd.)

31 December 2015	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 & Receivables (L&R)	71,478	-	(71,478)	-
Available-For-Sale (AFS)	5,981	(560,791)	(5,981)	158,804
Fair-Value-Through-Profit-or-Loss (FVTPL)	-	-	-	-
	77,460	(560,791)	(77,460)	158,804

* In case of a shift in yeild 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

* No floating rate debt instruments have been classified under HTM as at 31.12.2016

* No debt instruments have been classified under FVTPL as at 31.12.2016

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	
	2016 Rs. 000	2015 Rs. 000
Development Bonds:		
USD	7,158,558	6,815,995
Fixed Deposits:		
USD	2,310,332	1,441,637
GBP	971,416	1,077,675
AUD	2,055,394	1,901,388
EUR	27,565	23,487
	12,523,265	11,260,183

The following significant exchange rates were applicable during the year;

	Average Rate		Reporting date spot rate	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
USD	145.18	136.00	148.35	142.00
GBP	195.46	205.55	181.42	209.50
AUD	104.30	104.05	106.25	102.35
EUR	154.52	155.43	155.12	153.92

Notes to The Financial Statements Contd.

Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD, GBP, EURO, AUD at 31.12.2016 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 2016 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	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
	125,233	187,848	250,465
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 Market Risks (Contd.)

44.2.2 Foreign Currency Risk (Contd.)

Sensitivity Analysis (Contd.)

As at 31 December 2015 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	68,160	102,240	136,320
Fixed Rate Instruments			
USD	14,416	21,625	28,833
GBP	10,777	16,165	21,553
AUD	19,014	28,521	38,028
EUR	235	352	470
	112,602	168,903	225,204
Impact on Interest Income			
Floating Rate Instruments			
USD	2,341	3,511	4,681
Fixed Rate Instruments			
USD	951	1,427	1,902
GBP	406	608	811
AUD	720	1,080	1,439
EUR	2	3	5
	4,419	6,629	8,839

Notes to The Financial Statements Contd.

44.2.3 Market Rate Risk

The Group is maintaining the maximum exposure limit for the equities 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 Ltd- Life Insurance Business

Sector	Industry Group	2016		2015	
		Market Value Rs. 000	%	Market Value Rs. 000	%
Financials	Banks	18,812,778	76.07	19,718,009	72.89
	Diversified Financials	1,371	0.01	442,654	1.64
	Real Estate	-	-	108,327	0.40
Financials		18,814,149	76.08	20,268,990	74.92
Consumer Discretionary	Consumer Services	1,583,011	6.40	2,081,563	7.69
	Consumer Durables & Apparel	-	0.00	391,600	1.45
	Retailing	33,405	0.14	43,246	0.16
	Automobiles & Components	11,810	0.05	9,930	0.04
Consumer Discretionary		1,628,226	6.58	2,526,339	9.34
Industrials	Capital Goods	1,612,255	6.52	1,872,511	6.92
*Health Care	Health Care Equipment & Services	1,457,914	5.90	1,457,914	5.39
Telecommunication Services	Telecommunication Services	657,051	2.66	843,246	3.12
Materials	Materials	324,537	1.31	29,450	0.11
Consumer Staples	Food & Staples Retailing	143,548	0.58	54,390	0.20
Real Estate	Real Estate	92,984	0.38	108,327	0.40
Energy	Energy	132	0.00	162	0.00
Information Technology	Technology Hardware & Equipment	88	0.00	263	0.00
Total		24,730,883	100	27,161,590	100

Sri Lanka Insurance Corporation Ltd - General Insurance Business

Sector	Industry Group	2016		2015	
		Market Value Rs. 000	%	Market Value Rs. 000	%
Financials	Banks	11,999,316	82.54	11,916,563	81.45
	Diversified Financials	68,994	0.47	88,756	0.61
Financials		12,068,310	83.02	12,005,319	82.06
Consumer Discretionary	Consumer Durables & Apparel	15,839	0.11	12,671	0.09
	Retailing	-	-	12,066	0.08
Consumer Discretionary		15,839	0.11	24,737	0.17
*Health Care	Health Care Equipment & Services	1,575,156	10.84	1,575,156	10.77
Industrials	Capital Goods	645,857	4.44	929,303	6.35
Materials	Materials	157,000	1.08		
Telecommunication Services	Telecommunication Services	74,516	0.51	95,952	0.66
Energy	Energy	132	0.00	162	0.00
Total		14,536,809	100	14,630,630	100

**Including The 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.

Notes to The Financial Statements Contd.

The Maximum Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

As at 31 December	Note	Group		Company	
		2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
Held-To-Maturity (HTM)	5	49,313,553	41,085,278	49,313,553	38,964,539
Loans and Receivable (L&R)	5	7,659,092	7,357,693	7,659,092	7,357,693
Available-For-Sale (AFS)	5	23,628,873	20,347,592	23,628,873	20,347,592
Loans to policyholders	12	1,518,719	1,569,342	1,518,719	1,569,342
Reinsurance receivable	13	1,883,063	1,275,104	1,883,063	1,275,104
Premium receivable	14	3,404,735	3,229,376	3,404,735	3,229,376
Other assets	16	6,814,263	4,489,505	5,187,631	3,262,082
Cash and cash equivalents	18	16,841,834	17,108,358	1,623,723	3,324,978
		111,064,129	96,462,248	94,219,389	79,330,706

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. 1,518 million (2015 - Rs. 1,510 million) and its related surrender value is Rs. 2,520 million (2014 - Rs. 2,582 million).

Reinsurance receivable

This is the risk of reinsurers failing to fulfill 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.

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. 16,841 million as at 31.12.2016 (Rs. 17,108 million as at 31.12.2015) which represent its maximum credit exposure on these assets.

Credit Risk Exposure - Life Insurance Business	2016	% of	2015	% of
As at 31 December	Rs. 000	Allocation	Rs. 000	Allocation

Financial Investments

Debt Securities - Loans & Receivables	8,221,457	32	10,638,306	43
Debt Securities - Available-For-Sale	17,531,260	68	14,109,511	57
	25,752,717	100	24,747,817	100

Credit Risk Exposure - General Insurance Business	2016	% of	2015	% of
As at 31 December	Rs. 000	Allocation	Rs. 000	Allocation

Financial Investments

Debt Securities - Loans & Receivables	4,615,357	69	7,213,234	86.57
Debt Securities - Available-For-Sale	2,034,771	31	1,118,766	13.43
	6,650,128	100	8,332,000	100

Notes to The Financial Statements Contd.

Debt Securities Allocation according to Credit Ratings

Life Insurance Business

As at 31 December Rating	2016		2015	
	Rs. Mn	% of Total	Rs. Mn	% of Total
AAA	3,067	11.91	5,760	23.28
AA+	1,580	6.14	2,304	9.31
AA	2,584	10.03	1,799	7.27
AA-	7,412	28.78	5,759	23.27
A+	2,616	10.16	3,047	12.31
A	2,983	11.58	1,636	6.61
A-	2,159	8.38	776	3.13
BBB+	1,404	5.45	1,444	5.83
BBB	565	2.19	695	2.81
BBB-	330	1.28	248	1.00
BB+	208	0.81		
Unrated	845	3.28	1,280	5.17
Total	25,753	100.00	24,748	100.00

*Credit Risk of Fixed Deposits is based on Credit risk of the Bank.

General Insurance Business

As at 31 December Rating	2016		2015	
	Rs. Mn	% of Total	Rs. Mn	% of Total
AAA	3,697	55.59	3,606	43.28
AA+	-	-	632	7.59
A+	15	0.23	55	0.66
AA	1,254	18.86	2,022	24.27
AA-	403	6.06	574	6.89
A-	1,184	17.80	1,140	13.68
BBB+	97	1.46	302	3.63
Total	6,650	100.00	8,332	100.00

*Credit Risk on Fixed Deposits is based on Credit risk of the Bank.

44.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Maturity Analysis

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

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 Assets								
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 & Receivables (L&R)	19,995,372	-	12,641,642	6,497,194	500,000	-	-	19,638,835
Available-For-Sale (AFS)	55,555,180	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) Financial Assets	5,320,605	5,320,605	-	-	-	-	-	5,320,605
Loans to policyholders	1,518,719	-	1,518,719	-	-	-	-	1,518,719
Reinsurance receivable	1,883,063	-	1,823,101	17,449	40,586	1,908	19	1,883,063
Premium receivable	3,404,735	-	3,404,735	-	-	-	-	3,404,735
Other assets	5,354,114	-	5,354,114	-	-	-	-	5,354,114
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
Financial 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 Contd.

As at 31 December 2015	Carrying Value Rs. 000	No fixed tenure Rs. 000	Up to 1 Year Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	5 to 10 Years Rs. 000	Over 10 Years Rs. 000	Total Rs. 000
Company								
Financial Investments								
Held-To-Maturity (HTM) Financial Assets	38,964,539	-	900,000	3,900,000	12,986,230	5,250,000	14,050,000	37,086,230
Loans & Receivables (L&R)	24,667,535	-	19,740,198	497,000	6,106,450	-	-	26,343,648
Available-For-Sale (AFS) Financial Assets	53,306,094	32,958,509	1,584,548	1,754,780	12,842,771	4,035,191	100,000	53,275,799
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets	6,756,654	6,756,654	-	-	-	-	-	6,756,654
Loans to policyholders	1,569,342	-	1,569,342	-	-	-	-	1,569,342
Reinsurance receivable	1,275,104	-	1,215,142	17,449	40,586	1,908	19	1,275,104
Premium receivable	3,229,376	-	3,229,376	-	-	-	-	3,229,376
Other assets	3,371,903	-	3,371,903	-	-	-	-	3,371,903
Cash and cash equivalents	3,324,978	-	3,324,978	-	-	-	-	3,324,978
	136,465,525	39,715,163	34,935,487	6,169,229	31,976,037	9,287,099	14,150,019	136,233,035
Financial Liabilities								
Reinsurance payable	1,000,368	-	888,891	96,867	5,471	1,906	7,233	1,000,368
Current tax liabilities	706,956	-	706,956	-	-	-	-	706,956
Other liabilities	3,533,715	-	3,533,715	-	-	-	-	3,533,715
Financial liabilities	989,060	-	989,060	-	-	-	-	989,060
	6,230,099	-	6,118,622	96,867	5,471	1,906	7,233	6,230,099

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 Ltd

The capital expenditure approved by the Board and contracted for as at 31st December 2016 is Rs. 851Mn.
(2015 - Rs.603Mn)

(B) Litro Gas Terminal Lanka (Pvt) Ltd

Operating lease commitments

The future minimum lease payments under cancellable operating leases are as follows:

	2016 Rs	2015 Rs
Lease payment for land at Kerawalapitiya	5,309,994	5,341,962
Lease payment for storage facility at Hambantota	630,153	696,064

(C) The Lanka Hospitals Corporation PLC

Capital expenditure commitments

Capital commitments of Group and Company in respect of the medical equipments, but not incurred as at the financial year end amounted to Rs. 380 Million.

Commitment on Land Lease

The Lanka Hospitals Corporation PLC has entered into a 99 year lease agreement with the Urban Development Authority. In terms of this agreement annual lease premiums payable are as follows.

	Year Annual Lease Premiums Rs. 000
1999 to 2003	9,273
2004 to 2025	18,547
2026	9,273

The future aggregate minimum lease payments under non cancellable operating lease by 2026 as follows:

	2016 Rs. 000	2015 Rs. 000
No Later than 1 Year	18,546	18,546
Later than 1 Year and no Later than 5 Years	74,186	74,186
Later than 5 Years	83,460	102,006
	176,192	194,738

(D) Approximate amount contracted for but not incurred

Sinolanka Hotels & Spa (Pvt) Ltd	13,256,720	3,040,765
Helanco Hotels & Spa (Pvt) Ltd		-
The Lanka Hospital Corporation Ltd	176,192	194,739

(E) Sinolanka Hotels & Spa (Pvt) Ltd

Total estimated cost for the construction of Grand Hyatt Colombo is Rs. 35 billion.

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.

Notes to The Financial Statements Contd.

45.2.1 *Contingent Liabilities*

Value Added Tax Assessments issued by the Commissioner General of Inland Revenue

In 2006 the Commissioner General of Inland Revenue has issued Value Added Tax Assessments on reinsurance claims received from foreign reinsurers, for the years of assessments 2004/2005 and 2005/2006 amounting to Rs. 318,099,913/- and Rs. 26,903,739/- respectively.

The company has filed valid appeals against these assessments. The Board of Review by letter dated 21.07.2010 determined that the assessments are valid. The Company is making an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the Liability of Rs. 345Mn pending the decision of the Court of Appeal.

“On 28th November 2014 Commissioner General of Inland Revenue has issued a notice of Assessment on Income Tax for the year of assessment 2011/2012. Total tax payable as per the Notice of Assessment is Rs. 524,410,069/- [Excluding penalty]. In issuing the notice of assessment the Department of Inland Revenue has disputed the exclusion of Dividend Income and the deductibility of the management expenses of the life insurance division. The Commissioner General of Inland Revenue has tendered his determination by confirming the notice of assessment. The Company has tendered a petition of appeal to the Tax Appeals Commission on March 10, 2017 as the company dissatisfied with the determination of the Commissioner General of Inland Revenue.”

“The Department of Inland Revenue has issued an assessment on VAT on Financial Services for the year of assessment 2010/2011. The total tax payable as per the Notice of Assessment is Rs. 2,363,662,114 [Excluding penalty]. The Company has made an appeal on the said assessment, however the Commissioner General of Inland Revenue has determined the said appeal by confirming the assessment. The Company has tendered a petition of appeal to the Tax Appeals Commission on July 2, 2015 as the company dissatisfied with the determination of the Commissioner General of Inland Revenue.”

The Department of Inland Revenue has issued an assessment on VAT on Financial Services for the year of assessment 2011/2012. The Company has made an appeal on the said assessment, however the Commissioner General of Inland Revenue has determined the said appeal by confirming the assessment. As per the determination by the Commissioner General of Inland Revenue total tax payable is Rs. 373,689,849/- [Excluding penalty]. The Company has tendered a petition of appeal to the Tax Appeals Commission on October 27, 2016 as the company dissatisfied with the determination of the Commissioner General of Inland Revenue.

The Lanka Hospitals Corporation PLC

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 225 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.

Sinolanka Hotels & Spa (Private) Limited

"Arbitration was established against Sinolanka Hotels & Spa (Private) Limited by Interna Contract Spa (Italy) who was awarded the interior décor contract (contract value Euro 28,869,372.00) and which was subsequently cancelled by Sinolanka Hotels & Spa (Private) Limited. Interna Contract Spa (Italy) has claimed Euro 20,552,242.00 for work done, loss of profit and cost incurred on execution of the contract. In addition, Interna Contract Spa (Italy) has claimed for cost incurred on arbitration proceedings to be reimbursed as well. The first tranche of the hearing was held from 7th to 11th November 2016. The second tranche of the aforesaid arbitration was scheduled for February 2017. The tribunal has directed the parties to tender comprehensive written submissions. Based on the above information no provision has been made in the financial statements in respect of the claim by Interna Contract Spa (Italy)"

45.2.2 Guarantees

Litro Gas Terminal Lanka (Pvt) Ltd - Operating lease with Land Reclamation Board

According to LKAS 17, the standard requires lease payments under operating lease to be recognized as an expense on a straight line basis over the lease term unless other systematic basis is more representative of the time pattern of the user's benefit. Litro Gas Terminal Lanka (Pvt) Ltd has an operating lease arrangement with Land Reclamation Board where the lease term is 50 years and the rental increases by 175% every 5 years. However, the Litro Gas Terminal Lanka (Pvt) Ltd 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. The said arrangement commenced in 1996.

46 Events after the Reporting Date

There were no significant events after the reporting date other than disclosed below.

The Board of Directors have proposed a final dividend of Rs. 4.76/- per share for the year ended 31.12.2016 which is to be approved by the shareholders at the Annual General Meeting. As required by the Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed the Company satisfies the 'Solvency Test'. In accordance with LKAS 10 - "Events after the reporting period", the proposed dividend has not been recognised as a liability in the 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.

Notes to The Financial Statements Contd.

48 Use of Terminal Facility

Litro Gas Terminal Lanka (Pvt) Ltd provides bulk storage facilities for LPG and distribution of the same to Litro Gas Lanka Ltd. In performing this function, the Litro Gas Terminal Lanka (Pvt) Ltd uses its own storage tanks, pipelines and pumping stations and receives a 'throughput fee' from Litro Gas Lanka Ltd for the facilities provided. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, 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 LPG, the said storage facilities have not been derecognized in the books of account of the Litro Gas Terminal Lanka (Pvt) Ltd. However, during the year under review no agreement was entered into lease out the facilities in the absence of any favorable proposal from prospective importers.

49 Comparative information

The following comparative figures have been reclassified in the 2016 Financial Statements to maintain comparability of Financial Statements in order to provide a better presentation.

Group/Company	Note	As previously reported	As reported in 2015	Net reclassification
Statement of profit or loss				
Other operating and administrative expenses	a	7,733,110	7,145,713	(587,397)
Cost of services of subsidiaries	a	20,935,420	21,522,817	587,397
Net reclassification				-

- a. The management of Lanka Hospitals PLC has decided to reclassify the clinical staff salaries under cost of sales which was previously classified in staff costs. The amounts reclassified for 2016 Rs. 646,461,960 and for 2015 was Rs. 581,367,996 In addition to this reclassification, medical vehicle depreciation has also been categorized in cost of sales which was previously classified under administration expenses. The amount reclassified for 2016 Rs. 4,744,428 and for 2015 was Rs. 6,029,489.

50 Prior Year Adjustment

The Litro Gas Terminal Lanka(pvt) Ltd (LGTL) a subsidiary of the group, 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, the Company is considered to be operating and maintaining storage facilities and profits arising from operating and maintenance of storage facilities in accordance with item number 31 of the 5th schedule of the Inland Revenue Act is taxed at a concessionary rate of 10%.

The LGTL had assumed that the business profits subsequent to expiration of the tax exemption period would be taxed at 28%. As a result the deferred tax liability for the previous years and the income tax provision for 2015/16 was calculated 28% instead of the 10% referred to above.

However, this prior period error has not been corrected retrospectively in the Group's financial statements. The cumulative effect of Rs. 402 million is not material to the Group's financial results and there's no material impact on the Group's basic earning per share. Therefore, the cumulative effect of the prior period error has been corrected in the current financial year ended 31.12.2016

51 Going Concern

The Board of Directors of Helanco Hotels & Spa (Pvt) Ltd 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. However, the financial statements of the company have been prepared on the premise that the company is a going concern since the Board of Directors is evaluating other options available to the company.



The background is a solid light blue color. Overlaid on this are several large, dark blue, semi-transparent curved shapes that create a sense of motion and depth, resembling stylized waves or swirling smoke. These shapes are layered, with some appearing in the foreground and others receding into the background.

Additional Information

Statement of Financial Position of The Life Insurance

As at 31 December	Notes	2016 Rs. 000	2015 Rs. 000
Assets			
Financial Investments	A	102,671,994	95,538,340
Investments in Subsidiaries	B	1,457,914	1,457,914
Property, Plant and Equipment	E	61,344	41,659
Loans to Policyholders	C	1,518,719	1,569,342
Reinsurance Receivable		429,440	69,318
Premium Receivable from Policyholders		107,268	324,935
Deferred Tax Assets		131,317	95,158
Other Assets	D	1,957,358	2,537,192
Cash and Cash Equivalents		1,189,865	1,459,462
Total Assets		109,525,219	103,093,320
Equity			
Available-For-Sale Reserve	F	13,102,021	14,733,830
Revenue Reserves	G	7,991,179	4,852,402
Policyholder Reserve Fund	H	(4,711,130)	(410,517)
Revaluation Reserve		43,296	27,877
Total Equity Attributable to Equity Holders of The Company		16,425,366	19,203,593
Liabilities			
Insurance Contract Liabilities (Provision) - Life	I	90,010,165	80,650,583
Reinsurance Creditors		112,894	43,277
Tax Liability		404,919	459,083
Provision for Retirement Benefits		495,304	349,605
Other Liabilities	J	1,855,507	1,893,082
Financial Liabilities (Bank overdraft)		221,064	494,097
Total Liabilities		93,099,853	83,889,727
Total Equity and Liabilities		109,525,219	103,093,320

Notes to The Financial Statements

- Life Insurance Fund

		2016		2015	
	Note	Carrying Value Rs. 000	Fair Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000
As at 31 December					
A. Financial Investments					
Held-To-Maturity (HTM)	A.1	47,280,871	43,886,759	37,932,189	38,232,489
Loans & Receivables (L & R)	A.2	10,809,369	10,809,366	13,103,420	13,089,369
Available-For-Sale (AFS)	A.3	39,860,061	39,860,061	38,226,634	38,226,634
Fair-Value-Through-Profit-or-Loss (FVTPL)	A.4	4,721,691	4,721,691	6,276,097	6,276,097
		102,671,994	99,277,876	95,538,340	95,824,589
A.1 Held-To-Maturity (HTM)					
Treasury Bills		-	-	488,795	489,450
Treasury Bonds		47,280,871	43,886,759	37,443,394	37,743,039
		47,280,871	43,886,759	37,932,189	38,232,489
A.2 Loans & Receivables (L & R)					
Unlisted Debentures	A.2.1	500,534	500,534	241,630	227,579
Fixed Deposits		7,720,926	7,720,923	10,396,676	10,396,676
Development Bonds		2,587,909	2,587,909	2,465,114	2,465,114
		10,809,369	10,809,366	13,103,420	13,089,369
A.3 Available-For-Sale (AFS)					
Listed Shares	A.3.1	18,551,276	18,551,276	19,319,253	19,319,253
Unit Trusts	A.3.2	762,396	762,395	822,538	822,538
Listed Debentures	A.3.3	17,531,260	17,531,258	14,109,511	14,109,511
Treasury Bonds		3,015,132	3,015,132	3,975,333	3,975,333
		39,860,063	39,860,060	38,226,634	38,226,634
A.4 Fair Value Through Profit or Loss (FVTPL)					
Listed Stocks	A.4.1	4,721,691	4,721,691	6,276,097	6,276,097
		4,721,691	4,721,691	6,276,097	6,276,097

FVTPL investments and AFS investments are valued at fair value. HTM and L&R Investments are valued at amortised cost.

Notes to The Financial Statements - Life Insurance Fund Contd.

As at 31 December	2016				2015			
	Maturity Date	Face Value	Carrying Value	Fair Value	Maturity Date	Face Value	Carrying Value	Fair Value
			Rs. 000	Rs. 000			Rs. 000	Rs. 000
A.2.1 Unlisted Debentures								
Commercial Bank of Ceylon PLC	-	-	-	-	15.05.2016	125,000	141,608	127,557
National Development Bank PLC	-	-	-	-	30.06.2016	100,000	100,022	100,022
National Savings Bank	29.12.2021	500,000	500,534.25	500,534.25	-	-	-	-
		500,000	500,534.25	500,534.25	-	225,000	241,630	227,579

As at 31 December	2016			2015		
	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value
		Rs. 000	Rs. 000		Rs. 000	Rs. 000

A.3.1 Listed Stocks

Financials

Banks

Commercial Bank of Ceylon PLC	41,854,996	6,068,974	6,068,974	41,260,840	5,797,148	5,797,148
DFCC Bank PLC	26,509,832	3,247,454	3,247,454	26,509,832	4,477,511	4,477,511
Seylan Bank PLC	8,798,869	813,895	813,895	8,798,869	835,893	835,893
Hatton National Bank PLC	32,014,697	7,203,307	7,203,307	31,503,954	6,678,838	6,678,838
National Development Bank PLC	7,805,426	1,217,646	1,217,646	7,805,426	1,529,863	1,529,863
	18,551,278	18,551,278		19,319,253	19,319,253	

	2016			2015		
	No. of Units	Carrying Value	Fair Value	No. of Units	Carrying Value	Fair Value
		Rs. 000	Rs. 000		Rs. 000	Rs. 000

A.3.2 Unit Trusts

Ceybank Unit Trust	18,200,565	464,842	464,842	18,200,565	505,066	505,066
Ceylon Income Fund	21,269,000	297,553	297,553	23,241,000	317,472	317,472
	762,396	762,396		822,538	822,538	

As at 31 December	2016				2015			
	Maturity Date	Face Value	Carrying Value	Fair Value	Maturity Date	Face Value	Carrying Value	Fair 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	520,264	520,264	29.11.2017	500,000	506,995	506,995
Bank of Ceylon	24.10.2018	287,970	299,897	299,897	24.10.2018	287,970	319,892	319,892
Bank of Ceylon	21.09.2019	500,000	488,568	488,568	21.09.2019	500,000	488,568	488,568
Bank of Ceylon	24.10.2023	67,050	71,282	71,282	24.10.2023	67,050	80,376	80,376
Bank of Ceylon	06.10.2020	250,000	257,437	257,437	06.10.2020	250,000	255,429	255,429
Hatton National Bank PLC	12.06.2018	316,717	347,875	347,875	12.06.2018	316,717	382,045	382,045
Hatton National Bank PLC	14.12.2019	500,000	519,640	519,640	14.12.2019	500,000	468,940	468,940
Hatton National Bank PLC	31.03.2021	478,459	287,315	287,315	31.03.2021	478,459	285,927	285,927
Hatton National Bank PLC	28.03.2021	100,000	99,599	99,599	0	0	0	0
Hatton National Bank PLC	30.08.2023	126,888	102,497	102,497	30.08.2023	126,888	108,286	108,286
Hatton National Bank PLC	01.11.2023	250,000	255,432	255,432	0	0	0	0
Hatton National Bank PLC	31.03.2024	1,362,794	558,064	558,064	31.03.2024	1,362,794	554,930	554,930
Commercial Bank of Ceylon PLC	-	-	-	-	18.12.2016	250,000	297,100	297,100
Commercial Bank of Ceylon PLC	08.03.2026	1,000,000	1,035,137	1,035,137	-	-	-	-
Commercial Bank of Ceylon PLC	27.10.2021	274,680	280,550	280,550	-	-	-	-
Commercial Bank of Ceylon PLC	27.10.2026	185,110	189,148	189,148	-	-	-	-
National Development Bank PLC	19.12.2023	750,000	863,700	863,700	19.12.2023	750,000	982,125	982,125
National Development Bank PLC	24.06.2020	444,000	442,535	442,535	24.06.2020	444,000	473,122	473,122
Seylan Bank PLC	21.02.2018	449,520	485,772	485,772	21.02.2018	449,520	473,905	473,905
Seylan Bank PLC	22.12.2019	500,000	447,510	447,510	22.12.2019	500,000	501,010	501,010
Seylan Bank PLC	15.07.2021	66,650	70,686	70,686	-	-	-	-
Seylan Bank PLC	15.07.2023	57,280	60,948	60,948	-	-	-	-
Sampath Bank PLC	11.10.2017	36,600	45,201	45,201	11.10.2017	36,600	45,201	45,201
Sampath Bank PLC	04.12.2018	340,190	362,423	362,423	04.12.2018	340,190	362,484	362,484
Sampath Bank PLC	14.12.2019	500,000	490,761	490,761	14.12.2019	500,000	490,816	490,816
Sampath Bank PLC	18.11.2020	300,000	277,000	277,000	18.11.2020	300,000	303,190	303,190
Sampath Bank PLC	16.06.2021	500,000	535,505	535,505	-	-	-	-
Nations Trust Bank PLC	-	-	-	-	03.08.2016	200,000	211,161	211,161
Nations Trust Bank PLC	08.11.2021	600,000	611,229	611,229	-	-	-	-
DFCC Bank PLC	-	-	-	-	07.09.2016	74,074	74,093	74,093
DFCC Bank PLC	10.06.2020	250,000	240,049	240,049	10.06.2020	250,000	266,799	266,799
DFCC Bank PLC	09.11.2023	500,000	509,257	509,257	-	-	-	-
DFCC Bank PLC	18.03.2019	500,000	542,063	542,063	-	-	-	-
Pan Asia Banking Corporation PLC	18.03.2017	200,000	207,904	207,904	18.03.2017	200,000	205,984	205,984
Pan Asia Banking Corporation PLC	29.09.2018	300,000	290,510	290,510	29.09.2018	300,000	307,340	307,340
The Housing Development Finance Corporation Bank of Sri Lanka	23.10.2018	100,000	124,660	124,660	23.10.2018	100,000	124,660	124,660
The Housing Development Finance Corporation Bank of Sri Lanka	20.11.2025	150,000	134,086	134,086	20.11.2025	150,000	152,066	152,066

Notes to The Financial Statements

- Life Insurance Fund Contd.

	2016				2015			
	Maturity Date	Face Value	Carrying Value	Fair Value	Maturity Date	Face Value	Carrying Value	Fair Value
As at 31 December		Rs. 000	Rs. 000	Rs. 000		Rs. 000	Rs. 000	Rs. 000

A.3.3 Listed Debentures (Contd.)

Diversified Financials

Merchant Bank of Sri Lanka PLC	11.12.2019	113,520	113,679	113,679	11.12.2019	113,520	120,729	120,729
People's Leasing & Finance PLC	23.09.2017	750,000	801,900	801,900	23.09.2017	750,000	745,950	745,950
People's Leasing & Finance PLC	26.03.2018	105,900	134,663	134,663	26.03.2018	105,900	134,688	134,688
People's Leasing & Finance PLC	23.09.2018	750,000	795,413	795,413	23.09.2018	750,000	822,188	822,188
LB Finance PLC	28.11.2018	220,670	243,442	243,442	28.11.2018	220,670	265,443	265,443
Senkadagala Finance PLC	10.12.2018	100,000	111,133	111,133	10.12.2018	100,000	111,133	111,133
Senkadagala Finance PLC	09.11.2018	100,000	101,781	101,781				
Citizens Development Business Finance PLC	19.12.2018	37,350	39,035	39,035	19.12.2018	37,350	42,270	42,270
Softlogic Finance PLC ¹	29.08.2019	12,600	13,060	13,060	29.08.2019	12,600	12,989	12,989
Central Finance Company PLC	01.06.2020	225,000	226,935	226,935	01.06.2020	225,000	240,146	240,146
Commercial Leasing & Finance PLC	21.07.2020	250,000	274,700	274,700	21.07.2020	250,000	260,952	260,952
Commercial Credit & Finance PLC ²	10.12.2020	400,000	375,547	375,547	10.12.2020	400,000	402,507	402,507
Commercial Credit & Finance PLC ³	01.06.2020	43,345	44,840	44,840	01.06.2020	43,345	44,843	44,843
Vallibel Finance PLC	31.03.2020	100,000	102,584	102,584	31.03.2020	100,000	102,584	102,584
Siyapatha Finance PLC	20.09.2019	125,000	129,586	129,586				

Industrials

Capital Goods

Hayleys PLC	-	-	-	-	09.07.2016	80,800	86,328	86,328
Hayleys PLC	06.03.2020	200,000	183,313	183,313	06.03.2020	200,000	205,033	205,033
Hemas Holdings PLC	29.04.2019	119,970	121,545	121,545	29.04.2019	119,970	125,900	125,900
Richard Pieris and Company PLC	16.05.2017	29,580	30,325	30,325	16.05.2017	29,580	30,739	30,739
MTD Walkers PLC	30.09.2018	200,000	195,228	195,228	30.09.2018	200,000	204,968	204,968

		2016				2015		
	Maturity Date	Face Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000	Maturity Date	Face Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000
As at 31 December								
Health Care								
Health Care Equipment & Services								
Nawaloka Hospitals PLC	30.09.2021	150,000	161,965	161,965	30.09.2021	150,000	173,485	173,485
Consumer Discretionary								
Consumer Durables & Apparel								
Abans PLC	20.12.2018	400,000	441,558	441,558	20.12.2018	400,000	499,558	499,558
Retailing								
Singer Sri Lanka PLC	15.03.2019	200,000	206,214	206,214	-	-	-	-
Consumer Staples								
Food, Beverage & Tobacco								
The Lion Brewery Ceylon PLC	-	-	-	-	17.06.2016	105,600	115,211	115,211
The Lion Brewery Ceylon PLC	17.06.2017	105,600	110,506	110,506	17.06.2017	105,600	109,260	109,260
The Lion Brewery Ceylon PLC	17.06.2018	140,800	150,528	150,528	17.06.2018	140,800	145,769	145,769
The Lion Brewery Ceylon PLC	08.12.2019	400,000	367,275	367,275	08.12.2019	400,000	384,395	384,395
		18,023,242	17,531,260	17,531,258		14,274,996	14,109,511	14,109,511

- 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 Government Treasury.

Notes to The Financial Statements

- Life Insurance Fund Contd.

	No. of Shares	2016 Carrying Value Rs. 000	Fair Value Rs. 000	No. of Shares	2015 Carrying Value Rs. 000	Fair Value Rs. 000
A.4.1 Listed Shares						
Consumer Discretionary						
Consumer Durables & Apparel						
Teejay Lanka PLC	-	-	-	11,000,000	391,600	391,600
Retailing						
CM Holdings PLC	392,076	33,405	33,405	392,076	43,246	43,246
Consumer Services						
Aitken Spence Hotel Holdings PLC	5,518,727	238,961	238,961	5,518,727	375,273	375,273
Asian Hotels & Properties PLC	10,055,900	573,186	573,186	10,055,900	593,298	593,298
John Keells Hotels PLC	-	-	-	4,340,333	774,749	774,749
Anilana Hotels & Properties Ltd	2,500,000	4,500	4,500	2,500,000	10,000	10,000
Keells Hotels PLC	71,622,800	766,364	766,364	71,622,800	1,102,991	1,102,991
Automobiles & Components						
Kelani Tyres PLC	181,689	11,810	11,810	128,128	9,930	9,930
Consumer Staples						
Food & Staples Retailing						
TESS Agro PLC	-	-	-	33,993,806	54,390	54,390
Food, Beverage & Tobacco						
The Lion Brewery Ceylon PLC	308,706	143,548	143,548	-	-	-
Energy						
Energy						
Laugfs Gas PLC	3,900	132	132	3,900	162	162
Financials						
Diversified Financials						
LB Finance PLC	-	-	-	3,685,800	439,716	439,716
Nation Lanka Finance PLC	979,500	1,371.3	1,371.3	979,500	2,939	2,939
Banks						
Sampath Bank PLC	1,000,000	261,500	261,500	1,595,024	398,756	398,756

	No. of Shares	2016 Carrying Value Rs. 000	Fair Value Rs. 000	No. of Shares	2015 Carrying Value Rs. 000	Fair Value Rs. 000
Real Estate						
Real Estate						
Overseas Reality (Ceylon) PLC	4,649,218	92,984.36	92,984.36	4,649,218	108,327	108,327
Industrials						
Capital Goods						
Renuka Holdings PLC	1,526,316	32,205	32,205	1,526,316	41,974	41,974
Aitken Spence PLC.	2,000,000	130,000	130,000	-	-	-
John Keells Holdings PLC	5,100,782	739,613	739,613	-	-	-
Vallibel One PLC	65,900	1,219	1,219	65,900	1,424	1,424
ACL Cables PLC	-	-	-	558,557	67,585	67,585
Royal Ceramics PLC	1,353,186	156,970	156,970	1,353,186	150,204	150,204
Lanka Walltiles PLC	807,600	80,518	80,518	807,600	88,028	88,028
Brown & Company PLC	906,990	75,643	75,643	906,990	91,787	91,787
Colombo Dockyard PLC	3,592,548	273,034	273,034	3,592,548	549,660	549,660
Heyleys PLC	397,418	107,303	107,303	347,162	107,099	107,099
Expolanka Holdings PLC	2,500,000	15,750	15,750	-	-	-
Information Technology						
Technology Hardware & Equipment						
PC House PLC	876,700	88	88	876,700	263	263
Materials						
Materials						
Lanka Cement PLC	509,700	3,007	3,007	509,700	4,027	4,027
Tokyo Cement Company (Lanka) PLC	-	-	-	333,932	16,363	16,363
Lanka Aluminium Industries PLC	83,660	7,529	7,529	83,660	9,060	9,060
Chevron Lubricants Lanka PLC	2,000,000	314,000	314,000	-	-	-
Telecommunication Services						
Telecommunication Services						
Dialog Axiata PLC	1,000,000	10,500	10,500	1,000,000	10,700	10,700
Sri Lanka Telecom PLC	17,713,735	646,551	646,551	17,713,735	832,546	832,546
		4,721,692	4,721,692		6,276,097	6,276,097

Notes to The Financial Statements - Life Insurance Fund Contd.

	2016	2015
As at 31 December	Rs. 000	Rs. 000

B. Investments in Subsidiaries

	1,457,914	1,457,914
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		2016		2015	
	Note	Carrying Value Rs. 000	Fair Value Rs. 000	Carrying Value Rs. 000	Fair Value Rs. 000

At Cost

Listed Subsidiaries	B.1	1,457,914	4,058,377	1,457,914	3,172,673
		1,457,914	4,058,377	1,457,914	3,172,673

		2016		2015	
	No. of Shares Rs. 000	Carrying Value Rs. 000	No. of Shares Rs. 000	Carrying Value Rs. 000	

B.1 Listed Subsidiaries

The Lanka Hospitals Corporation PLC	66,097,350	1,457,914	66,097,350	1,457,914
	66,097,350	1,457,914	66,097,350	1,457,914

	2016	2015
	Rs. 000	Rs. 000

C. Loans to Life Policyholders

Policyholder loans	1,518,719	1,569,342
	1,518,719	1,569,342

	2016	2015
	Rs. 000	Rs. 000

D. Other Assets

Inventories	23,708	32,902
Other Debtors and Receivables	93,192	199,867
Other Loans	1,414,768	1,277,013
Investment Receivables	-	-
Amount Due from General Division	107,359	680,311
Prepaid Benefit on Loans	318,332	347,099
	1,957,358	2,537,192

	Land	Building	Total
	Rs. 000	Rs. 000	Rs. 000

As at 31 December

E. Property, Plant and Equipment

Freehold

Cost

Balance as at 01.01.2016	31,902	10,269	42,171
Additions	-	-	-
Revaluation	3,128	16,045	19,173
Balance as at 31.12.2016	35,030	26,314	61,344

Accumulated Depreciation

Balance as at 01.01.2016	-	513	513
Depreciation charge for the period	-	513	513
Transferred to Revaluation Reserve	-	(1,026)	(1,026)
Balance as at 31.12.2016	-	-	-

Carrying Amount

As at 31st December 2016	35,030	26,314	61,344
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F. Available-For-Sale Reserve

Life Policyholders are entitled to Rs. 7,916,375,918 and Shareholders are entitled for Rs. 5,185,645,100 respectively.

Notes to The Financial Statements - Life Insurance Fund Contd.

	2016 Rs. 000	2015 Rs. 000
G. Revenue Reserve		
General Reserve	42,101	42,101
Reserve on Actuarial Gain/(Loss) on Retirement Benefit	(160,552)	(54,719)
Surplus from Life Insurance	G.1 8,109,630	4,865,020
	7,991,179	4,852,402
G.1. Surplus from Life Insurance		
Balance as at 01st January	4,865,020	4,450,664
Surplus attributable to Shareholders from Life Insurance	374,207	925,302
Super Gain Tax	-	(10,946)
Transferred to Shareholders	(600,000)	(500,000)
Balance as at 31st December	4,639,228	4,865,020
H. Policyholder Reserve Fund		
Balance as at 01st January	(410,518)	(3,328,928)
Change in Fair Value measurements applicable to Life Contract liability	(4,300,612)	2,918,411
Balance as at 31st December	(4,711,130)	(410,518)

	2016	2015
	Rs. 000	Rs. 000
I. Insurance Contract Liabilities - Life		
Life Assurance Fund	77,858,384	74,706,065
Movement of the Fund	9,042,999	7,765,544
Super Gain Tax		(769,509)
Transferred from Life Policyholders Reserve Fund	4,300,612	(2,918,411)
Transfers of Surplus from Long Term Insurance Business	(3,844,610)	(925,303)
	87,357,386	77,858,386
Policyholder Outstanding claims	2,652,779	2,792,196
	90,010,165	80,650,582
J. Other Liabilities		
Agency Commission Payable	302,209	232,196
Premium Received in Advance	285,009	318,840
Amount Due to General Division	-	-
Trade Creditors & Accrued Expenses	1,268,289	1,342,046
	1,855,507	1,893,082

Ten Year Summary

	SLFRS /LKAS				Restated
	2016	2015	2014	2013	2012
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
STATEMENT OF INCOME					
NON- LIFE					
Gross Written Premium	15,720,793	14,049,934	12,544,828	12,953,151	12,803,592
Net Earned Premiums	12,333,958	10,086,240	9,820,149	9,504,974	9,487,217
Net Claims Incurred	(8,605,127)	(6,628,963)	(6,205,796)	(4,934,074)	(6,194,011)
Operating & Administration Expenses	(3,815,992)	(2,877,500)	(3,977,357)	(2,850,951)	(2,008,614)
Investment and Other Income	9,322,416	2,472,763	2,224,732	2,516,799	2,064,835
Interest Expense	(3)	(1)	(14)	(51)	(110)
Profit before Taxation	9,235,252	3,052,539	1,861,713	3,736,069	2,829,411
Taxation	(308,911)	(538,488)	(217,101)	(803,033)	(900,971)
Profit after Taxation	8,926,341	2,514,051	1,644,612	2,933,035	1,928,440
LONG TERM					
Gross Written Premium	11,893,640	10,470,079	8,121,159	8,397,718	7,369,032
Net Written Premium	11,679,336	10,307,235	7,984,758	8,300,082	7,281,225
Investment and Other Income	8,772,049	8,290,528	9,272,341	7,658,997	6,811,040
Claims Incurred	(5,871,667)	(6,304,646)	(5,733,524)	(4,870,410)	(4,089,232)
Commission Expenses	(1,560,526)	(1,240,955)	(1,127,919)	(1,053,299)	(1,088,644)
Management Expenses	(3,265,087)	(2,443,684)	(2,507,814)	(2,306,933)	(2,146,961)
Increase in Life Fund before Taxation	9,754,105	8,608,478	7,887,842	7,728,350	6,767,312
Taxation	(740,739)	(842,932)	(899,025)	(897,006)	(726,442)
Increase in Life Fund	9,013,366	7,765,546	6,988,817	6,831,344	6,040,870
TOTAL BUSINESS					
Revenue	42,107,761	31,156,767	29,301,980	27,890,852	25,644,316
Gross Written Premium	27,614,433	24,520,012	20,665,987	21,350,869	20,172,624
Net Earned Premiums	24,013,294	20,393,475	17,804,905	17,805,056	16,768,442
Benefits, Losses and Expenses	(21,870,192)	(21,360,285)	(18,928,978)	(16,467,961)	(15,625,260)
Investment and Other Income	18,094,467	10,763,292	11,497,075	10,175,796	8,875,874
Operating & Administrative Expenses	(6,446,601)	(4,975,705)	(5,999,863)	(5,158,022)	(4,155,798)
Profit before Taxation	13,790,968	4,820,777	4,373,139	6,354,869	5,863,255
Taxation	(1,049,651)	(1,381,420)	(1,116,126)	(1,700,039)	(1,627,413)
Profit after Taxation	12,741,317	3,439,357	3,257,013	4,654,830	4,235,842

SLAS				
Restated 2011 Rs. 000	2010 Rs. 000	2009 Rs. 000	2008 Rs. 000	2007 Rs. 000
11,477,600	9,266,637	8,764,542	9,140,844	8,845,352
7,828,645	6,034,185	6,592,541	6,478,099	5,262,586
(4,970,962)	(2,885,793)	(5,379,207)	(4,819,146)	(3,866,706)
(2,129,670)	(1,917,779)	(2,186,107)	(2,006,750)	(2,217,357)
(245,498)	10,112,693	1,940,038	1,202,306	974,643
(12)	(98)	(1,935)	(16,225)	-
158,513	11,343,207	965,330	838,283	153,167
(407,432)	(843,740)	(233,096)	(254,598)	83,336
(248,919)	10,499,467	732,232	583,685	236,503
6,743,073	6,009,859	4,819,860	4,497,919	4,477,632
6,593,457	5,945,561	4,769,590	4,381,490	4,356,180
3,236,025	13,026,350	7,227,092	5,398,818	4,480,740
(3,592,818)	(4,957,675)	(3,831,985)	(3,289,846)	(2,502,466)
(933,627)	(648,033)	(547,848)	(552,689)	(492,431)
(2,129,210)	(1,483,218)	(1,317,279)	(2,037,946)	(1,679,168)
3,173,803	11,882,985	6,299,570	3,899,827	4,162,855
(813,114)	(1,151,175)	(1,075,883)	(793,213)	(634,884)
2,360,689	10,731,810	5,223,687	3,106,614	3,527,971
17,207,927	43,777,495	22,306,632	17,460,713	15,074,148
18,220,673	15,239,001	13,584,399	13,638,763	13,322,984
14,422,101	11,942,251	11,362,130	10,859,589	9,618,766
(7,718,624)	(22,203,564)	(16,673,008)	(13,450,368)	(12,537,143)
2,785,827	28,538,494	10,945,554	6,601,124	5,455,383
(4,054,218)	(3,185,346)	(2,776,014)	(2,248,664)	(1,748,956)
5,435,086	15,130,395	2,851,431	1,631,497	788,051
(1,220,547)	(1,860,560)	(1,322,893)	(1,047,811)	(551,548)
4,214,539	13,269,836	1,528,566	583,685	236,503

Ten Year Summary Contd.

	SLFRS/LKAS				Restated
	2016	2015	2014	2013	2012
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
BALANCE SHEET					
Assets					
Property, Plant and Equipment	44,033,232	38,265,273	35,754,938	32,337,013	27,909,258
Investments	132,453,391	133,912,388	119,156,967	94,771,272	88,784,965
Other Assets	37,311,013	34,308,328	40,171,009	45,113,975	36,136,924
Total Assets	213,797,636	206,485,989	195,082,914	172,222,260	152,831,147
EQUITY AND LIABILITIES					
Share Capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	11,626,290	9,167,303	8,681,951	8,738,238	9,161,368
General Reserve	643,442	643,442	643,442	643,442	643,442
Available-For-Sale Reserve	21,055,304	22,390,664	26,525,252	15,364,711	12,521,041
Revenue Reserve	39,514,579	43,967,833	37,499,812	32,651,211	25,022,161
Non-Controlling Interest	7,961,626	7,509,450	7,246,077	7,056,139	1,647,284
Total Capital and Reserves	86,798,242	89,678,692	86,596,534	70,453,741	54,995,296
LIABILITIES					
Insurance Provision-Long Term	90,010,165	80,650,581	77,254,496	69,079,061	62,526,048
Insurance Provision-Non -Life	16,517,151	14,916,652	13,195,783	13,288,956	14,297,803
Other Liabilities	20,472,078	21,240,064	18,036,101	19,400,502	21,012,000
Total Liabilities	126,999,394	116,807,298	108,486,380	101,768,519	97,835,851
Total Equity and Liabilities	213,797,636	206,485,989	195,082,914	172,222,260	152,831,147
LONG TERM -Supplemental					
ASSETS					
Property, Plant and Equipment	61,344	41,658	42,172	55,969	57,012
Investments	104,129,908	96,996,254	92,914,463	73,643,020	73,029,822
Other Assets	5,333,967	6,055,405	6,140,884	12,553,679	9,497,112
Total Assets	109,525,219	103,093,317	99,097,519	86,196,699	82,583,945
LIABILITIES					
Long Term Insurance Funds	87,357,386	77,858,384	74,706,062	69,079,806	62,526,048
Other Liabilities	5,742,466	6,031,340	5,764,890	2,743,847	2,510,653
Equity Attributable to Shareholders					
Capital Reserve	43,296	27,877	27,877	40,892	40,892
Revenue Reserve	16,382,071	19,175,716	18,598,689	14,332,153	17,506,352
Total Liabilities	109,525,219	103,093,317	99,097,519	86,196,699	82,583,945

SLAS				
Restated 2011 Rs. 000	Restated 2010 Rs. 000	2009 Rs. 000	2008 Rs. 000	2007 Rs. 000
16,531,061	15,955,573	6,926,428	4,748,020	3,785,584
93,335,443	98,061,820	56,626,575	43,191,685	40,303,650
21,494,742	25,282,852	11,545,918	16,818,869	14,008,393
131,361,246	139,300,245	75,098,921	64,758,574	58,097,627
6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
4,638,021	5,359,282	1,457,507	1,448,135	536,339
643,442	643,442	643,442	601,342	601,342
13,190,776	25,704,419			
19,046,744	20,990,007	3,481,934	1,487,222	1,095,375
1,522,687	2,041,104	911,246		
45,041,670	60,738,254	12,494,129	9,536,699	8,233,056
58,494,522	52,573,602	43,956,012	39,470,887	35,654,300
13,132,830	11,772,953	11,804,983	10,636,192	9,887,724
14,692,223	14,215,436	6,843,796	5,114,796	4,322,547
86,319,575	78,561,991	62,604,792	55,221,875	49,864,571
131,361,245	139,300,245	75,098,921	64,758,574	58,097,627
46,553	53,343	63,305	107,748	134,488
72,799,868	74,540,011	42,219,092	30,815,851	28,201,706
4,850,532	11,865,314	6,216,560	11,054,551	9,079,332
77,696,953	86,458,668	48,498,957	41,978,150	37,415,526
58,494,521	52,573,602	43,956,013	39,470,892	35,654,300
2,575,067	2,589,100	2,978,417	2,516,258	1,761,226
16,106	16,106	9,372		
16,611,259	31,279,861	1,555,156		
77,696,953	86,458,669	48,498,957	41,987,150	37,415,526

Branch Offices

Reg./ Branch	Address	Tel. & Faxes
ANURADHAPURA		
Anuradhapura	No. 248, Maithripala Senanayaka Mawatha, Anuradhapura	025 - 2222167 025 - 5673819 Fax: 025 - 2235258
Dambulla	No. 642, Anuradhapura Road, Dambulla .	066 - 2284616 066 - 5671624 Fax: 066 - 2284616
Galewela	No. 59-A, Kurunegala Road, Galewela.	066 - 2289285 066 - 5671651 Fax: 066 - 2289285
Galgamuwa	No. 121, Anuradhapura Road, Galgamuwa	037 - 2254141 037 - 5673406 Fax: 037 - 2254141
Hingurakgoda	No.31, Main Street, Hingurkgoda	027 - 2246345 027 - 2246295 Fax: 027 - 2246345
Kaduruwela	No. 720, Batticaloa Road, Polonnaruwa	027 - 2222954 027 - 5672041 Fax: 027 - 2222954
Kekirawa	No. 81, Thalawa Road, Kekirawa.	025 - 2264573 025 - 5673430 Fax: 025 - 2264573
Thambuttegama	No. 137, Rajina Junction, Kurunegala Road, Thambuttegama.	025 - 2275088 Fax : 025 - 2275088
Vavuniya	No. 119/1 , Kandy Road , Vauniya.	024 - 2222380 024 - 5670021 Fax: 024 - 2222380
Medirigiriya (Csc)	No.26, Main Street, Medirigiriya.	027-2248620
Horowpothana	Rest House Junction, Horowpothana	025-2278600 Fax: 025 2278600
Bakamuna	No. 10, Samupakara Mawatha, Bakamuna	066-2256550
Aralaganwila	No. 208/14, New Town, Aralaganwila	027-2050830

Reg./ Branch	Address	Tel. & Faxes
BADULLA		
Ampara	No.01, Inginiyagala Road, Ampara	063 - 2222073 063 - 5670307 Fax: 063 - 2222073
Badulla	No. 14, R H Gunawardane Mawatha, Badulla.	055 - 2230972 055 - 5670251 055 - 2224777 Fax: 055 - 2222372
Bandarawela	No. 250/1/A, Badulla Road, Bandarawela.	057 - 2223526 057 - 5670703 Fax : 057 - 2223526
Bibile	Opposite R.S. Office, Bibile.	055 - 5675673
Mahiyanganaya	No. 14, 1st Floor, Samanala Building, Kandy Road, Mahiyanganya.	055 - 2257179 055 - 5670344 Fax: 055 - 2257179
Monaragala	No. 114/1, Wellawaya Road, Monaragala.	055 - 2276145 055 - 2055559 Fax: 055 - 2276145
Welimada	No. 15 2/2, 2nd Floor, New Shopping Complex, Badulla Road , Welimada	057 - 2245174 057 - 5670702 Fax: 057 - 2245174
Wellawaya	No. 145/1/1, Hambantota Road, Wellawaya	055-2274133 055 - 5673345 Fax: 055 - 2274133
BATTICALOA		
Akkaraipattu	No. 143, Main Street Akkaraipattu - 2, Akkaraipattu	067 - 2279627
Batticaloa	No. 30, Pioneer Road, Batticaloa.	065-2224470 Fax: 065 2222331
Kalmunei	No. 102/1, Police Station Road, Kalmunai	067-2229912 067-5670168 Fax: 067-2229912
Kanthale	No. 62/P, Main Street Kanthale	026 - 2234043 Fax: 026 - 2234043
Trincomalee	No. 46, Main Street, Trincomalee.	026 - 2222434 026- 5675025 Fax : 026 - 2223123
Dehiattakandiya	No. 256, Mahaweli Uyana, Dehiattakandiya	027-2250318 Fax: 027-2250318

Branch Offices Contd.

Reg./ Branch	Address	Tel. & Faxes
CENTRAL -1		
Kandy-1	No. 25, Hill Street, Kandy.	081 2234296 Fax: 081 2201685 081 2234954 081 2228172
Kandy -2 (Motor Claims)	No.6, Wadugodapitiya Road, Kandy.	081 2224246
Digana	No. 42, Gonawala Road, Digana, Rajawella.	081 2376814 081 5630744 Fax: 081 2376814
FBD - Kandy	No.6, Wadugodapitiya Road, Kandy.	081 5627274 Fax: 081 2204830
Gampola	No.176/A, Kandy Road,Gampola.	081 2351709 Fax: 081 2351709
Matale	No. 134, Dharmapala Mawatha, Matale.	066 2233989 066-2224735 066 5671653 Fax : 066 2222417
Pilimalalawa	No. 211/C, Colombo Road, Pilimathalawa.	081 2575444 081 5630070 Fax: 081 2575444
CENTRAL-2		
Kegalle	No. 389, Main Street, Kegalle.	0352222531 035 2222531 Fax : 035 2222531
Mawanella	No. 238,1/1, Kandy Road, Mawanella.	035 2249335 035 5672981
Nawalapitiya	No. 79, Kothmale Road, Nawalapitiya.	054 2222019 Fax : 054 2222019
Nuwaraeliya	No. 60/1, Park Road, Nuwara - Eliya.	052 2222759 052 5670529 Fax: 052 2222759
Hatton	No. 1.1/1, Sunday Fair Road, Hatton	051 2222196 051 5670202 Fax : 051 2222196
Rikillagaskada	No. 68, Ragala Road, Rikillagaskada.	081 2365279 081 5674793 Fax: 081-2365279

Reg./ Branch	Address	Tel. & Faxes
COLOMBO -1		
Nugegoda	Sausiri Building, 4th Floor, High Level Road, Nugegoda	011 2817739 011 2826364 011 5635464 Fax : 011 2826365
Homagama	No. 64, High Level Road, Homagama.	011 2893426 011 5634670 Fax: 011 2893200
Kirulapone	No. 88 1/1, 1st Floor, High Level Road, Kirulapone	011 2514348 011 5649541 Fax : 011 2514348
Maharagama	No. 128, Opposite Elhena Road, High Level Road,	011 2843563 011 5635465 Fax : 011 2843010
Malabe	No. 821/3C, New Kandy Road, Malabe.	011 2762312 011 5651612 Fax : 011 2762312
Battaramulla	No. 119, Pannipitiya Road, Battaramulla.	011 2866357 011 5634629 Fax : 011 2866357
Pitakotte	No. 463, Kotte Road, Pita Kotte.	011 2866755 Fax : 011 2866755
COLOMBO -2		
Kiribathagoda	No. 101/1, Gala Junction, Kandy Road, Kiribathgoda	011 2912776 011 5635483 Fax : 011-2912742
Kaduwela	No. 482/8, Colombo Road, Kaduwela.	011 2579976 011 5628269 Fax : 011 2579976
Kadawatha	No. 151/5, Kandy Road, Kadawatha	011 2921567 Fax : 011 2921567
Fort	No.24, Paul V1th Centre, 3rd Floor, Frount Street, Colombo 11	011 5741820 Fax : 011 2423752
Kotahena	No. 178, Gold Tower , George R De Silva Mawatha, Colombo 13	011 5673345 011 2335254
Wattala	No. 396, Negombo Road, Wattala	011 5355531 011 5355532 011 5635480 Fax : 011 5355532

Branch Offices Contd.

Reg./ Branch	Address	Tel. & Faxes
Ragama	No. 34/1, Mahabage Road, Ragama	011 2956371
COLOMBO - 3		
Rathmalana	No. 143/2/4, Mount City, Galle Road, Rathmalana	011 5635475 011 2715992 Fax: 011 2715982
City Office	No. 288, Union Place, Colombo 02.	011 2357562 011 2303914 011 5677136 Fax : 011 2303914
Dehiwala	Ramanayake Automobile, No 121,1/1,Galle Road,Dehiwala	011-2713702 011-5744962 Fax : 011-2713702
Moratuwa	No.710, Galle Road,,Idama, Moratuwa	0115554451 011 5644634 Fax: 011 5554451
Borella	No.27, D.S. Senananayake Mawatha, Colombo 08	011-2678480 Fax:011 -2678480
Piliyandala	No. 34, Vidyala Mawatha, Piliyandala	011 2613976 Fax : 011 2615320
Bambalapitiya	No. 316, Galle Road, Colombo -04.	011 5632790 011 5673296 Fax : 011 5332427
Narahenpita (Csc)	Department of Motor Traffic , P.O.box 533, Narahenpita.	011 5746530
GALLE		
Galle	No. 50 A, Havlock Road, Galle	091 - 2234531 091 - 2224029 091 5676528 Fax: 091 - 2241981
Ambalangoda	No. 299, Wickramasuriya Road, Ambalangoda -	091 - 2258339 091- 5678298 Fax :- 091- 2255855
Baddegama	No. 60 1/1, Galle Road, Baddegama	091 2292303 091 - 5624502 Fax: 091 2292303
Elpitiya	No. 18/12, 1/1, New Road, Elpitiya	091 - 2291365 091 - 5673672 Fax :0 91 - 2291365

Reg./ Branch	Address	Tel. & Faxes
Udugama	Pasans New Building, Mavi Dola, Bar Junction Udugama	0912285097 091-5674987 Fax: 091 - 2285097
Thalgaswala	New Town Thalgaswala.	091 - 2296268 Fax: 091 - 2296344
Thani Polgaha (Csc)	No. 290, Henry Pedris Mawatha,	091 - 2227041
Karapitiya (Csc)	Hirimbura Road, Karapitiya	091-2247191 91 5624190
Hikkaduwa (Csc)	No. 153 B, Galle Road, Hikkaduwa	091 - 5627494
Habaraduwa (Csc)	Near the Petrol Shed, Matara Road, Habaraduwa	091-2282605 Fax: 091-2282605
GAMPAHA		
Gampaha	No. 14, Holy Cross Road, Gampaha.	033 2222676 033 2224710 033 5675786 Fax: 033 2222676
Minuwangoda	No. 21/B, M.P.De.Z. Siriwardhane Mawatha, Minuwangoda.	011 2280870 011 5667822 Fax : 011 2280870
Nittambuwa	New Super Market Complex, Nittambuwa.	033 2289709 033 5671351 Fax: 033 2289709
Kuliyapitiya	No. 74/A, Hettipola Road, Kuliyapitiya.	037 - 2281304 037 - 5673401 Fax : 037 - 2281304
Veyangoda	No. 166, Negombo Road, Veyangoda	033 2288027 033 5676037 Fax: 033 2288027
Pugoda (Csc)	No. 40/1, Kospitiyana, Pugoda	033 5621223
Ganemulla (Csc)	No.187/A/8, Main Street , Ganemulla	033 5621208
Mirigama (Csc)	Opposite Police Station , Mirigama.	0332273441 033 2273441
Kirindiwela (Csc)	No. 27/8/1, Colombo Road, Kirindiwela.	033 5621192

Branch Offices Contd.

Reg./ Branch	Address	Tel. & Faxes
HAMBANTOTA		
Hambantota	No. 59, Main Street, Hambantota	0472222572 047-2222570 Fax :047-2222571
Ambalantota	No. 195, Main Steet, Ambalantota	047 - 2223235 047 - 5670906 Fax: 047 - 2223235
Beliatta	No. 74, Tangalla Road, Beliatta.	047 - 2243211 047 - 5670908 Fax: 047 - 2243211
Thissamaharamaya	No. 211 B, Kachcheriyagama Tissamaharama	047 - 2237152 047 - 5670905 Fax: 047 - 2237152
Tangalle	No. 12, Indipokunagoda Road, Tangalle	047 - 2242514 047 5676144 Fax: 047-2242514
JAFFNA		
Jaffna	No. 571, Hospital Road, Jaffna	021 2222023 Fax : 021 2224526
Nelliady	Main Street, Opposite Peoples Bank, Nelliady	021 2264686 Fax: 021 2264686
Kilinochchi	No.31, A-09 Road, Karadippokku , Kilinochchi	021 2280031 Fax: 021 2280032
Chavakachcheri	A/9 Road, Chavakachcheri	021 2270711
Chankanai	No. 45, Ponnalai Road (Main Street), Chankanai.	021 2250462 021 2250463 Fax: 021 2250463
Mullaitivu	Main Street, Mullaitivu	021 2290089
Mannar	Station Road, (Opposite Pakiya Studio) Mannar	023 2223236 Fax: 023 2223235
KALUTARA		
Kalutara	No. 55 1/1, Paranagama Building, Galle Road, Kalutara.	034 - 2222474 034 - 5674535 034 - 2236616 Fax: - 034 - 2228696
Horana	No.50/09/C, Graceland Circular Road, Horana	034 - 2261351 034 - 5674512 Fax: 034 - 2261351

Reg./ Branch	Address	Tel. & Faxes
Mathugama	No. 79/1/1, Kalutara Road, Matugama.	034 - 2247510 Fax: 034 - 2247510
Bandaragama	No. 72, Jayakody Building , Horana Road, Bandaragama.	038 - 2293940 Fax: 038 - 2293940
Aluthgama	No. 433, 1st Floor, Wickramaratne Building, Galle Road, Aluthgama	034 - 2276409 034 - 5674655 Fax: 034 - 2276409
Panadura	No. 534, Galle Road, Panadura	038 2234736 038 5671547 Fax: 038 2234736
KURUNEGALA		
Kurunegala	No. 16/1, Dambulla Road, Kurunegala.	037 - 2222376 037 2227433 Fax: 37 - 2224053
Giriulla	No. 101, Negombo Road, Giriulla	037 - 2288304 037 - 5673405 Fax: 037-2288445
Kurunegala City	No. 63/1, Rajapihilla Road, Kurunegala	037-2234176 Fax : 037 - 2234176
Anamaduwa	No. 70, Puttalam Road, Anamaduwa.	032 - 2263033 Fax: 2263033
Melsiripura	No. 197/1, Dambulla Road, Melsiripura	037 - 2250459 Fax: 037 - 2250459
Narammala	No. 159/A, Super City Building, U.B. Wijekoon Mawatha, Kurunegala Road, Narammala	037 - 2248920 Fax : 037 - 2248920
Nikaweratiya	No. 196, Puttalam Road, Nikaweratiya.	037 - 2260279 037-5673441 Fax: 037 - 2260279
Warakapola	No. 459, Main Street, Warakapola	035 - 2267747 035 - 5671938 Fax: 035 - 2267747
Wariyapola	No. 29/1, Adikari Mawatha, Wariyapola.	037 - 2267451 037 - 5673407 Fax: 037 - 2267451

Branch Offices Contd.

Reg./ Branch	Address	Tel. & Faxes
MATARA		
Matara	No. 7A, Hakmana Road, Matara	041 - 2227962 041 - 2222352 Fax: 041 - 2221472
Deniyaya	No. 122, Rathna Mahal, Main Street, Deniyaya	041 - 2273565 041 - 5674483 Fax : 041 - 2273565
Dickwella	No. 95, Matara Road, Dikwella	041 - 2255630 041 - 5674476 Fax : 041 - 2255630
Akuressa	No. 40 2/1, Matara Road, Akuressa	041 - 2283590 041 - 5674482 Fax : 041 - 2283590
Weligama	No. 352/2, Galle / Matara Middle Road, Weligama.	041 - 2250647 041 - 5673167 Fax: 041 - 2250647
Hakmana	New Pradesheeya Sabha Building, Matara Road, Hakmana	041 - 5670600 Fax - 2287616
Middeniya (Csc)	Walasmulla Road, Middeniya	047 5670437
Urubokka (Csc)	2nd Floor, Shopping Complex, Main street, Urubokka	041-5670420
Imaduwa (Csc)	New Shopping Complex, Main Street, Imaduwa.	091 - 5678781
Kamburupitiya (Csc)	No. 154 A/1 , Matara Road , Kamburupitiya	041 - 5670291
NEGOMBO		
Negombo	No. 20, Rajapaksha Broadway, Negombo.	031 2231374 031 2235235 Fax: 031 2233498 031 -2224426
Chilaw	No. 431/1, Kurunegala Road, Chilaw.	032 2222371 032 5671749 Fax: 032 2222371
Ja - Ela	No. 205/1/1, Negombo Road, Ja Ela	011 2233169 011 5639270 Fax: 011 2233169
Kandana	No. 54, Negombo Road, Kandana.	011 2228848 011 5649536 Fax : 011-2228848

Reg./ Branch	Address	Tel. & Faxes
Kochchikade	No. 96, Chilaw Road, Kochchikade	031 2274626 031 5677135 Fax: 031 2274626
Marawila	No.83 A, Negombo Road, Marawila	032 2254297 032 5672090 Fax: 032 2254297
Puttalam	No. 80, Kurunegala Road, Puttalam.	032 2265324 032 5672749 Fax: 032 2265324
Wennappuwa	No. 236/3/A, Chilaw Road, Wennappuwa	031 2253319 031 5672447 Fax: 031 2253319
Diulapitiya (Csc)	No.71/1, Diulapitiya Plaza, Colombo Road, Diulapitiya.	031 5674774
RATNAPURA		
Rathnapura	No. 258, Main Street, Rathnapura.	045 2222433 Fax: 045 - 2231517
Awissawella	No.77, Rathnapura Road, Awissawella	036 2222311 036 5672324 Fax : 036 2222311
Balangoda	No. 60/1/1, Barne's Ratwatte Mawatha, Balangoda	045 2287670 045 5678445 Fax: 045 2287670
Eheliyagoda	No. 344, Main Street, Eheliyagoda	036 2259014 Fax: 036 2259014
Embilipitiya	No. 67, Pallegama, Embilipitiya	047 2230389 047 5672205 Fax : 047 2230389
Kahawatta	No. 46/1A, Walawwatte Road, Kahawatta.	045 2270160 045 5674248 Fax : 045 2270160
Kalawana	No. 56, Sampath Bank Building, Matugama Road, Manana, Kalawana.	045 2255930 Fax : 045 2255930

Notice of Annual General Meeting

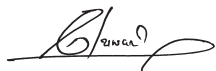
NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of SRI LANKA INSURANCE CORPORATION LTD will be held at the Auditorium of the Company at its Registered Office at No.21, Vauxhall Street, Colombo 02 on Friday, 30.06.2017, at 10.00 a.m. for the following purposes:

- 1) To receive and consider the Report of the Directors and the Financial Statements for the year ended 31.12.2016 and the Report of the Auditors thereon.
- 2) To declare a Final Dividend of Rs. 4.76 per share amounting to Rs. 2,852,097,469.99 for the year ended 31.12.2016, 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 73 years of age (having reached 70 years of age on 19.11.2013), 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. D.B. Aruna P.S. Siriwardhana, Director who retires in terms of Article 98 of the Articles of Association of the Company.
- 5) To re-elect Mr. P. Algama, Director who retires in terms of Article 92 of the Articles of Association of the Company.
- 6) To authorise the Directors to determine donations for the year 2017 and upto the date of the next Annual General Meeting.
- 7) 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.....of failing him/her*

Mr. Hemaka D.S. Amarasuriya	of Colombo or failing him
Mr. T.M.R. Bangsa Jayah	of Colombo or failing him
Mr. D.B. Aruna P.S. Siriwardhana	of Colombo or failing of him
Vidya Jyothi Prof. L.G. Chandrasena	of Colombo or failing him
Mr. P. Algama	of Colombo or failing of him
Mr. Asela S. Padmaperuma	of Colombo or failing of him
Mr. Pradeep A. Liyanamana	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 Third Annual General Meeting of the Company to be held on 30.06.2017 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 31.12.2016 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of Rs. 4.76 per share amounting to Rs. 2,852,097,469.99 for the year ended 31.12.2016 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
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.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. D B Aruna P S Siriwardhana, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. P Algama, Director who retires in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine donations for the year 2017 and upto the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday of.....2017

.....
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 Corporation Ltd.
No. 21, Vauxhall Street, Colombo 2.
www.srilankainsurance.com