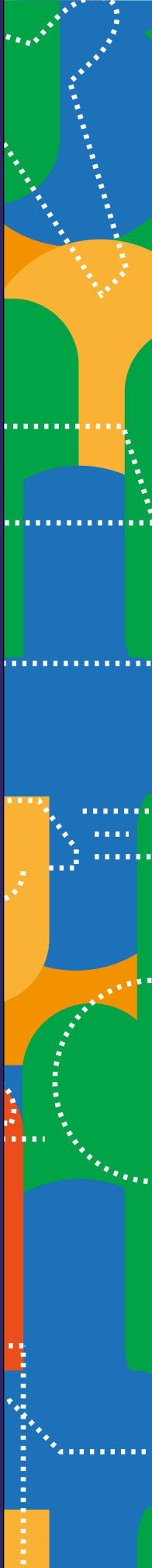


TRANSFORMATION

AN ERA
UNFOLDING

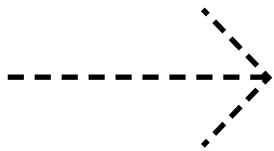


Sri Lanka Insurance Corporation Ltd.
Annual Report 2018



SLIC is moving along a trajectory of change and transformation anchored by a comprehensive three-year strategic plan. Across policy, process and infrastructure, we are evolving in step with the times and customer expectations, continuing to lay claim to our leadership positioning in the insurance industry.





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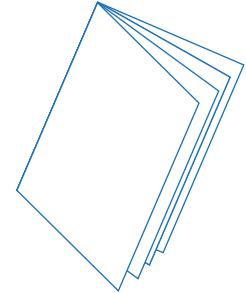
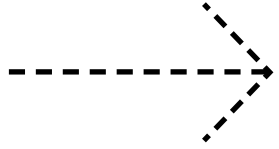
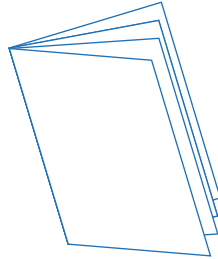
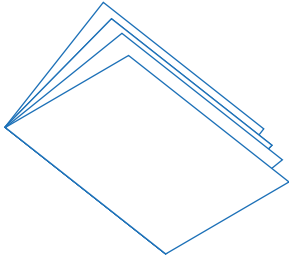
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SRI LANKA INSURANCE CORPORATION

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ABOUT THIS REPORT

This Integrated Annual Report serves as a disclosure of the strategies, governance, performance, and prospects for Sri Lanka Insurance Corporation and how they help to create sustainable value within our operating environment.

REPORT BOUNDARY AND COMPLIANCE

This Annual Report for Sri Lanka Insurance Corporation covers the 12-month period from 1 January 2018 to 31 December 2018. The overall boundary of this Annual Report comprises Sri Lanka Insurance Corporation and its subsidiaries, identified as "SLIC" or "Company" individually and "Group" collectively. Respective entities are identified where applicable.

SLIC's business is comprised two principal segments: General Insurance and Life Insurance. The two segments are treated and identified separately or as part of the overall business where appropriate and identified as such.

The information contained herein is in compliance with all applicable laws, regulations, and standards.

In preparing this Report, we have drawn on concepts, principles, and guidance given in the following where applicable:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards
- International Integrated Reporting Framework (IIRC)
- Smart Integrated Reporting Methodology™

PRECAUTIONARY PRINCIPLE

SLIC applies a stringent precautionary principle with regards to social and environmental sustainability. We recognise the impact that our operations can have on the society and environment we operate in, and take all necessary actions and precautions to address and minimise such risks.

QUERIES

We welcome your comments and questions about this Report.

B A Ruwani Dharmawardana,

Company Secretary/DGM – Compliance

Sri Lanka Insurance Corporation Ltd.

"Rakshana Mandiraya",

No. 21, Vauxhall Street, Colombo 02.

Phone: +94 11 235 7741

ABOUT SRI LANKA INSURANCE CORPORATION

Sri Lanka Insurance Corporation (SLIC) is the pioneering insurer in Sri Lanka, boasting the most experienced technical knowledge base in the country. The financial stability and strong reinsurance arrangements have led to many historical milestones being achieved in the Sri Lankan insurance sector, such as the largest claim ever paid of LKR 39.5 Bn. and the largest bonus ever declared to its policyholders of LKR 7.6 Bn. SLIC's total assets are worth LKR 199 Bn. and in the Sri Lankan insurance sector, accounts for the largest Shareholders' Fund of LKR 61.0 Bn. and the highest Life Fund of LKR 105 Bn. Today, SLIC serves the people of Sri Lanka with expertise and several decades of trust.



What do we aspire to be? Our Vision

- To be the Nation's first choice for Risk Protection and Life Investment Optimisation



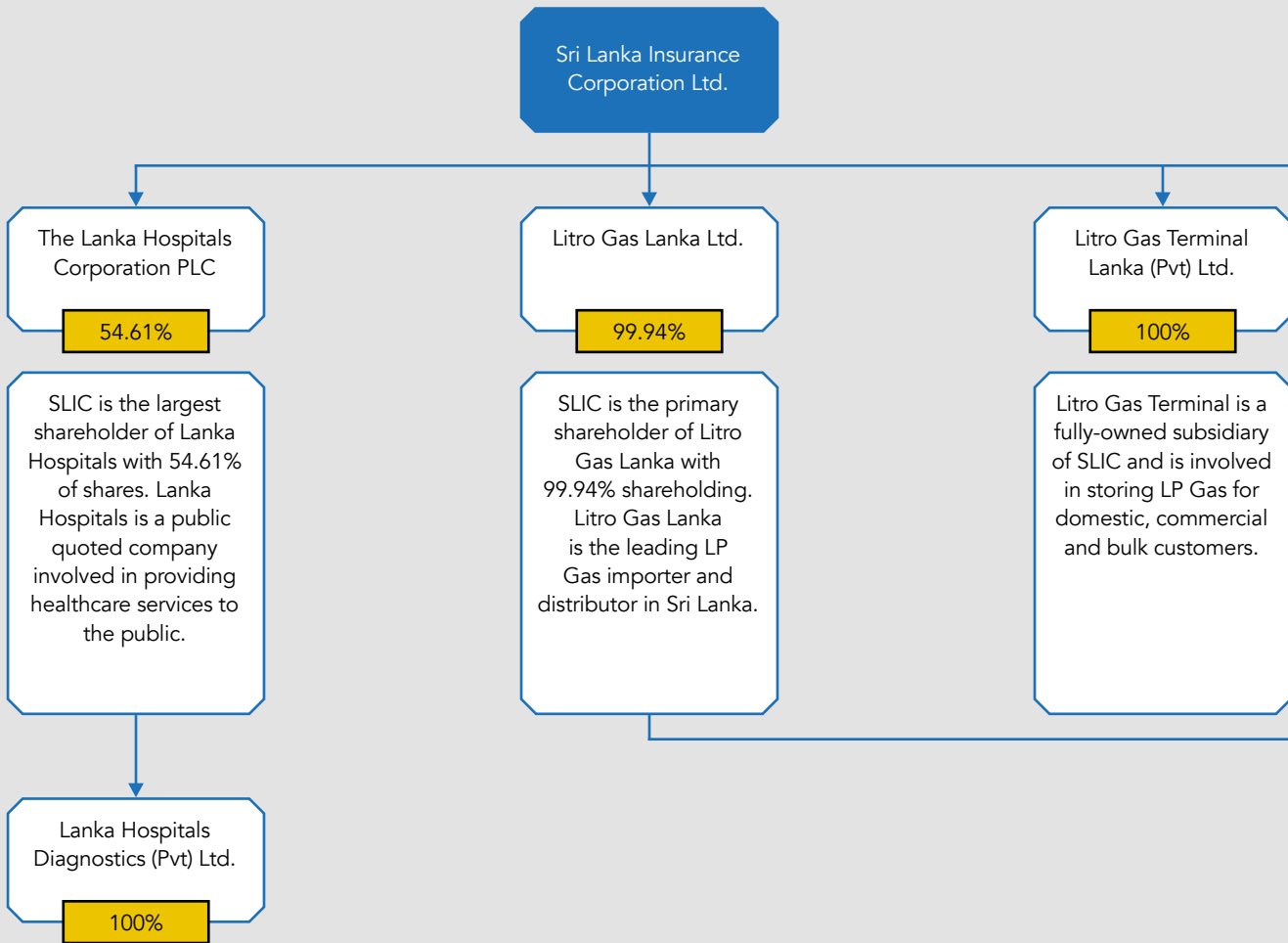
Why are we in business? Our Mission

- We provide risk protection and life investment optimisation, that will deliver value to our customers
- Through a team of committed professionals, whose contribution we recognise and value
- Leading to superior shareholder value, whilst being a responsible corporate citizen

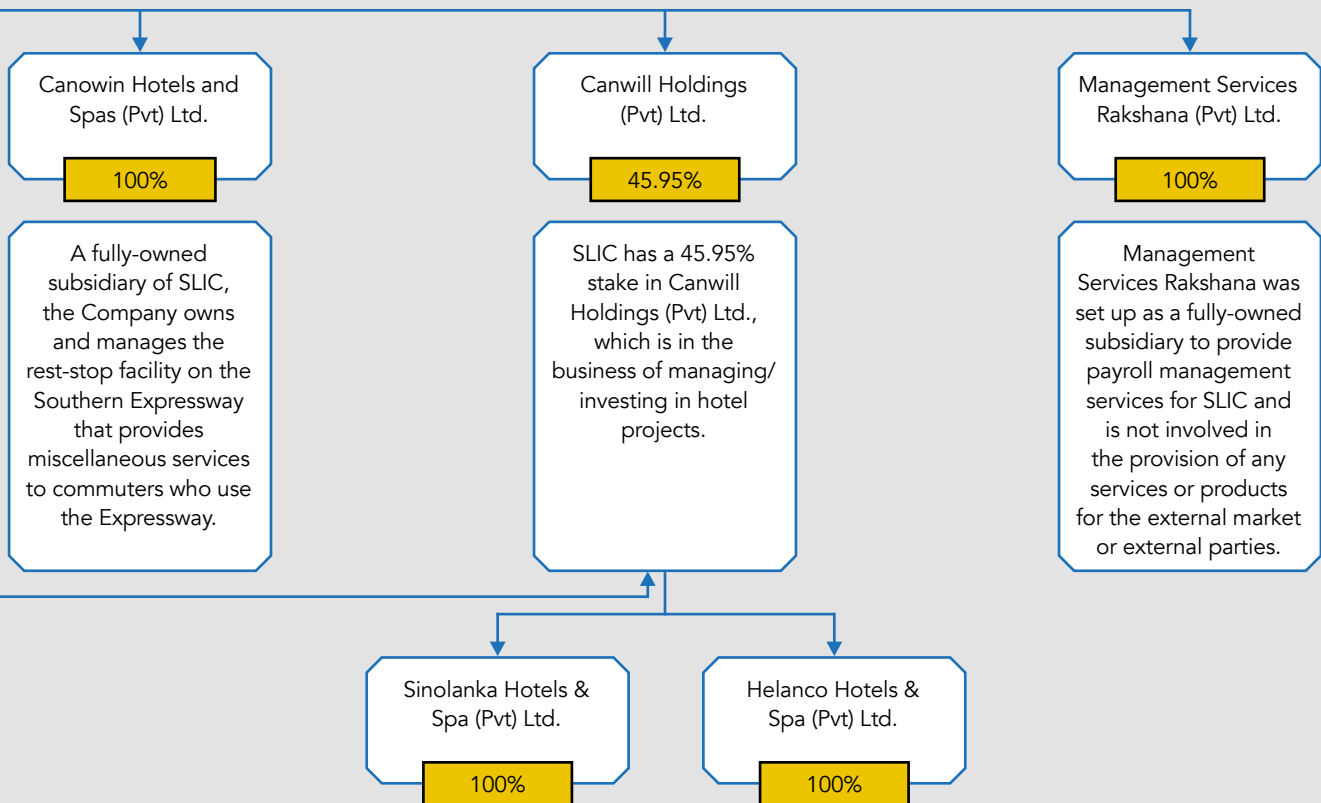
SLIC GROUP

As at the end of December 2018, the Government of Sri Lanka was the majority stakeholder of SLIC, holding 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 STRUCTURE

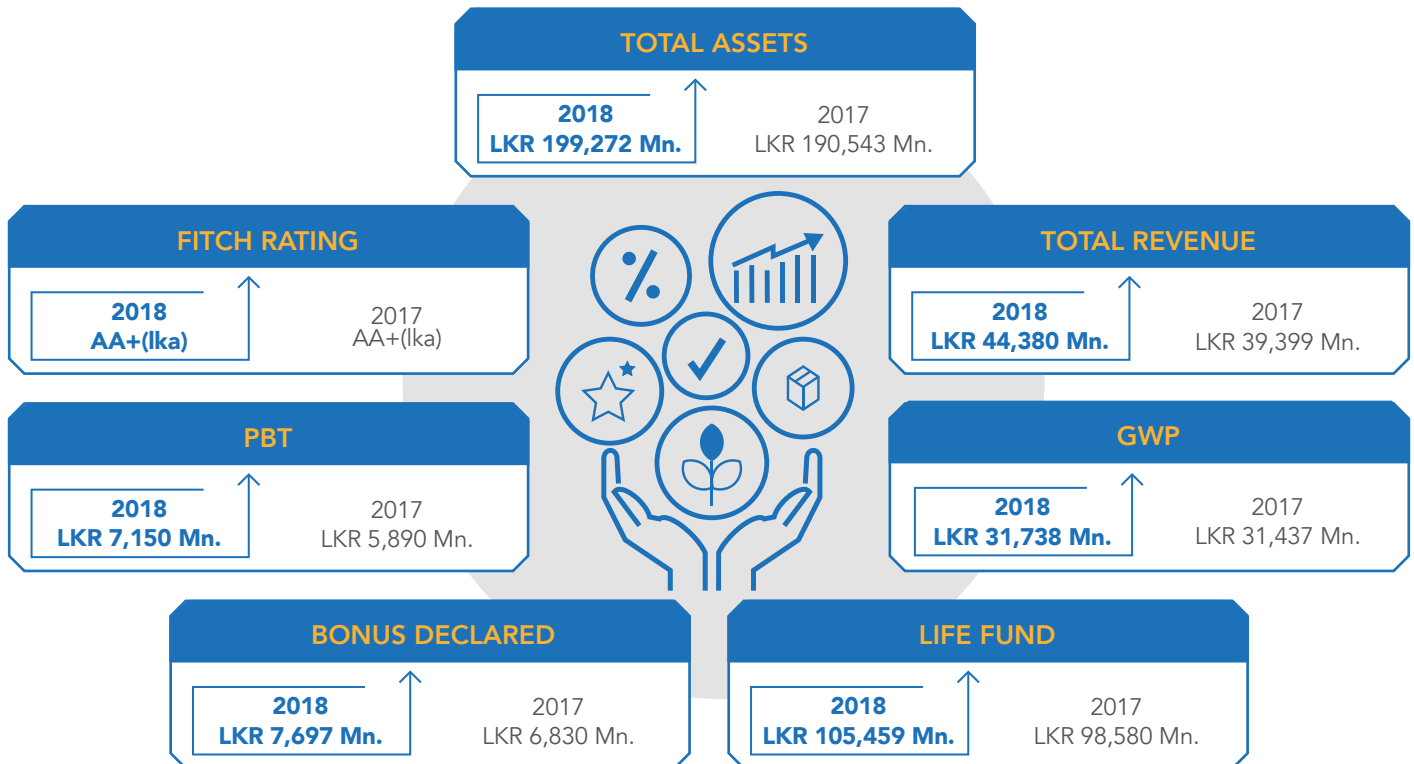


The SLIC Group encompasses three fully-owned subsidiaries and three partially-owned subsidiaries. The fully-owned subsidiaries of the Group are Litro Gas Terminal Lanka (Pvt) Ltd., Canowin Hotels and Spas (Pvt) Ltd., and Management Services Rakshana (Pvt) Ltd. The partially-owned subsidiaries are Litro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



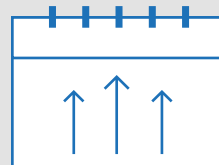
HIGHLIGHTS

	2018 LKR Mn.	2017 LKR Mn.
Results for the year		
Total revenue	44,380	39,399
Gross written premium	31,738	31,437
Net earned premiums	28,004	25,937
Investment and other income	16,375	13,462
Profit before tax (PBT)	7,150	5,890
Profit after tax (PAT)	5,245	4,569
Benefits/Claims, operating, admin and other expenses	29,147	25,835
General Insurance		
General Insurance Fund	17,806	17,128
Net claim ratio	66	66.9
Expense ratio	30	28.3
Life Insurance		
Life Insurance Fund	105,459	98,580
Expense ratio	51	46
Face value bonus	7,697	6,830



Three year strategy plan will help to position SLIC for future success

SLIC serves over 1.7 million policyholders and growing



SLIC launched a fresh new corporate identity in late 2018



Awarded Commendation Certificate for second consecutive year at National Quality Awards

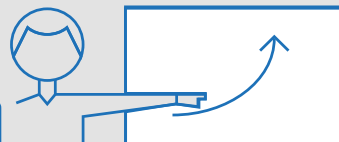


New B-Connect app connects SLIC advisors across all channels and departments to better serve customers

Ranked among Top Five Most Loved Brands in Sri Lanka in 2018 Brands Annual



LKR 24.3 Mn. invested in staff training and development



Redesigned SLIC Web Portal puts SLIC's services at customers' fingertips

MESSAGE FROM THE CHAIRMAN



It gives me immense pleasure to assume duties as Chairman of Sri Lanka Insurance Corporation. I am aware of the onerous responsibilities that come along with the appointment for providing leadership to the Board in setting the Company's direction and strategy. The competition continues to grow and so too the customer expectations. SLIC needs to be more focused and competitive in its strategy. General Insurance has performed quite well for the year, and we broke yet another record for Life Insurance by distributing our highest ever bonus declaration for Life Insurance policyholders, a clear indication of our commitment towards increasing the value of our policies.

The strategy we drive now is to expand the market for younger people who seek to purchase insurance. Our strength has been our heritage and brand value that has thus far appealed to a large and long-standing customer base. Therefore, we had to seek a way to meet the expectations of younger customers while emphasising our heritage as pioneers of the insurance industry in Sri Lanka with extensive expertise. Thus, we launched a rejuvenated look with a fresh new logo that still respects our heritage. Our Online Insurance Portal meets the needs of younger customers for user-friendly products that they can interact with in real-time. Customers can now purchase and manage their insurance policies and pay their insurance premium payments through the Portal.

Our agents continue to be the driving force to capture new policyholders and retain existing ones. We have an incredibly experienced workforce with some of our employees clocking over 25 years of experience – they hold a wealth of institutional value in them that will be key to driving future growth for the Company. As we embark on the implementation of our new strategies to move SLIC forward, we will be working towards developing more fulfilling career paths for our employees that leads them to self-fulfilment.

Our new strategies will see us identifying and tackling the parts of our business that are not performing optimally, taking corrective measures to boost their value addition to the Company. We will identify gaps that exist in the market that can be addressed with innovative new products and modify existing products to better suit the changing needs and lifestyles of our customers that we serve. We will get closer to wherever our customers are by expanding our branch network and equipping our salesforce with the latest technology, enabling them to be connected and be up to date on the latest developments of SLIC and the market in real time. We will seek to re-engineer the systems we have in place to optimise efficiencies and bring more convenience to our customers and exceed their expectations. I believe that customer feedback will be vital to

We have all the elements in place to be a true market leader in insurance.

these efforts and that there are valuable lessons to be learnt from the complaints we receive. A more measured approach to our promotions in terms of the budget vs – the effectiveness of the promotions is another aspect that we will monitor, with a view to obtaining better results. As we move forward, there are developments taking place in the market right now that we need to be mindful of. Changing lifestyles, emerging market patterns, the impact of globalisation, the Internet and communications technology – all of these will have deep and long-lasting effects on how we conduct business in the marketplace that will require us to re-engineer ourselves. New opportunities are emerging in areas such as trade, marine, and real estate (such as the increase in apartment buildings) where we can meet the demand for new relevant insurance products. Furthermore, we will explore a fresh approach to government and corporate institutional business. We hope to see changes to the regulatory environment that are more accommodating of the unique situation of our country and its people. A new tax regime and regulatory mechanisms together can help to ensure a level playing field in the industry. As a state entity and with our untarnished reputation and loyal employees, we have all the elements in place to be a true market leader in insurance and we will work towards that goal.

I wish to express my appreciation to our Board of Directors and all our staff for their services rendered to our Company and hope for your continued loyalty and dedication. Further I wish to thank the Ministry of National Policies and Economic Affairs, the Ministry of Finance, and the Insurance Regulatory Commission of Sri Lanka for their support. Finally, I wish to acknowledge our customers for playing a key role in our continued success and pledge to strive harder to serve you, exceeding your expectations and earning your loyalty.

Sincerely,



K A Vimalenthirarajah

Chairman

30 May 2019

MANAGING DIRECTOR'S REVIEW



It gives me great pleasure to announce that despite a very challenging year, SLIC has been able to record a satisfactory performance in 2018 in terms of premium growth, profit growth, sales force productivity, customer service, and investment growth. The Company provided a significant contribution to the country's economy through prompt tax payments, dividends to the Treasury, and investments in Government Securities and other capital market instruments.

The Company recorded a growth of 6% in Life Insurance gross written premium (GWP), which is remarkable, given the challenging nature of the environment we operated in. Profit from both lines of business after tax in 2018 was LKR 5.2 Bn. against LKR 4.5 Bn. in 2017, and the Company's balance sheet grew by LKR 8.1 Bn. to reach LKR 198.6 Bn. The value of the Life Fund increased by LKR 6.8 Bn. to reach LKR 105.4 Bn., a growth of 7% over 2017. The general insurance technical fund also saw a growth of 4%, an increase of LKR 678 Mn., to reach LKR 17.8 Bn.

As an organisation, SLIC operates to very high standards. We are certified to be compliant with the prestigious and stringent ISO 9001:2015 quality standards that cover our life and non-life underwriting, claims settlement, and support services of all our branches including the Head Office. Sound governance plays a significant role in the management and decision-making undertaken at the Company, with all the necessary subcommittees in place for accountability, transparency, and guidance. All investment decisions at SLIC are governed by the Board approved Investment Policy Statements and are subject to directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). Risk management through diversification is also an essential aspect that the Investment Committee takes into consideration. Investments are diversified across various asset classes as part of our efforts to minimise unsystematic risks. We focus primarily on investments in Fixed Income Securities and equity. Ensuring that the concentration risk is minimised is also another important aspect of our investment strategy. All investments are subject to floors on credit ratings, thereby ensuring that credit risk is largely mitigated. Trading activities are periodically carried out to make use of volatilities that are observed in the market. Investment activities are subject to regular audits to ensure compliance with established procedures. High-risk leverage strategies are never used by the Investment Committee. Durations of assets and liabilities are matched whenever possible; however, mismatches are also consciously run in order to capitalise on potential opportunities based on yield curve behaviours.

As a state-owned enterprise, we have a national duty and are accountable to a broader set of stakeholders than private companies.

Beyond that, as a state-owned enterprise, we have a national duty and are accountable to more stakeholders than a private company: our customers, the Government, and our human resources and associated collective agreements. We have to offer the best possible service and products to our customers in a heavily competitive environment, be mindful of the rules and regulations of the Government, and the rights of our employees, who consider aspects beyond the profitability of the Company – we have to delicately balance these three elements while raising our competitive edge.

Moreover, we are embracing technology to boost our market presence. Traditionally in Sri Lanka, most service companies rely on extensive branch networks to expand their customer reach. This is a costly endeavour and is not necessarily an advantage in today's connected environment and economic uncertainties. By boosting our virtual presence through the Internet and being reachable on devices that are accessible by a significant portion of the population, we can benefit from enhanced reach and service while maintaining cost efficiencies which can then be passed onto customers in the form of lower premiums and increased bonuses. We are already in the process of extending our reach to customers, such as through our Web Portal which allows them to obtain quotations, buy/renew their insurance policies, obtain policy schedules and cover notes, pay premiums, and view the details of their policies, among other features. Internally, we are using the B-Connect app which connects all SLIC advisors and enables them to receive updates in realtime and communicate across a cross-function channels and departments. We have a lot to learn and adapt from the global insurance industry and we will be looking to implement more technologies and best practices in the coming years.

As the Nation's insurer, we are looking to address gaps in the market and meet the requirements of the diverse population of the country. We feel that in addition to there being an opportunity, it is also our social responsibility to cater products and policies to people in rural areas, farmers, and daily wage

MANAGING DIRECTOR'S REVIEW

We have a lot to learn and adapt from the global insurance industry. As the Nation's insurer, we are looking to address gaps in the market.

earners who are not effectively served by traditional insurance models. We would look to adopt a microfinance-style approach to insurance to address these segments of the market and thus, grow the adoption rates for insurance in the country.

We are also looking to enhance the relationship between the management, employees, and agents of the Company. Agents play a significant role in procuring business for SLIC; therefore, it is in the Company's best interests to enhance the relationship between these three parties and remove barriers to communication between them. We feel this will greatly help them to work together as a team, boost the Company's growth, and cut down on superfluous activities which will promote positive interactions among all three parties and our customers. This will also help to create a stress-free work environment and boost the quality of life for all of them, thereby increasing job satisfaction and self-motivation. We will be looking to implement a more performance-oriented culture at SLIC, where KPIs determine goals for employees to work towards, with performance-based bonuses and incentives.

I feel that all these objectives stem from and are well aligned with the vision and the mission of the Company. As we serve Sri Lankans as a State Owned Enterprise, we need to think of

the long-term goals and stability of the Company while bearing the best interests of all the stakeholders at heart. We need to prepare the Company to better withstand internal and external changes and ensure that succession plans are implemented and effective, and that a long-term strategy is solidified to provide guidance to the Company well beyond the tenure of any key individuals and withstand changes in the Government. This will further help to instil confidence in our customers well into the future.

As we head into 2019, I would like to convey my appreciation to our Chairman for his guidance, our CEO and the Management for their steady hand driving us forward, and our employees for their continued dedication and loyalty to our business. My thanks go to the Ministry of Finance for their support and guidance. I would especially like to express my gratitude to our customers for their patronage and pledge to continue delivering value-added products and quality service.

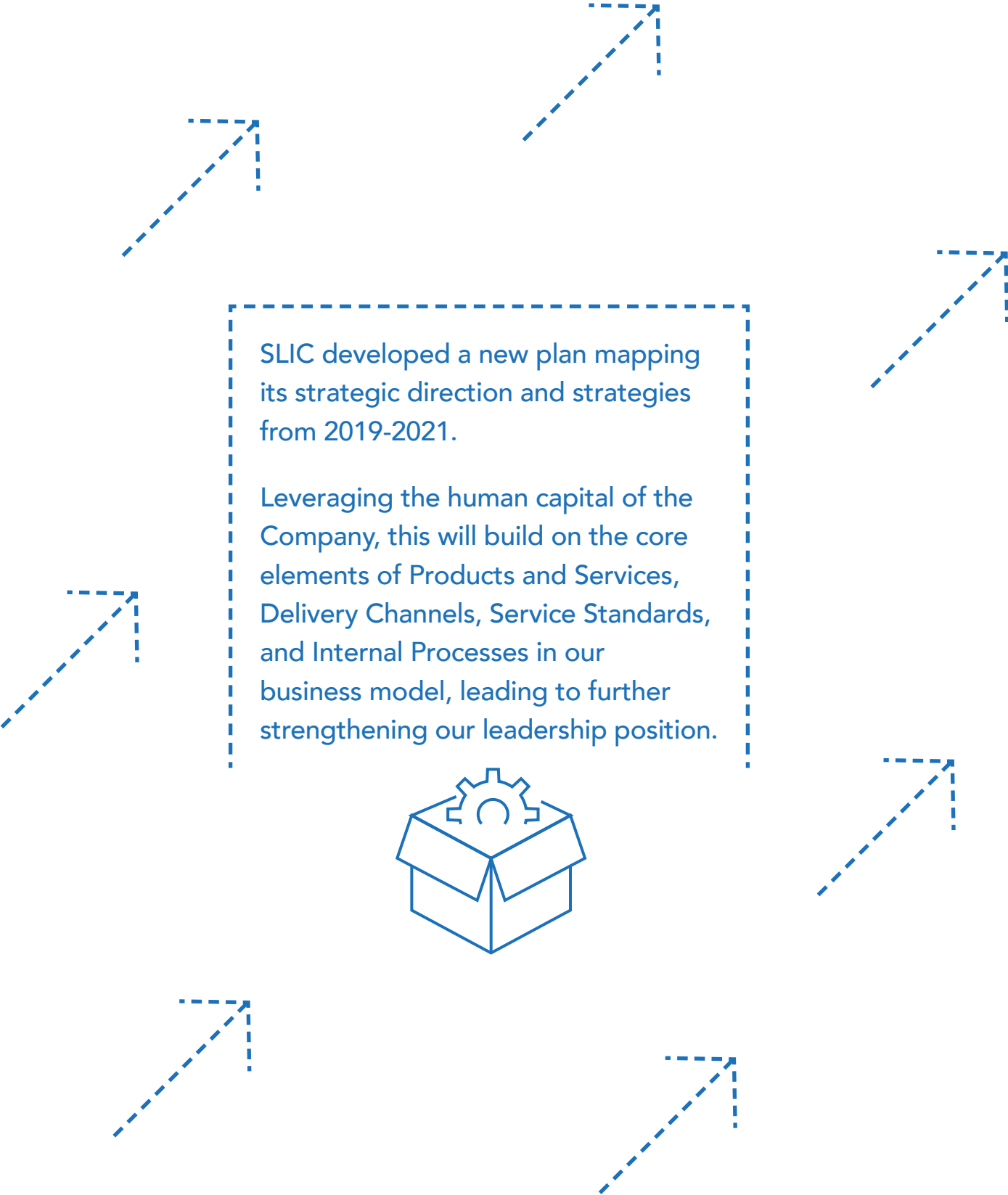
Sincerely,



B M Dushyanta B Basnayake

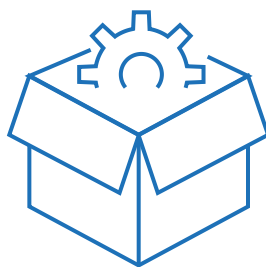
Managing Director

30 May 2019



SLIC developed a new plan mapping its strategic direction and strategies from 2019-2021.

Leveraging the human capital of the Company, this will build on the core elements of Products and Services, Delivery Channels, Service Standards, and Internal Processes in our business model, leading to further strengthening our leadership position.



CHIEF EXECUTIVE OFFICER'S REVIEW



In December 2018, we embarked on a new three year strategy for SLIC that will position the Company for future success.

Building upon strong fundamentals and built up over a rich trajectory spanning over 57 years, the Company will further strengthen its position as the leader in enhancing both our retail and commercial capabilities to touch the hearts and minds of Sri Lankans. We will focus and deploy resources to make our business more efficient in delivering our promise to customers. SLIC will, through its sustainable earnings, increase value to all stakeholders.

Amidst a challenging economic outlook, we have focused our attention towards the main line of business, structures, and policies and procedures with the clear intent of improving our competitive position. I feel that it is pertinent to note with the challenging environment, that SLIC experienced a growth of 9% (excluding *Suraksha*) and recorded a profit before tax of LKR 7.1 Bn. a 21.4% growth over 2017's performance.

Today we find ourselves at a critical juncture where we will need to take a more proactive approach going forward. Customers now, more than ever, have a variety of options and channels at their disposal. Despite the prevailing low penetration rate for life insurance in the country, the competition remains intense as it comes from not only other insurance providers but also banks and other financial institutions providing pension schemes and hospitalisation covers. Duties and taxes continue to climb for motor vehicles, thus reducing vehicle imports and therefore the market size for the motor insurance business has also been impacted in the past few years. SLIC has powered through these tough market conditions due to optimal utilisation of our channels and resources, as well as through our value addition efforts such as brand building, corporate networking, business development, and market retention.

Being proactive has required us to develop the Company and strengthen it to face the macro environmental challenges. The expectations of the market are rapidly increasing, and it is vital that the Company be able to exceed expectations through superior standards of service. Therefore, we have embarked on a three-year strategic plan that will see us take a structured approach to maintaining service excellence.

All key units and divisions have developed departmental and functional strategies to achieve goals that have been allocated to them, along with an action plan to execute those strategies. In the coming years, we will be implementing more actions, strategic initiatives, and arrangements aligned to the functional strategies and constant evaluations to review progress against the stated goals.

Part of being proactive involves enhancing how we interact with our customers and key target markets. As a corporate brand, SLIC has been associated with decades of excellence and is recognised as a pioneer in the local insurance industry. However, the market is evolving and young customers, to whom the heritage of the brand is not necessarily relevant compared to the present-day attributes. As such, the Company embarked on a brand repositioning exercise to introduce a new corporate visual identity that reflects the brand's core values while preserving the heritage of the corporate brand and its brand icons. Launched in August 2018, the new branding reflects a distinct dynamic edge and differentiation in terms of service excellence. We will be introducing more brand building projects and brand enhancement initiatives aligned with the new brand characteristics in 2019 to reach out to new and younger customers and expand our market share. The brand repositioning was the kickstart of a series of improvements being made to our business; from product, process, and technology to procedural changes and policies.

As part of our customer-oriented transformation, SLIC is increasingly looking to technological advancements as a key driver to penetrate existing markets and reach new market opportunities. Technology is playing a key role in revolutionising the service industry and the insurance industry is embracing technology as an enabler of effective operations and customer experience. To this effect, SLIC has introduced an Online Insurance Portal that allows customers to purchase, renew, and manage their life and general insurance policies, and insurance premium payments are also facilitated through the portal. Customers can also modify their policies with enhancements and additional covers. Internally, SLIC introduced the B-Connect app to connect all SLIC advisors, enabling them to receive the latest updates in real-time. A tech savvy salesforce can steer the Company forward in a technology-driven business environment, and with B-Connect, SLIC advisors can now communicate across channels and departments to service customers with speed and efficiency.

CHIEF EXECUTIVE OFFICER'S REVIEW

SLIC launched the Online Insurance Portal in recognition of the increasing demand to obtain financial services through convenient channels, and to broaden our appeal towards existing and potential customers. Additionally, we have developed various initiatives which will enable us to interact and continuously engage with customers. Ultimately, the market benefits from greater convenience in accessing services through multiple mediums. The SLIC Motor Plus Loyalty Rewards programme is yet another key value addition provided to our comprehensive motor insurance policyholders, that enables them to redeem unmatched offers from partner merchants across several industries including automotive, hospitality, healthcare, jewellery, clothing and accessories, and food and beverages.

It is important to note that SLIC is cognisant of the role it plays in society. SLIC has constantly engaged with the communities it operates in through a number of Corporate Social Responsibility (CSR) initiatives for worthy causes that have been well-received and left an impact on the well-being of our society and citizens. Since 2015, our "Call to Donate" campaign has raised awareness and inspired people to be compassionate about those affected by cancer. Through previous campaigns, SLIC has raised funds to purchase a CPAP machine, essential medicines, and prosthesis limbs for Maharagama Apeksha Hospital. For 2018, we donated LKR 10.00 for each missed call we received and raised LKR 5 Mn., to build an isolation room for the paediatric ward at Maharagama Apeksha Hospital with all the necessary facilities. Keeping future generations of Sri Lankans in mind, SLIC launched the "Suba Pathum National Scholarship Scheme" which rewards 300 achievers who excel in their Grade 5 scholarship, GCE Ordinary Level and GCE Advanced Level examinations annually. SLIC is also working to revamp the "Pasal Piriayatha Surakimu" projects that help to enhance the physical assets of below national level schools, with the first phase to cover 200 schools commencing in 2019.

Looking to the future, although macroeconomic indicators point to a downturn of interest in various services attached to disposable income of much of the target market, there are certain opportunities that SLIC has recognised. Moving beyond conventional insurance needs, the market has changed and

seeks different channels and products with different kinds of benefits. We have identified several emerging areas that we can improve our efforts in, including increasing interest in health insurance, combining insurance products with key utility services, and coupling insurance with other financial and non-financial products. We are also exploring how to utilise different distribution channels to effectively engage with our target market, and technology and process enhancement will play a key role in this exercise. The market and operating environment hold as many opportunities as it does challenges and with careful planning, SLIC will be positioned to utilise them effectively.

I would like to convey my sincere appreciation to our Chairman and the Board for their guidance and constant support. My thanks go to the Line Ministry, the Treasury, and the Insurance Regulatory Commission of Sri Lanka and other regulatory bodies for their support during the year. Our customers continue to be the driving force of our Company and I would like to express my gratitude to them for their continued loyalty and support. Finally, I thank our Corporate and Senior Management teams, the lifeblood of our Company, for their dedicated service and contributions to the business in 2018.

We are working hard to continue providing the superior service that we have been renowned for and look forward to another year of milestones and successes. We are fully committed to carrying out our strategic plan over the next three years and to deliver its undertaking to our stakeholders.

Sincerely,



Chandana L Aluthgama
Chief Executive Officer

30 May 2019



STRATEGIC REPORT

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OPERATING ENVIRONMENT

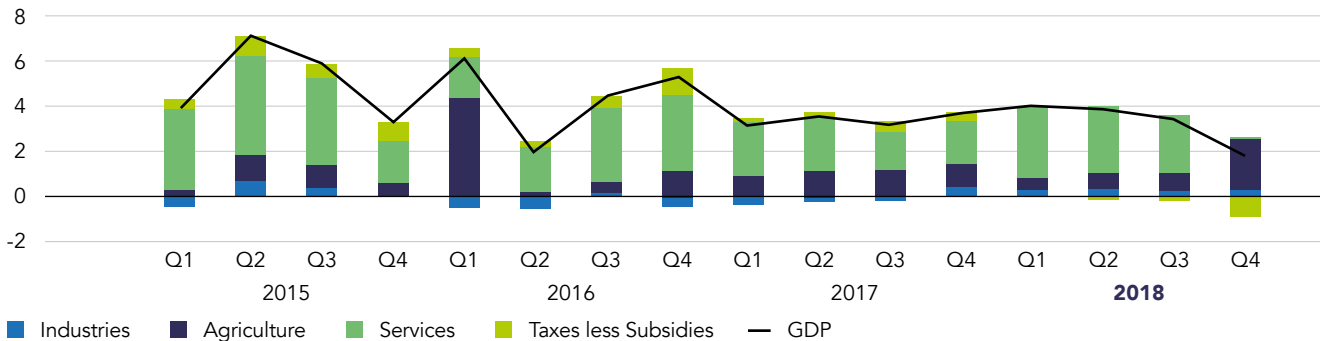
ECONOMY

Global economy growth weakened in 2018, hitting a projected 3.7% due to the slowdown in trade and manufacturing activity that followed trade tensions between major economies.

The Sri Lankan economy exhibited vulnerability to global and domestic instability with modest growth in real economic activity in a low inflation environment. Gross Domestic Product growth fell to 3.2% in 2018 from 3.4% in 2017, short of International Monetary Fund projections of 4.2% and among the weakest growth rates in the region. Services activities largely supported the GDP growth, expanding by 4.7%. Investment as a percentage of GDP remained stable at 28.6% against 28.8% in 2017. Per capita GDP was recorded at US dollar 4,102 and the total size of the Sri Lankan economy was estimated at US dollar 88.9 Bn. The economy's external sector was susceptible to global and domestic disturbances.

Global financial conditions tightened primarily as a result of monetary policy normalisation in the United States, leading to capital outflows from emerging market economies and increased pressure on exchange rates. This effect was felt in Sri Lanka and was exacerbated further by political instability in the latter part of the year, leading to the Sri Lankan rupee hitting historic lows and ratings agencies to downgrade the country's sovereign ratings. Increased import expenditures outpaced growth in export earnings, causing the trade deficit to surpass US dollar 10 Bn. for the first time in history. In order to address the widening trade deficit, the Central Bank of Sri Lanka and the Government passed a series of measures to discourage non-essential imports through increased tariffs, margin requirements, tightened loan-to-value ratios on selected types of lending, and suspending the issuance of letters of credit on concessionary permits for vehicle imports.

ACTIVITY-WISE CONTRIBUTION TO GDP GROWTH (Per cent)



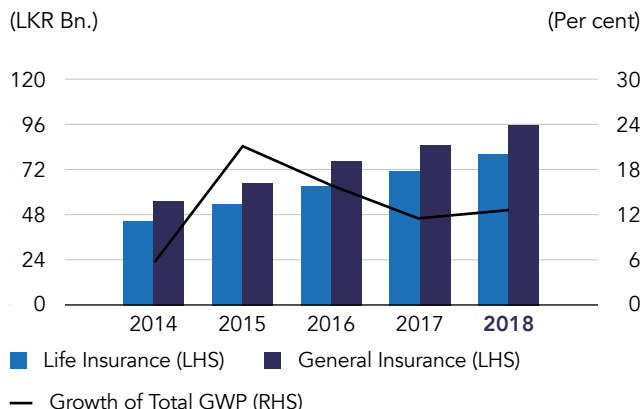
Source: Department of Census and Statistics

INSURANCE INDUSTRY

The global insurance industry is forecast to have grown by approximately 3.3% in 2018 primarily due to strong performances in emerging markets, as well as rising interest rates and increased investment income. As a part of the financial sector in Sri Lanka, which experienced a moderate expansion in 2018, the insurance sector reported a moderate growth in assets without any significant concerns over stability.

Insurance industry in Sri Lanka constituted 26 companies (12 operating exclusively as General Insurance companies, 12 operating exclusively as Life Insurance companies, and two operating in both businesses), 63 brokers, banks and other independent agencies at the end of 2018. Total assets of the industry grew 7.4% YoY with an increase in the asset base to LKR 606.6 Bn. from LKR 564.9 Bn. at 2017 end. Life Insurance recorded 9.4% growth and an asset base of LKR 429.4 Bn. at the end of 2018, while General Insurance recorded 2.7% growth and an asset base of LKR 177.1 Bn. The share of assets of the Life Insurance subsector grew to 70.8%, while General Insurance shrunk slightly to 29.2%. Gross Written Premiums (GWP) of the Insurance industry recorded 12.6% growth at the end of 2018, with the Life Insurance subsector recording 12.7% growth against the 12.5% growth of the General Insurance subsector. General Insurance continues to be the main contributor to the industry's GWP with a 54.3% share.

GROSS WRITTEN PREMIUM (GWP) OF THE INSURANCE SECTOR



Source: Insurance Regulatory Commission of Sri Lanka

The Insurance industry experienced a significant decline of 38.4% in profits during 2018. This was primarily due to the decline in profits by three Life Insurance companies and several one-off surplus transfers during 2017 as a result of the change in valuation method of policy holder liabilities to comply with regulations by the Insurance Regulatory Commission of Sri Lanka (IRCSL). The Life Insurance subsector experienced a drop of 48.5% in profits, while General Insurance profits grew by 8.3%. Total claims grew 19.9% to LKR 81.6 Bn. in 2018 from LKR 68.1 Bn. the previous year. Total investment income of the industry grew by 8.4%.

During 2018, the IRCSL issued a Direction on corporate governance to ensure greater transparency in the insurance industry. Directions on operational matters including management of insurance funds and treatment of one-off surplus were issued to Life Insurance companies, and some regulations were amended to fall in line with new developments within the industry. 2019 is expected to be steady year for the global insurance industry, although concerns are growing with regard to an economic slowdown in 2020. In Sri Lanka, further consolidation is anticipated through mergers and acquisitions, particularly in the general insurance segment, as insurers compete in a crowded market under increasingly tighter regulations. Higher capital requirements and the segregation of insurers into life and non-life businesses has accelerated consolidation. The introduction of new vehicle import restrictions in 2019 is expected to have a detrimental impact on the growth of the General Insurance industry. Life insurance will continue to be dependent on the disposable income available to Sri Lankan consumers. Ultimately, the insurance sector is expected to continue growing despite the low penetration rate of insurance in the country, as per capita income continues to rise and awareness of insurance increases.

STRATEGY

Although SLIC operates as a composite insurer, Life and General Insurance have separate strategic focuses for sales and distribution management. The approach to the branch network focuses on increasing geographical penetration of retail businesses for both categories of businesses to serve retail customers. Additionally, separate distribution departments and channels have been established for both lines of business to serve other market segments and requirements.

LIFE AND GENERAL INSURANCE BUSINESS OVERVIEW

The Life Insurance business grew marginally in 2018 with a growth of 5.59% to hit LKR 13.217 Bn., in GWP. 62,972 policies (without Decreasing Term Assurance) were sold during the year, marking a growth of 10%. The retail channel contributed 90% to Life Insurance GWP, marking a growth of 13%. Although this has been favourable growth for the business, the sales management strategy has been revised for 2019 with a view to further increase the number of life policies and average case size of a policy.

The General Insurance business experienced a slight decline of 3% to LKR 18.561 Bn., in GWP as a result of the non-renewal of the *Suraksha* insurance policy. Accounting for the exclusion of the *Suraksha* policy, the General Insurance business would have grown 11% over 2017, a fairly remarkable growth of which the retail channel contributed 66% to.

SLIC's National Sales and Marketing Plan for 2019 aims to increase manpower and individual productivity within the sales force where it will ideally have a positive impact on the growth of the Life and General business of the Company.

PERFORMANCE OF STRATEGIC FOCUSES IN 2018

New business

The Life Congress sales competition kickstarted the first half of the year for SLIC. The Life Challenge competition launched during the latter half of the year helped to maintain a strong momentum amongst the sales force to bring in new business to the Company with positive results. The General Summit competition conducted during March to August helped to ensure that the Company met growth expectations, particularly in the retail channel for General Insurance.

Sales force activations

The rejuvenation of the sales force played a significant role in increasing business penetration. A structured sales promotional campaign system was executed at the regional and branch level with the support of the PR team. Furthermore, national sales campaigns and above the line activities continued to raise market awareness and informed about SLIC's products.

Life bonus declaration

Breaking all landmarks in the local insurance industry SLIC declared a life bonus of LKR 7.7 Bn., for the year 2018, surpassing its own record of LKR 6.8 Bn., declared the year before. SLIC has declared almost LKR 50 Bn., in total as Life Insurance bonuses since 2009. This is ample evidence of the Company's commitment to providing the highest returns while protecting its policyholders through wise investment management.

New product development

In response to demand from the market, SLIC introduced the Health Plus and Wealth Plus plans. The Freedom retirement product was also relaunched as the Freedom Lifestyle Plan with more attractive features, benefits, and payment methods at an affordable premium.

Alternate distribution business

With an increased focus on channel development, a Group and Bulk Sales Unit was established to concentrate on group life business and the group retirement market. Nevertheless, there remains significant potential in this area with government and corporate sector entities, particularly for retirement planning and other related schemes with partner banks.

Bancassurance

The project with Bank of Ceylon continued with branches being allocated 32 Bancassurance officers to promote Life Insurance. However, a similar agreement with the State Mortgage and Investment Bank signed in 2017 has yet to deliver results. Although volumes are low, the Bancassurance General Insurance Division started displaying a good business pace with Citizens Development Business Finance, Sampath Bank, Commercial Bank, and Pan Asia Bank. These banks will continue to add to non-traditional penetration activities, thereby improving the business and minimising the risk of depending on a single channel in both lines of business.

Sales training and development

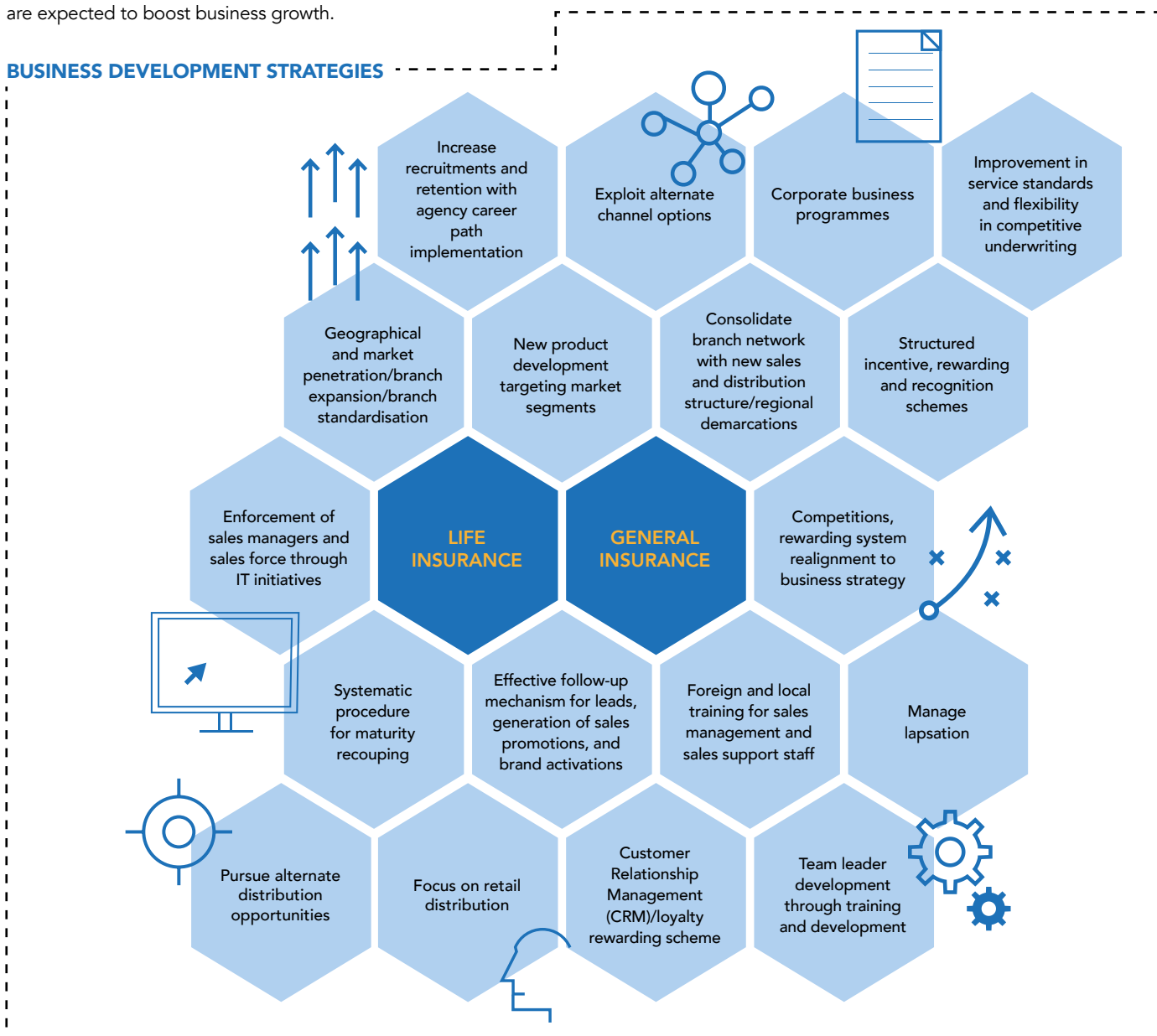
A sales force, particularly in the insurance industry, requires a high level of skill and motivation with in-depth knowledge of products, benefits, and technicalities. Well-structured (zonal level) training and development modules have been designed and rolled out in 2018, covering the topics of skill development, technical competency development, team leader development, and sales management skills development. The modules contain an array of courses that cater to all levels across the sales hierarchy from agent to senior level sales managers. Furthermore, a special leadership training programme for Regional Sales Managers spanning over six months aims to

groom the next generation of leaders was inaugurated. A series of OBT workshops under the theme of “One Team, One Goal” targeting Branch Sales Managers and Branch Administration Managers was also conducted to help them reach their full potential and perform more effectively.

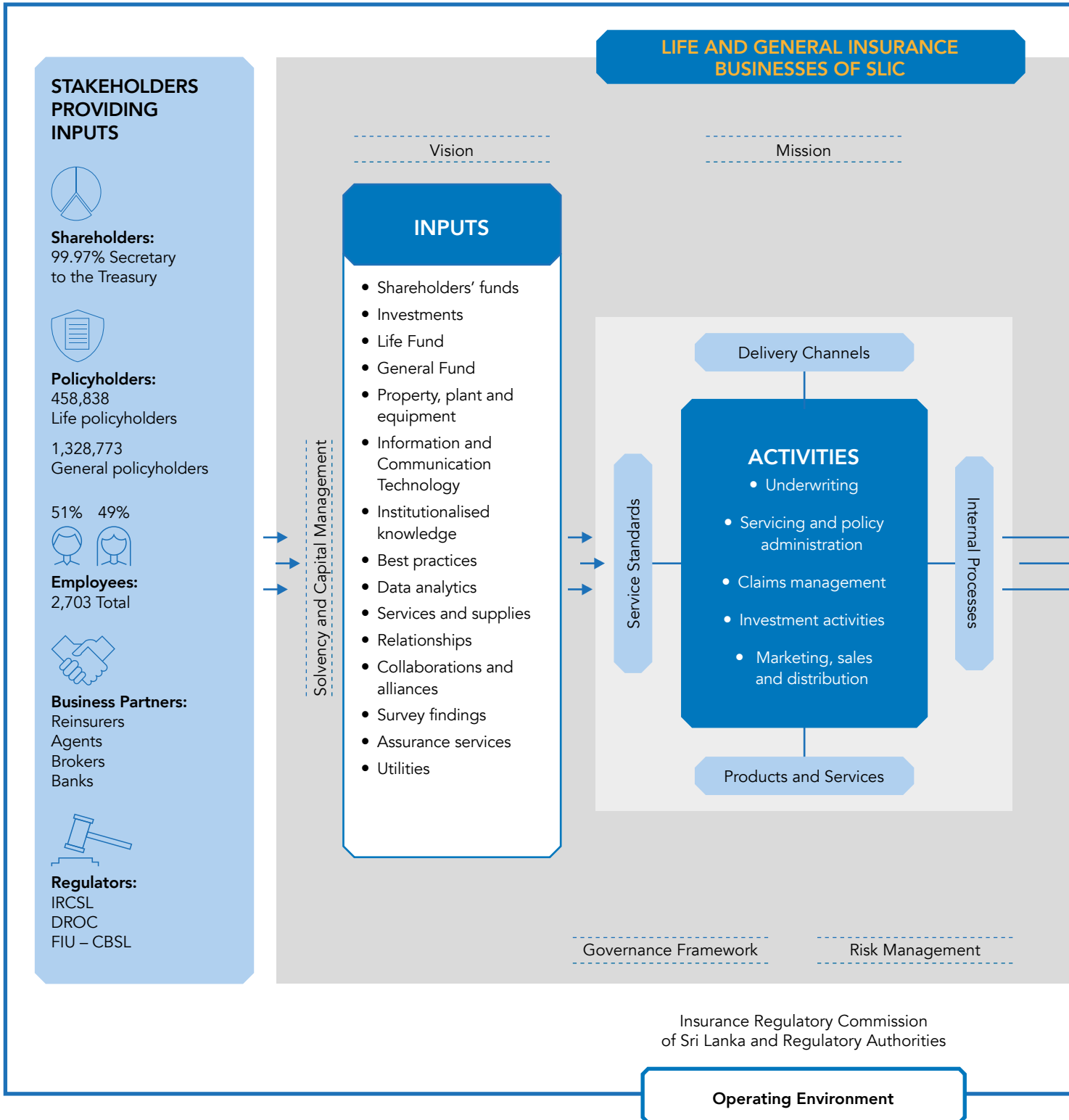
Expansions

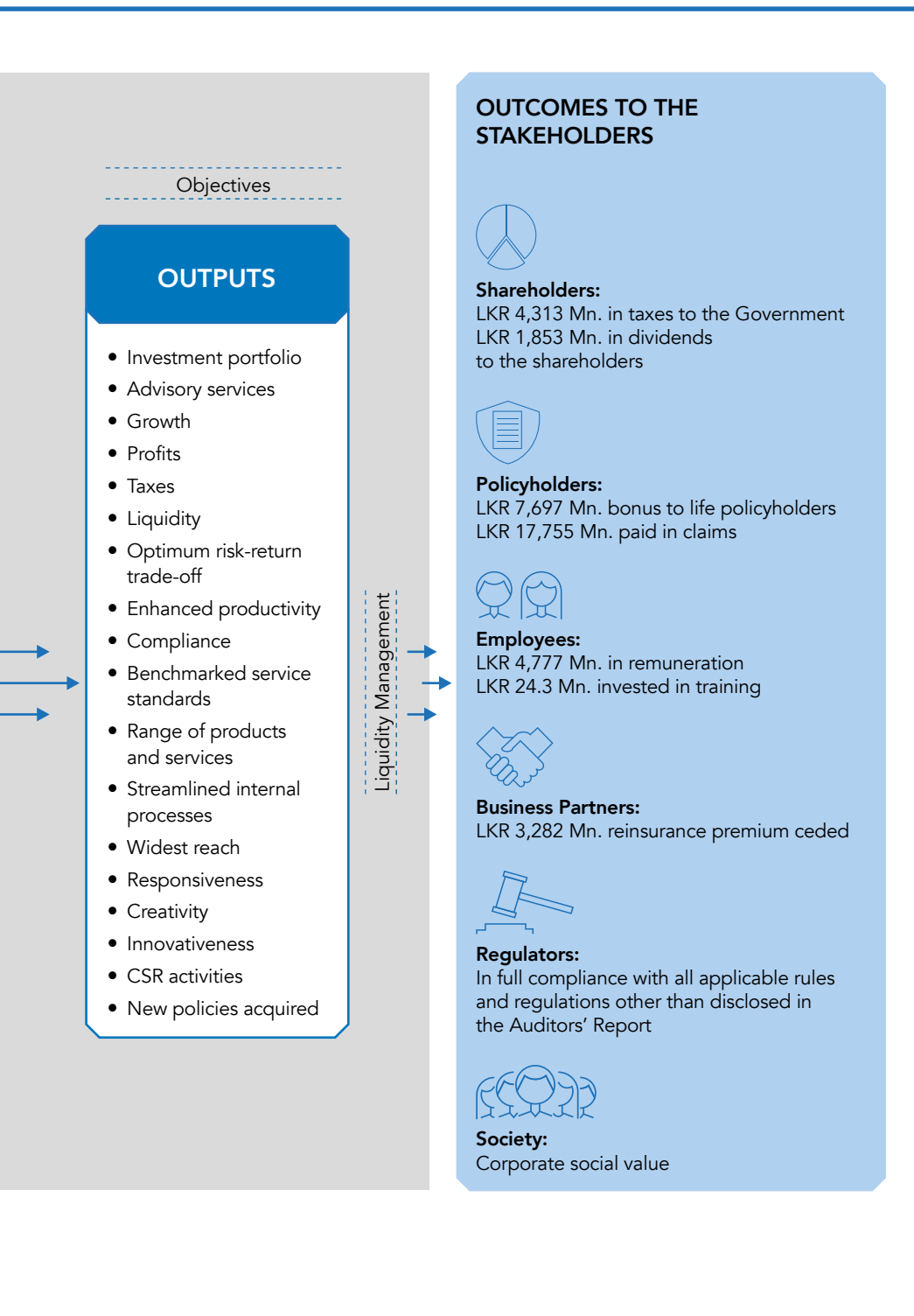
Further strengthening SLIC’s market penetration, the branch network was expanded with five new branches to cater to more customers. Some branches were refurbished or shifted to more strategically advantageous new locations during the year and are expected to boost business growth.

BUSINESS DEVELOPMENT STRATEGIES



BUSINESS MODEL



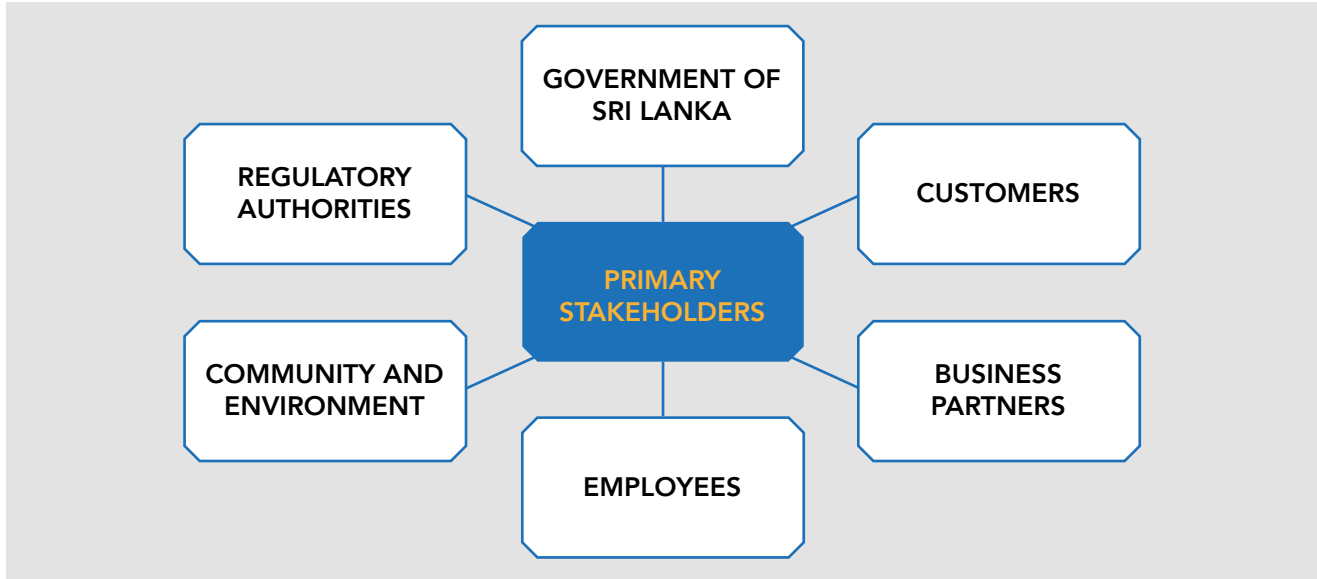


The business model diagram gives an overview of the flow of activities within SLIC and how they are influenced not only by the environment we operate in, but also by our vision and mission. Just as we operate within the laws and regulations; our mission, vision, and values define the objectives we intend to achieve and how we formulate our strategy to achieve those objectives. Similarly, these external and internal influences impact every activity within SLIC that goes into achieving our objectives. In turn, our objectives too are shaped by our value creation activities and the cycle continues, ensuring that SLIC moulds itself and adapts to the operating environment on an ongoing basis.

STAKEHOLDERS

SLIC engages with various individuals and organisations as part of its business activities, and through its products and services. These parties constitute our stakeholders, and how SLIC engages with them determines how we conduct our business on an ongoing basis and ensure our sustainability in the long term.

PRIMARY STAKEHOLDERS



IDENTIFICATION AND ENGAGEMENT

The different stakeholder groups that SLIC interact with have differing interests and priorities which can sometimes conflict with one another. Therefore, it is essential that we identify and prioritise our stakeholders and their concerns to meet short-term needs and long-term expectations.

Material issues relevant to the stakeholder	Engagement	Frequency of engagement
Government of Sri Lanka		
Investment, business development, returns, innovation and industry growth, compliances	Annual report	Annually
	Press releases	Need-based
	Meetings and discussions with Board and Senior Management	Need-based
Customers		
Customer relationship, retention, relevant products, product information, policy bonuses, policy claims	Call Centre	Regular
	Customer Satisfaction Survey	Need-based
	One-to-one interactions	Regular
	Website, Social Media	Regular
	Customer feedback	Regular

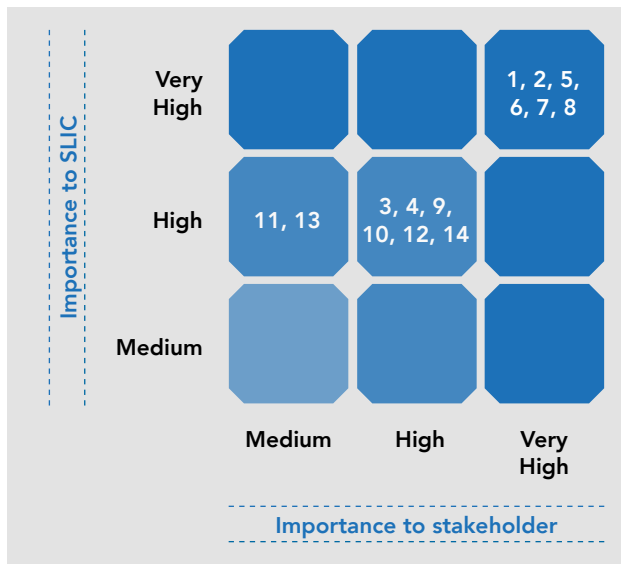
Material issues relevant to the stakeholder	Engagement	Frequency of engagement
Business partners		
Growth potential, timely payments	Meetings	Need-based
	Communication via email, phone, etc.	Need-based
Employees		
Employee welfare, satisfaction, retention, training and development, recognition and rewards, career progression, job security	Meetings	Regular
	Communication via email, phone, etc.	Need-based
	Succession planning	Need-based
	Training and development activities	Need-based
	Award ceremonies	Annually
	Involvement in community projects	Need-based
	Grievance handling	Need-based
	Information sharing via Intranet, B-Connect app	Regular
	Objectives/KPI settings	Annually
	Performance evaluation	Bi-annually
Community and environment		
Community investment, CSR initiatives	Community projects	Regular
	Press releases	Need-based
	Website, Social Media	Regular
	Events	Need-based
	CSR projects	Regular
	Sustainability initiatives	Regular
Regulatory authorities		
Compliance with laws and regulations, good corporate governance, stability of industry, ethical conduct	Meetings with regulatory authorities	Need-based
	Annual Report	Annually
	Industry forums	Need-based
	Statutory returns and status reports	Quarterly, annually
	Press releases	Need-based
	Trainings and workshops	Need-based

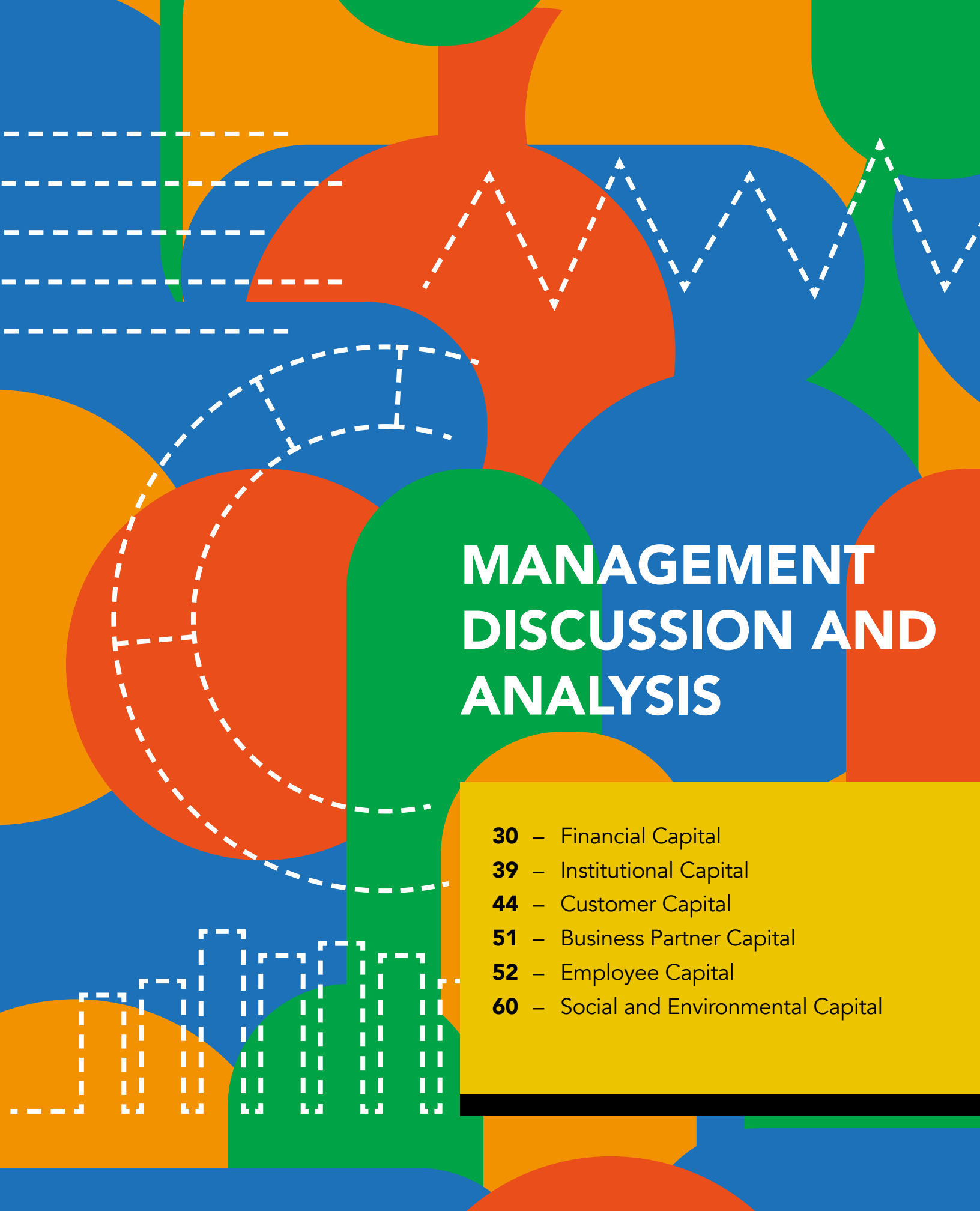
MATERIALITY

SLIC's business model focuses on aspects that are important to both the Company and to our stakeholders. These aspects have been identified through effective engagement with our stakeholders. The importance of these aspects is determined

through analysis of the relevance and significance to all parties involved based on the probability of occurrence and the magnitude of the impact. This Annual Report will discuss these aspects in further details in the Management Discussion and Analysis section and is summarised in the following table.

Number	Topic	Importance to SLIC	Importance to stakeholder
1.	Economic performance	Very high	Very high
2.	Market presence	Very high	Very high
3.	Anti-corruption	High	High
4.	Anti-competitive behaviour	High	High
5.	Employment	Very high	Very high
6.	Occupational health and safety	High	High
7.	Training and diversity	Very high	Very high
8.	Diversity and equal opportunity	Very high	Very high
9.	Non-discriminations	High	High
10.	Freedom of association and collective bargaining	High	High
11.	Local communities	High	Medium
12.	Customer wealth and safety	High	High
13.	Marketing and labelling	High	Medium
14.	Socio-economic compliance	High	High





MANAGEMENT DISCUSSION AND ANALYSIS

- 30** – Financial Capital
- 39** – Institutional Capital
- 44** – Customer Capital
- 51** – Business Partner Capital
- 52** – Employee Capital
- 60** – Social and Environmental Capital

FINANCIAL CAPITAL

SLIC's financial capital encompasses the monetary assets we utilise to offer our products and services. These include our shareholders' funds and funds from investment activities.

FINANCIAL RESULTS

SLIC demonstrated a stronger financial performance in 2018 compared to the previous year, recording total assets of LKR 198.6 Bn. (2017 – LKR 190.5 Bn.), Life Fund of LKR 105 Bn. (2017 – LKR 98.5 Bn.), and General Fund of LKR 17.8 Bn. (2017 – LKR 17.1 Bn.) as at 31 December 2018.

During the year, the Company recorded LKR 31.7 Bn. of combined Gross Written Premium compared to LKR 31.4 Bn. in 2017, and LKR 5.2 Bn. worth of combined Profit After Tax compared to LKR 4.5 Bn. in 2017.

Investment income increased to LKR 13 Bn. this year from LKR 12 Bn. last year. SLIC declared LKR 7.69 Bn. of bonus for its Life policyholders this year, compared to LKR 6.83 Bn. for the last year. SLIC contributed LKR 3.9 Bn. to the Government in the form of taxes, up from LKR 2.8 Bn. in 2017.

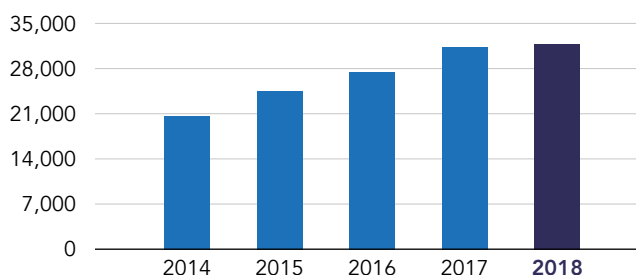
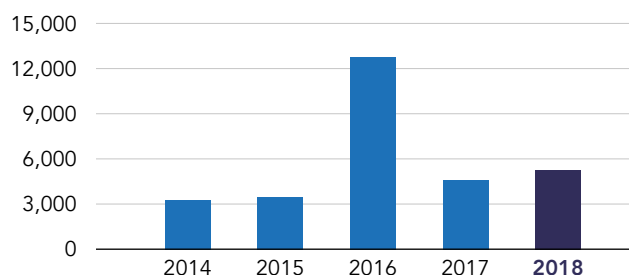
Solvency ratio

For several consecutive years, SLIC has been able to maintain the required Risk-based Capital Adequacy Ratio for both Life and General insurance businesses. During 2018, Risk-based Capital Adequacy Ratio for the Life insurance business recorded 437% compared to 432% in 2017. Despite there being concerns about the General insurance business, the Risk-based Capital Adequacy Ratio has been stable at 200% during 2017 and 2018.

COMBINED BUSINESS PERFORMANCE

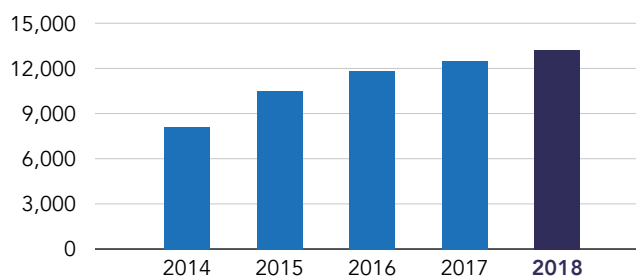
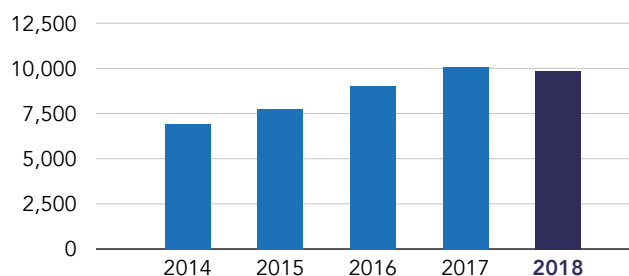
Combined Gross Written Premium of LKR 31,737 Mn. for 2018 is an impressive growth of 54% when compared to LKR 20,665 Mn. recorded in 2014, but only a marginal growth over LKR 31,437 Mn. earned in 2017. Investment and other income recorded at LKR 16,447 Mn., a sharp growth of 22% during the year compared to LKR 13,462 Mn. in 2017. Profit After Tax recorded 14.79% growth to LKR 5,244 Mn. in 2018 from LKR 4,569 Mn. in 2017.

	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000
Revenue	44,379,869	39,399,737	42,107,760	31,156,766	29,301,980
Gross written premium	31,737,894	31,437,682	27,614,433	24,520,012	20,665,985
Net earned premiums	28,004,616	25,937,670	24,013,294	20,393,474	17,804,905
Benefits, losses and expenses	(25,908,850)	(23,700,235)	(23,131,165)	(21,360,285)	(18,928,978)
Investment and other income	16,375,253	13,462,067	18,094,465	10,763,292	11,497,075
Interest expense	–	(41)	(13)	(58)	(35)
Operating and administrative expenses	(11,320,419)	(9,809,215)	(8,641,608)	(4,975,647)	(5,999,828)
Profit before taxation	7,150,601	5,890,206	13,790,969	4,820,776	4,373,139
Taxation	(1,905,806)	(1,321,056)	(1,049,650)	(1,381,420)	(1,116,126)
Profit after taxation	5,244,795	4,569,150	12,741,319	3,439,356	3,257,013

GROSS WRITTEN PREMIUM – COMPANY (LKR Mn.)**PROFIT AFTER TAXATION – COMPANY (LKR Mn.)****LIFE INSURANCE BUSINESS PERFORMANCE**

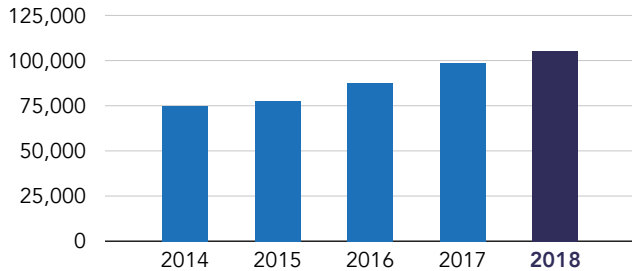
The gross written premium of the life insurance business too has significantly increased over the period of the past five years from LKR 8,121 Mn. in 2014 to LKR 13,205 Mn., posting a growth of 62%. The life insurance business recorded investment and other income of LKR 12,278 Mn. and LKR 11,272 Mn. for 2018 and 2017 respectively. Profit after tax of the life insurance business was LKR 9,842 Mn. for the current year, a 2% decline compared to 2017 (LKR 10,058 Mn.).

	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000
Gross written premium	13,205,802	12,517,120	11,893,640	10,470,079	8,121,159
Net written premium	12,913,268	12,285,325	11,679,336	10,307,235	7,984,758
Investment and other income	12,278,850	11,272,937	8,772,049	8,290,528	9,272,341
Claims incurred	(7,726,263)	(6,899,558)	(5,871,667)	(6,304,648)	(5,733,524)
Commission expenses	(1,836,556)	(1,688,772)	(1,560,526)	(1,240,955)	(1,127,919)
Operating and administrative expenses	(4,721,492)	(3,981,540)	(3,265,086)	(2,443,685)	(2,507,813)
Increase in life fund before taxation	10,907,807	10,988,395	9,754,105	8,608,479	7,887,842
Taxation	(1,065,480)	(929,414)	(740,739)	(842,932)	(899,025)
Increase in life fund	9,842,327	10,058,978	9,013,366	7,765,547	6,988,816

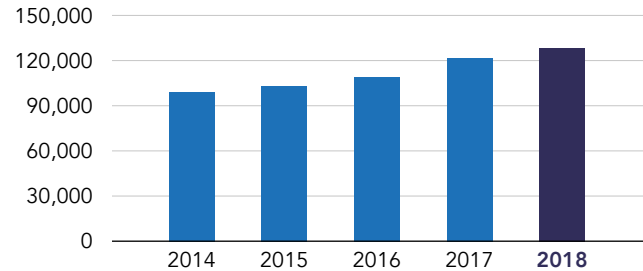
GROSS WRITTEN PREMIUM (LKR Mn.)**PROFIT AFTER TAX (LKR Mn.)**

FINANCIAL CAPITAL

LIFE FUND (LKR Mn.)



TOTAL ASSETS (LKR Mn.)

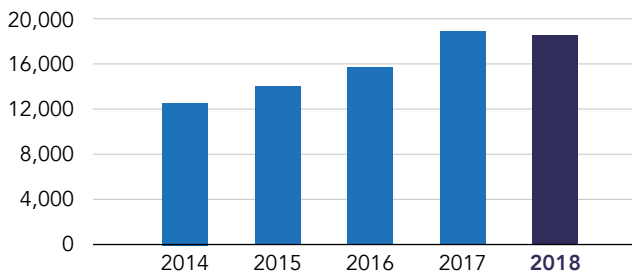


GENERAL INSURANCE BUSINESS PERFORMANCE

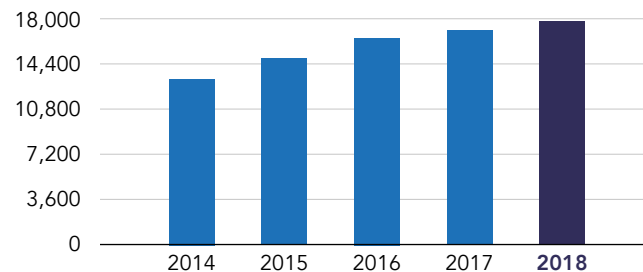
The gross written premium for the general insurance business has significantly increased over the past five years from LKR 12,544 Mn. in 2014 to LKR 18,532 Mn., a growth of 48%. The general insurance business recorded investment and other income of LKR 4,168 Mn. and LKR 2,189 Mn. for the years 2018 and 2017 respectively. Profit after tax of general insurance business was LKR 3,556 Mn. for the current year, a growth of 62% compared to 2017 that was LKR 2,183 Mn.

	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000
Gross written premium	18,532,092	18,920,562	15,720,793	14,049,933	12,544,828
Net earned premiums	15,091,348	13,652,345	12,333,957	10,086,240	9,820,149
Net claims incurred	(10,028,386)	(9,127,011)	(8,605,127)	(6,628,963)	(6,205,796)
Operating and administration expenses	(4,834,806)	(4,138,944)	(3,815,993)	(2,877,500)	(3,977,357)
Investment and other income	4,168,839	2,189,129	9,322,419	2,472,764	2,224,732
Interest expense	-	-	(3)	(1)	(14)
Profit before taxation	4,396,994	2,575,519	9,235,253	3,052,539	1,861,713
Taxation	(840,326)	(391,642)	(308,911)	(538,488)	(217,101)
Profit after taxation	3,556,668	2,183,878	8,926,342	2,514,051	1,644,613

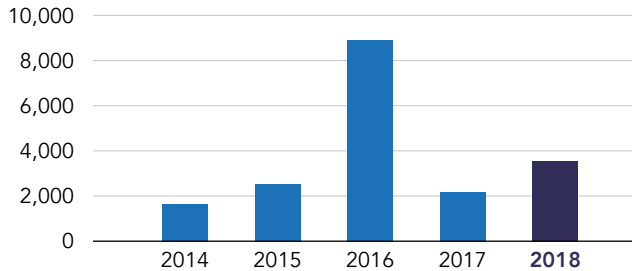
GROSS WRITTEN PREMIUM (LKR Mn.)



TECHNICAL RESERVE (LKR Mn.)



PROFIT AFTER TAXATION (LKR Mn.)

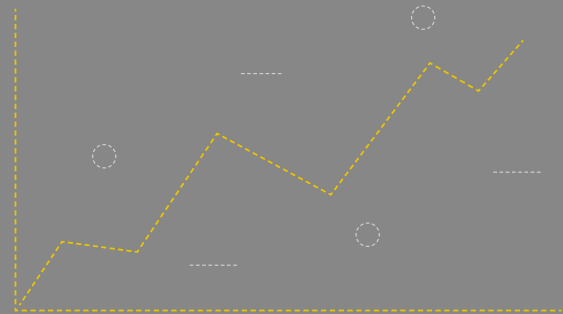


Stability of general insurance business

Risk-based capital adequacy ratio at 200% was maintained for general insurance business as at 31 December 2018. SLIC had LKR 45,581 Mn. worth net assets and LKR 17,806 Mn. in technical reserves as at 31 December 2018.

Stability of Life Insurance Business

Risk-based capital adequacy ratio was maintained at 437% for life insurance business as at 31 December 2018. SLIC recorded LKR 105,459 Mn. worth life funds as at 31 December 2018, a 7% growth compared to 2017 that was LKR 98,580 Mn. During 2018, net assets value declined by 2% to LKR 15,610 Mn. from LKR 16,036 Mn. in 2017.



SLIC declared the **Largest Life Bonus of LKR 7.7 Bn.** and has the **highest Life Fund of LKR 105 Bn.**



FINANCIAL CAPITAL

SUBSIDIARY REVIEW**The Lanka Hospitals Corporation PLC**

The Lanka Hospitals Corporation PLC ("the Hospital") is a public limited liability company incorporated and domiciled in Sri Lanka. Lanka Hospitals was incorporated under the Companies Act No. 17 of 1982 on 6 October 1997 and re-registered on 28 July 2008 under the Companies Act No. 07 of 2007, which came into effect on 3 May 2007. The registered office of the Hospital and principal place of business is located at No. 578, Elvitigala Mawatha, Narahenpita, Colombo 05, Sri Lanka.

Lanka Hospitals is Sri Lanka's most accredited multi-speciality hospital and a leader in the healthcare sector offering an unmatched range of primary, secondary, and tertiary health services. With a bed capacity of over 360 and over 880 consultants which include the largest resident consultant base in the country, we serve over 387,000 patients annually, amongst the largest patient volumes to be achieved by a single-location hospital. A differentiation strategy centred on international standards, best-in-class patient care, and advanced technology has enabled the hospital to sustain its unique competitive edge despite intensifying competitive pressures.

Lanka Hospitals Diagnostics (Private) Limited (a fully owned subsidiary company of The Lanka Hospitals Corporation PLC) is a private company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The company was incorporated on 06 February 2013. The immediate parent of the Company is The Lanka Hospitals Corporation PLC.

The Hospital's diagnostics arm, Lanka Hospitals Diagnostics (Private) Limited (LHD), is the only laboratory in the country to obtain the prestigious College of American Pathologists (CAP) Accreditation and offers the country's largest test menu which includes over 100 tests which are provided only by us. We also operate five regional laboratories, 23 Company-owned Collection Centres (COCOs), and a network of 720 collection centres across the island, in addition to a chain of 21 pharmacy outlets with 43 Resident Consultants.

Opportunities and key developments

In 2018, we sought to expand our geographical footprint through the opening of two medical centres in Seychelles and Galle and increased room capacity in the main hospital through the addition of 17 rooms.

During the year we sought to rebrand and reposition the diagnostics arm by bringing it under The Lanka Hospitals Corporation PLC branding. This is expected to accrue natural

synergies as diagnostics can successfully leverage on the established brand of the Hospital. We continued to invest in expanding the geographical reach of our diagnostics arm and during the year added two mini laboratories in Galle and Negombo, bringing the total count to six. We also added six company-owned collection centres to the network during the year; we also have over 720 third party collection centres across the island.

The Lanka Hospitals Corporation PLC paid LKR 2.00 per share as dividend in 2018 and LKR 1.00 per share in 2017.

Future outlook

We will continue to widen the coverage of services we offer through adopting the latest medical and clinical technology and hope to introduce hyperbaric treatment for wound and stem cell treatments next year. Optimising existing space to enhance capacity and refurbishment of certain room categories will also be a key area of focus in 2019.

LHD will continue to pursue geographical expansion with emphasis on driving regional growth; our strategy will centre on offering the entire package of medical, laboratory, and pharmacy services to customers rather than stand-alone laboratories. We will also focus on widening contributions from corporate sales through targeted marketing.

Litro Gas Terminal Lanka (Pvt) Limited

Established in 1995 as the Shell Terminal Lanka (Private) Limited to supply storage facility of Liquefied Petroleum Gas, the name changed to Litro Gas Terminal Lanka (Pvt) Limited in 2011 with the 100% ownership of Sri Lanka Insurance Corporation. With the worthy resource of holding the only independent sea-fed terminal in the island within the LPG industry, Litro Gas Terminal Lanka offers import and storage facilities to Litro Gas Lanka. With expansive storage facilities, we are poised to provide an uninterrupted supply to meet the demand of our customers, unhindered by external factors.

Opportunities and key developments

We are constantly seeking to expand our storage capacity, whilst equipping our operations with the latest and most modern technological innovations that will enable us to ensure efficiency optimisation. The tanks have been built up with the storage capacity of 8,000 MT at Kerawalapitiya in 1998 and was further expanded to Hambantota, establishing an additional capacity of 3,000 MT in 2015.

As the first and only supplier to utilise the Central Buoy Mooring (CBM) operation in Sri Lanka, we are also proud to note that our strategic location, innovative approach to our

operations, and expert workforce enable us to go from strength to strength in delivering value to our stakeholders and the nation at large.

Financial performance

With increased demand for liquefied petroleum gas in the market YoY, the Company was able to provide the required storage facility to Litro Gas Lanka Limited. Thus, the revenue of the company has increased gradually.

The terminal handling quantity increased from 280,288 MT in 2017 to 304,048 MT in 2018.

It is the Company's ultimate vision to meet the expectations of our shareholders. To this end, we believe that our financial growth over the years together with returns to shareholders has resulted in achieving their expectations.

Employees

The company believes in equal opportunities for all employees and ensures that no discrimination occurs in the workplace or during the recruitment process. We strictly adhere to the policies of "no child labour", "no gender discrimination", and "no harassment in the workplace".

Other community projects

We also took on other programmes targeted at community development and welfare during the year under review. These programmes are often spearhead and facilitated by our employees, and in other instances implemented by them.

a. Vesak community activities

Terminal team facilitates Ragama Children's home children to visit the Colombo area during the period of Vesak as a CSR initiative in 2018.

b. Blood donation camp

The company successfully conducted a blood donation camp at the Kerawalapitiya terminal to give more than 100 litres of blood to the National Blood Transfusion Services.

Litro Gas Lanka Limited

Litro Gas Lanka Limited acts as the National Liquefied Petroleum Gas (LPG) supplier of Sri Lanka. The Company's principal business activities are importing, processing, distributing and selling Liquefied Petroleum Gas (LPG), and providing other related value-added services. Litro provides LPG to Sri Lankan consumers through the Bulk segment catering to local industrial requirements, the commercial

segment catering to armed forces, hotels, restaurants, and fast-food operators, and the domestic segment catering to the LPG needs of most Sri Lankan households.

The Company is today the largest importer and supplier of LPG in Sri Lanka and operates a state-of-the-art filling plant facilitating cylinder refills and a company-owned fleet of tankers to meet the high demand for LPG by Sri Lankan consumers. The Company has an extensive distributor and dealer network exceeding 8,500 direct channel partners spread across the island to provide consumers an uninterrupted availability of an essential product at their convenience. Litro has a total employee base of 215 people as at 31 December 2018 and provides nearly 20,000 direct and indirect jobs to the national workforce.

Business operations

2016

- 21.7 million refilled cylinders issued
- 600,000 new cylinders issued

2017

- 25.7 million refilled cylinders issued
- 800,000 new cylinders issued

2018

- Capacity expansion by 50%
- 28.2 million refilled cylinders issued
- 480,000 new cylinders issued

As demand for LPG grows, so does the Company's business operations and in 2017, strategic plans were implemented to increase the plant filling capacity in Kerawalapitiya, ensuring sustainability of our product supply while maintaining the stance of the Company as a reliable supplier whose focus on the health and safety of our key stakeholders never wavers.

Corporate social responsibility

For Litro, the community is an integral part of our business operations as they also double as our customers, employees, and channel partners. In addition, being the leading supplier of LPG products to the nation inevitably propels the Company to a position whereby the people's requirements come first. This is the premise on which we have developed our sustainable business operations.

FINANCIAL CAPITAL

Canowin Hotels and Spas (Pvt) Ltd.

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

In terms of financial performance, Canowin reported total assets of LKR 1 Bn., revenue of LKR 100 Mn., net profits of LKR 55 Mn., and ROE of 6.27 %. In 2018, Canowin opened two fuel stations on both sides of the Arcade to facilitate the users of Highway. Solar-powered Electric Car Charging points were also installed to facilitate electric car owners to recharge their vehicles for long distance journeys.

In 2019, the Company plans to complete the initial stage of solar power project and restrooms will be constructed with all amenities for use by travellers. Canowin acquired non-traditional Subway franchises and invested in building their own food outlets in both sides of the Arcade, focusing on international travellers. Canowin is planning to invest in mini arcades, which will be developed in the extension of the Southern Highway, Jaffna A9 road, and the Central Highway. The management expects that the revenue will be increased from improved occupancy levels by introducing low-cost food centres aimed at low-income commuters.

Canwill Holdings (Pvt) Ltd.

The exception has been the Grand Hyatt project implemented through the Canwill Holdings (Pvt) Ltd., and its subsidiary, Sinolanka Hotels & Spa (Pvt) Ltd., (SHSH) which is still not in operation, with construction in progress. Sinolanka Hotels & Spa (Pvt) Ltd., proposed to develop Grand Hyatt Colombo Hotel with an iconic 47-storey, 458-room five-star hotel and 100 serviced apartments at No. 116, Galle Road, Colombo 3. The SHSL started its construction activities in 2012 and has completed over 50% of construction to date. The total project cost has been estimated as approximately LKR 45.3 Bn.

The Summary of the financial performance of the subsidiaries is as follows:

Company	Revenue LKR Mn.	Net profits after tax LKR Mn.	Total assets LKR Mn.
Litro Gas Lanka Limited	38,883	303	25,430
Litro Gas Terminal Lanka (Private) Limited	2,037	1,539	11,501
The Lanka Hospitals Corporation PLC	7,077	870	8,950
Canwill Holdings (Pvt) Ltd.	55	(159)	21,399
Canowin Hotels and Spas (Pvt) Ltd.	98	55	1,085

INVESTMENTS REVIEW**Investment strategy**

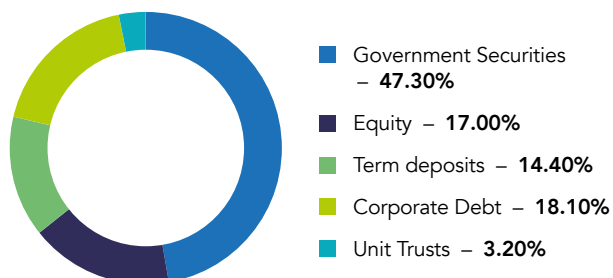
The investment strategy of SLIC centres around striking an appropriate balance between expected returns out of investments, achieving desired growth rates, managing risks within tolerable levels, and satisfying regulatory requirements. Stakeholder needs are satisfied by identifying the diverse needs and catering to them by adhering to best practices and industry standards adopted by the investment industry. Prudent approach in the investment decision-making process and diversification are the main focal points in investment strategy at SLIC, in order to minimise unsystematic risks.

The Investment Committee (IC), which has been appointed by the Board of Directors, is the main driver of investment decisions. It has a range of responsibilities including the management of SLIC's investment portfolio, reviewing and monitoring the strategic asset allocation, effective matching of asset and liabilities, and capitalising on tactical investment opportunities. The Committee adheres to the Asset Manager's Code of the CFA Institute. The IC comprises professionals with diverse skills and expertise. It ensures all investments are made in the best interest of the Organisation.

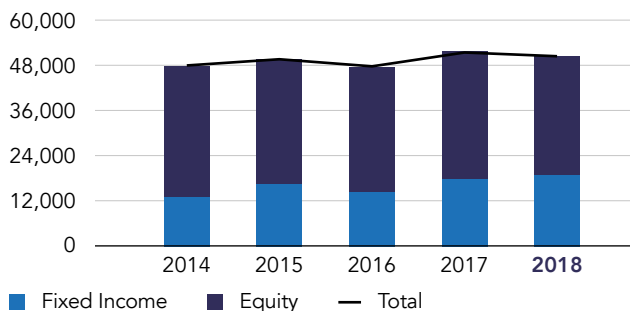
Asset allocation

Life Fund

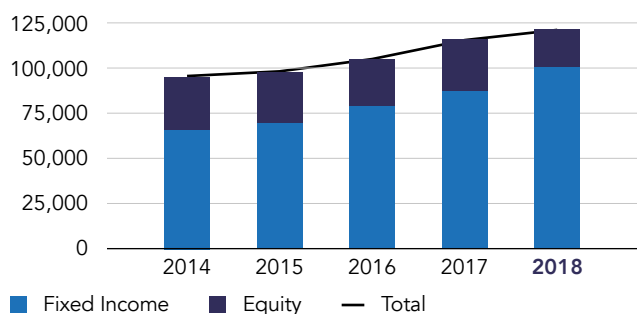
COMPOSITION OF THE FUND AS AT 31 DECEMBER 2018



GROWTH OF INVESTABLE ASSETS (LKR Mn.)



GROWTH OF INVESTABLE ASSETS (LKR Mn.)



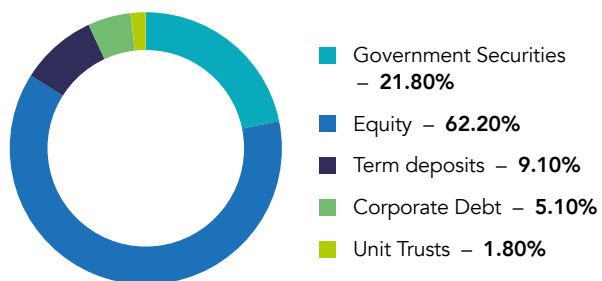
Investment performance

SLIC achieved healthy returns during 2018 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 debt and equity markets were seen entering a free fall.

The Company recorded a total investment income of LKR 13 Bn., during the year.

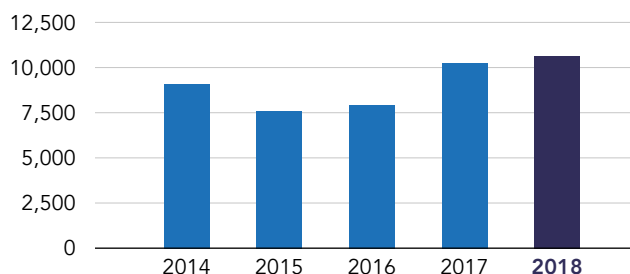
General Fund

COMPOSITION OF THE FUND AS AT 31 DECEMBER 2018



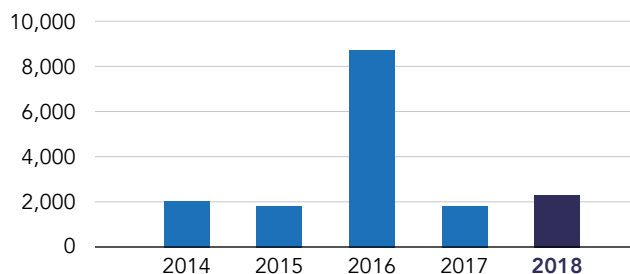
Life Fund

INVESTMENT INCOME (LKR Mn.)



General Fund

INVESTMENT INCOME (LKR Mn.)



FINANCIAL CAPITAL

Asset – Liability matching**Life Fund**

The Life Fund consists of long-term liabilities which need to be matched with long-term assets. However, it remains a challenge to deploy funds in such long-term instruments given the lack of breadth and depth in these areas. Hence the Asset and Liability matching needs to be done across the industry with exposures to relatively large duration gaps.

SLIC was able to make use of opportunities that arose in equity markets during the year, through careful analysis and prompt action to realise gains at opportune moments. Going forward, it is expected that most financial institutions will launch equity and debt products in order to fulfil forthcoming regulatory requirements. These are also envisaged to yield positive results for the Company.

General Fund

The shorter tenure maturity profiles of the General Fund were matched with short-term investments which are available in abundance in the country.

Summary of investments

	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '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	18,160,337	18,160,337
At net asset value					
Associates	143,646	143,646	138,448	128,090	122,425
Available for sale					
Listed shares	27,220,943	32,460,737	30,914,016	31,894,168	35,711,339
Unlisted shares	35,495	48,891	47,972	20,754	20,832
Unit trusts	4,822,078	4,593,369	964,320	1,043,587	1,146,236
Listed debentures	23,867,197	21,017,947	19,566,029	15,228,277	11,880,406
Treasury bonds	2,534,387	4,659,451	4,062,844	5,119,315	4,387,187
Fair value through profit or loss					
Listed shares	3,628,205	4,050,081	5,320,606	6,756,655	5,538,348
Held to maturity					
Treasury bills	–	–	–	488,795	487,576
Treasury bonds	54,622,918	55,020,955	49,313,553	38,475,744	25,589,291
Loans and receivables					
Unlisted debentures	500,534	500,534	500,534	541,717	1,367,205
Term deposits	22,113,279	14,708,677	12,336,280	17,309,842	27,945,442
Development bonds	10,456,279	7,539,703	7,158,558	6,815,995	2,428,326
Commercial papers	256,462	–	–	–	–
Reverse repos	1,009,160	1,771,895	1,035,996	2,629,107	5,130,628
Total	172,296,487	167,601,790	152,445,060	147,537,950	142,841,145

INSTITUTIONAL CAPITAL

The institutional capital of SLIC encompasses a broad range of aspects that are of an intangible, non-financial nature and are yet unique to the Company. These aspects permeate through the Company's brand, culture, corporate values, ethics, integrity, organisational knowledge, and systems and processes. As such, these aspects enable SLIC to establish its position as insurer to the nation and deliver value to all its stakeholders.

VISION AND MISSION STATEMENTS

Vision

- To be the Nation's first choice for Risk Protection and Life Investment Optimisation

Mission

- We provide risk protection and life investment optimisation, that will deliver value to our customers
- Through a team of committed professionals, whose contribution we recognise and value
- Leading to superior shareholder value, whilst being a responsible corporate citizen

BRAND IMAGE

For over 57 years, Sri Lanka Insurance is a brand that has resonated with the people of Sri Lanka as the trusted insurer of the nation. Recognising the need for a strong yet simpler visual identity that resonates with today's youth, SLIC launched its new corporate identity in late 2018. The new corporate identity retains the bee and honeycomb motif of the previous logo, which represents the strength and unity of the community. The stylised "SLIC" of the new logo brings a sleek, modern, and dynamic new look to the corporate identity. The turquoise colour represents protection from harm and prosperity. The new visual identity ties together the strengths and core values of the SLIC brand in a way that is visually appealing to a new generation of Sri Lankans who will place their trust in SLIC as generations before them have done.



RATINGS

Fitch Ratings Lanka affirmed SLIC's National Insurer Financial Strength rating as AA+(lka) with a stable outlook. The rating reiterates SLIC's position as the strongest player in the local insurance industry, assuring the general public of the stability of the Company.

ISO CERTIFICATION

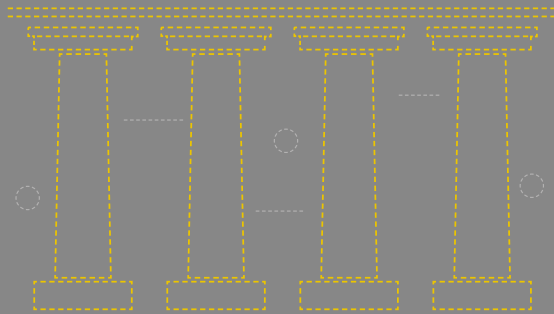
SLIC has been certified by the International Standards Organisation to be compliant with the prestigious ISO 9001:2015 quality standard. SLIC obtained the ISO 9001:2008 certification in 2009 and transitioned to the latest ISO 9001:2015 certification in November 2017. The SLIC Head Office and all branches meet the requirements of the ISO 9001:2015 standard, with the first surveillance audit after recertification having been successfully completed in December 2018.

The scope of the certification covers life and non-life underwriting, claims settlement, and support services of the Head Office and its branches. The Quality Policy is made clear to all departments and branches and senior management ensures that all employees carry out their work within the framework defined by the policy. All procedures, guidelines, and forms are available on the Company Intranet and accessible to all staff.

Customers receive an experience that adheres to the ISO quality standard when they avail of our services at the Head Office and branches. Customer complaints are documented so that effective action is taken to rectify any issues and a Customer Satisfaction Survey is carried out so that the Company can monitor customer satisfaction levels on an ongoing basis.

B-CONNECT

SLIC launched its latest digital innovation, the B-Connect app, in October 2018. Having identified the need to have a tech savvy salesforce that can navigate an increasingly technology-driven business environment, the app was designed to connect all advisors of SLIC, providing them with real-time updates. SLIC advisors can now communicate across all channels and departments within SLIC to service customers with speed and efficiency.



SLIC's Institutional Capital enables us to establish our position as insurer to the nation and deliver value to all our stakeholders.



AWARDS AND ACCOLADES

National Quality Award

SLIC won the Commendation Certificate for the second consecutive year at the National Quality Awards held in 2018 by the Sri Lanka Standards Institution (SLSI). The award recognises performance excellence and innovation based on competitiveness, leadership, recognition, and ethics, for which the criteria are based on those used for the Malcolm Baldrige National Quality Award (MBNQA) in the United States. Examiners evaluate the relevant criteria in the context of SLIC and award winners are decided by a panel of judges comprised Secretaries of Ministries and chaired by a retired judge of the Supreme Court or Court of Appeal.

Brand Finance

The Sri Lanka Insurance brand was ranked among the Top Five of the Most Loved Brands in the island in the "2018 Brands Annual". Sri Lanka Insurance holds the 4th position in this index with a score of 89.67. The top three positions are all held by popular consumer brands – Dettol, Panadol, and Sunlight. Sri Lanka Insurance being grouped among top global brands speaks volumes of the perception of Sri Lanka Insurance held by the people of the country; only one other insurance company featured in this list of 125 Most Loved Brands, and it holds the 97th position.

According to the Brand Finance report, the brand value of Sri Lanka Insurance Life and General have both shown remarkable growth over the previous year. These are all indicative of how the Company has grown in recent years and how it has managed to increase its brand popularity among the masses across the island.

INFORMATION SECURITY

The SLIC Network has built-in redundancy with next-generation firewalls to protect the Internet perimeter. Our wide area network also has dual links to branches through two independent communication service providers to ensure maximum uptime. All departments in the head office building are interconnected through a 10-gig fibre-to-core switch and all the application servers reside in the Head Office Data Centre. We have a perimeter firewall cluster to protect corporate data from the Internet and a Demilitarised Zone (DMZ) to publish Internet-accessible applications and the corporate website. All client personal computers are connected to the domain environment and end users have domain policy controlled environment to work within.

We have a DR implementation at SLT Welikada Data Centre for critical applications, database servers, and active directory environment. All the backups for the systems are handled by the Data Centre staff and they are available 24/7, 365 days a year.

SLIC currently does not adhere to any ISO standards but is in the process of creating procedures and processes to meet ISO standards for our ICT environment.

COMPLIANCE

SLIC makes every effort to ensure it is in compliance with all applicable laws, rules, regulations, and standards. Company policies, procedures, and guidelines are developed in adherence to regulatory and statutory requirements, and internal mechanisms are in place to ensure that the Company is in compliance with these policies at all times.

Apart from the directive on segregation, as detailed in the Notes to the Accounts and the Auditors’ Report, SLIC is compliant with all insurance industry regulations.

The Company’s human resource practices comply with local labour regulations and relevant statutory collateral, and employees are kept informed of relevant developments via email and the Company Intranet. Our activities are compliant with established guidelines on environmental protection.

The Compliance function periodically reports to the Audit and Compliance Committee of the Company.

RISKS AND CONTINGENCIES

SLIC operates in a competitive and dynamic environment and as such is exposed to a range of risks that can affect short, medium, and long-term strategies. The Company recognises that a risk-based approach to managing an enterprise along with integrating concepts of internal controls and strategic planning is crucial for the long-term sustainability of the business. The Risk Management Policy has been developed to provide a framework for the management of risk and to increase awareness of SLIC’s risk exposure.

The ERM journey

The Enterprise Risk Management (ERM) Department was established in May 2018 with frameworks for governance and risk and control to strategically manage enterprise-wide risks, which is an integral part of SLIC’s strategy. The ERM process ensures that SLIC methodologically addresses the risks embedded in tasks with the objective of reaching sustained benefit within each activity and across the portfolio of strategic initiatives.

The ERM strategy is implemented in a continuous and developing process which runs throughout the Organisation’s strategy. The implementation of the strategy has a 360-degree perspective with consideration for the past, present, and future through three lines of defence.

1st line of defence	2nd line of defence	3rd line of defence
Head of the department and Senior Managers of the Unit, Process owners	Enterprise Risk Management	Internal Audit
Circulars, Policies, and Procedures	Compliance	Investigation

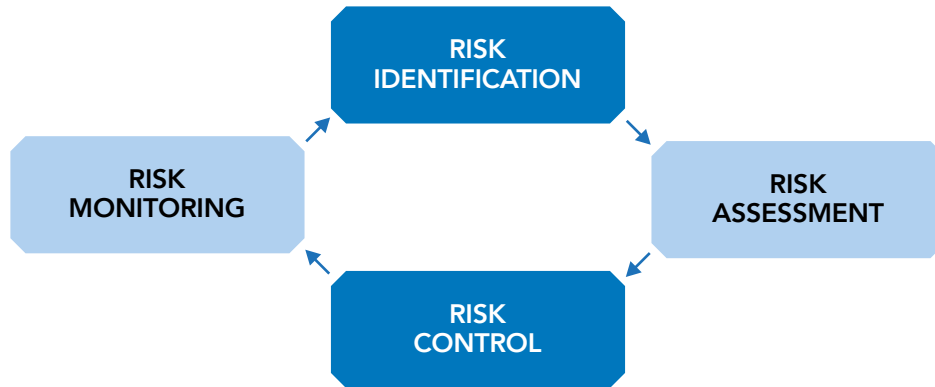


INSTITUTIONAL CAPITAL

The ERM process

The ERM process adopted by SLIC is in its initial stage. This involves identification, assessing, controlling, and continuous monitoring of material and relevant risk exposures for the Company's operations, as per the risk management framework.

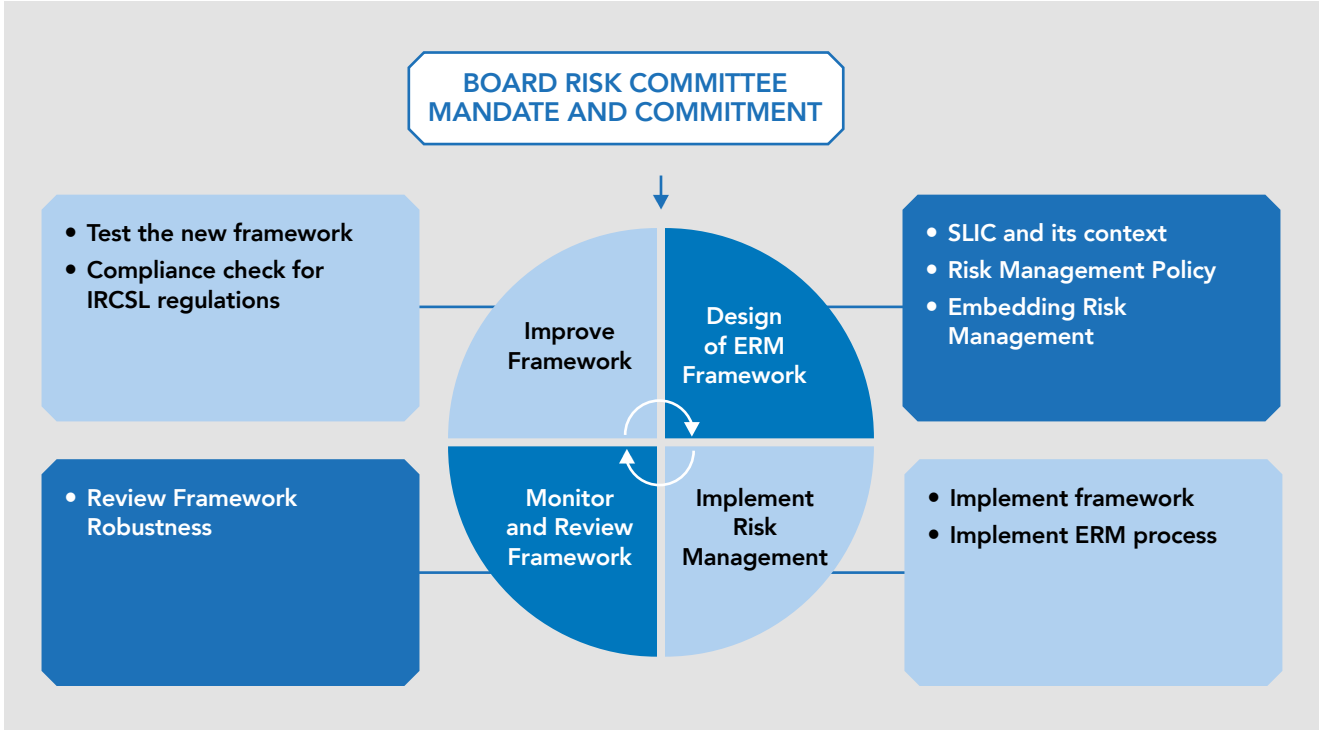
The process allows for adequate information, capability, and the capacity with the required techniques to manage key risks. Integration of the ERM process with the Strategic, Operational, Investment, Financial, Life and General Insurance business, Marketing, HR, and Compliance and Audit functions creates a well-aligned Risk Process that allows for managing systemic risks and taking proactive measures to reduce risk.



Risk Identification/ Recognition	Recognition of risks which affect the Organisation internally or externally establishes the exposure of the Organisation to risks and uncertainties	<ul style="list-style-type: none"> • Observations • Risk coordinator work shops • Incident report and root cause analysis • Scenario analysis • What-if analysis
Risk Assessment/ Measurement	<p>The identified risks are recorded into a Risk Register which includes an action plan that includes the current controls in place.</p> <p>This phase also extends to the evaluation of culture, performance, and the preparedness of the Organisation.</p>	<ul style="list-style-type: none"> • Risk register <ul style="list-style-type: none"> – Probability of occurrence – Impact (severity indicators) • Risk matrix
Risk Control	The Heads of Departments (HOD) have been identified as the risk owners and the process owners with the HOD should provide an update on the actions taken according to the action plan or any deviations with timeliness.	<ul style="list-style-type: none"> • Dynamic risk register • Existing control evaluations
Risk Monitoring	<p>ERM conducts regular risk monitoring to ensure risk mitigations are fit for purpose. This is an important step which provides the feedback process to the risk owners as well as the ERM Department and the Board.</p> <p>Monitoring the control effectiveness of the new controls by comparing the existing controls will be evaluated.</p>	<ul style="list-style-type: none"> • Key risk indicators • Risk limits/threshold levels • New control effectiveness • Regular risk reviews with risk owners • Monitoring of new risks patterns of changing risk events after new controls are in place.

Risk Management Framework improvement process

The Risk Management Framework improvement process of SLIC is as per the following diagram:

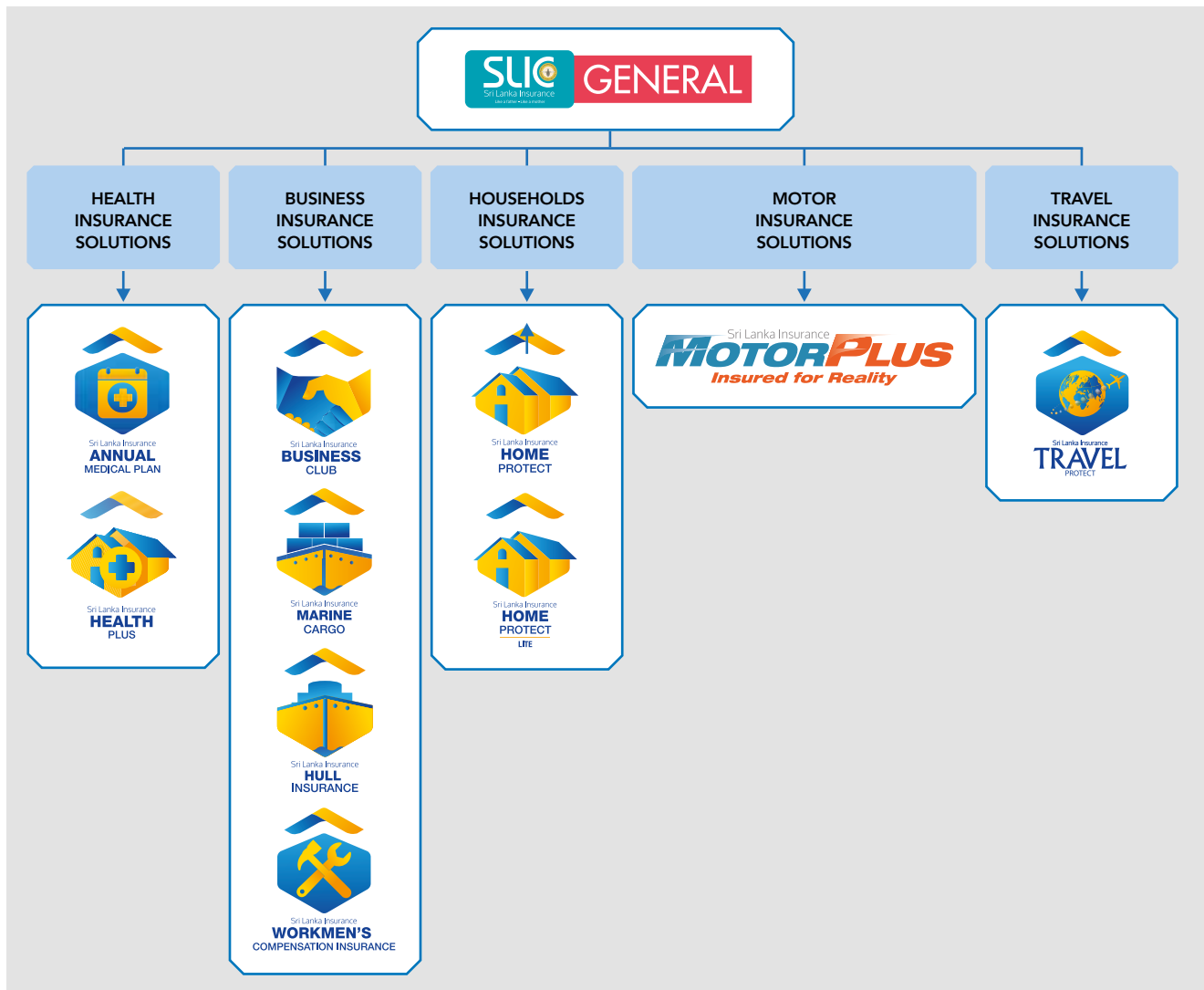


CUSTOMER CAPITAL

As the leading insurance provider in the country, Sri Lanka Insurance Corporation (SLIC) has built a strong and loyal customer base. Alongside efforts to increase our customer base, maintaining our strong customer base is essential to ensuring the sustainability of the business. To this end, SLIC works to engage customers by offering compelling products and ensuring that the mechanisms are in place to ensure that they always have a great experience with us; SLIC's ISO 9001:2015 certification offers customers the assurance that they are receiving world-class quality customer care.

PRODUCT PORTFOLIO

General Insurance products



Home Protect Comprehensive House Insurance Policy

This policy covers loss of or damage to building and contents of house owners as a result of named perils such as fire, lightning, cyclone, flood, burglary, riot and strike etc.

Kahawanu Money Insurance Policy

This policy covers loss of money whilst in transit and at the business premises of an Insured due to hold up, burglary, and break in. Extensions such as infidelity of employees, riots, terrorism, and personal accident cover are available.

Srama Surakuma Workmen Compensation Insurance Cover

This policy covers the employer's liability for death or injury of workmen arising in the course of their employment. Benefit is payable according to Workmen Compensation Ordinance of 1934 and subsequent amendments thereto.

Motor Plus Comprehensive Motor Insurance

This policy covers the motor vehicle against accidental damage, theft, fire, and various other causes. There are several extensions which can be granted under this policy for drivers, passengers, goods including riot, strike, and terrorism.

Globe Trotter Overseas Travel Insurance

This policy provides insurance cover for persons against any contingencies that may occur whilst travelling overseas. In addition to medical expenses and personal accidents, several other extensions are available.

Health Plus

This policy offers tailor-made health insurance schemes to cover hospitalisation due to sickness, accident, or surgeries.

Marine Cargo

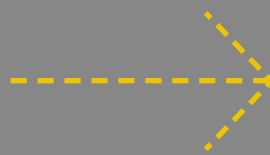
The marine cargo policy provides cover for transportation of various types of cargo by sea/air/road across the globe, inclusive of interim storage.

Other Policies

- Burglary
- Bankers Indemnity
- Professional Indemnity
- Public Liability
- Products Liability
- Contractors All Risk
- Erection All Risk
- Contractor's Plant and Machinery
- Electronic Equipment
- Annual Medical Plan
- Tea and Rubber Factory
- Aircraft Insurance
- Fishing Boats Insurance
- Personal Accident

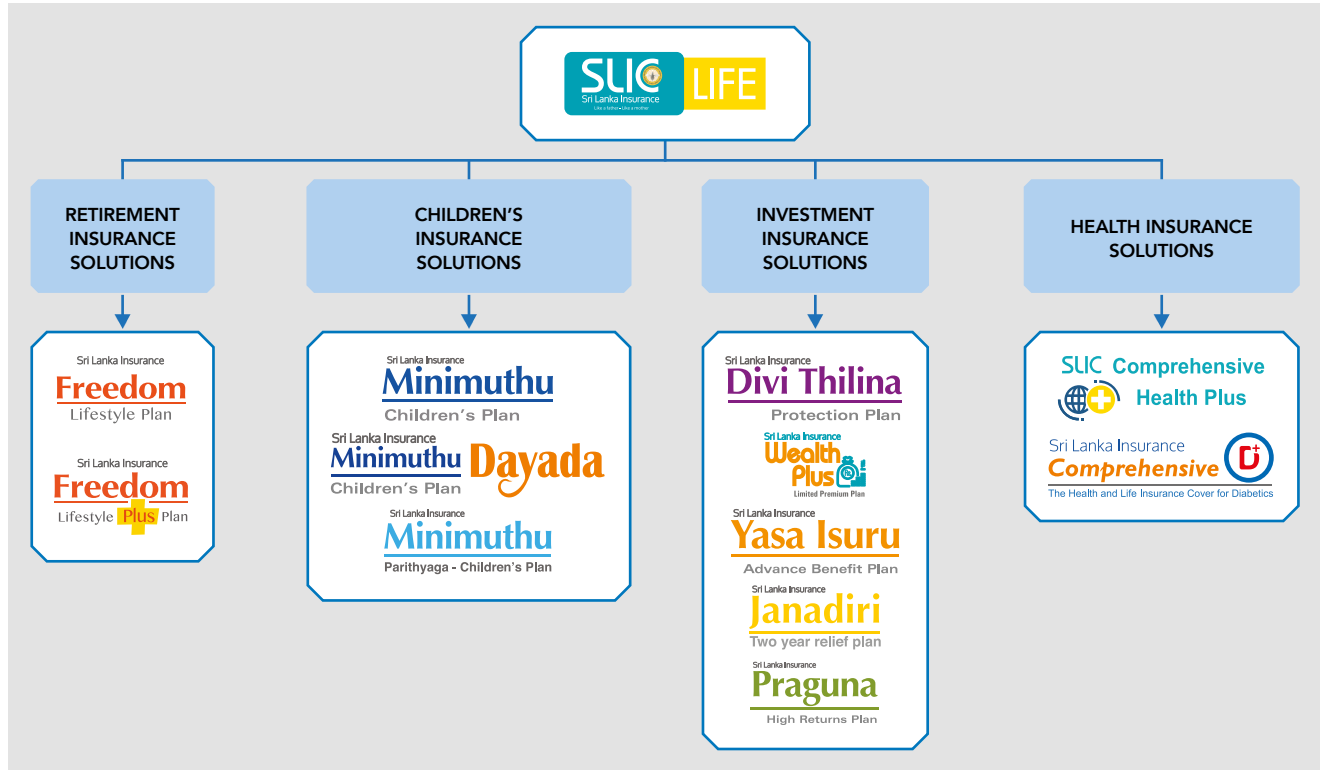


SLIC's Institutional Capital enables us to establish our position as insurer to the nation and deliver value to all our stakeholders.



CUSTOMER CAPITAL

Life Insurance products



Protection Plans

Divi Thilina

Divi Thilina is an Endowment assurance with higher return of benefits. This plan provides considerable life insurance cover at an affordable premium, whilst rewarding the policyholder with a higher maturity value.

In this product, premiums are payable for an agreed number of years. The Basic Sum Assured will be payable along with the accumulated bonuses at the end of the agreed term or at death, whichever occurs earlier.

Yasa Isuru

Yasa Isuru is a life insurance plan with periodic payments which provides the Basic Sum Assured in three stages during the term of the policy.

Premiums are payable for an agreed term of 10, 15, or 20 years. Irrespective of the stage payments already made, the full Basic Sum Assured along with the accumulated bonuses will be paid in case-death of the policyholder occurs during the term of the policy.

Praguna

This is a life insurance plan of which the Basic Sum assured of the policy is increased by 5% (in simple rate basis) every year although the premium payable remains unchanged. At the maturity of the policy, increased Sum Assured along with the accumulated bonuses shall be paid.

In the event of death of the life assured during the term of the policy, two times the increased Sum assured shall be paid.

SLI Medi Life

SLI Medi Life plan is a unique health insurance solution, coupled with a life insurance policy that gives complete protection. This is a customised solution, which provides a choice of health cover to match the medical requirements. As rider benefits, SLI Hospital Cash, SLI Surgical Benefit, and SLI Comprehensive Health Plus benefit can be obtained under this product.

SLIC Wealth Plus

SLIC Wealth Plus plan provides cover for those who wish to pay their premium over short term (five years), but expect to enjoy the benefits over a longer term.

In this plan, Basic Sum Assured of the policy is increased by 5% (in simple rate basis), in each year during the term of the policy. Upon maturity of the policy, increased Sum Assured along with the accumulated bonuses are paid. In the event of death of the life assured during the policy period, 125% of the increased Sum Assured is paid.

Retirement Plans

Freedom Lifestyle Plus

This plan of assurance provides a steady guaranteed monthly income for a selected term.

This monthly annuity will increase by 5% every year on compounded basis. Life Assured can select terms of 5, 10, 15, or 20 years as annuity receiving period. The bonuses will be paid as an annuity along with the monthly annuity. If the life assured's death occurs during the premium paying term, premiums paid (or Surrender value if higher) will be refunded and the policy will be terminated. If the life assured's death occurs during the annuity paying period, the annuity payments are made during the remaining annuity payment period.

Child Insurance Plans

Minimuthu

This plan guarantees a fund for the child at the maturity and provides protection for both parents. Even after an untimely demise of a parent, the fund will be available to the child. This plan provides a life cover for both parents, thus making it a joint life plan. The fund for the child will be given in four instalments as follows:

- At maturity: 35% of the Sum Assured and accumulated bonuses
- 1st year after maturity: 35% of Sum Assured
- 2nd year after maturity: 35% of Sum Assured
- 3rd year after maturity: 35% of Sum Assured

If one of the parents dies during the maturity benefit receiving period, the balance payments will be doubled.

Minimuthu Parithyaga

This plan guarantees a fund for the child at the maturity and gives protection to the child and one of the parents. Once the policy continues for a period of five years and the child completes 15 years of age, the child will also enjoy the life cover.

At the end of the policy term, the guaranteed sum assured and the accumulated bonuses will be paid to the child provided that the life assured is then alive.

If the life assured's (parent) death occurs during the policy term, 15% of sum assured per year will be paid to the beneficiary up to the date of maturity of the policy. These payments are made in addition to the Basic Sum Assured.

Minimuthu Dayada

This plan guarantees a fund for the child at the maturity and gives protection to the child and parents. At the maturity of the policy, 125% of the Sum Assured will be paid in five instalments provided both the child and the parent are alive. Even after an untimely demise of a policyholder, the fund will be available to the child.

Mortgage Protection Plan

Mortgage Protection Assurance (DTA)

Mortgage Protection Assurance policy provides an insurance cover for loan borrowers who obtain loans from banks/financial institutions. This plan has been designed to protect a mortgage executed in connection with a housing loan or any other loan against the risk of death or total and permanent disability of the borrower during the term of the policy.

New initiatives

SLIC launched a mechanism whereby property claim below a certain amount can be quickly settled through a shorter process that requires less documentation to be processed. This is similar to the "Bee Express" service that was launched in 2017 to expedite motor insurance claims. Additionally, SLIC enlisted more hospitals across the country, providing increased convenience to Medical Insurance policyholders.

CUSTOMER CAPITAL

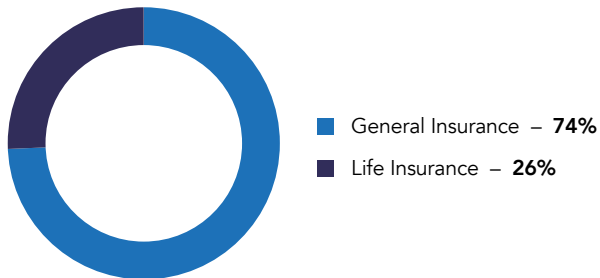
Initiatives planned for 2019

Recognising the potential to better serve the ever-increasing number of air travellers, SLIC's travel policy will be revamped to increase coverage while maintaining a competitive price point. Claims processes under General Insurance will be reviewed to identify possible improvements that can be made to enhance the customer experience and provide hassle-free claims settlements. Furthermore, a committee will be appointed to determine whether SLIC is optimally meeting customer needs and identify the potential to develop new products that can address the changing demands of the market.

CUSTOMER PROFILE

As of 31 December 2018, the General Insurance business has 1,328,773 policyholders and the Life Insurance Business has 458,838 policyholders.

CUSTOMER PROFILE



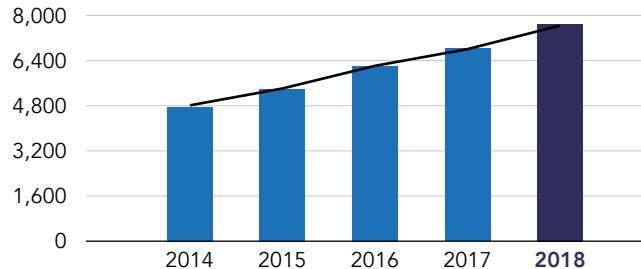
LIFE BONUS

SLIC declares largest Life Insurance bonus of LKR 7.6 Bn.

SLIC declared a Life Insurance Bonus of LKR 7.6 Bn. in 2018, the largest Life Insurance Bonus to have been declared in the insurance industry. The Company surpassed its own previous Life Insurance Bonus record of LKR 6.8 Bn. declared in 2017. SLIC also recorded the largest Life Fund in the local insurance industry at LKR 105 Bn.

This is yet another milestone in SLIC's recent history of declaring increasing bonuses to Life policyholders, with almost LKR 50 Bn. in total given out as Life Insurance bonuses since 2009. SLIC policyholders have been able to enjoy higher returns as a result of SLIC's prudent investment management strategies and accumulating Life Fund.

BONUS FV (LKR Mn.)



BRANCH NETWORK

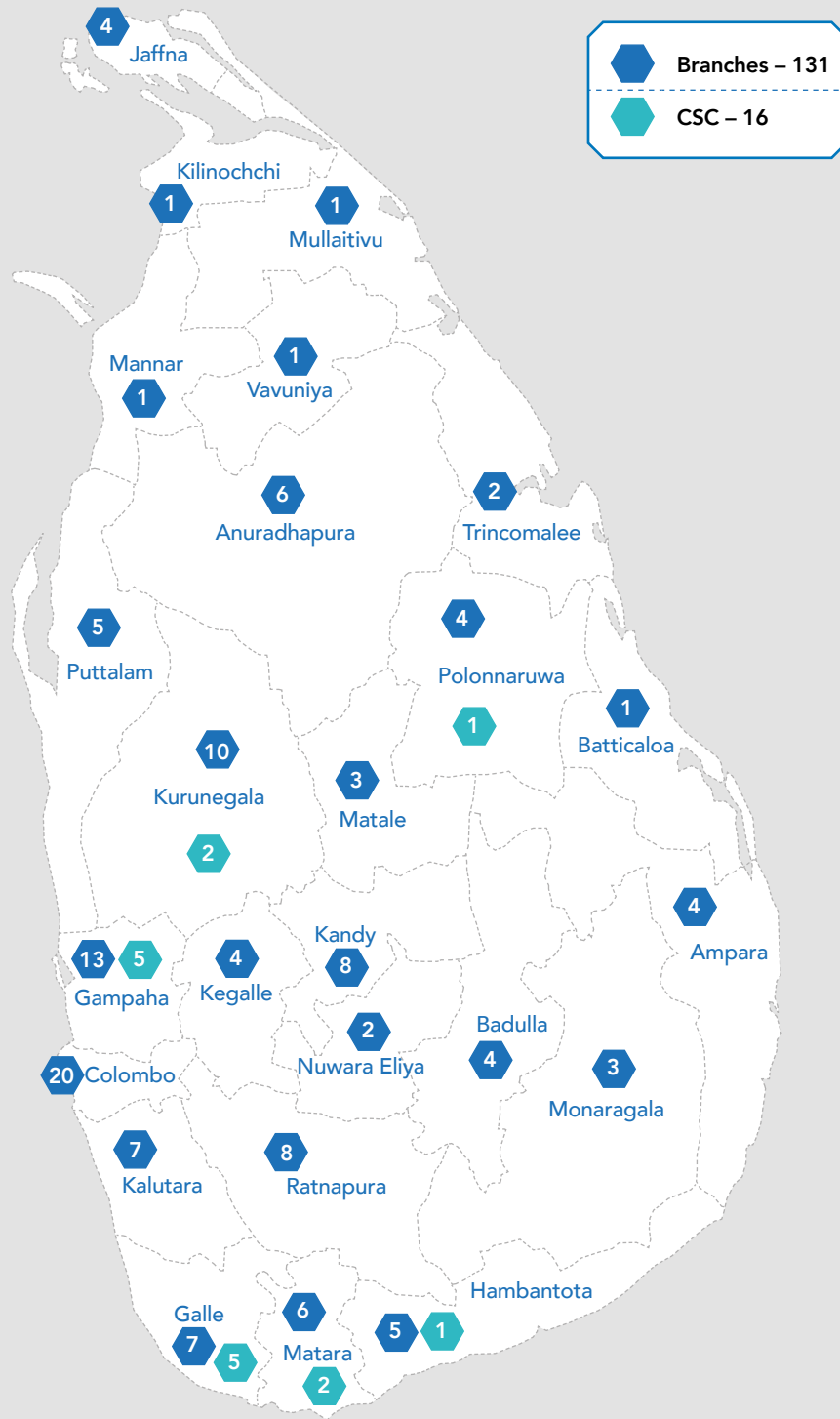
SLIC opened five new branches in 2018, extending their branch network to 152 branches across the country, including headoffice channels.

- Neluwa – Opened on 9 January 2018
2nd Floor, Manuka Building, Delwala Road, Neluwa
- Katugastota – Opened on 7 August 2018
No. 431, Katugastota Road, Kandy
- Yakkala – Opened on 17 September 2018
No. 39/C/1 Kandy Road, Yakkala
- Kotikawatta – Opened on 25 September 2018
No. 257/7/5, IDH Road, Kotikawatta
- Ruwanwella – Opened on 15 October 2018
No. 197, Awissawella Road, Ruwanwella

Four branches were relocated to provide enhanced customer service and better amenities.

- Mahiyanganaya – Opened on 16 January 2018
No. 126, Kandy Road – South, Mahiyangana
- Bambalapitiya – Opened on 17 December 2018
No. 22, Duplication Road, Bambalapitiya (Colombo 04)
- Gampaha – Opened on 20 April 2018
17/A – 1/1, Holy Cross Road, Gampaha
- Kalmunai – Opened on 27 July 2018
No. 152/90-1/1, Batticalloa Road, Kalmunai

Furthermore, the branches in Galle, Matara, Puttalam, and Nuwara Eliya were refurbished. SLIC plans to open another 11 branches during 2019.



CUSTOMER CAPITAL

MARKETING INITIATIVES**SLIC web portal**

SLIC redesigned its Web Portal to be more user-friendly and provide more enhanced and streamlined services to its customers. Life and General Insurance (Motor and Non-motor) customers can conveniently access services through the SLIC website without having to leave their home or visit SLIC offices. The Web Portal enables customers to obtain quotations, buy or renew their insurance policies, obtain policy schedules and cover notes, pay their premiums, and view the status of their premiums, policy details, and tax certificates.

B-Connect App

SLIC launched the B-Connect App in October 2018. Having identified the need for a tech savvy salesforce, the B-Connect App connects all SLIC advisors and enables them to receive updates in real time. With the App, SLIC advisors can now communicate across cross-function channels and departments to service customers with speed and efficiency.

Commercial Bank Affinity Credit Card

Commercial Bank and SLIC teamed up to launch a co-branded Affinity Credit Card that offers convenience to SLIC customers through a loyalty platform and easy payment scheme for General Insurance premium payments. With the option to pay for their General Insurance premium through a 12-month, 0% instalment plan, the card offers yet another convenient means by which customers can pay for their premiums without disrupting their personal cash flow.

The card, available in "Gold" and "Platinum", is issued without a joining fee and annual fee for the first year, and offers unique benefits including discounts from reputed automotive merchants and "Commercial Bank Max Loyalty Rewards" on every purchase made with the credit card, as well as other offers available to Commercial Bank cardholders.



Sri Lanka Insurance exchange MOU with Commercial Bank at the launch of Co-Branded Affinity Credit Card.

Medilink cashless card

SLIC and Medilink Lanka (Pvt) Ltd. signed a Memorandum of Understanding to enable SLIC to provide cashless cards to policyholders. Policyholders who are subscribed to SLIC's Comprehensive Plan, Overseas Comprehensive Plan, and Comprehensive D+ Plan for Diabetics can receive a Medilink card that allows them to seek treatment at Medilink-registered private hospitals and have their bills settled at discharge through the cashless card. The card replaces the previous system of reimbursement after settlement by the customer and enables hospital admittance upon producing the card, offering greater convenience to policyholders.



Sri Lanka Insurance exchange MOU with Medilink Lanka (Pvt) Ltd., to enable cashless cards to policyholders.

BUSINESS PARTNER CAPITAL

SLIC's business partners are crucial to how the Company conducts its operations and establishes strong and loyal relationships with our customers. Key business partners include reinsurers, brokers, advisors, and suppliers. Internal policies and procedures are in place to guide the Company and our business partners in maintaining compliance with laws and regulations and operating in a transparent, fair, and ethical manner. SLIC aims to conduct mutually beneficial relationships with its business partners that maximise value for all parties involved and optimise outcomes.

MEMBERSHIPS IN ASSOCIATIONS

- The Employers' Federation of Ceylon
- Insurance Association of Sri Lanka
- The Ceylon Chamber of Commerce

STRATEGIC PARTNERSHIPS

Strategic partnership is part of the corporate strategy in distribution of SLIC, and this approach has paved the way for SLIC to build alternate distribution beyond the traditional channels. In focusing on strategic partnerships in line with local and international insurance trends, we have structured the distribution for Bancassurance, Group Life, Finance Business Development, Broker Business, Public Sector, Corporate Services and special partnerships to approach larger scale penetration in the lower middle market such as through the network of post offices. These distribution channels are driving the business with partnerships in their respective business sector which will generate revenue in addition to the branch network which focus on retail at geographical focus.

Bancassurance and Alternative Distribution Department, which is headed by an Assistant General Manager, is working towards channel development on partnerships with his team closely work with Banks, Non-Banking Financial Institutions, Retail Brokers, and other corporate partners to capture group life as well. The Takaful Business window is another new initiative assigned to this Department as per the direction of the Board. We are pleased to be the key insurance partners to most reputed institutions in Sri Lanka such as Bank of Ceylon, People's Bank, National Savings Bank, and to key private commercial banks. SLIC has deployed their staff in some of the bank branches while systems are developed to cater for operational communications with these institutions. We also continue to be key insurance partners with leading leasing companies to cater their customers which key account management is used for service excellence. This includes the SLIC service counter at their premises.

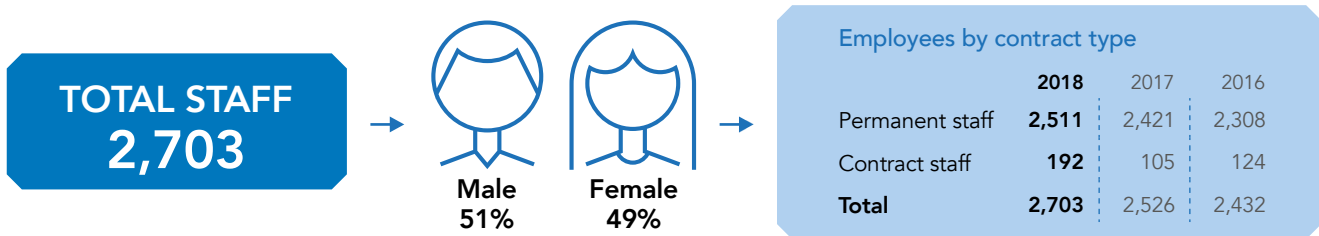
Further, SLIC also enjoys strong relationship with major Insurance Brokers primarily to provide General Insurance services for both groups and individual customer requirements. These partnerships are initiated and managed by the Corporate Business Units and SLIC is working continuously in improving this channel with technology, manpower and innovative partnership structures to ensure mutual profitability.

The support service related partnerships are also being given due priority by SLIC in addition to the partnerships for direct business penetration. These partnerships refer to payment gateways to enhance customer accessibility to SLIC with top level banks and mobile companies. SLIC's Motor Plus loyalty reward system is a unique reward scheme that offers discounts on Motor Plus Card at renowned retail stores, hotels, and lubricants. SLIC also has tied up with reputed regional garages to offer customers a hassle free economical repair experience.

EMPLOYEE CAPITAL

The human resources that constitute SLIC are considered the Organisation's most valuable asset. As the nation's insurer and a State-managed organisation, SLIC's employees should be enlightened on how the Organisation has to stay ahead of the competition through responsible conduct towards all customers. With a substantial number of employees that spend their entire working careers at SLIC, it is natural that the Organisation has loyalty and pride deeply entrenched within its workforce towards the SLIC brand.

EMPLOYEE PROFILE

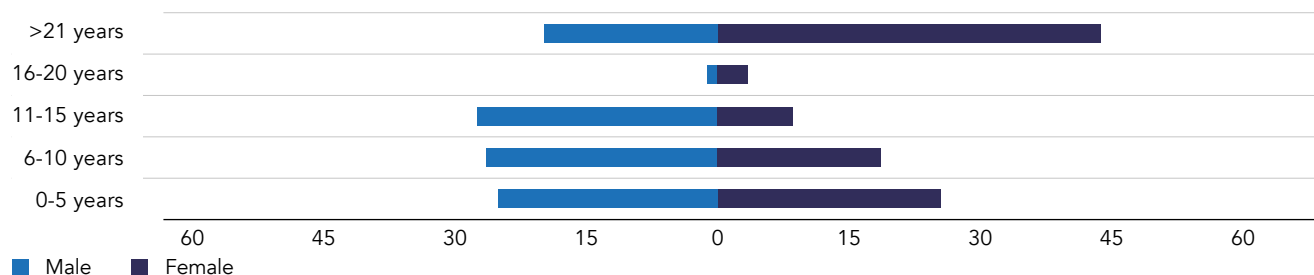


Employment by grade and gender:

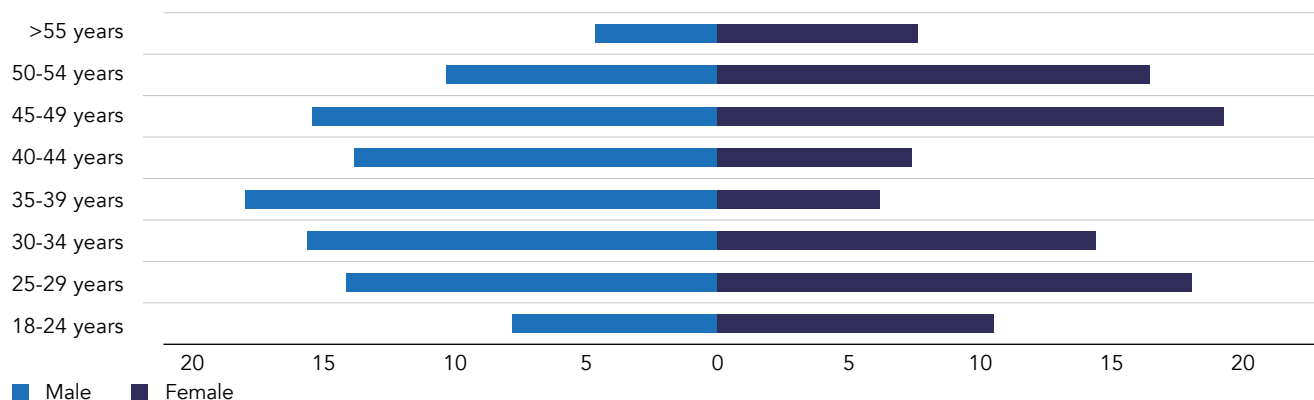
Grade	Number			Composition %	
	Male	Female	Total	Male	Female
Senior Managerial	63	15	78	81	19
Managerial	128	46	174	74	26
Assistant Manager	117	69	186	63	37
Executive	219	482	701	31	69
Supra*	1	32	33	3	97
Clerical	479	618	1,097	44	56
Technical	177	–	177	100	0
Supra (Skilled)**	5	–	5	100	0
Non-clerical	115	17	132	87	13
Minor	88	32	120	73	27
Total	1,392	1,311	2,703	51	49

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

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

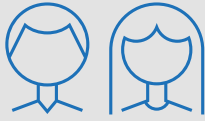
SERVICE ANALYSIS (%)

Number of years working at SLIC	Male	Female	%
0-5	349	334	25
6-10	368	245	23
11-15	382	113	18
16-20	16	45	2
21 and above	277	574	31

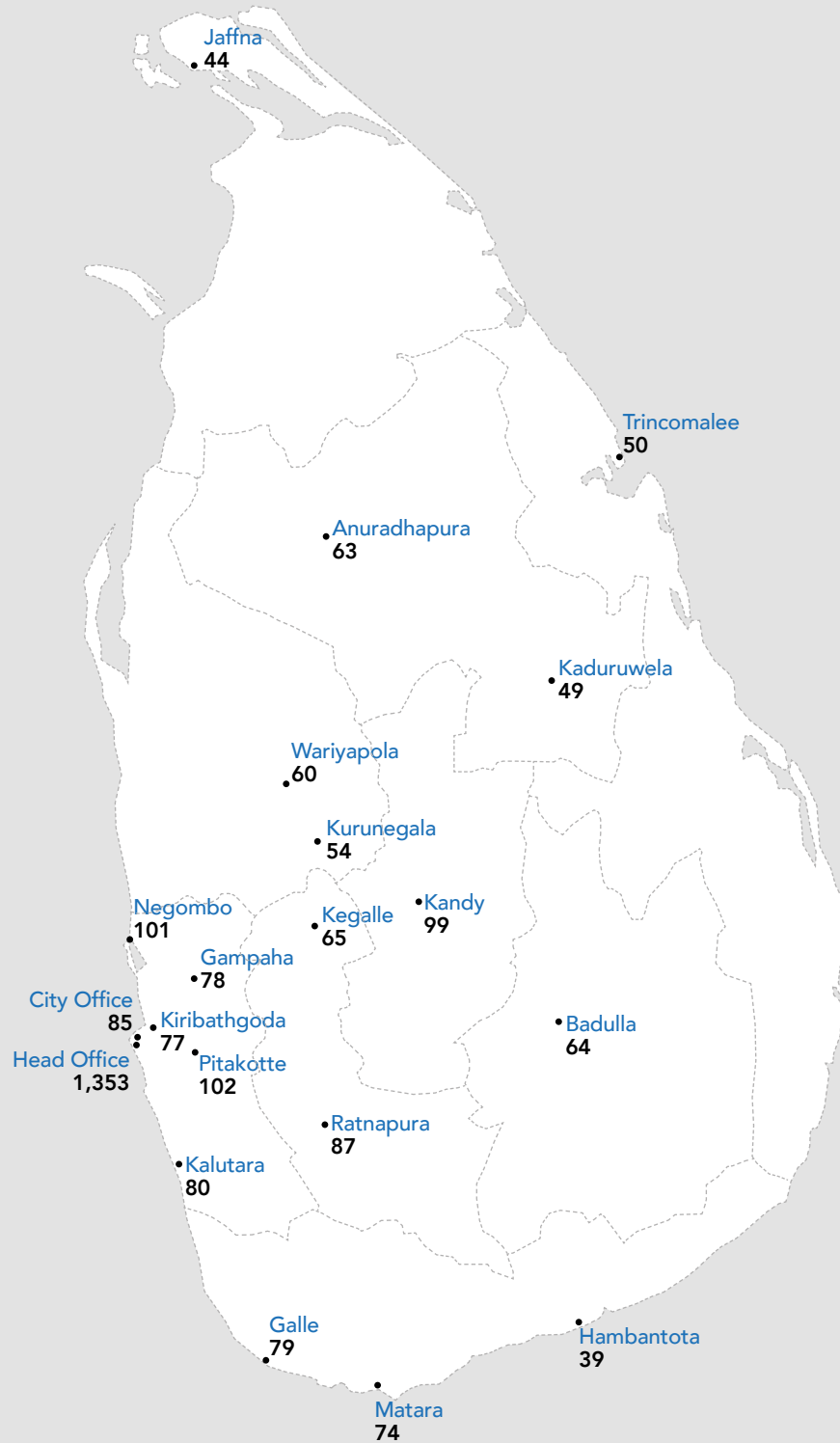
AGE ANALYSIS (%)

Age group	Male	Female	%
18-24	109	138	9.14
25-29	197	237	16.06
30-34	218	189	15.06
35-39	251	81	12.28
40-44	193	97	10.73
45-49	215	253	17.31
50-54	144	216	13.32
55 and above	65	100	6.10
Total	1,392	1,311	

EMPLOYEE CAPITAL



NUMBER OF EMPLOYEES BY REGION



RECRUITMENT AND RETENTION

Recruitment

The requisite qualifications, relevant knowledge and experience in the field, the appropriate skills, and a positive attitude are crucial in candidates at the point of recruitment. SLIC employs a strict selection process that includes aptitude tests to determine the suitability of candidates, and has a clearly defined and comprehensive recruitment policy. Internal candidates are prioritised and external recruitment is considered in the event that no suitable candidate is found internally.

Candidates are subject to an interview process with an interview panel. Interview panels may vary based on the vacancy and/or requirements, but will always consist of well-qualified and experienced professionals in the subject area. SLIC policy mandates that a representative from the HR Department is present at all interviews to ensure the transparency and impartiality of the recruitment process. Furthermore, a comprehensive and transparent written evaluation criterion is carried out by all the panellists.

Employee recruitment:

Age group	Male	Female	Total	%
18-24	60	76	136	48
25-29	41	52	93	33
30-34	3	19	22	8
35-39	0	14	14	5
40-44	0	10	10	4
45-49	2	4	6	2
50-54	1	2	3	1
55 and above	0	1	1	0
Total	107	178	285	

Employee turnover:

Age group	Male	Female	Total	%
18-24	18	11	29	27
25-29	14	17	31	29
30-34	5	1	6	6
35-39	1	2	3	3
40-44	1	0	1	1
45-49	1	0	1	1
50-54	1	0	1	1
55 and above	12	23	35	33
Total	52	54	106	

Retention

As the insurance industry becomes increasingly competitive, SLIC recognises the increased need to sustain its competitive edge by preventing diminishing (declining) talent; to do this, talented employees need to be retained and developed to be ready to step into any vacuum in key positions and leadership roles, thus ensuring that the business does not experience any disruption. SLIC Management has taken steps to identify critical positions within the Organisation and the best performers in the business to be included in the "SLIC Talent Pool". The objective of the Talent Pool is to establish a proper succession plan within the Organisation that will ensure there is always a well-developed and groomed employee ready to step into any vacancy in a critical position. Candidates in the SLIC Talent Pool are included in many development programmes to develop their soft skills and technical skills catered to the career paths of each individual, and undergo a mentoring process to further enhance their leadership and management skills.

EMPLOYEE CAPITAL



97.3%
**Staff Retention
Rate**



Staff retention rate:

	2018	2017	2016
Number of staff	2,703	2,526	2,432
Staff retention rate (%)	97.3	95.4	96.7

PARENTAL LEAVE

All our female employees are entitled to their maternity leave as per the Maternity Ordinance. In addition to the provision stated in the Maternity Ordinance, the Management of SLIC on request grants further two months leave to the concerned employees on No-Pay basis.

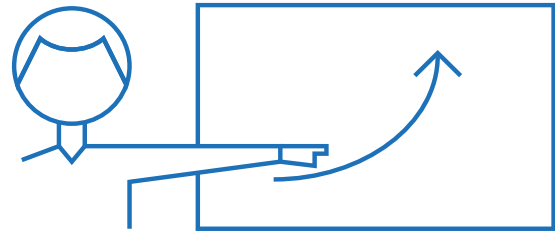
Requests for paternity leave are considered favourably upon request with the view of providing the father an opportunity to spending dedicated time with the new born, subject to adjusting with the leave entitlements.

Parental leave:

	Male	Female	Total
Number of employees entitled to parental leave in 2017	0	58	58
Number of employees entitled to parental leave in 2018	0	68	68
Number of employees that took parental leave in 2018	0	68	68
Number of employees that returned to work in 2018 after parental leave ended	0	66	66
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	0	0	0
Retention rate (%)	0	97	97

TRAINING

The Management of SLIC strives for continuous improvement in its human resources as a strategy to ensure the sustainability of the business and maintain the Company's market leadership. To this extent, the Company invests heavily into the development and training of employees in various ways and has steadily increased this investment each year.

TOTAL INVESTMENT IN
TRAINING AND DEVELOPMENT

2018
LKR 24.3 Mn.

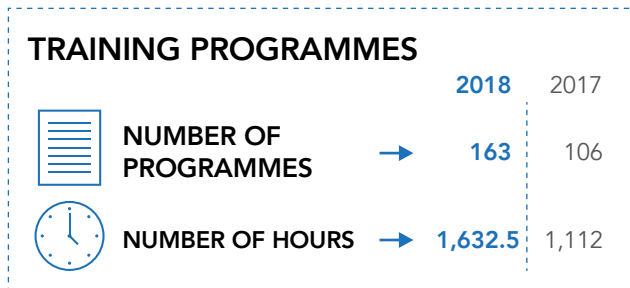
2017
LKR 8.7 Mn.

Investment in training and development:

Type	2018 LKR	2017 LKR
In-house training	842,144	314,900
External training	5,149,426	234,163
Conferences	1,476,997	1,161,962
Overseas training	8,928,357	5,186,042
Insurance and professional education	3,976,954	673,121
Professional membership	3,912,257	1,189,264
Total	24,286,136	8,759,452

The needs of each employee at SLIC, irrespective of designation, is identified before training is provided. Accordingly, internal and external (local and overseas) training programmes are identified that can benefit SLIC employees, helping them to build their capacity to effectively compete in the insurance market, thus boosting the competitiveness of the Organisation. In addition to training programmes, employees can also avail themselves of development programmes which provide assistance in obtaining degrees, diplomas, and post graduates qualifications in relevant fields.

SLIC also reimburses membership fees in professional bodies irrespective of the service period of employees, encouraging them to stay up-to-date in their respective fields.



Induction programmes:

	2018	2017
Number of programmes	8	4
Number of hours	99.25	50

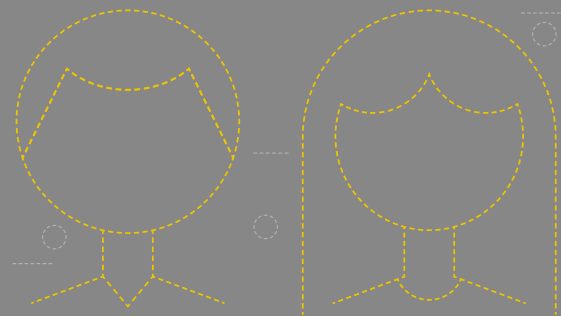
Reimbursement of examination expenses:

	2018 LKR	2017 LKR
Total investment on employees	2,962,147	3,812,627

STAFF BENEFITS

SLIC believes in the philosophy that “happy employees deliver quality products and services”. To this effect, SLIC ensures that its employees work in an amicable and peaceful work environment and are provided a vast array of benefits, with the objective of ensuring they are happy and improving the quality of their lives. Some of the benefits SLIC offers include –

- Comprehensive medical insurance coverage for SLIC employees and their families.
- Three holiday bungalows equipped with modern facilities and well-trained caretakers in Nuwara Eliya, Anuradhapura, and Kataragama that can be reserved by every employee.
- A Company Bus is available to employees and their families for travelling long distances.
- Seminars for schoolchildren who are set to do the Year-5 scholarship examination; children who successfully complete the examination are rewarded with valuable prizes.
- A highly sophisticated canteen facility with concessional prices on a wide variety of food for employees.
- Death benefit scheme for employees and their family members, ensuring that SLIC is with them “like a father, like a mother” by providing financial and emotional support.



SLIC’s employees are considered the Organisation’s most valuable asset and essential to how we stay ahead of the competition.



EMPLOYEE CAPITAL

SLIC employees also get to enjoy the following:

- Welfare shop
- Annual staff get-together
- Annual fairs
- Monthly confectionery fairs

PERFORMANCE MANAGEMENT

To compete more effectively in the increasingly competitive insurance industry, SLIC is placing more emphasis on its employees to drive a high-performing culture to help cultivate the Organisation's competitive edge. The introduction of a Performance Appraisal System that covers employees at all grades will help SLIC realise this high-performing culture. The system is currently in its introductory phase and SLIC is vigorously conducting awareness sessions and informational campaigns, as well as performance appraisal-related competitions to get all employees to fully engage themselves with the new system.

WORK-LIFE BALANCE

SLIC strives to ensure that employees have a healthy work-life balance, in the belief that they can perform optimally in the workplace if they can strike a good balance between their professional and personal lives. The outcome would be an increase in the productive output of employees towards achieving organisational goals.

SLIC employees can take advantage of a range of facilities such as a fully-equipped gym with qualified instructors who can assist them to maintain their physical fitness. Yoga classes for employees are being organised in the coming year. Employees also have access to a library with over 1,800 books covering fiction and educational topics in the fields of insurance, management, finance, marketing, and sales.

EMPLOYEE ENGAGEMENT

With a workforce of over 2,700 employees, SLIC Management has to ensure that the Company engages with them in a clear, transparent, and fair manner. In addition to communicating Company policies and procedures clearly to employees, SLIC has recently taken the initiative to introduce a quarterly newsletter, "Bee News". The newsletter aims to ensure that corporate news properly cascades to employees across all grades, therefore helping employees align themselves with Management strategies and goals.

EQUAL EMPLOYMENT OPPORTUNITIES

SLIC ensures that employees have equal opportunities from recruitment to retirement. Every effort is made to ensure that employees do not experience discrimination on any basis, including race, religion, gender, and political allegiance. SLIC also believes in providing career opportunities to differently-abled persons wherever possible.

REWARDS AND RECOGNITION

Sri Lanka Insurance General Insurance Summit – 2017

SLIC held the Sri Lanka Insurance General Insurance Summit – 2017 on March 16-17, 2018 at the Earl's Regency, Kandy. The event, one of the most prestigious events in the Company's annual calendar, was held under the theme "The Journey Towards Perfection" and saw over 220 members of SLIC's General Insurance sales force take part. They were recognised and rewarded at the Summit for their performance which had helped the Company once again become the leader in the General Insurance sector in the country.



A winner receiving awards at General Insurance Summit 2017

Harasara 2018

SLIC highly values its employees who have helped the Organisation serve the masses and carry the message of insurance across the island for decades. The "Harasara 2018" awards ceremony was held in April 2018 at Hotel Galadari, Colombo to recognise and felicitate employees who have served the Company over a 25 and 35-year period, making it possible for SLIC to provide its great service to the nation. SLIC Former Chairman Hemaka Amarasuriya was the Chief Guest at the event, and Former Director Nilu Wijedasa and the Senior Management of the Company also graced the event.

SLIC felicitated 104 members of its staff for their loyal service, dedication, and commitment to the Company with a personalised plaque, certificate, and gold coins; 93 of the recipients had completed 25 years of service and 11 recipients had completed 35 years of service.



Former Chairman Mr Hemaka Amarasuriya felicitating an employee at Harasara 2018

Life Congress 2018

SLIC held the Life Congress 2018 at Shangri-La's Hambantota Gold Resort & Spa in November 2018 to honour the top sales achievers in the Life Insurance sector. Sales achievers who had achieved the highest results in a competition held from January to June qualified to attend the prestigious two-day residential congress. The event included sessions by Bhatiya Arthanayake, a well-known motivator and personal skills developer, and Kelum Weligama, a popular life coach and lecturer of personal development. Over 275 members of the sales team were awarded with certificates and trips to Europe and Asia for their outstanding performance.

Star Awards 2018



Top Achievers who were awarded at the Star Awards 2018 with the Top Management of SLIC.

SLIC's Star Awards is one of its most glamorous and star-studded events. The 2018 event was held in July 2018 at the BMICH to honour and recognise the excellence and outstanding performance of its sales team. Over 600 of the best achievers in Life, Motor, and Non-motor categories were honoured with certificates, plaques, and awards at the event which was attended by over 1,500 SLIC employees, including Former Chairman Mr Hemaka Amarasuriya and Corporate Management. The chief guest of the event was Hon State Minister of National Policies and Economic Affairs, Dr Harsha de Silva.

The event also recognised members of the achievers' clubs, the Platinum Star Club and Platinum Club, as well as the 50+ member delegation who were selected for the international Million Dollar Round Table Conference in Los Angeles, USA.

COLLECTIVE AGREEMENTS

SLIC entered into the last collective agreement in January 2017 with eight trade unions for the period during 2016 to 2019. The agreement was formulated in line with industry standards and covers several aspects including rights and responsibilities of employer, general terms and conditions of employment, variations of employment benefits, salary revisions, other allowances and benefits, annual bonus, work practices, trade union actions, and grievance resolution procedures. SLIC currently has two separate collective agreements that are active, covering both executive and non-executive grades.

OCCUPATIONAL HEALTH AND SAFETY

SLIC takes responsibility for ensuring the health and safety of its employees on duty. Separate units exist to ensure that health and safety standards are maintained, including medical, security, and premises, and employ experienced professional staff. The Risk Management Department assesses risks associated with health and safety at regular intervals and takes preventive and corrective measures where necessary. The HR Department, with support from other departments and relevant authorities, schedules and provides the requisite training and awareness programmes for health and safety. Currently, SLIC has undertaken the development of the Health and Safety Policy with the view of strengthening and streamlining health and safety practices in the workplace.

SOCIAL AND ENVIRONMENTAL CAPITAL

As the nation's insurer, SLIC acts as a responsible corporate citizen, recognising the impact it has on the communities it operates within and the country. Since its inception in 1962, SLIC has strived to serve the country and its people through social and cultural initiatives that support the diverse communities of the country while strengthening its brand equity and profile.

SOCIAL CAMPAIGNS

Suba Pathum National Scholarship Scheme

SLIC launched the "Suba Pathum – National Scholarship Scheme" in 2018. The scheme rewards 300 students who achieve the top rankings at district level for Grade 5 scholarship and O-level examinations, and National level for A-level examinations in Biology, Mathematics, Commerce, and Arts streams. The scheme is open to all children across Sri Lanka irrespective of them being a SLIC Life policyholder; scholarship recipients can enjoy additional benefits if their parents/guardian holds a SLIC Life policy.

The first phase of the 2018 Suba Pathum awards ceremony was held at Pinnawala Central College Kegalle in November 2018, followed by 17 regional awarding ceremonies islandwide.



Financial Scholarship winner receiving awards at the SLIC Life Subapathum Scholarship Awards Ceremony.

Call to Donate

SLIC's "Call to Donate" initiative was active for the third year in November 2018. The campaign aims to raise awareness about cancer and donate funds to build an isolation room for the Pediatric ward of Apeksha Cancer Hospital, Maharagama.

SLIC promised to donate LKR 10 for each missed call it received, and with generous Sri Lankans leaving over 480,000 missed calls, the Hospital will receive LKR 5 Mn. as a donation from SLIC.

Since the initiative was launched in 2015, SLIC has donated a CPAP machine, essential medicines, and prosthesis limbs to Apeksha Cancer Hospital.

Ath Pavura Mission 2

SLIC partnered with Ath Pavura, Sri Lanka's first reality television show to promote social entrepreneurship and impact investment. The programme attempts to find entrepreneurs scattered around the country who are engaged in social and environmental projects that create value for society through business development activities. The first 100 applicants to successfully secure an investment from the programme are entitled to personal accident insurance coverage by SLIC worth LKR 1 Mn. SLIC has currently provided coverage to 25 applicants through the partnership.

World Children's Day

SLIC launched an island-wide campaign in October 2018 to commemorate World Children's Day 2018 with a series of campaigns conducted at the Paediatric wards of the 20 main hospitals in the country. Thousands of parents were educated about the benefits they would receive from the Suraksha free health insurance cover and procedures on obtaining their claims. The Suraksha health insurance policy will ease the financial burden on students who are faced with illnesses, accidents, and disabilities in and out of school and help them to continue with their education.



Former Chairman Mr Hemaka Amarasuriya visiting the Paediatric ward of the Lady Ridgeway Children's Hospital.

Inter School Sports Festival

SLIC was the official insurance partner for the 34th Inter School Sports Festival held in October 2018. 8,000 school students participated in the event held at Sugathadasa Stadium. SLIC's *Suraksha* health insurance policy was highlighted at the event; the policy launched together with the Ministry of Education aims to ensure the physical and mental well-being of all Sri Lankan students.



SLIC Help Desk at Inter School Sports Festivals.

AWARENESS CAMPAIGNS

Awareness campaign on the importance of Life and General Insurance

An islandwide awareness campaign on the importance of Life and General Insurance and how these could offer protection to the public was carried out by officers of Sri Lanka Insurance on April 1 and 7. The awareness campaign was conducted throughout the island on a door-to-door basis as part of the efforts of the Company to propagate the importance of being protected with insurance in case of unforeseen situations which may arise.

Awareness campaign on new brand identity

The 2,500-strong employee base of Sri Lanka Insurance carried an island-wide awareness campaign in August 2018 parallel to the unveiling of the new brand identity and logo to the general public. The campaign aimed to create wider awareness among the general public about the new corporate identity which has been developed around the core essence, "The dynamic leader that gives you absolute assurance".

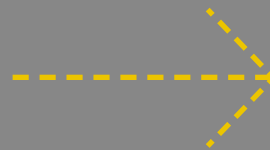
PROMOTIONAL EVENTS

Sri Lanka Insurance ties up with Medilink to provide cashless card

Sri Lanka Insurance signed a Memorandum of Understanding with Medilink Lanka (Pvt) Ltd. which would provide cashless cards to SLIC insurance policyholders who obtain health cover.



Since 1962, SLIC has strived to serve the country and its people through various social and cultural initiatives that support the diverse communities of the country.



SOCIAL AND ENVIRONMENTAL CAPITAL

Accordingly, policyholders who have signed up for SLIC's Comprehensive Plan, Overseas Comprehensive Plan, and Comprehensive D+ plan for diabetics will receive a card via Medilink. It would enable them to seek treatment at Medilink-registered private hospitals and get their bills settled at the moment of discharge through the cashless card, subject to policy conditions.

The new card system replaced the previous system of reimbursement of medical bills after settlement by customer at the discharge. Hospital admittance can be done by simply producing the SLIC – Medilink card and calling a Medilink representative on +94 11 740 0600, +94 11 239 3960, +94 77 726 8786, +94 77 726 8787, +94 77 769 9361.

The facility is a great convenience for SLIC policyholders who may be unable to immediately settle large hospital bills upon being discharged from a hospital.

SLIC Motor Plus team races at Foxhill

The SLIC Motor Plus team, led by motor racing legend Aravinda Premadasa, participated in the Foxhill Super Cross 2018 in April at the Diyatalawa Foxhill Racing Circuit. The event, the 26th iteration of one of the country's most popular racing events, had over 50,000 spectators and was broadcast live on television.



SLIC Motor Plus Team ready to race at Foxhill Supercross 2018

Happiness carnival

SLIC held a series of carnivals, the Happiness Carnival, to celebrate the declaration of the largest Life Bonus in the insurance history of Sri Lanka at LKR 6.8 Bn. The first carnival was held at Viharamahadevi Park, Colombo, followed by carnivals in Ampara, Matara, Dambulla, and Kurunegala. Over 35,000 people across the country participated in the carnivals which were filled with fun activities for children such as mini-bowling, balloon darts, bumper balls, waterslides, merry-go-rounds, paddling boats, bungee runs, and bouncers. Attendees could partake in art and dance contests and win gifts, watch magic shows, street dramas, motorcycle stunts,

and play games in a Virtual Reality Game Zone. Informative sessions were held to educate attendees on various topics, including road safety. The carnival was open to both policyholders and non-policyholders with all activities free of charge to participants.

New year festive celebrations

SLIC celebrated the festive season in April with exciting activities in Nuwara Eliya. Youth flocked to partake in the Virtual Reality Game Zone to experience modern games and hourly art competitions. The highlight of the event saw seven lucky participants were selected through a raffle draw to take a partner and enjoy the scenic views of Nuwara Eliya in a 20-minute helicopter ride. Over 1,500 people participated every day in the festive celebrations with SLIC at Gregory's Lake.



A lucky winner receiving the helicopter ride from SLIC.

Cultural festivals

SLIC has always been at the forefront when it comes to promoting and uplifting the cultural heritage of the island. Its involvement in cultural and religious festivals through providing sponsorship and providing protection for such events spans over decades.

SLIC provides assistance for pilgrims visiting Anuradhapura during the Poson season. The programme comprised tracking down lost individuals and their belongings in and around the sacred areas of Anuradhapura. This was followed by Ruhunu Maha Kataragama Devala Perahera, an event attended by the Buddhist and Hindu communities of the country. Dedicated to preserving the culture, traditions, and rituals for future generations, SLIC was involved in supporting major cultural events in the country such as Kandy Esala Perahera, Gatabaru Dewala Perahara, and Nallur Kovil Festival.

SLIC also supported the Gangarama Nawam Perahara. Apart from coming on board as a sponsor, SLIC's role at the peraheras included providing personal accident covers and public liability covers to all those present at the perahera site through the 'Ira Handa Pawathina Thuru' scheme.



GOVERNANCE AND INTERNAL CONTROLS

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BOARD OF DIRECTORS

Mr W A Priyantha Abeysinghe
Non-Executive Director

Mr K A Vimalenthirajah
Chairman

Mr Thusitha Halloluwa
Non-Executive Director



Mr Athula S Ranagala
Non-Executive Director

Mr B M Dushyanta B Basnayake
Managing Director

Ms B A Ruwani Dharmawardana
Company Secretary

Mr K A Vimalenthirarajah*Chairman/Non-Executive Director*

Mr K A Vimalenthirarajah is an officer of Sri Lanka Administrative Service, counting over 24 years of experience in the public service. He is presently working as the Director General, Department of Fiscal Policy. He is also an Attorney-at-Law.

Mr Vimalenthirarajah holds a Special Degree in Economics from the University of Jaffna, Master of Philosophy in Economics from the University of Peradeniya, Master of Business Administration from the University of Moratuwa, and Bachelor of Laws from the Open University of Sri Lanka. He has also completed a Postgraduate Diploma in Development Studies and Public Policy, a Postgraduate Diploma in International Relations, a Diploma in Human Resource Management, and a Diploma in Information Technology.

Prior to his appointment as the Director General, Department of Fiscal Policy of the General Treasury, he has held various positions in the public service including the positions of Director General of the Department of Trade and Investment Policy, Senior Assistant Secretary in charge of Administrative Reforms, the Chief Information Officer of the Ministry of Public Administration and Home Affairs, and Minister Counsellor of the Sri Lankan Embassy in Beijing, China.

Mr Vimalenthirarajah is a member of the National Trade Negotiation Team of Sri Lanka and the Country Director to the SAARC Development Fund. Currently, he is also representing the General Treasury on the Boards of Sri Lanka Tourism Promotion Bureau, Board of Investment of Sri Lanka, Ceylon Petroleum Corporation, the Bank of Ceylon, and the Institute of Human Resource Advancement of the University of Colombo.

Mr B M Dushyanta B Basnayake*Managing Director*

Mr Dushyanta Basnayake has more than 35 years management and leadership experience in multiple industries encompassing Finance and Administration, Media and Communication, Public Administration, Plantation, Real Estate and Property Development, Insurance and Pharmaceutical Industry.

He started his career in the audit and finance sector and gained over four years of experience at M/s Ernst & Young. He rose through the ranks after joining Communication & Business (Pvt) Ltd. as an Accountant and then became the Director of Finance and Administration of this large conglomerate with several subsidiaries by 1997. Mr Dushyanta played a prominent role as a founder member in establishing Ceylon Newspapers (Pvt) Ltd. in 2008. His directorial contribution further spans to his position at Gal-Oya Plantation Ltd. since 2016. Proving his capability to succeed in different business arenas, he is currently serving as the Director-Finance at The Associated Newspapers of Ceylon Ltd., the largest state-owned print media organisation of the country.

Mr Dushyanta, who is a past pupil of Dharmaraja College, Kandy, holds a BA (Hons) in Business and Administration (UK), MBA (USA), and an Executive MBA from the Postgraduate Institute of Management (University of Sri Jayewardenepura).

Accumulating a wealth of knowledge of over three decades, one of his pronounced abilities would be the empathy he exhibits in handling human resources and with it, the ability to root out operational barriers, swiftly resolving them and propel towards achieving an organisation's objectives and goals.

BOARD OF DIRECTORS

Mr W A Priyantha Abeysinghe*Non-Executive Director*

Mr Abeysinghe holds a BCom (Special) Degree from the University of Sri Jayewardenepura, a Diploma in Gemology with 12 years of experience in gem mining, gem identification, gem valuation, and machinery mining, and a Diploma in Hotel Management. Mr Abeysinghe has worked as the Working Director of Regional Development Bank from 2015 to 2018. Further, he has served as the District Manager of Regional Rural Development Bank from 1988 to 1994.

Mr Athula S Ranagala*Non-Executive Director*

Mr Athula S Ranagala is an eminent Senior Counsel in Civil and Criminal Law, with an experience of more than 25 years. Having received his primary and secondary education at Nalanda College, Maradana, he read for his first Degree [LLB (Hons)], from the University of Colombo. Being recognised for his capability, he was appointed as the President of the Bar Association of Mt Lavinia for the period 2013-2015.

Furthermore, he has served as a Director of MBSL and is presently providing his valuable services as a member of the Ceiling on Housing and Property Review Board under the Ministry of Housing, Construction and Cultural Affairs. In addition to his professional achievements, he is well known among the public island-wide for his social work from his legal expertise and specially as a well-wisher for the needy people. He is a younger brother of late Mr Lesley Ranagala, who was a member of the Western Provincial Council at the time of his untimely death.

Mr Thusitha Halloluwa*Non-Executive Director*

Mr Halloluwa has over 28 years of experience in media and publicity and has served as Media Secretary to several Ministers and former President of Sri Lanka, H E Chandrika Bandaranaike Kumaratunga. He has served as the Director of Media and Publicity for the Sri Lanka Freedom Party during 2001 and 2004 and as a National Consultant to Neth Television Network (Pvt) Ltd., Lakdhana.com, and Chelina Capital Corporation (Pvt) Ltd. during 2005 and 2010. During 2015 to 2016, he was a Director of Sri Lanka Mobitel Corporation and since 2015, has been the Chairman of Colombo Commercial Fertilizers Ltd.

Ms B A Ruwani Dharmawardana*Company Secretary*

Ms Dharmawardana holds a Bachelor of Law degree (LLB) from the University of Colombo and is an Attorney-at-Law. In addition, she is an Associate Member of the Chartered Institute for Securities and Investments, UK. She also holds a Master of Business Administration degree from Cardiff Metropolitan University, UK, Postgraduate Diploma in Business Management of ICFAI University of India, Diploma in Certified Management Accountancy of Institute of Certified Management Accountants of Sri Lanka, and Diploma in Human Resources Management of Wigan & Leigh College, UK. She is an astute Corporate Law professional and the book titled *Principles and Practice of Company Law in Sri Lanka* published in 2008 is the result of her dedication to Corporate Law. She is also a writer on contemporary business law related topics and on corporate governance.

She counts over 15 years of experience in both Government and Private sectors in the areas of company secretarial and compliance.

She also functions as the DGM – Compliance.

LEADERSHIP TEAM

CHIEF OFFICERS

Ms Malanie Tennakoon

Chief Financial Officer
MBA, FCA (SL), CPA (Aus),
CIMA (UK)

Mr Chandana L Aluthgama

Chief Executive Officer
BCom (Sp), MBA, FCMI (UK)

Mr Rukman Weeraratne

(Appointed w.e.f. 2 July 2018)
Chief Officer – Business Development
ACIM



Ms Ruanthi Gooneratne

Chief Officer – General Insurance
FCII (UK), Chartered Insurer

Mr Suresh Paranavitana

Chief Officer – Life Insurance
FCII, MBA, DipM, FCIM, MI Mgt, CMA
(Aus)

Mr Aloka Jayawardena

Chief Information Officer
DCSD, HDCBS (NIBM), BSc (MIS),
PGDBFA (ICASL), MBA, PMP, SAP, CISM

LEADERSHIP TEAM

Mr Chandana L Aluthgama*Chief Executive Officer*

Mr Aluthgama assumed duties as Chief Executive Officer of Sri Lanka Insurance Corporation in 2018. He counts over 27 years of experience across diverse facets within the Insurance industry. During his career, he has held many senior roles in organisations such as Eagle Insurance PLC and HNB Assurance PLC. Further, he has held many leadership positions outside his insurance career in both local and international associations. Mr Aluthgama has conducted lectures as a visiting lecturer at the Postgraduate Unit of the University of Colombo – Management and Finance Faculty. He holds a Master’s Degree in Business Administration from the University of Colombo, Bachelor of Commerce Degree from the University of Kelaniya, and he is a fellow of the Chartered Management Institute of UK (FCMI). He has presented research papers at local and international conferences on Insurance and Bancassurance and has undergone extensive training locally and overseas including at Generali Insurance AG, Vienna, Austria, and NUS Business School, Singapore. Prior to taking up this appointment, Mr Aluthgama functioned as the Chief Business Officer and the Principal Officer of HNB General Insurance Ltd. Mr Aluthgama also serves as the Principal Officer for Sri Lanka Insurance Corporation Ltd.

Mr Suresh Paranavitana*Chief Officer – Life Insurance*

Mr Suresh Paranavitana began his career in the Insurance Industry in 1986 and has worked in the Life Insurance field for most of this duration. He is a Fellow of the Chartered Insurance Institute, Fellow of the Chartered Institute of Marketing, Certified Management Accountant and has a Master of Business Administration.

Ms Ruanthi Gooneratne*Chief Officer – General Insurance*

Ms Ruanthi joined Sri Lanka Insurance in January 2017 as Chief Officer – General Insurance and holds that position to date. She counts 30 years in the field of insurance. She commenced her career in insurance in 1989 at Union Assurance where she worked for six years. Thereafter she joined Janashakthi Insurance where she served for 11 years. She held the position of the Assistant General Manager – Corporate at Janashakthi Insurance prior to joining Union Assurance as the Assistant General Manager – General Insurance in 2007. In 2009, she was promoted as General Manager – General Insurance at Union Assurance which she held until 2016. She is a Fellow of the Chartered Insurance Institute, UK, and a Chartered Insurer.

Ms Malanie Tennakoon*Chief Financial Officer*

Ms Tennakoon is a Fellow of The Institute of Chartered Accountants of Sri Lanka, an Associate Member of The Institute of Chartered Management Accountants, UK, and a Member of the Institute of Certified Practising Accounts of Australia.

She holds a Master of Business Administration Degree from Postgraduate Institute of Management – Sri Jayewardenepura University specialised in Employee Psychology. She counts over 25 years of experience in Senior Management positions which include Head of Group Restructuring at EAP Holdings, Finance Controller at EAP Broadcasting Corporation, and has held several managerial positions at Sri Lanka Telecom, Road Development Authority, and Auditor General’s Department. Ms Tennakoon has finance experience in Australia as well.

Mr Rukman Weeraratne*Chief Officer – Business Development*

Mr Rukman Weeraratne rejoined Sri Lanka Insurance Corporation Ltd., in July 2018 as the Chief Officer – Business Development. He has over 35 years extensive experience in the corporate sector in Sri Lanka as well as overseas. Having started his career with Aitken Spence Insurance (Pvt) Ltd., in 1983, he has contributed his services to James Finlay Insurance, Mercantile Credit Insurance, CTC Eagle Insurance Co. Ltd., Eagle Star Insurance (UK), Sri Lanka Insurance Corporation Ltd., Union Assurance PLC, and Janashakthi Insurance Ltd. Apart from insurance, he has had exposure in the hospitality industry where he functioned as Director Sales – Assistant Vice President Cinnamon City Hotels under the John Keells Holdings Group.

Mr Weeraratne is an Associated Member of Chartered Institute of Marketing (ACIM) and he has been awarded Asia's Best Marketer Award in 2016.

Mr Aloka Jayawardane*Chief Information Officer*

Mr Aloka Jayawardane is a professional Executive in the Information Technology, ERP, and Project Management fields with around 20 years experience in business domains like Telecommunications, Manufacturing, Sales and Distributions, Software, Capital Markets, and Insurance.

He obtained his BSc in Management Information Systems from the University College Dublin, Ireland, and Master of Business Administration from University of Southern Queensland, Australia. Further he obtained a Higher Diploma in Computer Studies from the National Institute of Business Management and Postgraduate Diploma in Business and Financials from The Institute of Chartered Accountants of Sri Lanka. He is a PMP certified Project Manager from Project Management Institute of USA and CISM Certified Information Security Manager from ISACA USA.

Further, he is a SAP certified Sales and Distribution Consultant. Currently he holds the position of Board Member Partner Developments in Sri Lanka SAP User group. He is a member of PMI Colombo Chapter for Project Management and ISACA Sri Lanka for Information Security-related matters.

LEADERSHIP TEAM

DEPUTY GENERAL MANAGERS



1. Ms Thanuja Hingulage

DGM – General Insurance
*BSc (Hons), FCII (UK),
 Chartered Insurer, ANZIIF (Fellow)*

2. Mr Chaminda Gunasinghe

DGM – Internal Audit
*BB Mgt (Accountancy) Sp (Hons),
 FCA, ACMA, MBA – Finance*

3. Mr Dayaratne Perera

DGM – Life (Technical)
*BSc (Hons), FCII, Dip. in BA,
 Chartered Insurer, MBA (USJ),
 ANZIIF (Fellow) CIP*

4. Dr (Mrs) Sherica Fernando

DGM – Medical
*MBBS (SL), MSc -Community
 Medicine (SL), ACII (UK), MRCGP
 (INT) (UK)*

5. Mr Nalin Subasinghe

DGM – Actuarial and Risk
 Management
*MSc in Actuarial Management (UK),
 BSc (Hons Mathematics Special),
 Dip in Computer Studies*

6. Mr Lalith De Silva

DGM – Motor
*PG in Finance and Bus
 Administration, MBA*

7. Mr Malaka Bandara

DGM – Finance
*BSc – Accountancy (Sp),
 FCA, MBA (Colombo)*

8. Ms Namalee Silva

DGM – Marketing
*MCIM (UK), Chartered Marketer,
 Prof Dip in Marketing – CIM,
 ACIB (UK)*

9. Mr Rohitha Amarapala

DGM – Human Resources
 and Employee Relations
*FIPM (SL), FCIM (UK), MBA
 (University of Western Sydney,
 Australia)*

ASSISTANT GENERAL MANAGERS



1. Mr Chaminda Athauda

AGM – Life (Technical)
BSc (Hons), FCII, AIII, ANZIIF (Fellow), MBA (Colombo), Chartered Insurer

2. Mr Roshan Collas

AGM – Bancassurance and Alternate Distribution
MBA, CMA (Aus), Dip in Marketing (SLIM), MSLIM, FCPM, MIM (SL)

3. Mr Hasantha Perera

AGM – ICT Governance and Administration
MSc (IT), MSC (Const PM), MBA, BSc (Eng), AIPMSL, AIESL, Dip in Credit Mgmt (IBSL)

4. Mr Mahendra Silva

AGM – Branch Administration and Employee Relations
Attorney-at-Law, LLB (SL), MBA in HRM (OUSL), PG. Dip in HRM, NDES, MIIE (SL), I ENG, AMIPM (SL)

5. Mr Sudath Nishantha

AGM – Personal Line
BSc (B/Admin)(Sp), MIM (SL), PG Dip in Labour Relations and HRM MLRHRM – VOC

6. Mr Jeevantha Welihinda

AGM – Engineering Services
BSc (Eng)

7. Mr Jagath Welgama

AGM – Sales Support
MBA, MABE (Aus), MSLIM, GD in Mgt (Aus), PGD in Mkt Mgt (USJP), Ad Dip in Mkt Mgt (USJP), Dip in Mass Com (USJP), Dip in NIT, Licentiate – III

8. Ms Madhubhashini Bakmedeniya

(Appointed w.e.f. 15 June 2018)
 AGM – Legal
Attorney-at-Law, MBA (PIM), NDHRM (IPM)

9. Mr Shashika Ranasinghe

(Appointed w.e.f. 22 October 2018)
 AGM – Investments
CFA (USA), FRM (USA), BSc (Hons) Engineering, ACMA (UK), AIB (SL)

10. Mr Sathika Wickremesinghe

AGM – Risk Management
BSc (Hons) – MMU (UK), MBA (Cardiff), MBCS

11. Ms Nadira Gunawardena

(Appointed w.e.f. 2 July 2018)
 AGM – Marine
BSc (Hons), MBS (Col), MBA (PIM/Uni of Canberra, Aus), FIII, Sp Dip in Marine (III), ACII (UK), Chartered Insurer

12. Mr Deshapriya Ginigalgoda

AGM – Procurement and Property Management
FCA, BCom (Sp), FCMA

13. Mr Sarath Fernando

AGM – Motor (Technical – Claims)
BSc Eng (Mechanical) Sp, AMIE (SL)

LEADERSHIP TEAM

SENIOR MANAGERS





LEADERSHIP TEAM

Seated Left to Right

1. **Mr W D C Vithanage**
Senior Manager – Key Accounts
 2. **Mr S P A Rodrigo**
Senior Manager – Security
 3. **Mr K G D G Kandegama**
Senior Manager – IT Data Centre
-
4. **Ms W S Kulasinghe**
Senior Manager – Finance
 5. **Mr M P N Kumara**
Senior Manager – Club Members
Sales Department
 6. **Mr K S Pushpakumara**
Senior Manager – Special
Projects (Life)
-
7. **Mr D P J S Maithirratne**
Senior Manager – General Accident
 8. **Mr N G K Bandara**
Senior Regional Engineer
 9. **Mr R M A K Rajapaksha**
Senior Regional Engineer
-
10. **Mr M D Chandiram**
Senior Manager – Corporate
Business Development

Standing Left to Right

- | | | |
|---|--|---|
| <p>11. Mr A G M M Gamage
Senior Category Manager – General</p> | <p>12. Mr R N Senadheera
Senior Motor Engineer</p> | <p>13. Ms M D Attanayake
Senior Manager – Legal (Life)</p> |
| <p>14. Mr P A M P W Gunathilake
Senior Manager – Network and Communication</p> | <p>15. Mr M J S Dabarera
Senior Manager – Bancassurance (Life)</p> | <p>16. Ms G K M S Nanayakkara
Senior Manager – Life</p> |
| <p>17. Mr G W R C De Silva
Senior Manager – Life</p> | <p>18. Ms S Pathirana
Senior Manager – Legal (Title Insurance)</p> | <p>19. Ms N D K M Jayatilaka
Senior Manager – Legal (Litigation)</p> |
| <p>20. Ms W D T Dep
Senior Manager – SHE & PA</p> | <p>21. Mr J S Jayawardana
Senior Manager – HR</p> | <p>22. Mr P N A Dharmasena
Senior Manager – Life</p> |
| <p>23. Ms B H N K K Perera
Senior Manager – Life</p> | <p>24. Mr K A S Ranathunga
Senior Manager – Reinsurance</p> | <p>25. Mr A U Rajapaksha
Senior Manager – Financial Operations</p> |
| <p>26. Mr B C S Perera
Senior Manager – Fire and Engineering Claims</p> | <p>27. Mr D N K Narangamana
Senior Manager – Agency Recruitment</p> | |

LEADERSHIP TEAM

REGIONAL SALES MANAGERS





LEADERSHIP TEAM

1. **Mr P Puvenendran**
Eastern

2. **Mr Kelum Jayasinghe**
Monaragala

3. **Mr Dhammika Bandara**
Badulla

4. **Mr Aruna Shantha Sirimanna**
Hambantota

5. **Mr T D P Peris**
Kalutara

6. **Mr Samantha Peiris**
Colombo 3

7. **Mr R Hewapathirana**
Colombo 4

8. **Mr Sudharman Waidyaratne**
Wayamba – 1

9. **Mr W M A U Kulasena**
Ratnapura

10. **Mr N K S S Kumara**
Matara

11. **Mr A M H Adikari**
Central – 1

12. **Mr Gamini Sarathchandra**
Central – 2

13. **Mr H J S Mendis**
Galle

14. **Mr Namal Liyanage**
Gampaha

15. **Mr U G U R Kumara**
Colombo 1

16. **Mr Deepal Nawagamuwa**
Colombo 2

17. **Mr Sanath Fernando**
Negombo

18. **Mr P Sathian**
Northern

19. **Mr Mahinda Dissanayaka**
Wayamba – 2

20. **Mr Bandara Weerasuriya**
North Central – 1

21. **Mr Ajith Thilakarathne**
North Central – 2

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

Sri Lanka Insurance Corporation Ltd., being a State-owned enterprise has enormous economic and social impact for the nation. Corporate governance framework ensures the sustainability and the maximum generation of both economic and social value of the Organisation by increasing the transparency and accountability towards the stakeholders. As the Chairman along with my fellow members, we face the continual challenge of aligning the interests of the Board, Management, shareholders and stakeholders to fulfil our responsibilities towards transparency and accountability.

In 2018, we have voluntarily adopted most of the provisions of the Code of Best Practice on Corporate Governance 2017 (the Code), issued by the Institute of Chartered Accountants of Sri Lanka. However, as per Direction No. 17, issued by the Insurance Regulatory Commission of Sri Lanka, we will be complying with all the applicable provisions of the said Code w.e.f. 2019.

We fully appreciate the importance of sound governance in the efficient running of the Company and the following report sets out how we do it.



K A Vimalenthirajah

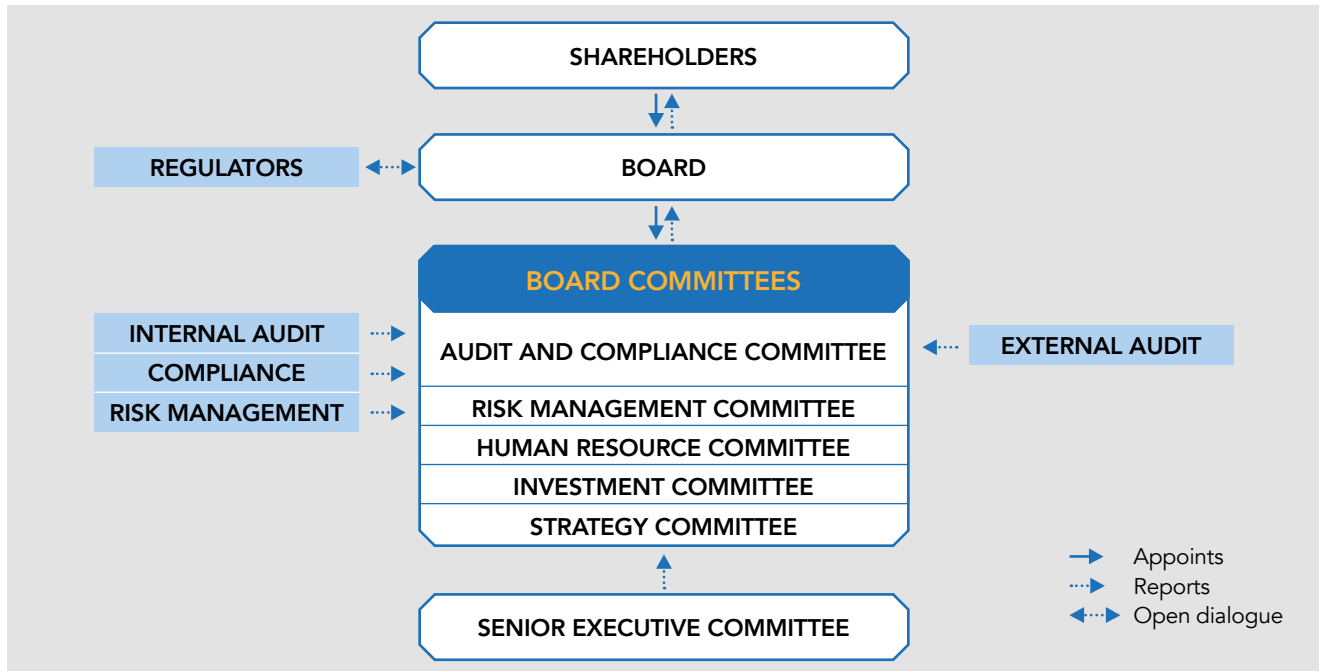
Chairman

30 May 2019

FRAMEWORK

The Company through its Board of Directors and Board subcommittees maintains a sound governance framework in all areas of its operations including formalised policies, procedures, guidelines and relevant management reporting lines.

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



BOARD COMPOSITION AND RESPONSIBILITY OF THE BOARD

During the year under review, the Board comprised six Directors of whom four were Non-Executive Directors. Non-Executive Directors are renowned professionals in their respective fields. Being a State-owned enterprise (SOE), the Board of Directors acts as an intermediary between the State as the main shareholder, and the Company and its Management. The Board is responsible for the overall stewardship and provides leadership both directly and indirectly through the Board subcommittees, to deliver long-term values to the stakeholders. The main role of the Board of Directors is oversight and planning. The Company's financial and commercial performance is regularly assessed by the Board. In addition, the Board reviews and assesses the adequacy of the Management of all risks the Company may be exposed to.

THE COMPANY SECRETARY

The Company Secretary is responsible for ensuring the integrity of the governance framework. The obligations and responsibilities of the Company Secretary outlined in the Companies Act, and also in the Governance Code, require her playing a foremost role in the good governance of the Company. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

BOARD AND COMMITTEE PROCEEDINGS

The establishment of Board committees has been instrumental in enhancing the efficiency of the Board and adds value to the Board in the fields of audit, compliance, investment, human resource and risk management etc. To assist the Board's oversight, planning and decision-making functions the Board has established four subcommittees: 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. In 2019, a new Board subcommittee, "STRAT Committee" was established to review the three-year strategic plan.

The Strategy Committee has been appointed by the Board of Directors as a subcommittee to assist the Board in the monitoring of the three year strategic performance. The Committee will act on behalf of the Board's oversight responsibilities relating to the strategic plan and the creation of stakeholder value for SLIC, including the assessment of strategic risks and opportunities, and to assist and advise the Management of the Company in steering its three-year

strategic plan and the making of strategic decisions regarding Corporate and Management Organisation; sales, marketing and product development; corporate development with respect to investments, acquisitions and divestitures; and corporate finance.

The Strategy Committee shall monitor the SLIC'S three-year strategic plan implementation and achievement of its strategic goals and objectives to provide feedback and advice to the Management and to the Board.

The said committees are chaired by Non-Executive Directors and the Audit and Compliance Committee consists of only Non-Executive Directors. The Human Resources Committee (HRC) is chaired by a Non-Executive Director and consists of both Executive and Non-Executive Directors. However, in line with the principles of good governance, Executive Directors who are members of the HRC shall not involve in deciding the remuneration of Executive Directors, which shall be decided in compliance with Public Enterprises Circular No. PED 3/2015, dated, 17 June 2015.

The number of Board meetings and Board subcommittee meetings held during 2018 and details of attendance of each Director at these meetings are given below:

Board meetings – 2018

Nine Board meetings were held during 2018.

Name of the Director	Attended
Dr K A S Keeragala – Executive Chairman (appointed w.e.f. 27 November 2018)	1
Mr P Algama – Non-Executive Director	9
Mr M Saadi A Wadood – Non-Executive Director	9
Mr J M U P Jayamaha – Non-Executive Director (appointed w.e.f. 26 November 2018)	1
Mr K K S A Perera – Non-Executive Director (appointed w.e.f. 26 November 2018)	1
Mr P M K Hettiarachchi – Non-Executive Director (appointed w.e.f. 26 November 2018)	1
Mr Hemaka D S Amarasuriya – Executive Chairman (ceased to be a Director w.e.f. 27 November 2018)	8
Mr Nilu D Wijedasa – Executive Director (resigned w.e.f. 4 July 2018)	4
Mr Pradeep A Liyanamana – Non-Executive Director (resigned w.e.f. 4 July 2018)	3
Mr Keerthi Kotagama – Non-Executive Director (appointed w.e.f. 8 January 2018 and resigned w.e.f. 4 July 2018)	3

The Board of Directors was reconstituted w.e.f. 26 February 2019 as morefully detailed in the "Corporate Information Chapter".

Audit and Compliance Committee meetings (ACCM) – 2018

There were four ACCMs during the year 2018 and the Treasury representative on Board, Mr P Algama acted as the Chairman of the Committee.

Name of the Director	Attended
Mr P Algama – Non-Executive Director/ Chairman of ACCM	3
Mr J M U P Jayamaha – Non-Executive Director (appointed w.e.f. 26 November 2018)	1
Mr K K S A Perera – Non-Executive Director (appointed w.e.f. 26 November 2018)	0

Investment Committee meetings – 2018

There were 24 Investment Committee meetings during 2018. The meeting was chaired by the Non-Executive Director, Mr J M U P Jayamaha.

Name of the Director	Attended
Mr J M U P Jayamaha – Non-Executive Director/ Chairman of the Committee (appointed w.e.f. 26 November 2018)	2
Dr K A S Keeragala (appointed w.e.f. 27 November 2018)	2
Mr M Saadi A Wadood	5
Mr Hemaka D S Amarasuriya (ceased to be a Director w.e.f. 27 November 2018)	21
Mr Pradeep A Liyanamana (resigned w.e.f. 4 July 2018)	12

Risk Management Committee meetings – 2018

There were two Risk Management Committee meetings during 2018. 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 P Algama – Non-Executive Director/ Chairman of the Committee	2
Mr H D S Amarasuriya (ceased to be a Director w.e.f. 27 November 2018)	2
Mr Keerthi B Kotagama (resigned w.e.f. 4 July 2018)	1
Mr Nilu D Wijedasa (resigned w.e.f. 4 July 2018)	1

(Dr K A S Keeragala was appointed as a member of the Risk Management Committee w.e.f. 27 November 2018.)

Human Resources Committee meetings – 2018

There were nine Human Resources Committee meetings during 2018. The meeting was chaired by the Non-Executive Director, Mr Saadi A Wadood.

Name of the Director	Number of meetings	
	Held	Attended
Mr Saadi A Wadood – Non-Executive Director/Chairman of the Committee	9	6
Mr Hemaka D S Amarasuriya (ceased to be a Director w.e.f. 27 November 2018)	9	8
Mr Keerthi B Kotagama (appointed w.e.f. 8 January 2018 and resigned w.e.f. 4 July 2018)	9	4
Mr Nilu D Wijedasa (resigned w.e.f. 4 July 2018)	9	4

(Dr K A S Keeragala was appointed as a member of the Human Resources Subcommittee w.e.f. 27 November 2018.)

Other operational committees

In addition to the above-mentioned Board subcommittees, several other operational committees have been established in order to assist the management. These include Executive Committee (EXCO) Reinsurance Committee, Audit Follow-up Committee, the Branch Management Outlook Committee, the Management Committee, the Legal Committee and the Sales and Marketing Review Committee, all of which play an essential role in the governance structure. Members are drawn from within the Company and in accordance with their relevant areas of expertise.

CORPORATE GOVERNANCE REPORT**INFORMATION FLOW**

The Directors are supplied with detailed papers in advance of all Board meetings and subcommittee meetings to disseminate the required information enabling the Board members to make informed decisions at the Board and subcommittee meetings. Members of the Executive Management Team and other key employees attend and make representations as appropriate at meetings. The Directors are authorised to seek independent professional advice at the Company's expense in performance of their duties as Directors. In addition, all the Directors have access to the services of the Company Secretary, who is responsible for ensuring that Board procedures are observed and advising the Board on corporate governance matters.

FINANCIAL REPORTING

The Directors are responsible for preparing the Consolidated Financial Statements in accordance with applicable laws and regulations.

INTERNAL AUDIT

The Company has an internal audit function, which has a reporting line to the Chairman of the Board and the Chairman of the Audit and Compliance (ACC) Committee. The ACC receives reports from this function at each committee meeting.

AUDIT AND COMPLIANCE COMMITTEE REPORT

The Audit and Compliance Committee plays a key role in assisting the Board to fulfil its oversight responsibilities in areas such as an entity's financial reporting, internal control systems, compliance framework and the internal and external audit functions. During 2018, the Audit and Compliance Committee (ACC) comprised three Non-Executive Directors. The Company Secretary acted as the Secretary of the meetings. Though both the compliance and audit functions report to the Audit and Compliance Committee, functional independence is assured with the separation of the two functions operationally.

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

TERMS OF REFERENCE

The Terms of Reference of the Audit and Compliance Committee of SLIC are clearly defined in the Charter of the Board's Audit and Compliance Committee which is based on the guiding principles and best practices on audit committees including the "Code of Best Practice on Corporate Governance" jointly issued by the Securities and Exchange Commission of Sri Lanka ("SEC") and The Institute of Chartered Accountants of Sri Lanka, 2017. 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 31 December 2018, four meetings of the Committee were held. The proceedings of the committee meetings are recorded with adequate details and are reported regularly to the Board of Directors. Representatives from the office of the Auditor General attend the meetings by invitation.

The attendance of the Committee members at the meetings is stated below.

Audit and compliance committee meetings (ACCM) – 2018

Name of the Director	Number of Meetings	
	Held	Attended
Mr P Algama (Non-Executive Director/ Chairman of ACC)	4	3
Mr J M U P Jayamaha	4	1
Mr K K S A Perera	4	0

Note: Mr J M U P Jayamaha and Mr K K S A Perera were appointed to the ACC w.e.f. 26 November 2018. Further, the Board was reconstituted w.e.f 26 February 2019 as more-fully detailed in the "Corporate Information" chapter.

Internal audit

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

External audit

The Auditor General was appointed as the External Auditor in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners was appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statements of the Company for the year ended 31 December 2018, 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.

AUDIT AND COMPLIANCE COMMITTEE REPORT

Valuation of assets and 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, scrutinised and even challenged where appropriate by the Audit Committee. The Committee is of the view that the process for impairment is adequate.

Independent external advice

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

Non-audit services

Non-audit services amounting to LKR 821,000.00 pertaining to transaction review related to the investment transactions of the company based on the guidelines issued by the IRCSL and review related to the operations of both front office and back office of the company to identify whether operations are in line with policy guidelines were provided by the External Auditors during the year under review.

Compliance function

Corporate compliance function owns the compliance programme operations and supporting policies and procedures. The compliance program of the Company is implemented by the Deputy General Manager – Compliance and the Senior Manager – Finance, with the assistance of the compliance coordinators in each department. The reporting protocol between the Compliance Officer and the ACC addresses specific issues and risks which may come up during the year. The compliance responsibilities relating to operational areas are carried out by the heads of the operational departments designated as the responsible officers for ensuring compliance with specific obligations

assigned to them. The anti-money laundering function is annually audited by the Internal Audit Department. The compliance culture is infused across the Organisation without increasing the burden of costs on the function itself. Focusing on key control processes, consistent with the increasing complexity of compliance function, the Company has adopted a “stand-alone” model for compliance. This assures strong independency of the compliance function while managing cost effectively by appointing compliance coordinators in each department to ensure effective business engagement. The compliance function was further strengthened during the year under review to ensure adoption of best practices pertaining to the major operational areas.

Conclusion

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

The ACC approved this report on 25 April 2019.

The above report is based on the records of the ACCMs held during 2018.



K A Vimalenthirarajah

Chairman – Audit and Compliance Committee

30 May 2019

STATEMENT OF INTERNAL CONTROL

The internal control system is the process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The Board and the Management acknowledges the responsibility for the adequacy and effectiveness of the Company's system of internal controls, which is designed to provide assurance on the maintenance of proper accounting records and the reliability of financial information generated and safeguarding of the assets of the Company.

However, such systems are designed to manage the Company's key exposures to risk within acceptable risk parameters rather than to eliminate the risk of failure to achieve the business goals and objectives of the Company. Therefore, the system of internal controls can only provide reasonable and not absolute assurance against errors or material misstatement of management and financial information and records or against financial losses and frauds.

The Management has set up an ongoing process for identifying, monitoring and managing the material risks faced by the Company. This includes establishment of a dedicated Risk Management Department that provides regular reports on various risks subjects to an oversight by the Internal Audit Department through Internal Audit Reports that enables the Audit Committee and Risk Committee to review the adequacy and effectiveness of the system of internal controls continuously to match the changes in the business environment or regulatory guidelines. In making this assessment, all key processes relating to material or significant transactions captured and recorded in the books of accounts are identified and covered on an ongoing basis.

The Internal Audit Department verifies compliance of operations with policies and procedures and the adequacy and effectiveness of the internal control systems, and highlights significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which are determined by the level of risk assessed to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings. A special subcommittee has been established to discuss the findings of the Branch audits.

The Audit Committee reviews internal control issues identified by the internal audit, the External Auditors, Regulatory Authorities and Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function focusing on the scope of audits and the quality of reporting. The minutes of the Audit Committee meetings are tabled for the information of the Board on a periodic basis.

The risk and significance based internal audit plan implemented by the Internal Audit Department in consultation with the Board Audit Committee, specifically included on a sample basis; independent verification that the internal control process documented by the Company, which is supported with audit evidence, was in fact carried out on an ongoing basis.

The risk environment is complex and varied and acknowledge that risks emerge and develop in some instances in a shorter time scale or in another longer time scale. SLIC Enterprise Risk Management (ERM) evaluate internal and external risks, including market-wide as well as idiosyncratic risks to SLIC.

ERM process is regulated by the risk policy which includes the following main phases: risk identification, risk measurement risk management/control and risk reporting. SLIC implements the following process to identify principal risks on an ongoing basis and the process to ensure the implementation of appropriate systems to evaluate and manage these risks.

1. BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The BRMC is a Board Subcommittee that has the overall responsibility for the implementation of the Enterprise Risk Management framework with a focus on future performance, broader risks at strategic, managerial and operational level. Ensures that controls are in place to mitigate identified and potential risks that has an impact to the Organisation on Operational, Financial, Market, Strategic and Regulatory Perspective.

2. RISK REGISTERS

Risk registers identify internal and external risk events which has a risk exposure to SLIC. The risks are categorised according to the probability of occurrence and the impact to SLIC accordingly which set the level of risk which will enable the management to identify and mitigate high risk exposures.

STATEMENT OF INTERNAL CONTROL

3. RISK MANAGEMENT WORKSHOP

Enable the ERM Department to establish the key deliverables of the ERM framework as well as create a platform to gather information of key risks and the impact it has on a systemic perspective to SLIC.

Risk Coordinators – Risk Management Workshop

Risk coordinators provide a clear channel on information transfer as well as a platform to implement risk strategies across the Organisation. Process owners can be identified as key stakeholders in managing/mitigating the risks faced at SLIC and with the ground zero level details. The workshops aim to create a conducive environment which brings out potential risks as well as ways to mitigate.

Senior Management – Risk Management Workshop

Senior Management risk workshops creates a buy-in and a lock-in effect on managing the risks at SLIC. Creates a platform to share cross functional risks and enable knowledge sharing across functions together with the identifying and rationalisation of major risk areas.

4. LOSS DATA COLLECTION

With the purpose of enhancing awareness about entire organisation, identify potential risk exposures, capture the actual losses and identify the management to prioritise actions, loss data is collected on quarterly basis. In operational risk management the loss data collection is extremely valuable since the root cause analysis enables the management to proactively address key risk areas.

5. RISK REPRESENTED MEETINGS

As a member of Investment Committee, Audit Follow-up Committee, Product Development Committee, Board of Survey for ICT and Board of Survey for Fire and safety as well as an invitee of Audit and Compliance Committee risk management gives its independent opinion of potential effects and enables the management and Board to make a risk informed decisions which will lead to more desirable outcomes.

6. POLICIES AND PROCEDURES

Policies and procedures establish the scope and create controls to particular tasks/functions. It also enables standardisation of the process that creates a reference source to obtain guidance to the process owners. Finally it assists the Third Line of Defence which is audit to review the process as per the Standard Operating Procedure and to identify deviations and improvements.

The following policies were developed in 2018 in order to mitigate significant risk exposures at SLIC.

- Disciplinary Policy
- Fraud Policy
- Recruitment and Promotion Policy
- Whistle blowing Policy
- Outsource agreements
- Branch Procedure Manual
- Asset and Liability Management Policy
- Reviews of policies and procedures of other operational departments, Ex: Life/General Manual

7. BOARD OF SURVEY

Two boards of surveys which are decision-making committees, comprising several members with expert knowledge have been appointed to be responsible for the ICT issues and fire and safety of SLIC. Being a member of both boards of survey, risk management identifies the potential risk which enables the management to take informed decisions.



K A Vimalenthirarajah

Chairman – Audit and Compliance Committee



B M Dushyanta B Basnayake

Managing Director

30 May 2019

INVESTMENT COMMITTEE REPORT

OBJECTIVES OF THE INVESTMENT COMMITTEE

The main objective of the Investment Committee (IC) is to ensure investment decisions made are rational and are in line with return requirements and risk appetite of Sri Lanka Insurance Corporation Ltd. The IC also strives to make the investment process efficient in order to make use of opportunities that may arise in markets.

INVESTMENT STRATEGIES

Investment strategies adopted by the IC centres around striking a balance between locking in attractive returns and doing so within tolerable risk parameters, to ensure the fund continues to grow in a sustainable manner, whilst meeting obligations and fully complying with regulatory requirements.

Given external developments, which leads to increased uncertainties and volatilities in markets, the IC is mindful of risks that are present and may potentially arise in the future. However, the IC has also taken cognisance of the fact that challenges bring opportunities. Hence, making use of trends and volatilities to maximise gains within risk appetite was of paramount interest to the IC of Sri Lanka Insurance Corporation.

The IC comprises experienced professionals and industry experts from various disciplines. They bring in a wider scope into the picture and investments are looked at holistically rather than purely from a return objective.

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

- Establishing a clear understanding for all stakeholders of the investment goals and objectives of the portfolio.
- Describing the nature of current and potential risks and their relationships with return, liquidity, and capital preservation.
- Establishing a basis for evaluating investment results.
- Establishing the relevant investment horizon for which 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 investment strategies away from 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 responsibilities of fund managers, Board of Directors and other parties responsible for management of the Fund.

MONITORING AND CONTROL

Investment performance is monitored on a continuous basis, to ensure intended targets are achieved in a timely manner, so that there is no strain on the rest of the business activities. Strict limits are in place with counterparts, in line with both regulatory and internal tolerances, to address credit risk given the various uncertainties which are increasing exponentially. These activities ensure policyholder funds are invested in a safe and equitable manner, where the Committee as a whole takes accountability for returns generated for the fund, rather than the fund's performance being driven by one or two individuals.

In addition, best practices in the industry are adopted by the IC to ensure policyholder interests are never compromised.

YEAR UNDER REVIEW – SUMMARY OF INVESTMENT ACTIVITIES

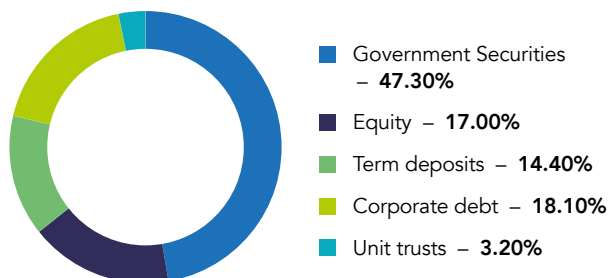
Insurance Fund

The Long Term Insurance Fund stood at LKR 122 Bn., achieving a growth of 5% during 2018. The General Insurance Fund stood at LKR 51 Bn.

Safe and stable

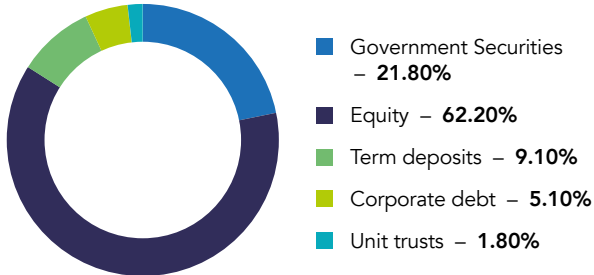
The IC ensure assets are held in diversified portfolios in order to minimise non-systematic risks. Investments are strictly restricted to entities with sound credit standings. The pie charts below illustrate the allocation of investment assets of the Long-term Insurance Fund, the General Insurance Fund and the total portfolio as at 31 December 2018 (value are based on market values).

LONG TERM INSURANCE FUND

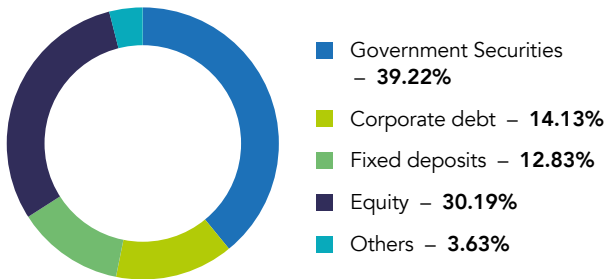


INVESTMENT COMMITTEE REPORT

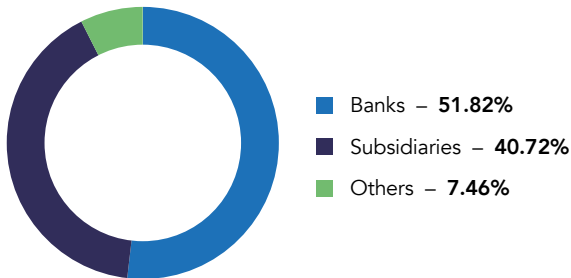
GENERAL INSURANCE FUND



TOTAL PORTFOLIO



BREAKDOWN OF LISTED EQUITY AND SUBSIDIARIES



INVESTMENT INCOME

Total investment income for the year stood at LKR 10.6 Bn. for Life Insurance and LKR 2.3 Bn. for General Insurance respectively. During the reporting period, investment income amounted 29% of the total company revenue. 42% of the total revenue for Life Insurance and 12% of the total revenue for general insurance was generated from investments.

ALM CONSIDERATIONS AND PRODUCT DEVELOPMENT

Yasas, the single premium product showed robust growth throughout the year. Asset and Liability Management continued to draw keen attention of the IC during the year. Mismatches in durations of assets and liabilities were monitored and managed with caution in order to make use of the rising interest rates environment that prevailed towards the end of the year. The Investment Policy Statements of the Life and General Funds were firmed up to accommodate increased vigilance on credit risk.

In conclusion, the Investment Committee was satisfied with the performance of investment funds during 2018, whilst operating within regulations and adopting best investment practices.

The above report is based on the records of the Investment Committee Meetings held during 2018.

K A Vimalenthirarajah
Chairman – Investment Committee

30 May 2019

RISK MANAGEMENT

Insurance being a mechanism for individuals and corporates to protect themselves from risks and uncertainties associated with their lives and enterprises, risk and insurance go hand in hand for an insurance business. Accordingly, managing risk is the primary function of SLIC and risk should, therefore, be managed holistically beyond disciplinary frontiers so as to provide a common understanding across multidisciplinary personnel. Enterprise Risk Management (ERM) is responsible for identifying possible risks, problems or disasters before they happen which enable SLIC business owners to set up procedures to mitigate the risk or minimise its impact, or at the very least help cope with its impact. ERM function involves identifying, assessing, managing and monitoring SLIC's opportunities and threats.

Our focus is to drive excellence in managing risk to ensure that SLIC optimises the opportunities and minimises threats of the future. The risk management framework is built on the governance process that establishes clear responsibilities for taking, managing, monitoring, and reporting risks.

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

The BRMC is a Board subcommittee that has the overall responsibility for the implementation of the Enterprise Risk Management framework with a focus on future performance, broader risks at strategic, managerial and operational level.

Under the umbrella of governance, the BRMC looks in to:

- Ensuring that ERM Department regularly assesses its risks and updates its risk register and that the risk assessment is part of the decision-making process.
- Overseeing the risk management system to assess, control, and monitor all risks and ensure effective functioning and efficiency of such a system.
- Reviewing information and reports to the Board on the SLIC's major risks and exposures and actions taken.
- Ensuring development, updating, enforcing, and monitoring the implementation of the risk management policy on behalf of the Board.
- Developing the annual enterprise risk management strategy.
- Reviewing the risk management infrastructure and control systems to ensure that fulfilment of the risk management objectives and enforce the risk management policies.
- Ensuring that Management has put in place a comprehensive risk management system.

- Reviewing policies, procedures, methodologies, and tools to be adopted by the entity in identifying, evaluating, managing, reporting, and communicating risks.
- Ensuring that risk assessment is carried out regularly throughout the entity, as a part of the enterprise risk management practice.
- Overseeing the Head of Risk Management's role and responsibilities and provide direction on them.
- Monitoring risks faced by the entity by receiving periodic reports from the Head of Risk on top and emerging risks and risk mitigation and treatments.

During 2018, BRMC held three meetings and the approval for the risk management plan was taken from the BRMC in July 2018. Risk review of the complaint management process which is an Insurance Regulatory Commission of Sri Lanka (IRCSL) guideline was completed and submitted to BRMC for their review during the same period. As SLIC is exposed to investment risk, with the purpose of reducing or augmenting risk depending on the goals of SLIC, risk review has been completed and the report was submitted to the Investment Committee. As a result of findings in the investment risk review, it was decided by the Management to establish an Investment Middle Office. BRMC and Board approvals were obtained to implement Business Continuity Management (BCM) with the purpose of ensuring that SLIC can withstand and continue to deliver the promises during a disaster.

THREE LINES OF DEFENCE (LOD)

Fundamental principle of risk governance relies on the Three Lines of Defence, where SLIC strongly advocates through separation and clear identification of lines of businesses; namely, operational management by actual risk owners as the 1st Line of Defence, reports primarily to Management (limited independence) as the 2nd Line of Defence which includes financial controls, security, risk management, quality and compliance while internal audit acts as the 3rd Line of Defence.

ENTERPRISE RISK MANAGEMENT STRUCTURE

ERM Department was established in May 2018 to manage the process of identifying and addressing methodically the potential events that represent risks to the achievement of strategic objectives, or opportunities to gain competitive advantage. Initial structure established during 2018 was for the Assistant General Manager – ERM to head the department with a Risk Manager. ERM Department is governed by the ERM policy which is a part of the risk management framework.

RISK MANAGEMENT

DEPARTMENTAL RISK COORDINATORS

Initial step in setting the ERM process at SLIC was to establish risk coordinators for key departments in order to identify processes and controls which also included providing incident reporting mechanism.

Risk coordinators provide a clear channel on information transfer as well as a platform to implement risk strategies across the Organisation.

Training of risk coordinators is an important and an integral component in the risk strategy. To establish clear deliverables by the departments as well as give an understanding of the purpose, ERM workshops were conducted with brainstorming sessions during 2018.

OUTLOOK FOR 2019

Develop Risk Registers for all Departments

Risk identification and assessment are fundamental characteristics of an effective risk management system where the risk registers play a vital role. During 2019, ERM Department aims to complete the development of all risk registers together with the process owners. This will lead to the development of SLIC enterprise-wide risk register.

Develop Enterprise-wide Key Risk Indicators

Establishment of key risk indicators enables SLIC to monitor a spectrum of identified risks on an ongoing basis and enable the Management to make decisions on a risk-based perspective. This will also enable early detection and take preventive measures before the risk materialises.

Establish Risk Appetite and Tolerance Levels

Risk appetite is defined as the total amount of exposure that an organisation wishes to undertake on the basis of risk-return trade-offs for one or more desired and expected outcomes. Establishing the risk appetite enables SLIC to establish the amount of risk that the Organisation is prepared to accept, tolerate, or be exposed to at any point in time. This would help how much and what type of risk the entity is generally prepared to accept to achieve the financial and strategic objectives. In addition, the risk appetite triggers will serve as an early warning indicator.

Risk tolerance is defined as the amount of uncertainty SLIC is prepared to accept in total or more narrowly within a certain business unit, a particular risk category or for a specific initiative. Risk tolerance will establish the maximum amount or type of risk the entity is prepared to tolerate above the risk appetite.

Formulate the Business Continuity Management Function for SLIC

Establishment of the Business Continuity Management function will enable a holistic management process that identifies potential threats to SLIC and the impacts to business operations. It provides a framework for building resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

Establish Investment Middle Office for SLIC

Investment Middle Office will enable to identify, measure and monitor all investment specific financial risks on a day-to-day basis which include both market risk and transactional risks emanating from the Investment – Front Office. This also include portfolio risk, counterparty risk management and mark to market analysis. All limits/exposures are to be set by the Investment Committee.

Develop Risk Management Culture

Creating a risk embedded culture is challenging to any organisation as risk culture consists of the norms and traditions of behaviour of individuals and of groups within an organisation that determine the way in which they identify, understand, discuss and act on the risk the Organisation confronts and measures it takes to mitigate or accept. This also enables the Organisation to establish an effective risk management framework. In the absence of a proper risk culture, organisations get into undesirable situations when individuals, knowingly or unknowingly, act outside of the expected risk culture, or when the expected risk culture either is not well-understood or enforced.

Strengthen Internal Control Systems

Strong internal controls enable maintaining and operating robust risk management framework. Internal controls are derived from the policies, plans, and procedures implemented by all the functions of the SLIC to protect the organisational assets. An internal control system will consist of; the control environment; risk assessment; control activities; information and communication, and finally monitoring and evaluation.

Establish Organisational-wide Loss Data Collection

Loss event data provides meaningful information for assessing a SLIC's exposure to various risks and the effectiveness of internal controls. Analysis of loss events can provide insights into the causes of large losses and information on whether control failures are isolated or systemic.

LIFE INSURANCE RISKS

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 1 January 2016 onwards, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka (IRCSL), SLIC fully implemented the Risk-Based Capital (RBC) solvency framework and adopted the “Gross Premium Valuation” (GPV) basis which is required under RBC regime for liability valuation purpose and continued the same

approach to the valuation of liabilities as at 31 December 2018 where liability is calculated in market consistent manner. This means that GPV will have to be based on the explicit estimates for mortality, morbidity, expenses, lapses, etc. and risk free interest rate structure will have to be used for discounting purpose as opposed to flat interest rate structure used under NPV basis. The liability will also have to be carried at an explicit margin for future expected level of bonus, which is called a Total Benefit Liability (TBL), hence the future bonus is protected under best estimate assumptions. SLIC is geared up to set best estimate assumptions for liability valuation based on the internal experience studies conducted periodically. This has enabled SLIC to manage policyholder liabilities in a consistent manner over the years.

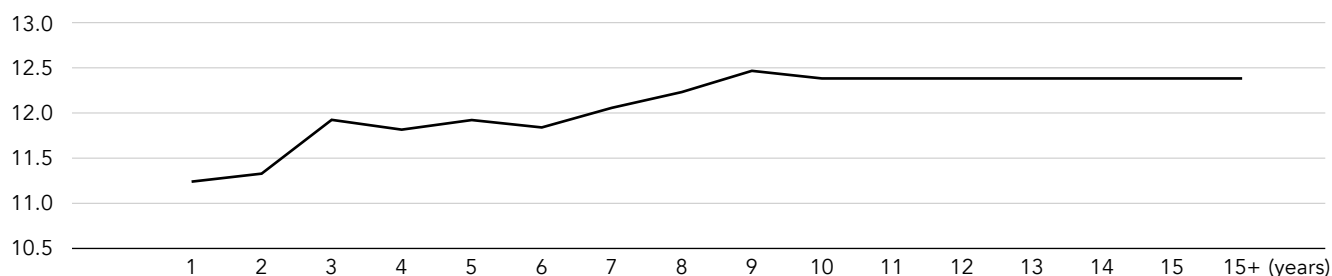
In addition, best estimated parameters considered for TBL calculation are further stressed called application of Risk Margin (RM) as per the guidelines given by IRCSL and TBL is computed with a margin for adverse deviation from its best estimates. The use of RM increases the statistical confidence of policy liabilities and hence enhances 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 represents a 75% confidence interval with respect to the underlying probability distribution of the possible outcomes.

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

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 instructed by IRCSL as at 31 December 2018

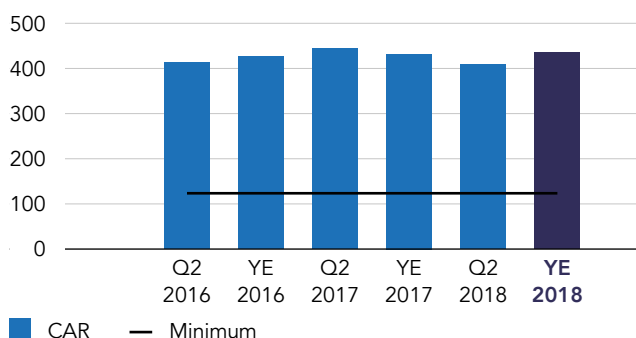
RISK FREE RATE (%)



RISK MANAGEMENT

SLIC maintained steady and strong solvency ratio over the year 2018 for its life insurance business and as at 31 December 2018 the Risk-based Capital Adequacy Ratio, CAR, stands at 437% and it was 432% as at 31 December 2017. 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 best estimated liability LKR Mn.
Mortality	+10%	396
	-10%	(407)
Discount rate	Up shock scenario under RBC	(9,320)
	Down shock scenario under RBC	13,831

Segregation of policy liability based on product category

31 December 2018 LKR '000	Insurance liabilities (with profits)	Insurance liabilities (without profits)	Total benefit liabilities
Whole life	15,751	3,724	19,475
Endowment assurance	39,545,633	1,451,437	40,997,070
Term assurance	0	1,581,498	1,581,498
Annuity	7,110,235	1,688,574	8,798,809
Rider benefits	2,225	2,050,518	2,052,743
Total	46,673,844	6,775,751	53,449,595

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

	Participating LKR '000	Non-participating LKR '000	Total LKR '000
2018	98,410,831	7,048,715	105,459,546
Percentage	93.32%	6.68%	

GENERAL INSURANCE RISK

From 1 January 2016, as per the mandatory requirement by the IRCSL, SLIC fully implemented the 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 (CHE) for future settlements of the claims and provision for adverse deviation in central estimate liability and CHE. Premium Liability also set up at 75% confidence level and that is calculated based on the central estimate Unexpired 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.

	2018 LKR Mn.	2017 LKR Mn.	2016 LKR Mn.	2015 LKR Mn.	2014 LKR Mn.	2013 LKR Mn.
Gross reserves for losses and loss adjustment expenses	8,776	8,549	8,664	7,894	7,709	7,818
Reinsurance recoverable	(1,590)	(1,451)	(1,434)	(976)	(1,004)	(1,160)
Net reserves for losses and loss adjustment expenses	7,186	7,098	7,230	6,917	6,705	6,657
Cumulative paid as of December 31:						
One year later	7,590	6,849	6,637	4,981	4,572	4,481
Two years later		9,004	8,392	6,989	5,907	5,873
Three years later			8,539	7,099	6,055	5,961
Four years later				7,160	6,098	6,010
Five years later					6,152	6,023
Six years later						6,069
Cumulative Reported as of December 31:						
One year later	9,467	8,297	7,913	6,326	5,632	5,565
Two years later		9,184	8,531	7,291	6,204	6,107
Three years later			8,717	7,376	6,352	6,209
Four years later				7,398	6,362	6,218
Five years later					6,352	6,207
Six years later						6,229

RISK MANAGEMENT

Sensitivities Analysis for General Insurance Risk

The following table shows the sensitivity of net income before tax and the sensitivity of net assets, as a result of adverse development in the reported claims outstanding by 1%. 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 1% 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 LKR Mn.	Reported net claim outstanding LKR Mn.	Impact on gross liabilities LKR Mn.	Impact on net liabilities LKR Mn.	Impact on profit before tax LKR Mn.	Impact on equity (After tax) LKR Mn.
31 December 2018	+1%	6,331	4,919	83	67	(67)	(48)

INVESTMENT RISK MANAGEMENT

Investment risk management essentially entails managing movements in assets prices in order to reap maximum possible upside potential within risk appetites of the Organisation. It is of critical importance that the downside is monitored carefully in order to mitigate any possible losses which may lead to erosion of the value of investable funds or performance falling below appropriate benchmarks. Market volatility has hit unprecedented levels in recent times leading to uncertainty globally. Diversifying assets in order to mitigate unsystematic risk, has been of paramount importance. Furthermore, investments also need to look at aspects such as liquidity, credit, operational and reputation risks, in addition to return.

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 an appropriate balance between asset growth and income to meet the obligations of the fund, based on prudent risk management principles within applicable IBSL regulations.

Market Risk**Interest Rate Risk**

Interest rate risk is the risk of losses that may arise due to changes in interest rates and changes in the shape of the yield curve. Interest rate risk is managed by ensuring gaps between durations of assets and liabilities are within tolerable limits.

During 2018, the Federal Reserve hiked interest rates four times, leading to a flight of assets from emerging markets to the US. This posed challenges to Sri Lanka as well and the exchange rate went up to unforeseen levels. During 2018 CBSL was initially seen easing monetary policy in April and then maintaining a neutral monetary policy stance by hiking interest rates in November and cutting the Statutory Reserve Requirement. Interest rates were seen dipping during January 2018 and subsequently picking up steeply during the third quarter of the year.

Careful monitoring and reducing duration of assets is crucial when interest rates are rising.

Exchange Rate Risk

The risk of exchange rate movements adversely affecting the bottom line of an organisation is called exchange rate risk. During 2018, the US dollar was seen appreciating across the board against most currencies. Regional currencies including the Sri Lankan rupee fell to all-time lows. This however had a positive impact on foreign currency denominated assets of SLIC during 2018.

Equity Risk

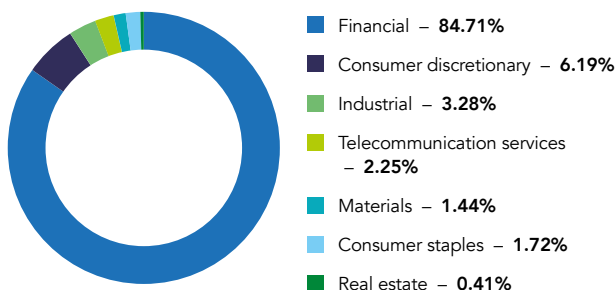
Equity risk is the risk arising from volatility in the stock market prices.

SLIC equity portfolio is exposed to systematic risk which is the uncertainty inherent to the entire market. Our equity markets declined by 5% year on year which is measured by the performance of all share price index whilst the more liquid S&P SL20 fell by 15%.

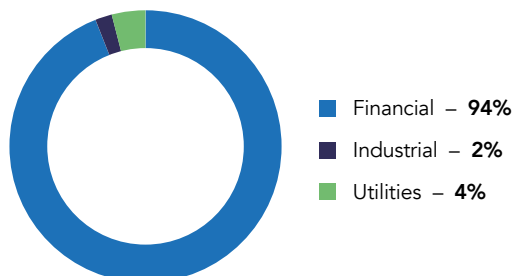
SLIC mitigates the unsystematic risk which is also known as the company specific risk by diversifying the equity portfolio into different sectors and companies.

The stock market is expected to face near term pressure from the anticipated upward momentum in interest rates and lack of political stability but we expect earnings growth to recover and a relative improvement in political stability towards the second half of the year.

SECTOR ALLOCATION – LISTED EQUITY LIFE FUND AS AT 31 DECEMBER 2018



SECTOR ALLOCATION – LISTED EQUITY GENERAL FUND AS AT 31 DECEMBER 2018

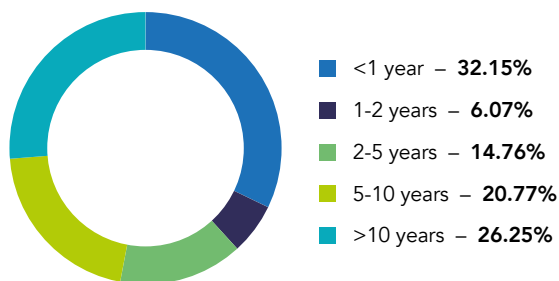


Liquidity Risk

The inability to liquidate or the loss that may have to be incurred during the process of liquidating an investment is termed liquidity risk. SLIC is mindful of liquidity needs of funds and manages this significant risk element by investing in assets such as Treasury Bonds, which have deep markets and are relatively liquid. Furthermore, maturity gaps of assets and liabilities are managed within tolerable levels.

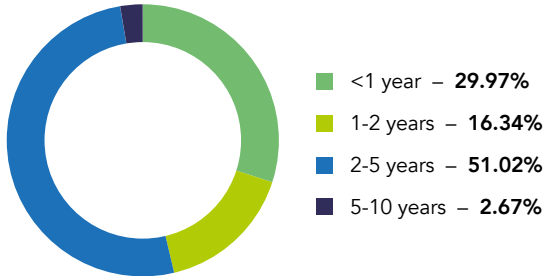
Liquidity needs of the portfolios vary. The Life Fund has a longer investment horizon and a lower liquidity requirement, whereas the General Fund has a shorter investment horizon and higher liquidity needs. Hence structuring maturity profiles to suit these liquidity needs is done on a continuous basis.

MATURITY PROFILE LIFE FUND AS AT 31 DECEMBER 2018



RISK MANAGEMENT

MATURITY PROFILE GENERAL FUND AS AT 31 DECEMBER 2018



SLIC has established limits on concentration in investments by single issuers and certain asset classes and also limits investments in illiquid instruments.

Credit Risk

The loss that may arise due to the non-settlement of interest and/or capital is termed credit risk. Credit risk is positively correlated with interest rates. Being mindful of credit risk is of paramount importance in a scenario where interest rates are trending upwards. This fact was identified and investment policies were firming up to mitigate credit risk to manageable levels. A comprehensive credit analysis is carried out internally prior to making any investment. Credit risks is monitored and managed at each investment 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 quality, industry, maturity and large exposure.

Concentration Risk

This is the risk of portfolios not being fragmented and granular enough, which over exposes the portfolio to certain segments of the market, where the under-performance of those particular segments can have a significant negative impact on portfolio performance. Investment portfolios are diversified amongst asset classes and within asset classes to minimise concentration risk.

Operational Risk

Operational risk refers to the risk of incurring losses due to lapses in operating procedures, including but not limited to human error, fraud, breakdowns etc. Implementation of SAP, which is a globally recognised system, ensures proper segregation of duties and strict dual controls are in place to minimise operational risks. Regular investment audits are carried out to ensure operational risks are minimised.

COMPLIANCE RISK MANAGEMENT

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

“Compliance Risk” is defined as the risk or damage to SLIC’s integrity as a result of failure to comply with relevant laws, regulations, internal policies, procedures and principles as otherwise the failure to effectively manage compliance risk could expose SLIC to fines, civil and criminal penalties etc. The compliance risk assessment has been mainly focused on regulatory related matters though during the year under review initiatives were taken to expand the scope to assess the risk pertaining to non-compliance with the best practices as well, which includes ensuring that auditing of key compliance areas occur. The business principles of SLIC require all staff at every level to conduct themselves, not only in compliance with the laws and regulations but also acting with integrity being accountable. SLIC understands that good compliance risk management involves delivering the expectation of customers and the other stakeholders.

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

SLIC is equipped with a comprehensive compliance framework or “Compliance programm” 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.

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

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

In the area of compliance risk, four lines of the defence model are adopted: the actual risk owners identified as the risk partners of the respective departments act as the First Line of Defence; the Risk Management Committee and the Audit and Compliance Committee act as the Second Line of Defence; internal audit acts as a Third Line of Defence for the “money laundering” function; the regulator, i.e., the Insurance Board of Sri Lanka (IBSL) and the External Auditors (Circular No. 29, dated, 23 August 2010) acts as the Fourth Line of Defence. To ensure that the compliance risk agenda is not secondary to the audit agenda, the Compliance Department reports to both the Audit and Compliance Committee and the Risk Management Committee.

The likelihood of compliance risk has been minimised by ensuring that the following are in place: integrating monitoring of compliance and risk management; supporting open and transparent reporting; and building relationships with the stakeholders. In a bid to further strengthen the compliance framework in terms of ethics and best practices, the compliance issues and incidents are escalated to the Board and subcommittees in order to take both corrective and preventive actions. During the year steps were taken to strengthen the compliance framework to minimise any deviation from professional standards (codes of ethics applicable to different professions), to institute practices that will ensure the highest possible level of compliance. During the year under review, Board subcommittees were further strengthened by clearly articulating the ethical obligations expected from the members and also by initiating to provide adequate human resources. Therefore, the compliance function has taken reasonable measures to comply with applicable laws, rules and regulations, as well as strengthening the compliance with the best practices.

ICT RISK MANAGEMENT

As in previous years, in 2018 the Company has taken many measures to identify and mitigate ICT risk in all its services to facilitate business operations. ICT risk arising from the activities of its staff has been identified and an ICT Security Manager and his team have been appointed to monitor the activities of the ICT staff. The ICT risks in minimising downtime to ICT equipment deployed at the periphery and endpoints have been identified and dedicated staff with adequate resources has been assigned to manage the risks arising from this area of ICT operations. This team has been equipped to manage down time arising in the conduct of day-to-day business operations. The ICT risk with respect to software in use at SLIC has been identified and measures put in place to ensure that all bugs and enhancements meet the highest standards of software change management procedures. The network infrastructure has been enhanced with redundant ICT equipment to ensure that the downtime is minimised and the disruption to business operations is in conformance with benchmarks found in the ICT industry for the insurance sector. The server infrastructure has adequate redundancy built into its design and is constantly monitored and all obsolete hardware is phased out and upgraded in a timely manner to ensure that ICT services delivery is maintained at optimum levels to enable business operations to take place at the highest

RISK MANAGEMENT

levels of operational excellence. In the coming year in 2019 it is envisaged to develop the existing ICT risk management capability to higher levels of risk mitigation capability than exists currently with the assistance of the recently appointed Head of Risk Management.

CYBERSECURITY RISK MANAGEMENT

During the year 2018, the Company undertook to review and revamp its entire stance with regard to cybersecurity risk. In this endeavour the cybersecurity monitoring and response team has been enhanced with the addition of staff that have undergone extensive training in handling the new generation of cybersecurity monitoring, detection and blocking tools. Further, the Company undertook to put in place cybersecurity measures to detect and block cybersecurity threats at the perimeter of its network infrastructure. A new firewall was put in place with next generation cyberthreat detection and blocking capabilities which included an intrusion prevention capability as well. End point cybersecurity was also revamped with the addition of behavioural cybersecurity threat detection and blocking capability to the existing signature based detection capability. In addition to the external cybersecurity auditing that takes place annually, the Company has put in place measures to carry out in-house vulnerability assessments at a greater frequency than in previous years. The Company looks forward to 2019 to develop security incident and event management capability in its cybersecurity management toolkit with a view to developing it into a full-fledged Security Operations Centre in the future. This will move SLIC's cybersecurity management capability from a reactive mode to a more proactive and anticipatory cybersecurity response mode.

FRAUD AND MISCONDUCT RISK MANAGEMENT

With the purpose of maintaining and enhancing the processes of SLIC, managing/mitigating risk of fraud and misconduct is key to building a fraud free environment throughout the enterprise is a significant initiative that can safeguard both market confidence and public trust. In 2018, SLIC introduced fraud management policy which established the framework for the detection and prevention of fraud, misappropriations, and other irregularities of SLIC. The corporate fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against SLIC. It is the intent of SLIC to promote consistent organisational behaviour by providing guidelines and assigning responsibilities for the development of controls and conduct of investigations and regular reviews.

SLIC internal audit team comprises highly qualified and experienced staff and creating robust understanding of risks and controls. According to the Annual Audit Plan it covers all high-risk areas such as claim payments, commission and incentive payments and other management expenses. 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 programmes and related anti-fraud programmes and controls. All findings on misconducts and frauds pertaining to branches are reviewed and respective actions are being taken at the audit follow-up committee.

The purpose of SLIC Risk Management Department is to mitigate the enterprise risk by designing and implementing an overall risk management process, which includes an analysis of the financial impact on the Company when risks occur, performing a risk assessment, evaluations, and reporting to the Risk Management Committee. In line with the regulatory guidelines, regulatory enforcement has been increased and scrutiny has been enhanced to mitigate the risk of fraud and misconduct at SLIC by the Compliance Department. All three departments report to Board Audit and Risk Management Committees on developing high ethical culture with honesty. All the other departments including Life and Non-life develop an appropriate oversight process while mitigating and controlling the opportunities of frauds by implementing Policies, Procedures, Processes and controls while Investigation Department conducts inquiries to discover as to who committed fraud and misconducts and gather evidence to prosecute and convict the accused.

HR RISK ANALYSIS

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 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. HR risk comes in many shapes and sizes, and can also come from many directions, both internally and externally.

It is the recruitment, training and development, motivation, creating right behaviour, positive attitudes, and retention of employees with sufficient skills that help accomplish organisational goals.

HR component is critical to risk management because of the following reasons:

- Employees are the biggest sources of risk; it is the employees, their behaviour and actions that cause risk
- Employees are also critical in managing risk. It is the employees and their actions that mitigate risk.

Therefore, it is essential that an organisation's risk management plan includes a comprehensive analysis of its employee risks. There is no doubt that a positive HR environment reduces risk and increases an organisation's ability to manage risks. And these can be better managed by SLIC as well by planning and empowering the human component of the corporate capability and leadership and implementation of its well-planned HR strategy.

SLIC has identified several risk factors as follows.

1. 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 steps mentioned below:

- Identifying the annual cadre requirement of the Organisation
- Formulating a recruitment policy and filling vacant positions strictly adhering to policy guidelines
- Developing efficient processes for onboarding potential talent, their orientation and development to ensure new starters become productive fast
- Implementing the succession planning process and start developing successors for identified positions

2. Regulatory and compliance

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

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

3. Pay and compensation

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

- Introducing and continuing the in-house vehicle loan facility for the staff
- Distributing the 2017 profit among employees in the form of a profit bonus
- Granting an annual salary increment of 7.5% for the year 2018

4. Training and development

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

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

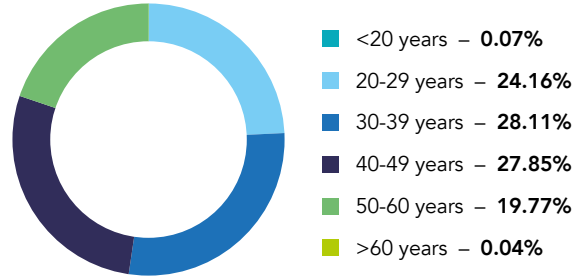
RISK MANAGEMENT

5. Performance management system

Staff appraisal system help managers to evaluate employee job performance and develop a fair system of pay increases, promotions and deployment. Appraisals in turn can help staff members to improve individual performance and assist the organisation in devising or recognising job functions to better fit the position or the employee.

SLIC is in the process of implementing its performance Management System with the view of;

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

6. Ageing workforce**AGE ANALYSIS**

Considering the age analysis displayed above, it is visible that distribution of employees in terms of age and the ageing workforce is continuously rising at SLIC. This could be a risk factor to HR in the future since it is restricting new blood coming in, to the organisation. As such, SLIC should continuously focus on maintaining a balance when filling vacant positions in the organisation. On the other hand, SLIC will have to invest in developing its aging employees for supporting their talents, helping them to learn and increase their productivity.



FINANCIAL REPORTS

- 104** – Annual Report of the Board of Directors of the Company
- 108** – Statement of Directors' Responsibility
- 109** – Chief Financial Officer's Statement of Responsibility
- 110** – Certificate of Actuary of the Insurer
- 111** – Liability Adequacy Test
- 112** – Certificate of Incurred But Not (Enough) Reported Claims
- 113** – Independent Auditors' Report
- 116** – Statement of Financial Position
- 118** – Statement of Profit or Loss and Other Comprehensive Income
- 120** – Statement of Changes in Equity
- 126** – Statement of Cash Flows
- 128** – Segmental Review: Statement of Income
- 130** – Segmental Review: Statement of Financial Position
- 132** – Notes to the 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 31 December 2018 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 as amended and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments made thereon and best practices of corporate governance.

As at 31 December 2018, 99.97% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Litro Gas Terminal Lanka (Pvt) Ltd., Canowin Hotels and Spas (Pvt) Ltd., and Management Services Rakshana (Pvt) Ltd. are fully-owned subsidiaries of the Company. SLIC has 99.94% shareholding of Litro Gas Lanka Ltd., and 54.61% shareholding of The Lanka Hospitals Corporation PLC. In addition, SLIC has 45.95% shareholding of Canwill 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 8 May 2019.

PRINCIPAL ACTIVITIES OF THE COMPANY AND THE GROUP

The Company underwrites life and non-life insurance (general insurance) business in Sri Lanka. There were no major changes to the principal activities of the Company during the year under review.

The principal activity of Litro Gas Terminal Lanka (Pvt) Ltd. is 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. 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 Expressway.

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 and Sri Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 and Companies Act No. 07 of 2007.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Financial Statements for the year ended 31 December 2018 are prepared based on the Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. The financial statements of the Group and the Company signed by the Chief Financial Officer and the Directors are given on page 109 in the Annual Report. These Financial Statements and Notes give a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the year ended on that date.

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 the qualified Auditor to assist the Auditor General in the annual audit of the financial statements of the Company for the year ended 31 December 2018, 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 on pages 113 to 115 in the Annual Report.

FEES ON AUDIT AND OTHER RELATED SERVICES

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

	2018 LKR '000	2017 LKR '000
Statutory audit fees	4,338	4,338
Audit related services	1,385	1,295
Non-audit related services	821	1,250

ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are given in the Annual Report on pages 132 to 148.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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 on pages 91 to 102 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 of Directors is satisfied that the Company and the Group have adequate resources to continue its operations in the foreseeable future by considering the financial position, performance, cash flows, and regulatory and statutory factors. Accordingly, going concern basis was adopted in preparing the financial statements.

REVENUE/GROSS WRITTEN PREMIUM (GWP)

The total Revenue of the Company recorded LKR 44,379 Mn. for the year under review and LKR 39,400 Mn. for the comparative figure (2017). The total GWP, LKR 31,738 Mn. comprised life insurance gross written premium of LKR 13,206 Mn. and non-life insurance Gross Written Premium of LKR 18,532 Mn. for the year 2018. The reported value for total Gross Written Premium in 2017 was LKR 31,438 Mn. out of which life

insurance Gross Written Premium was LKR 12,517 Mn. and non-life insurance Gross Written Premium, LKR 18,921 Mn., 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

	2018 LKR '000	2017 LKR '000
Profit before taxation (PBT)	7,150,600	5,890,205
Income tax expenses	1,905,805	1,321,056
Profit after taxation	5,244,795	4,569,150
Other comprehensive income	103,523	(128,764)
Adjustments for last year's depreciation	225	225
Transferred from life insurance shareholders to general insurance shareholders	300,000	-
Revenue reserves other liabilities	(163,808)	535,902
Unappropriated profit brought forward	22,897,095	23,664,611
Profits available for appropriation	28,381,829	28,640,900
Appropriation		
Dividends paid	1,853,206	3,358,561
Transferred to the restricted regulatory reserve fund	-	98,238
Surplus attributable to shareholders from life insurance	1,688,127	1,820,855
Transferred from life fund to unrestricted reserve	-	466,179
Unappropriated profit carried forward	24,840,496	22,897,095

DIVIDENDS

The Board has declared a payment of an interim dividend of LKR 2.52 per share (totalling a sum of LKR 1,511,352,864) for the financial year 2018.

Further, the Board of Directors recommends a final dividend of LKR 0.54 per share per share (totalling LKR 323,861,328.00), payable in July 2019, to holders of issued and paid-up ordinary shares of the Company as at the close of business on 30 June 2019.

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

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 LKR 3.06 per share amounting to LKR 1,835,214,192 was declared for the year 2018.

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

PROVISION FOR TAXATION

The tax position in the Company is disclosed on page 196 in the Financial Statements.

RESERVES

The movement in reserves during the year is set out in the Statement of Changes in Equity Statement on pages 120 to 125.

INSURANCE LIABILITIES AND PROVISIONS

The Directors have taken all reasonable steps to ensure adequate provisioning for unearned premiums and claims outstanding including provisions for claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) in non-life insurance. The Directors have also consulted an independent actuary in the process of valuing IBNR and IBNER reserves and his report is given in the Annual Report on pages 193 to 195.

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 December 2018 amounted to LKR 172,277 Mn. (2017 – LKR 167,602 Mn.). A detailed breakup of the investments held is disclosed on pages 149 to 163 in the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are given on pages 163 to 178 in the Annual Report.

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 land and building is once in every two years. Accordingly, the land and buildings were revalued in financial year 2018 by Messrs FM Valuers. 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 December 2018.

EVENTS OCCURRING AFTER THE REPORTING DATE

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

RELATED PARTY TRANSACTIONS

The related party transactions as per the Sri Lanka Accounting Standards (LKAS) 24, Related Party Disclosures, which is adopted in the preparation of the financial statements are given on pages 220 to 225 in this Annual Report.

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

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 LKR 6.3 Mn. and the figure reported in the last year (2017) was LKR 12.6 Mn.

STATED CAPITAL

The Stated Capital of the Company as at 31 December 2018 was LKR 6,000 Mn., in compliance with the Companies Act No. 07 of 2007. As at 31 December 2018, 99.97% shares were vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

STATUTORY PAYMENTS

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

INTANGIBLE ASSETS

Intangible assets as at 31 December 2018 have been recorded in the Financial Statements of the Company on pages 177 to 178.

ENVIRONMENT

The Company 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 30 April 2019.

BOARD OF DIRECTORS

The Board of SLIC has been reconstituted w.e.f. 26 February 2019 and the Board of Directors as of the reporting date is as follows:

Mr K A Vimalenthirarajah	– Chairman/ Non-Executive Director
Mr B M Dushyanta B Basnayake	– Managing Director
Mr Priyantha Abeysinghe	– Non-Executive Director
Mr Athula S Ranagala	– Non-Executive Director
Mr Thusitha Halloluwa	– Non-Executive Director

Mr B M Dushyanta B Basnayake was designated as the Managing Director w.e.f. 15 May 2019.

Mr Hemaka D S Amarasuriya ceased to be effective w.e.f. 27 November 2018. Mr Nilu D Wijedasa, Mr Pradeep A Liyanamana, and Mr Keerthi Kotagama resigned w.e.f. 26 November 2018. Dr Nalaka H Godahewa who was appointed as the Executive Chairman w.e.f. 12 November 2018 ceased to be effective w.e.f. 27 November 2018. Dr K A S Keeragala who was appointed as the Executive Chairman w.e.f. 27 November 2018 ceased to be effective from 26 February 2019. Mr J M U P Jayamaha, Mr K K S A Perera and Mr P M K Hettiarachchi who were appointed to the

Board w.e.f. 26 November 2018 ceased to be effective from 26 February 2019. Mr Priyantha Abeysinghe was appointed w.e.f. 6 February 2019. Mr Saadi A Wadood and Mr P Algama also ceased to be effective w.e.f. 26 February 2019.

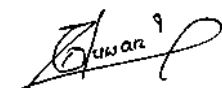
ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 28 June 2019 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
For Board of Directors



K A Vimalenthirarajah
Chairman



B M Dushyanta B Basnayake
Managing Director

30 May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

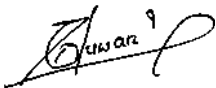
The Directors confirm that appropriate accounting policies have been consistently applied and supported by prudent judgements and estimates in the preparation of Financial Statements. Further, the Directors ensure that the Company has adequate resources to continue in operation to justify applying the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

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

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

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

By Order of the Board,



B A Ruwani Dharmawardana
Company Secretary

30 May 2019

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 31 December 2018 were prepared and presented in compliance with the requirements of the following:

- i. Sri Lanka Financial Reporting Standards (SLFRSs/LKASs) issued by the ICASL.
- ii. The Companies Act No. 07 of 2007.
- iii. 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, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standards.

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 SLIC Internal Auditors also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed.

The Board of Directors has appointed an Audit and Compliance Committee, which is headed by an Independent Director. The Audit and Compliance Committees reviews internal audit function, audit follow up committee reports and Financial Statements. 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 were 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.
- v. The equity capital meets the set minimum capital requirements in accordance with the applicable regulations.



Malanie Tennakoon
Chief Financial Officer

30 May 2019

CERTIFICATE OF ACTUARY OF THE INSURER

Willis Towers Watson 

Private and Confidential

29 April 2019
The Board of Directors
Sri Lanka Insurance Corporation Limited
No. 21, Vauxhall Street,
Colombo 02,
Sri Lanka.

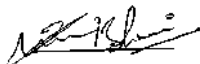
Actuarial Valuation of the Long-term Insurance Business as at 31 December 2018

In accordance with the engagement letter dated 26 April 2019, Willis Towers Watson India Private 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 Limited's Long-term Insurance Business as at 31 December 2018.

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 2018, for all liabilities in respect of the Long-term Insurance Fund, taking into account all current and contingent liabilities as at the date.
3. The total long-term insurance provision maintained within the life fund on the surplus basis is LKR 53,450 Mn. The value of assets held within the life fund is LKR 104,733 Mn. on IRCSL basis and LKR 107,462 Mn. on SLFRS basis. The surplus transferred to the shareholder fund from life fund is LKR 1,699 Mn. during 2018. The gross surplus allocated for bonus declaration to policyholders during 2018 from participating fund is LKR 1,514 Mn. Subsequent to the shareholder transfers, and post-tax, the life fund is LKR 102,731 Mn. on IRCSL basis and LKR 105,460 Mn. on SLFRS basis as at 31 December 2018.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India
Willis Towers Watson India Private Limited

Signature : 
Place : India
Date : 29 April 2019

Willis Towers Watson India Private Limited
Registered Office:
2nd floor, Tower B, Unitech Business Park,
South City – 1, Sector 41,
Gurgaon 122001
India

T +91 124 432 2800
F +91 124 432 2801
E TW.Fin.India@willistowerswatson.com
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LIABILITY ADEQUACY TEST

Willis Towers Watson 

Private and Confidential

29 April 2019
The Board of Directors
Sri Lanka Insurance Corporation Limited
No. 21, Vauxhall Street,
Colombo 02,
Sri Lanka.

Liability Adequacy Test

1. The Sri Lanka Accounting Standard SLFRS 4 – “Insurance Contracts” prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cashflows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long-term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Limited as contemplated by SLFRS 4.
2. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within the risk-based capital framework as prescribed by the IRCSL (erstwhile IBSL) [the Solvency Margin (Risk-based Capital) Rules 2015], whereby liabilities are valued using a discounted cashflow approach covering the full lifetime of all the cash in-and-out flows required to settle the obligations related to existing in-force insurance contracts.
3. The projections are based on in-force policies and riders as at 31 December 2018.
4. Based on the checks undertaken, I certify:
 - that the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - that the assumptions used for such valuation are responsible estimates based on available experience studies and after allowing for suitable margins for adverse deviation; and
 - that the long-term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Limited as per the audited accounts of the Company for the year ended 31 December 2018 is in excess of the liabilities computed in the above-mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India
Willis Towers Watson India Private Limited

Signature : 

Place : India

Date : 29 April 2019

Willis Towers Watson India Private Limited
Registered Office:
2nd floor, Tower B, Unitech Business Park,
South City – 1, Sector 41,
Gurgaon 122001
India

T +91 124 432 2800
F +91 124 432 2801
E TW.Fin.India@willistowerswatson.com
W willistowerswatson.com

CERTIFICATE OF INCURRED BUT NOT (ENOUGH) REPORTED CLAIMS



26 April 2019

To the shareholders of Sri Lanka Insurance Corporation Limited

SRI LANKA INSURANCE CORPORATION LIMITED 31 DECEMBER 2018 NET IBNR AND LAT CERTIFICATION

I hereby certify that the 75% confidence level IBNR provision of LKR 2,266,595,519 is adequate in relation to the Claim Liability of Sri Lanka Insurance Corporation Limited as at 31 December 2018, net of reinsurance (undiscounted). This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 75th percentile to meet the future liabilities, including the claim handling expenses, in respect of the Company's incurred claims obligations as at 31 December 2018, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 9,030,389,684 set by the Company, net of reinsurance, is adequate at a 50th percentile in relation to the unexpired risks of Sri Lanka Insurance Corporation Limited as at 31 December 2018, 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.

Sivaraman Kumar

Fellow of the Institute and Faculty of Actuaries (FIA)
For and on behalf of NMG Financial Services Consulting
Dated 26 April 2019

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



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAF/E SLIC/FA/2018

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 31 May 2019
Date }

Chairman
Sri Lanka Insurance Corporation Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Insurance Corporation Limited and its subsidiaries for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act No. 19 of 2018.

1. FINANCIAL STATEMENTS

1.1 Qualified Opinion

The audit of the financial statements of Sri Lanka Insurance Corporation Limited ("Company") and the Consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Articles 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the accompanying financial statements of the Company and the

Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

- According to the judgment delivered by Supreme Court of Sri Lanka on 4 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, we were 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. Further, we were unable to satisfy ourselves by carrying out other alternative procedures.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

දුරකථන: 306/72, පොල්වැව් පාර, පිටතරාමුල්ල, ශ්‍රී ලංකාව



+94 11 2 88 70 28 - 34

දුරකථන: 306/72, පොල්වැව් පාර, පිටතරාමුල්ල, ශ්‍රී ලංකාව



+94 11 2 88 72 23

No. 306/72, Poldawa Road, Battaramulla, Sri Lanka.



ag@auditorgeneral.gov.lk



www.naosl.gov.lk

Emphasis of Matter

Without qualifying my opinion, I draw attention to the Note 45.2 to the financial statements which describes the uncertainty related to the outcome of the arbitration which has been established against Sinolanka Hotels and Spa (Private) Limited, a sub subsidiary of Sri Lanka Insurance Corporation Ltd.

Also I draw attention also to Note 49 to the Financial Statements which describes a material uncertainty relating to the ability of Sinolanka Hotels and Spa (Private) Limited and Helanco Hotels and Spa (Private) Limited, sub subsidiaries of Sri Lanka Insurance Corporation Ltd to continue as a going concern.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per section 16 (1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

National Audit Act No. 19 of 2018 and Companies Act No. 7 of 2007 include specific provisions for following requirements.

- Except for the effect of the matters described in the Basis for qualified opinion paragraph, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act No. 7 of 2007 and section 12 (a) of the National Audit Act No. 19 of 2018.
- The financial statements of the Company comply with the requirement of section 151 and 153 of the Companies Act No. 07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- The financial statements presented include all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018.

Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention:

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act No. 19 of 2018.
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for:
 - a. As discussed in Note 47 to the financial statements, the Company has not segregated the long-term insurance business and the general insurance business being carried on by it into two separate Companies, in accordance with section 53 of Regulation of Insurance Industry (Amendment) Act No. 03 of 2011.

b. As required by section 47 (2) of the Regulation of Insurance Industry Act No.43 of 2000, as far as it appears from our examination, due to the above stated non-compliance described in the previous point, the accounting records of the Company have not been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka.

- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act No. 19 of 2018;
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act No. 19 of 2018.

W P C Wickramaratne
 Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Assets					
Financial investments	5	152,831,539	146,926,201	150,057,778	144,600,345
Investment in subsidiaries	6	–	–	21,085,905	21,085,905
Investment in associates	7	143,646	143,646	143,646	143,646
Property, plant and equipment	8	52,381,971	49,598,222	11,165,910	10,138,320
Investment properties	9	2,505,679	1,422,700	1,719,966	619,200
Leasehold property	10	408,769	225,751	168,484	20,001
Intangible assets	11	3,170,690	3,181,536	83,828	93,167
Loans to policyholders	12	1,639,851	1,522,184	1,639,851	1,522,184
Reinsurance receivable	13	2,363,713	2,447,299	2,363,713	2,447,299
Premium receivable	14	3,853,445	3,694,158	3,853,445	3,694,158
Deferred tax assets	15	80	171,526	–	171,476
Other assets	16	8,003,338	6,744,152	3,833,082	3,174,893
Deferred expenses	17	543,481	234,337	543,481	234,337
Cash and cash equivalents	18	15,942,829	15,470,696	1,999,188	2,598,518
Total assets		243,789,031	231,782,408	198,658,277	190,543,449
Liabilities and shareholders' equity					
Equity					
Stated capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Regulatory restricted reserves		98,237	98,237	98,237	98,237
Revaluation reserve	20	11,109,100	10,442,923	8,348,502	7,664,272
Available-for-sale reserve	21	12,267,185	16,227,399	12,267,185	16,227,399
Revenue reserves	22	50,613,506	45,244,434	34,369,961	31,038,432
Total equity attributable to equity holders of the Company		80,088,028	78,012,993	61,083,885	61,028,340
Non-controlling interest		8,226,474	8,077,450	–	–
Total equity		88,314,502	86,090,443	61,083,885	61,028,340

As at 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Liabilities					
Insurance provision – Life	23	108,005,959	101,671,180	108,005,959	101,671,180
Insurance provision – Non-life	24	17,806,429	17,128,394	17,806,429	17,128,394
Reinsurance payable		854,200	2,789,967	854,200	2,789,967
Current tax liabilities	25	1,728,770	750,211	1,551,819	750,175
Deferred tax liabilities	15	6,408,584	4,919,261	2,627,711	1,193,056
Retirement benefit obligations	26	1,777,986	1,677,864	1,398,244	1,345,359
Other liabilities	27	17,937,240	15,885,786	4,721,444	4,001,048
Financial liabilities	28	955,361	869,302	608,586	635,929
Total liabilities		155,474,529	145,691,965	137,574,392	129,515,109
Total liabilities and equity		243,789,031	231,782,408	198,658,277	190,543,449

The Financial Statements are to be read in conjunction with related notes, appearing on pages 132 to 250 which form part 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;



K A Vimalenthirarajah

Chairman

30 May 2019

Colombo



B M Dushyanta B Basnayake

Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Revenue	29	92,103,275	78,578,019	44,379,869	39,399,737
Gross written premium	30	31,588,215	31,295,945	31,737,894	31,437,682
Net change in reserve for unearned premium		1,102,086	(2,153,642)	1,102,086	(2,153,642)
Gross earned premium		32,690,301	29,142,303	32,839,980	29,284,040
Premium ceded to reinsurers		(3,282,325)	(4,773,824)	(3,282,325)	(4,773,824)
Net change in reserve for unearned reinsurance premium		(1,553,040)	1,427,454	(1,553,040)	1,427,454
Net earned premium		27,854,937	25,795,933	28,004,616	25,937,670
Revenue from other operations		46,057,427	36,520,202	-	-
		73,912,364	62,316,135	28,004,616	25,937,670
Other income					
Investment income	31	14,372,021	13,612,126	13,058,640	12,127,617
Fees and commission income	32	53,662	56,068	53,662	56,068
Net realised gains	33	1,736,964	348,862	1,976,197	372,044
Other income	34	2,028,264	2,244,828	1,286,754	906,338
		18,190,911	16,261,884	16,375,253	13,462,067
Total net revenue		92,103,275	78,578,019	44,379,869	39,399,737
Benefits, losses and expenses					
Net benefits and claims	35	(17,754,649)	(16,026,569)	(17,754,649)	(16,026,569)
Underwriting and net acquisition costs (including reinsurance)	36	(2,497,873)	(2,324,852)	(2,497,873)	(2,324,852)
Change in contract liabilities – Life fund		(8,154,201)	(7,771,944)	(8,154,201)	(7,771,944)
Change in contract liability due to transfer of one off-surplus		-	98,237	-	98,237
Other operating and administrative expenses	37	(14,584,079)	(10,592,844)	(8,822,546)	(7,484,404)
Cost of services of subsidiaries		(38,690,904)	(32,980,251)	-	-
Net benefits, losses and expenses		(81,681,706)	(69,598,224)	(37,229,269)	(33,509,532)
Profit before taxation		10,421,569	8,979,794	7,150,600	5,890,204
Income tax expense	38	(2,818,669)	(2,412,210)	(1,905,806)	(1,321,055)
Net profit for the year		7,602,900	6,567,584	5,244,795	4,569,150

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gain/(loss) on revaluation of property, plant and equipment		2,291,973	153,659	2,269,573	8,251
Deferred tax effect on revaluation of property, plant and equipment		(31,012)	(48,708)	(31,012)	3,845
Actuarial gains/(losses) on retirement benefit obligations		122,742	(164,538)	121,234	(178,839)
Deferred tax effect on actuarial gains/(losses)		(18,106)	50,815	(17,711)	50,075
Deferred tax impact of evaluation surplus – Land		(1,554,331)	(506,906)	(1,554,331)	(506,906)
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale financial assets		(5,401,953)	1,094,738	(5,401,953)	1,094,738
Effect on deferred tax due to rate change		–	(809,973)	–	–
Deferred tax effect on fair value of available-for-sale reserve		2,839	(25,038)	2,839	(25,038)
Other comprehensive income for the year, net of tax		(4,587,847)	(255,952)	(4,611,360)	446,126
Total comprehensive income for the year		3,015,053	6,311,632	633,434	5,015,276
Profit for the year attributable to:					
Equity holders of the Company		7,250,432	6,257,799	5,244,795	4,569,150
Non-controlling interest		352,468	309,784	–	–
		7,602,900	6,567,583	5,244,795	4,569,150
Total comprehensive income attributable to:					
Equity holders of the Company		2,652,925	6,084,255	633,434	5,015,276
Non-controlling interest		362,127	227,377	–	–
Total comprehensive income for the year		3,015,053	6,311,632	633,434	5,015,276
Basic earning per share (LKR)	39	12.08	10.43	8.74	7.62
Dividend per share (LKR)	40	3.06	1.68	3.06	1.68

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, appearing on pages 132 to 250 which form part an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Group	Stated Capital	Revaluation Reserve	General Reserve	Available-For- Sale Reserve
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2017	6,000,000	11,623,290	643,442	21,055,304
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income	-	(625,266)	-	1,069,700
Total comprehensive income for the year	-	(625,266)	-	1,069,700
Transaction with owners of the company recorded directly in equity				
Transfer of revaluation reserve on disposal of property, plant and equipment	-	(5,334)	-	-
Impact of last year available-for-sale reserve transfer to shareholders	-	-	-	-
Change in fair value measurements applicable to life contract liability	-	-	-	-
Transferred available-for-sale reserves – Life fund	-	-	-	(5,897,605)
Surplus attributable to shareholders from life insurance	-	-	-	-
Depreciation transfer on surplus on revaluation of building	-	(42,861)	-	-
Transferred to the restricted regulatory reserve fund	-	-	-	-
Transferred from life fund to – Unrestricted reserve	-	-	-	-
Revenue reserve – other liabilities	-	-	-	-
Deferred tax on revaluation surplus – Land	-	(506,906)	-	-
Dividend paid	-	-	-	-
	-	(555,101)	-	(5,897,605)
Balance as at 31 December 2017	6,000,000	10,442,923	643,442	16,227,399

STATEMENT OF CHANGES IN EQUITY

Unrestricted Reserve	Regulatory Restricted Reserves	Surplus from Life Insurance	Retained Earnings	Total	Non-controlling Interest	Total Equity
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	-	8,109,631	31,404,948	78,836,614	7,961,626	86,798,242
-	-	-	6,257,800	6,257,800	309,784	6,567,584
-	-	-	(111,073)	333,361	(82,407)	250,954
	-	-	6,146,727	6,591,161	227,377	6,818,538
-	-	-	5,334	-	-	-
-	-	(2,898,769)	-	(2,898,769)	-	(2,898,769)
-	-	-	4,711,128	4,711,128	-	4,711,128
-	-	-	-	(5,897,605)	-	(5,897,605)
-	-	2,385,272	(2,385,272)	-	-	-
-	-	-	42,861	-	-	-
-	98,237	(98,237)	-	-	-	-
466,179	-	(466,179)	-	-	-	-
-	-	-	535,902	535,902	-	535,902
	-	-	-	(506,906)	-	(506,906)
-	-	-	(3,358,561)	(3,358,561)	(111,553)	(3,470,086)
466,179	98,237	(1,077,913)	(448,580)	(7,414,783)	(111,553)	(7,526,337)
466,179	98,237	7,031,718	37,103,095	78,012,992	8,077,450	86,090,443

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Group	Stated Capital	Revaluation Reserve	General Reserve	Available-For- Sale Reserve
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2018	6,000,000	10,442,923	643,442	16,227,399
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income	-	2,253,255	-	(3,960,214)
Total comprehensive income for the year	-	2,253,255	-	(3,960,214)
Transaction with owners of the company recorded directly in equity				
Transfer of revaluation reserve/(deficit) on disposal of property, plant and equipment	-	(7,356)	-	-
Transferred from life shareholder's fund to general shareholder's	-	-	-	-
Surplus attributable to shareholders from Life Insurance	-	-	-	-
Depreciation transfer on surplus on revaluation of building	-	(25,391)	-	-
Adjustment of prior year depreciation charges	-	-	-	-
Deferred tax on revaluation surplus	-	(1,554,331)	-	-
Revenue reserve – other liabilities	-	-	-	-
Dividend paid	-	-	-	-
	-	(1,587,078)	-	-
Balance as at 31 December 2018	6,000,000	11,109,100	643,442	12,267,185

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, appearing on pages 132 to 250 which form part an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Unrestricted Reserve	Regulatory Restricted Reserves	Surplus from Life Insurance	Retained Earnings	Total	Non-controlling Interest	Total Equity
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
466,179	98,237	7,031,718	37,103,095	78,012,991	8,077,450	86,090,443
-	-	-	-	-	-	-
-	-	-	7,250,432	7,250,432	352,468	7,602,901
-	-	-	102,683	(1,604,276)	9,659	(1,594,617)
-	-	-	7,353,115	5,646,156	362,127	6,008,284
-	-	-	7,356	-	-	-
-	-	(300,000)	300,000	-	-	-
-	-	1,688,127	(1,688,127)	-	-	-
-	-	-	25,391	-	-	-
-	-	-	225	225	-	225
-	-	-	-	(1,554,331)	-	(1,554,331)
-	-	-	(163,808)	(163,808)	-	(163,808)
-	-	-	(1,853,206)	(1,853,206)	(213,103)	(2,066,309)
-	-	1,388,127	(3,372,169)	(3,571,120)	(213,103)	(3,784,223)
466,179	98,237	8,419,844	41,084,041	80,088,028	8,226,474	88,314,502

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018	Stated capital	Revaluation reserve	General reserve	Available for-sale reserve
Company	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January 2017	6,000,000	8,159,082	643,442	21,055,304
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income	-	12,096	-	1,069,700
Total comprehensive income for the year	-	12,096	-	1,069,700
Transaction with owners of the Company recorded directly in equity				
Revenue reserve – other liabilities				
Impact of last year's available-for-sale reserve transfer to shareholder				
Transferred to the restricted regulatory reserve fund				
Change in fair value measurements applicable to life contract liability				
Transferred available-for-sale reserves – Life fund				(5,897,605)
Surplus attributable to shareholders from life insurance				
Transferred from life fund to – Unrestricted reserve				
Dividend paid				
Deferred tax impact of revaluation surplus – Land		(506,906)		
Balance as at 31 December 2017	6,000,000	7,664,272	643,442	16,227,399
Balance as at 1 January 2018	6,000,000	7,664,272	643,442	16,227,399
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income	-	2,238,561	-	(3,960,214)
Total comprehensive income for the year	-	2,238,561	-	(3,960,214)
Transaction with owners of the Company recorded directly in equity				
Revenue reserve – other liabilities				
Transferred from life shareholder's fund to general shareholder's				
Adjustment of prior year depreciation charges				
Surplus attributable to shareholders from life insurance				
Dividend paid				
Deferred tax impact of revaluation surplus – Land	-	(1,554,331)	-	-
Balance as at 31 December 2018	6,000,000	8,348,502	643,442	12,267,185

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, appearing on pages 132 to 250 which form part an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Unrestricted reserve	Regulatory restricted reserves	Surplus from life insurance	Retained earnings	Total equity
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	-	8,109,631	18,953,484	62,920,943
-	-	-	4,569,150	4,569,150
-	-	-	(128,764)	953,032
-	-	-	4,440,386	5,522,182
			535,902	535,902
		(2,898,769)		(2,898,769)
	98,237	(98,237)	-	-
			4,711,128	4,711,128
				(5,897,605)
		2,385,271	(2,385,271)	-
466,179		(466,179)		-
			(3,358,533)	(3,358,533)
				(506,906)
466,179	98,237	7,031,717	22,897,096	61,028,340
466,179	98,237	7,031,717	22,897,096	61,028,340
	-	-	5,244,795	5,244,795
	-	-	103,523	(1,618,130)
	-	-	5,348,318	3,626,665
			(163,808)	(163,808)
		(300,000)	300,000	-
	-	-	225	225
		1,688,127	(1,688,127)	-
			(1,853,206)	(1,853,206)
-	-	-	-	(1,554,331)
466,179	98,237	8,419,844	24,840,498	61,083,885

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Cash flows from operating activities					
Premium received from customers		31,119,784	31,213,376	31,299,689	31,409,277
Reinsurance premium paid		(4,603,961)	(2,540,651)	(4,603,961)	(2,540,651)
Insurance claims and benefits paid		(19,442,142)	(16,521,862)	(19,442,142)	(16,521,862)
Reinsurance receipts in respect of claims and benefits		185,636	254,077	185,636	254,077
Cash receipts from debtors		45,479,653	39,483,886	1,202,643	2,566,862
Cash paid to and on behalf of employees		(7,623,869)	(6,397,228)	(4,663,344)	(3,835,112)
Interest received		13,126,198	12,667,970	10,828,155	10,603,610
Dividend received		1,025,402	1,132,283	1,264,130	1,256,504
Other operating cash payments		(43,833,805)	(34,089,065)	(5,822,310)	(4,869,673)
Cash flows from operating activities		15,432,897	25,202,786	10,248,496	18,323,032
Retiring gratuity paid		(87,450)	(113,120)	(60,578)	(84,898)
Income tax paid		(1,426,245)	(1,879,702)	(542,707)	(1,032,102)
Net cash from operating activities		13,919,202	23,209,964	9,645,211	17,555,937
Cash flows from investing activities					
Acquisition of financial investments		(67,382,698)	(51,475,407)	(67,382,698)	(51,149,508)
Proceeds from financial investments		59,022,329	37,770,758	59,022,329	38,132,720
Proceeds from disposal of property, plant and equipment		1,058,998	31,313	4,949	7,187
Acquisition of property, plant and equipment		(4,358,766)	(7,597,673)	(243,209)	(138,869)
Acquisition of investment property		(3,104)	(864)	-	-
Premium paid on leasehold land		(18,547)	(18,547)	-	-
Interest on loans granted to policyholders		(1,513,152)	(1,399,961)	(1,513,152)	(1,399,961)
Settlement of loans by policyholders		1,764,340	1,749,866	1,764,340	50
Acquisition of intangible assets		(51,383)	(48,303)	(31,715)	1,749,866
Net cash used in investing activities		(12,019,704)	(20,988,817)	(8,379,155)	(13,148,420)
Cash flows from financing activities					
Dividend paid		(2,066,309)	(3,470,086)	(1,853,206)	(3,358,562)
Net cash used in financing activities		(2,066,309)	(3,470,086)	(1,853,206)	(3,358,562)

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Effect of exchange rate changes on cash and cash equivalents		15,163	-	15,163	(10,138)
Net increase/(decrease) in cash and cash equivalents		386,075	(1,248,939)	(571,987)	1,038,817
Cash and cash equivalents at the beginning of the year		14,601,394	15,850,334	1,962,589	923,773
Cash and cash equivalents at the end of the year		14,987,469	14,601,394	1,390,603	1,962,589
Cash and cash equivalents at the end of the year					
Cash at bank and in hand	18	8,673,343	1,520,306	990,029	826,623
Short-term investments	18	7,269,487	13,950,389	1,009,160	1,771,895
Bank overdraft	28	(955,361)	(869,302)	(608,586)	(635,929)
		14,987,469	14,601,394	1,390,603	1,962,589

Figures in brackets indicate deductions.

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

The Financial Statements are to be read in conjunction with related notes, appearing on pages 132 to 250 form an integral part of these Financial Statements.

A RECONCILIATION OF OPERATING PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 31 December	Company	
	2018 LKR '000	2017 LKR '000
Profit from operations	4,396,994	2,575,519
Increase in long-term insurance fund	10,907,807	10,988,392
Depreciation charge	311,330	334,489
Provision for impairment of property, plant and equipment	90,513	-
Profit on sale of investments	(220,421)	198,938
Gratuity provision	113,463	301,316
Gain/(loss) on foreign exchange transaction	(1,976,197)	(372,044)
Fair value of investment property	(129,600)	-
Gain or loss from disposal of assets	(5,907)	-
Increase/(decrease) in debtors	(2,248,537)	897,185
Increase/(decrease) in unearned premium	481,179	780,352
Increase/(decrease) in claims provisions	(317,246)	323,019
Increase/(decrease) in creditors	(983,404)	2,552,465
Deferred tax charged to profit and loss	(171,476)	-
Net cash from operating activities	10,248,496	18,323,032

SEGMENTAL REVIEW: STATEMENT OF INCOME

For the year ended 31 December

2018

	Non-life insurance LKR '000	Life insurance LKR '000	Healthcare LKR '000	Energy LKR '000	Other LKR '000	Eliminations LKR '000	Total LKR '000
Gross written premium	18,532,092	13,205,802				(149,679)	31,588,215
Net change in reserves for unearned premium	102,086	-	-	-	-	-	1,102,086
Gross earned premium	19,634,178	13,205,802	-	-	-	(149,679)	32,690,301
Premium ceded to reinsurers	(2,989,790)	(292,534)	-	-	-	-	(3,282,325)
Net change in reserve for unearned reinsurance premium	(1,553,040)	-	-	-	-	-	(1,553,040)
Net earned premium	15,091,347	12,913,268	-	-	-	(149,679)	27,854,936
Revenue from other operations	-	-	7,076,596	40,920,222	97,836	(2,037,227)	46,057,427
Total revenue	15,091,347	12,913,268	7,076,596	40,920,222	97,836	(2,186,906)	73,912,363
Benefits and losses							
Insurance claims and benefits (net)	(10,028,386)	(7,726,263)	-	-	-	-	(17,754,649)
Underwriting and net acquisition costs	(661,317)	(1,836,556)	-	-	-	-	(2,497,873)
Other insurance related costs	-	-	-	-	-	-	-
Change in contract liabilities – Life fund	-	(8,154,201)	-	-	-	-	(8,154,201)
Change in contract liability due to transfer of one-off surplus	-	-	-	-	-	-	-
Cost of services of subsidiaries	-	-	(3,965,859)	(36,728,369)	(33,903)	2,037,227	(38,690,904)
Total benefits and losses	(10,689,703)	(17,717,020)	(3,965,859)	(36,728,369)	(33,903)	2,037,227	(67,097,626)
Other revenue							
Investment income	2,354,066	10,704,577	192,025	1,269,075	98,009	(245,728)	14,372,023
Fees and commission income	-	53,662	-	-	-	-	53,662
Net realised gains/(losses)	1,367,435	608,762	287,147	(528,214)	1,834	-	1,736,964
Net fair value gains and losses	-	-	-	-	-	-	-
Other income	447,338	911,851	59,006	783,209	521,252	(694,392)	2,028,264
	4,168,839	12,278,849	538,178	1,524,070	621,095	(940,120)	18,190,913
Expenses							
Other operating, investment related and administrative expenses	(4,173,489)	(4,721,492)	(2,526,805)	(3,233,484)	(772,880)	844,071	(14,584,079)
Profit before taxation	4,396,993	2,753,606	1,122,110	2,482,439	(87,852)	(245,728)	10,421,569
Income tax expense	(840,326)	(1,065,480)	(252,052)	(641,259)	(6,089)	(13,463)	(2,818,669)
Net profit after taxation/transfer to shareholders' funds	3,556,668	1,688,127	870,058	1,841,180	(93,941)	(259,191)	7,602,900

2017						
Non-life insurance LKR '000	Life insurance LKR '000	Healthcare LKR '000	Energy LKR '000	Other LKR '000	Eliminations LKR '000	Total LKR '000
18,920,562	12,517,120	-	-	-	(141,737)	31,295,945
(2,153,642)	-	-	-	-	-	(2,153,642)
16,766,920	12,517,120	-	-	-	(141,737)	29,142,303
(4,542,029)	(231,795)	-	-	-	-	(4,773,824)
1,427,454	-	-	-	-	-	1,427,454
13,652,345	12,285,325	-	-	-	(141,737)	25,795,933
-	-	6,382,058	32,193,755	99,807	(2,155,418)	36,520,202
13,652,345	12,285,325	6,382,058	32,193,755	99,807	(2,297,155)	62,316,134
(9,127,011)	(6,899,557)	-	-	-	-	(16,026,568)
(636,080)	(1,688,772)	-	-	-	-	(2,324,852)
-	-	-	-	-	-	-
-	(7,771,944)	-	-	-	-	(7,771,944)
-	98,237	-	-	-	-	98,237
-	-	(3,519,257)	(29,460,994)	-	-	(32,980,251)
(9,763,091)	(16,262,036)	(3,519,257)	(29,460,994)	-	-	(59,005,379)
1,850,510	10,277,108	149,076	1,237,242	422,412	(324,221)	13,612,125
-	56,068	-	-	-	-	56,068
177,239	194,805	44,404	(69,020)	1,434	-	348,862
-	-	-	-	-	-	-
161,380	744,958	51,982	1,281,835	467,278	(462,605)	2,244,828
2,189,129	11,272,939	245,462	2,450,057	891,124	(786,826)	16,261,884
(3,502,864)	(3,981,540)	(2,186,215)	(3,058,226)	(623,760)	2,759,760	(10,592,844)
2,575,519	3,314,688	922,048	2,124,592	367,171	(324,221)	8,979,794
(391,642)	(929,414)	(341,198)	(623,933)	(118,697)	(7,328)	(2,412,210)
2,183,877	2,385,274	580,850	1,500,659	248,474	(331,549)	6,567,584

SEGMENTAL REVIEW: STATEMENT OF FINANCIAL POSITION

As at 31 December

2018

	Non-life Insurance LKR '000	Life Insurance LKR '000	Healthcare LKR '000	Energy LKR '000	Other LKR '000	Eliminations LKR '000	Total LKR '000
Assets							
Financial investments	30,315,312	119,742,465	2,673,761	100,000	–	–	152,831,539
Investment in subsidiaries	19,735,493	1,457,914	–	5,000,000	18,500,000	(44,693,408)	–
Investment in associates	143,646	–	–	–	–	–	143,646
Property, plant and equipment	11,075,190	90,724	4,489,065	15,953,780	20,773,217	–	52,381,971
Investment properties	1,719,966	–	–	–	785,713	–	2,505,679
Leasehold property	168,484	–	217,033	–	23,252	–	408,769
Intangible assets	83,825	–	93,890	–	167	2,992,805	3,170,690
Loans to policyholders	–	1,639,850	–	–	–	–	1,639,851
Reinsurance receivable	2,152,720	210,993	–	–	–	–	2,363,713
Premium receivable	3,357,463	495,981	–	–	–	–	3,853,445
Deferred tax assets	–	–	–	–	80	–	80
Other assets	602,450	3,737,048	1,100,312	2,739,264	1,247,120	(1,422,855)	8,003,338
Deferred expenses	543,481	–	–	–	–	–	543,481
Cash and cash equivalents	956,152	1,043,036	375,496	13,138,193	421,451	8,501	15,942,829
Total assets	70,854,183	128,418,011	8,949,557	36,931,237	41,751,000	(43,114,957)	243,789,031
Liabilities and equity							
Liabilities							
Insurance provision – Life	–	108,005,959	–	–	–	–	108,005,959
insurance provision – Non-life	17,806,430	–	–	–	–	–	17,806,429
Reinsurance payable	628,664	225,535	–	–	–	–	854,200
Current tax liabilities	684,213	867,605	166,523	1,176	9,252	–	1,728,770
Deferred tax liabilities	2,627,710	–	1,004,319	2,753,994	22,560	–	6,408,584
Retirement benefit obligations	729,519	668,725	188,596	121,248	69,898	–	1,777,986
Other liabilities	2,394,330	2,833,530	803,548	11,549,469	2,782,214	(2,425,849)	17,937,240
Financial liabilities	402,304	206,282	331,808	–	14,967	–	955,361
Total liabilities	25,273,170	112,807,637	2,494,794	14,425,887	2,898,891	(2,425,849)	155,474,529
Equity							
Stated capital	6,000,000	–	2,671,543	1,947,110	37,870,087	(42,488,740)	6,000,000
Regulatory restricted reserves from one-off surplus	–	98,237	–	–	–	–	98,237
Capital reserve	8,291,124	57,378	1,028,709	3,363,423	13,400	(1,644,934)	11,109,100
Available-for-sale reserve	5,948,488	6,318,696	–	–	–	–	12,267,185
Revenue reserves	25,341,401	9,136,063	2,754,511	17,194,816	968,622	(4,781,909)	50,613,506
Non-controlling interest	–	–	–	–	–	8,226,474	8,226,474
Total equity	45,581,013	15,610,374	6,454,763	22,505,349	38,852,109	(40,689,109)	88,314,502
Total liabilities and equity	70,854,183	128,418,011	8,949,557	36,931,237	41,751,000	(43,114,957)	243,789,031

SEGMENTAL REVIEW: STATEMENT OF FINANCIAL POSITION

2017						
Non-Life Insurance LKR '000	Life Insurance LKR '000	Healthcare LKR '000	Energy LKR '000	Other LKR '000	Eliminations LKR '000	Total LKR '000
31,343,559	113,256,786	2,225,856	100,000	–	–	146,926,201
19,735,493	1,457,914	–	5,000,000	18,500,000	(44,693,408)	–
143,646	–	–	–	–	–	143,646
10,072,272	66,048	4,520,194	15,713,566	19,226,143	–	49,598,222
619,200	–	–	–	803,500	–	1,422,700
20,001	–	203,169	–	2,581	–	225,751
93,167	–	95,520	–	44	2,992,805	3,181,536
–	1,522,185	–	–	–	–	1,522,184
2,281,194	166,105	–	–	–	–	2,447,299
3,219,208	474,950	–	–	–	–	3,694,158
–	171,476	–	–	50	–	171,526
526,527	2,892,591	855,745	2,289,100	738,378	(558,188)	6,744,152
234,337	–	–	–	–	–	234,337
866,833	1,731,684	249,421	11,317,684	1,305,073	–	15,470,696
69,155,437	121,739,738	8,149,904	34,420,350	40,575,770	(42,258,792)	231,782,408
–	101,671,181	–	–	–	–	101,671,180
17,128,395	–	–	–	–	–	17,128,394
2,579,328	210,639	–	–	–	–	2,789,967
188,927	561,248	38,459	(97,777)	59,353	–	750,211
1,193,055	–	998,190	2,695,713	32,302	–	4,919,261
701,927	643,433	166,551	102,427	63,527	–	1,677,864
1,901,326	2,343,945	693,305	10,053,699	1,462,524	(569,014)	15,885,786
362,849	273,080	233,373	–	–	–	869,302
24,055,807	105,703,525	2,129,878	12,754,063	1,617,706	(569,014)	145,691,965
6,000,000	–	2,671,543	1,947,109	37,870,087	(42,488,739)	6,000,000
–	98,237	–	–	–	–	98,237
7,633,144	31,128	1,066,205	3,370,779	–	(1,658,332)	10,442,923
8,174,311	8,053,087	–	–	–	–	16,227,399
23,292,173	7,853,762	2,282,279	16,348,399	1,087,977	(5,620,157)	45,244,434
–	–	–	–	–	8,077,450	8,077,450
45,099,628	16,036,214	6,020,027	21,666,288	38,958,064	(41,689,778)	86,090,443
69,155,437	121,739,738	8,149,904	34,420,350	40,575,770	(42,258,792)	231,782,408

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 31 December 2018, 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 31 December 2018.

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

1.2 Principal activities and nature of operations

1.2.1 Company

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

1.2.2 Subsidiaries

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (LKASs/SLFRSs) 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 authorised for issue by the Board of Directors on 30 May 2019.

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 recognised as the present value of defined benefit obligation
- Land and buildings are measured at fair value
- Financial assets held for trading are measured at fair value
- Financial assets designated at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value

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

2.3 Supplementary statements – Statement of Financial Position of Life Insurance

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

2.4 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5 Use of estimates and judgments

In preparing these Financial Statements, management has made judgements, 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 recognised prospectively.

Information about assumption and estimation uncertainty that have significant effect on the amounts recognised in the Financial Statements is included under the following notes:

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

Notes 5,8,13,14 and 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 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 categorised into different levels in a hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Further information about assumptions made in measuring fair values is included in the respective Notes to the Financial Statements.

2.6 Materiality and aggregation

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

2.7 Comparative information

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

2.8 Going concern

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

The additional information is disclosed in Note 49.

2.9 New and amended standards

Recently adopted standards

The Group except the Company applied SLFRS 9 and SLFRS 15 for the first time.

SLFRS 15:

The group adopted SLFRS 15 using the full retrospective method of adoption. This change has no material impact on the Group's results and financial position and therefore comparative information has not been restated.

SLFRS 9:

For the purpose of classification of financial assets the assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

NOTES TO THE FINANCIAL STATEMENTS

The classification and measurement requirements of SLFRS 9 did not have a material impact on the Group's results and financial position, therefore the Group has not restated comparative information for prior periods. Given below are the changes in the classification of Group's financial assets.

The adoption of SLFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

Several other amendments and interpretations of Sri Lanka accounting standards apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group at exchange rates at the dates of 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 recognised 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 written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due). Any premiums received in advance is not recorded as revenue and recorded as a liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

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

(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 recognised on the date on which the policy commences. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

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

Unearned premium reserve (UPR)

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

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

3.4.1.2 Reinsurance premiums

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

(a) Non-life insurance reinsurance premium

Reinsurance premium written comprises total premium payable for the whole cover provided by contracts entered into the period and are recognised 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).

NOTES TO THE FINANCIAL STATEMENTS

(b) Life insurance reinsurance premium

Reinsurance premium on life are recognised 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 recognised as revenue when receivable. Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortised 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 recognised 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 recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset (or, 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 recognised when the right to receive income is established.

3.4.1.4 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

3.4.1.5 Hospital revenue

The Group recognises revenue from hospital services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

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

3.4.1.6 Revenue from sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return. The rights of return gives rise to variable consideration.

- **Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled.

The requirements in SLFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability.

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

3.4.1.7 Rental income from investment property

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

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

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

3.4.2 Benefits, claims and expenses

3.4.2.1 Gross benefits and claims

(a) Life insurance business

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

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

(b) Non-life insurance business

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

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

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

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

3.4.2.2 Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised 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 amortised over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.4.2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

3.4.2.5 Other expenses

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to 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 recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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 recognised as an employment benefit expense in the Statement of Profit or Loss in the periods during which services are rendered by employees.

Employee provident fund

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

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

Employees trust fund

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

(c) Defined benefit plan

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

The liability recognised 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 five years of continued service. The liability is not externally funded.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. The Group recognises any gains and losses on the settlement of a defined benefit plan when settlement occurs.

The remeasurement of the net defined benefit obligation, which comprise actuarial gains and losses are recognised immediately in other comprehensive income.

3.4.4 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit and loss except to the extent that it relates to items recognised directly in equity 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 till 31 March 2018. From 1 April 2018 Inland Revenue Act No. 24 of 2017 is applicable where gain and loss from Life Insurance business are ascertained in terms of section 67 of the Inland Revenue Act No. 24 of 2017. As per this section the gains and profits of life insurance business on which tax is payable is aggregate of

- Surplus distributed to shareholders from Life Insurance policyholders fund as certified by the actuary at the rate of 28%
- Investment Income of shareholder fund less any expenses incurred in the production of such income at a rate of 28%
- Surpluses distributed to Life Insurance policyholder who share the profits of a person engaged in the business of life insurance at a rate of 14% (Up to 3 years from 2018 and thereafter at 28%)

But for Non-life insurance business, all other sections are applicable and gain and profit of such business are taxed at 28%.

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 recognised 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 recognised 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 utilised.

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised 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 recognised at the same time as the liability to pay the related dividend is recognised.

3.4.4.4 Economic service charge (ESC)

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

3.4.4.5 Crop insurance levy (CIL)

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

3.5 Statement of financial position

3.5.1 Property, plant and equipment

3.5.1.1 Initial recognition and measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

A decrease in the carrying amount as a result of revaluation, is recognised in profit and loss. However, the decrease is recognised 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 recognised in profit or loss. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- Buildings – 20-40 years
- Furniture and fittings – 5-10 years
- Office and other equipment – 5-10 years
- Electrical generators and air condition plant – 10 years
- Motor vehicles – 4 years
- Fixtures and fittings – 6 2/3 years
- Plant and machinery – 20 years
- Computers and computer equipment – 4-7 years
- LP Gas storage tanks, pine lines and fittings – 25 years
- LP Gas cylinders – 10 years
- Other fixed assets – 5-12 years

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

3.5.1.5 Derecognition

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

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 capitalisation.

3.5.2 Intangible assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost 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 recognised 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 amortisation and any accumulated impairment losses. The intangible assets with finite useful life are assessed for impairment whenever there is an indication that intangible assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit (CGU) level.

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

Subsequent expenditure

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

Amortisation

Amortisation 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 recognised in profit or loss. The estimated useful life of software is five years.

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

Derecognition

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

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 recognised in profit or loss.

Investment properties are derecognised 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 recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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 recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised 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 amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

3.5.5 Inventories

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

3.5.6 Financial instruments**Company's policy**

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

3.5.6.1 Non-derivative financial assets

The Company initially recognises 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 Company 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 Company derecognises 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 Company is recognised 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 Company currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise 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 recognised in other comprehensive income and accumulated in the available-for-sale reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company 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 Company 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 Company 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 Company 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 recognised 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 recognised in profit or loss.

The assets and liabilities are part of a Company's financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's investment strategy. Financial assets at fair value through profit or loss of the Company 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 Company has both the intention and ability to hold until maturity. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held-to-maturity financial assets comprise Treasury bills and Treasury bonds investments made by the Company.

(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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

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

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

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

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

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

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

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

- Premium receivable

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

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), 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 recognised at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

- Other receivables and dues from related parties

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

- 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 recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised 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 amortised cost using effective interest rate method.

The Group derecognises 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.

NOTES TO THE FINANCIAL STATEMENTS

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 amortised 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 recognised 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 recognised, then the previously recognised 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 recognised 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 amortisation) and the current fair value, less any impairment loss previously recognised 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 recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

Subsidiary Companies' policies*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and subsidiaries' business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the subsidiaries have applied the practical expedient, the subsidiaries initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the subsidiaries have applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset (excluding equity instruments) to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The subsidiaries' business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the subsidiaries commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Impairment of financial assets – after 1 January 2018

The subsidiaries recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the subsidiaries expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the subsidiaries apply a simplified approach in calculating ECLs. Therefore, the subsidiaries do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The subsidiaries have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

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

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

DAC is derecognised 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 recognised 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 recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) Act No. 43 of 2000 based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non-participating liabilities are discounted using the risk free yields.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance provision – Non-life insurance

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

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

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

No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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

3.5.10.2 Title insurance reserve

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as five years or more.

Due to the long term nature and uncertainty of this line of business, SLIC has adopted the approach of only earning sufficient premium to cover the claims and expenses incurred as they arise, with the remaining premium pooled into a fund for future claims and expenses. Under this approach, no profit is recognised on the earned premium.

Based on this understanding, a loading to delay the profit recognition on the earned premium is not expected to be necessary and hence, an IBNR provision has not been provided for.

For the Premium Liability, appointed actuary has recommended using Ultimate Loss Ratio of 30% based on the industry experience is adopted in computing the central estimate for URR. The appropriateness of this assumption will be continuously monitored over subsequent valuations by the appointed actuary.

3.5.10.3 Provisions (except on insurance contracts)

A provision is recognised 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 recognised as an expense in profit and loss on a straight line basis over the lease term. Lease incentives received are recognised 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.

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 unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised 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. NEW AND AMENDED STANDARDS AND INTERPRETATION

4.1 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 1 January 2019 or at a later date. Accordingly, these standards have not been applied in preparing these Financial Statements.

Temporary exception from SLFRS 09

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 1 January 2018, with early adoption is permitted.

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. Consequent to the Global Deferment of IFRS 17 – Insurance contract effective date from January 2021 to January 2022, the Company is expecting the temporary exemption to be deferred until 2021 January.

NOTES TO THE FINANCIAL STATEMENTS

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

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

In accordance with the amendments to SLFRS 4 – “Insurance Contract”. An insurer’s activities are predominantly connected with insurance if, and only if –

- a. The carrying amount of its liabilities arising from contracts within the scope of this SLFRS, which includes any deposit components or embedded derivatives unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and
- b. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is –
 - I. Greater than 90%; or
 - II. Less than or equal to 90% but greater than 80%, and the insurer does not engage in a significant activity unconnected with insurance.

The temporary exemption from SLFRS 9 will be reassessed whether its activities are predominantly connected with insurance at a subsequent annual reporting date if, and only if, there was a change in the entity’s activities, during the annual period that ended on that 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 anticipated however that may not significantly change the Company’s total equity.

SLFRS 15 – “Revenue from contracts with customers”

SLFRS 4 – “Insurance Contracts” are scoped out from this standard. Therefore, the Company may not have a significant impact to insurance transactions from the standard. However, there could be an impact to other revenue transaction with the implementation of this standard. The Company is assessing potential impact on its Financial Statements resulting from application of this standard.

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 1 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.

- SLFRS 14 – “Regulatory deferral accounts”
- Clarification of Acceptable Methods of Depreciation and Amortisation (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)

5. FINANCIAL INVESTMENTS

As at 31 December	Note	Group				Company			
		2018		2017		2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Financial investments									
Held-to-maturity (HTM) financial assets	5.1	54,622,918	51,694,915	55,020,955	56,832,040	54,622,918	51,694,915	55,020,955	56,832,040
Loans and receivables (L and R)	5.2	36,100,316	36,100,316	25,074,770	25,074,770	33,326,555	33,326,555	22,748,914	22,748,914
Available-for-sale (AFS) financial assets	5.3	58,480,603	58,480,603	62,780,395	62,780,395	58,480,603	58,480,603	62,780,394	62,780,394
Fair value through profit or loss (FVTPL) financial asset	5.4	3,627,702	3,627,702	4,050,081	4,050,081	3,627,702	3,627,702	4,050,081	4,050,081
Total financial investments		152,831,539	149,903,536	146,926,201	148,737,286	150,057,778	147,129,775	144,600,344	146,411,429

5.1 Held-to-maturity (HTM) financial assets

As at 31 December	Note	Group				Company			
		2018		2017		2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Held-to-maturity (HTM) financial assets									
Treasury bonds		54,622,918	51,694,915	55,020,955	56,832,040	54,622,918	51,694,915	55,020,955	56,832,040
		54,622,918	51,694,915	55,020,955	56,832,040	54,622,918	51,694,915	55,020,955	56,832,040

5.2 Loans and receivables (L and R)

As at 31 December	Note	Group				Company			
		2018		2017		2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Unlisted debentures	5.2.1	500,534	500,534	500,534	500,534	500,534	500,534	500,534	500,534
Commercial papers	5.2.2	256,462	256,462	–	–	256,462	256,462	–	–
Term deposit		24,887,040	24,887,040	17,034,533	17,034,533	22,113,279	22,113,279	14,708,677	14,708,677
Development bonds		10,456,280	10,456,280	7,539,703	7,539,703	10,456,280	10,456,280	7,539,703	7,539,703
		36,100,316	36,100,316	25,074,770	25,074,770	33,326,555	33,326,555	22,748,914	22,748,914

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL INVESTMENTS (CONTD.)

5.2 Loans and receivables (L and R) (Contd.)

5.2.1 Unlisted debentures

As at 31 December Company/Group	2018				2017			
	Maturity date	Face value	Carrying value	Fair value	Maturity date	Face value	Carrying value	Fair value
		LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000
National Savings Bank	29.12.2021	500,000	500,534	500,534	29.12.2021	500,000	500,534	500,534
		500,000	500,534	500,534		500,000	500,534	500,534

5.2.2 Commercial papers

As at 31 December Company/Group	2018				2017			
	Maturity date	Face value	Carrying value	Fair value	Maturity date	Face value	Carrying value	Fair value
		LKR '000	LKR '000	LKR '000		LKR '000	LKR '000	LKR '000
Hayleys PLC	22.04.2019	250,000	256,462	256,462		-	-	-
		250,000	256,462	256,462		-	-	-

5.3 Available for sale (AFS)

As at 31 December	Note	Group				Company			
		2018		2017		2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Listed shares	5.3.1	27,221,446	27,221,446	32,460,737	32,460,737	27,221,446	27,221,446	32,460,737	32,460,737
Unlisted shares	5.3.2	35,495	35,495	48,891	48,891	35,495	35,495	48,891	48,891
Unit trusts	5.3.3	4,822,078	4,822,078	4,593,369	4,593,369	4,822,078	4,822,078	4,593,369	4,593,369
Listed debentures	5.3.4	23,867,197	23,867,197	21,017,947	21,017,947	23,867,197	23,867,197	21,017,947	21,017,947
Treasury bond		2,534,387	2,534,387	4,659,451	4,659,451	2,534,387	2,534,387	4,659,451	4,659,451
		58,480,603	58,480,603	62,780,395	62,780,395	58,480,603	58,480,603	62,780,395	62,780,395

5.3.1 Listed shares

As at 31 December Company/Group	2018			2017		
	Number of shares	Carrying value	Fair value	Number of shares	Carrying value	Fair value
		LKR '000	LKR '000		LKR '000	LKR '000
Commercial Bank of Ceylon PLC	79,838,544	9,157,481	9,157,481	86,707,586	11,792,232	11,792,232
DFCC Bank PLC	26,509,832	2,465,415	2,465,415	26,509,832	3,287,219	3,287,219
Seylan Bank PLC	27,615,598	2,131,924	2,131,924	26,942,047	2,343,958	2,343,958

Financials

Banks

Commercial Bank of Ceylon PLC	79,838,544	9,157,481	9,157,481	86,707,586	11,792,232	11,792,232
DFCC Bank PLC	26,509,832	2,465,415	2,465,415	26,509,832	3,287,219	3,287,219
Seylan Bank PLC	27,615,598	2,131,924	2,131,924	26,942,047	2,343,958	2,343,958

5. FINANCIAL INVESTMENTS (CONTD.)**5.3 Available for sale (AFS) (contd.)****5.3.1 Listed shares (contd.)**

As at 31 December Company/Group	2018			2017		
	Number of shares	Carrying value LKR '000	Fair value LKR '000	Number of shares	Carrying value LKR '000	Fair value LKR '000
Hatton National Bank PLC	49,433,581	10,578,786	10,578,786	49,067,859	12,217,897	12,217,897
National Development Bank PLC	24,629,153	2,635,320	2,635,320	17,849,692	2,436,483	2,436,483
Sector Total		26,968,926	26,968,926		32,077,789	32,077,789
Industrials						
Capital goods						
Colombo Dockyard PLC	3,592,998	199,411	199,411	3,592,998	315,465	315,465
Sector total		199,411	199,411		315,465	315,465
Telecommunication services						
Sri Lanka Telecom PLC	2,041,538	47,976	47,976	2,041,538	57,980	57,980
Sector total		47,976	47,976		57,980	57,980
Consumer discretionary						
Consumer durables and apparel						
Blue Diamonds Jewellery Worldwide PLC	10,265,852	5,133	5,133	10,559,100	9,503	9,503
Sector total		5,133	5,133		9,503	9,503
Total investment in listed shares		27,221,446	27,221,446		32,460,737	32,460,737

5.3.2 Unlisted stocks

As at 31 December Company/Group	2018			2017		
	Number of shares	Carrying value LKR '000	Fair value LKR '000	Number of shares	Carrying value LKR '000	Fair value LKR '000
Associated Newspapers of Ceylon Ltd.	61,206	12,865	12,865	61,206	8,579	8,579
Fitch Ratings Lanka Ltd.	-	-	-	62,500	1,969	1,969
Texpro Industries Ltd.	2,250,000	17,730	17,730	2,250,000	10,688	10,688
Capital Alliance Investments Ltd.	118,478	4,900	4,900	125,000	27,655	27,655
Total investment in unlisted shares		35,495	35,495		48,891	48,891

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL INVESTMENTS (CONTD.)

5.3 Available for sale (AFS) (contd.)

5.3.3 Unit Trust

As at 31 December Company/Group	2018			2017		
	Number of unites	Carrying value LKR '000	Fair value LKR '000	Number of unites	Carrying value LKR '000	Fair value LKR '000
Ceybank Unit Trust	18,200,565	353,090	353,090	18,200,565	398,774	398,774
Ceylon Income Fund	20,066,000	334,382	334,382	20,066,000	305,003	305,003
Ceylon Treasury Income Fund	24,836,957	242,160	242,160	24,836,957	232,226	232,226
Capital Alliance Investment Grade Fund	113,998,456	1,794,279	1,794,279	147,030,087	2,062,318	2,062,318
Ceybank High Yield Fund	-	-	-	25,000,000	252,128	252,128
Ceylon Money Market Fund	-	-	-	20,075,484	255,029	255,029
Guardian Acuity Money Market Fund	35,448,446	605,995	605,995	35,448,446	543,598	543,598
JB Vantage Money Market Fund	28,061,446	610,233	610,233	28,061,446	544,294	544,294
Ceylon Dollor Bond Fund	5,035,223	881,939	881,939	-	-	-
		4,822,078	4,822,078		4,593,369	4,593,369

5.3.4 Listed debentures

As at 31 December Company	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000

Financials**Banks**

Bank of Ceylon	-	-	-	-	24.10.2018	287,970	301,021	301,021
Bank of Ceylon	21.09.2019	500,000	503,668	503,668	21.09.2019	500,000	491,468	491,468
Bank of Ceylon	24.10.2023	67,050	73,957	73,957	24.10.2023	67,050	69,773	69,773
Bank of Ceylon	06.10.2020	250,000	248,370	248,370	06.10.2020	250,000	241,757	241,757
Hatton National Bank PLC	-	-	-	-	12.06.2018	316,717	346,640	346,640
Hatton National Bank PLC	14.12.2019	500,000	484,607	484,607	14.12.2019	500,000	495,790	495,790
Hatton National Bank PLC	31.03.2021	478,459	380,279	380,279	31.03.2021	478,459	340,854	340,854
Hatton National Bank PLC	30.08.2023	126,888	114,779	114,779	30.08.2023	126,888	111,240	111,240
Hatton National Bank PLC	31.03.2024	1,362,794	769,434	769,434	31.03.2024	1,362,794	680,443	680,443
Hatton National Bank PLC	28.03.2021	120,000	121,703	121,703	28.03.2021	100,000	96,599	96,599
Hatton National Bank PLC	01.11.2023	250,000	255,432	255,432	01.11.2023	250,000	255,432	255,432
Commercial Bank of Ceylon PLC	08.03.2026	1,000,000	935,137	935,137	08.03.2026	1,000,000	1,003,637	1,003,637
Commercial Bank of Ceylon PLC	27.10.2021	274,680	287,856	287,856	27.10.2021	274,680	245,308	245,308
Commercial Bank of Ceylon PLC	27.10.2026	185,110	194,331	194,331	27.10.2026	185,110	192,351	192,351
Commercial Bank of Ceylon PLC	23.07.2023	304,520	320,739	320,739	-	-	-	-

5. FINANCIAL INVESTMENTS (CONTD.)**5.3 Available for sale (AFS) (contd.)****5.3.4 Listed debentures company (contd.)**

As at 31 December Company	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
Commercial Bank of Ceylon PLC	23.07.2028	304,520	321,415	321,415				
National Development Bank PLC	19.12.2023	750,000	905,025	905,025	19.12.2023	750,000	749,250	749,250
National Development Bank PLC	24.06.2020	444,000	428,016	428,016	24.06.2020	444,000	423,576	423,576
Seylan Bank PLC	-	-	-	-	21.02.2018	449,520	476,197	476,197
Seylan Bank PLC	22.12.2019	500,000	489,110	489,110	22.12.2019	500,000	476,360	476,360
Seylan Bank PLC	15.07.2021	66,650	70,686	70,686	15.07.2021	66,650	72,938	72,938
Seylan Bank PLC	15.07.2023	57,280	55,220	55,220	-	-	-	-
Seylan Bank PLC	29.03.2023	500,000	516,847	516,847	-	-	-	-
Seylan Bank PLC	29.03.2025	250,000	258,499	258,499	15.07.2023	57,280	60,948	60,948
Sampath Bank PLC	20.03.2023	500,000	525,836	525,836	-	-	-	-
Sampath Bank PLC	-	-	-	-	04.12.2018	340,190	355,680	355,680
Sampath Bank PLC	14.12.2019	500,000	508,517	508,517	14.12.2019	500,000	445,416	445,416
Sampath Bank PLC	18.11.2020	300,000	303,580	303,580	18.11.2020	300,000	294,010	294,010
Sampath Bank PLC	16.06.2021	500,000	535,805	535,805	16.06.2021	500,000	535,105	535,105
Sampath Bank PLC	21.12.2022	904,000	923,587	923,587	21.12.2022	904,000	907,405	907,405
Nations Trust Bank PLC	08.11.2021	955,180	921,400	921,400	08.11.2021	945,180	997,274	997,274
Nations Trust Bank PLC	20.04.2023	625,000	640,813	640,813	-	-	-	-
DFCC Bank PLC	18.03.2019	500,000	539,713	539,713	18.03.2019	500,000	542,113	542,113
DFCC Bank PLC	09.11.2023	500,000	526,207	526,207	09.11.2023	500,000	509,257	509,257
DFCC Bank PLC	29.03.2023	250,000	274,117	274,117	-	-	-	-
DFCC Bank PLC	10.06.2020	250,000	255,749	255,749	10.06.2020	250,000	253,999	253,999
DFCC Bank PLC	29.03.2025	250,000	274,752	274,752	-	-	-	-
Pan Asia Banking Corporation PLC	-	-	-	-	29.09.2018	400,000	403,946	403,946
The Housing Development Finance Corporation Bank of Sri Lanka	-	-	-	-	23.10.2018	100,000	118,520	118,520
The Housing Development Finance Corporation Bank of Sri Lanka	20.11.2025	150,000	143,701	143,701	20.11.2025	150,000	142,156	142,156
Sanasa Development Bank PLC	-	-	-	-	31.12.2018	400,000	415,998	415,998
Diversified financials								
Merchant Bank of Sri Lanka and Finance PLC	11.12.2019	113,520	122,193	122,193	11.12.2019	113,520	119,673	119,673
People's Leasing & Finance PLC	-	-	-	-	26.03.2018	105,900	116,505	116,505
People's Leasing & Finance PLC	-	-	-	-	23.09.2018	750,000	819,938	819,938
People's Leasing & Finance PLC	16.11.2021	400,000	406,352	406,352	16.11.2021	400,000	406,192	406,192

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL INVESTMENTS (CONTD.)

5.3 Available for sale (AFS) (contd.)

5.3.4 Listed debentures company (contd.)

As at 31 December Company	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
People's Leasing & Finance PLC	18.04.2023	750,000	817,858	817,858	-	-	-	-
LB Finance PLC	-	-	-	-	28.11.2018	220,670	242,935	242,935
LB Finance PLC	11.12.2022	1,000,000	907,623	907,623	11.12.2022	1,000,000	1,007,623	1,007,623
Senkadagala Finance PLC	-	-	-	-	10.12.2018	100,000	100,943	100,943
Senkadagala Finance PLC	-	-	-	-	09.11.2018	100,000	100,481	100,481
Citizens Development Business Finance PLC	-	-	-	-	19.12.2018	37,350	38,811	38,811
Softlogic Finance PLC ¹	29.08.2019	12,600	12,918	12,918	29.08.2019	12,600	13,005	13,005
Commercial Leasing & Finance PLC	21.07.2020	250,000	271,525	271,525	21.07.2020	250,000	276,050	276,050
Central Finance Company PLC	21.07.2020	225,000	243,090	243,090	01.06.2020	225,000	239,243	239,243
Commercial Credit & Finance PLC ²	10.12.2020	400,000	400,187	400,187	10.12.2020	400,000	396,907	396,907
Commercial Credit & Finance PLC ³	01.06.2020	43,345	44,492	44,492	01.06.2020	43,345	43,625	43,625
Siyapatha Finance PLC	20.09.2019	125,000	129,210	129,210	20.09.2019	125,000	127,961	127,961
Siyapatha Finance PLC	04.10.2022	125,000	128,560	128,560	04.10.2022	125,000	128,810	128,810
Lanka Orix Leasing Company PLC	24.11.2019	110,000	102,595	102,595	24.11.2019	110,000	105,455	105,455
Lanka Orix Leasing Company PLC	31.07.2019	500,000	533,036	533,036	31.07.2019	500,000	526,686	526,686
Lanka Orix Leasing Company PLC	31.07.2022	500,000	527,275	527,275	31.07.2022	500,000	528,075	528,075
Vallibel Finance PLC ³	31.03.2020	140,200	144,145	144,145	31.03.2020	140,200	143,766	143,766
Sector total		19,920,796	19,717,804	18,899,946		19,015,073	18,535,146	18,535,146
Industrials								
Capital goods								
Hayleys PLC	06.03.2020	200,000	199,733	199,733	06.03.2020	200,000	194,913	194,913
Hayleys PLC	31.05.2019	250,000	250,122	250,122	31.05.2019	250,000	252,720	252,720
Hayleys PLC	31.07.2023	1,000,000	1,052,740	1,052,740	-	-	-	-
Hemas Holdings PLC	29.04.2019	119,970	122,696	122,696	29.04.2019	119,970	124,340	124,340
Richard Pieris and Company PLC	-	-	-	-	-	-	-	-
MTD Walkers PLC	-	-	-	-	30.09.2018	200,000	202,788	202,788
MTD Walkers PLC	02.10.2019	101,913	104,929	104,929	-	-	-	-
Sector total		1,671,883	1,730,220	1,730,220		769,970	774,761	774,761
Healthcare								
Healthcare equipment and services								
Nawaloka Hospitals PLC	30.09.2021	150,000	160,765	160,765	30.09.2021	150,000	168,280	168,280
Sector total		150,000	160,765	160,765		150,000	168,280	168,280

5. FINANCIAL INVESTMENTS (CONTD.)

5.3 Available for sale (AFS) (contd.)

5.3.4 Listed debentures company (contd.)

As at 31 December	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
Telecommunication services								
Sri Lanka Telecom PLC	19.04.2028	2,000,000	2,051,699	2,051,699	-	-	-	-
Sector total		2,000,000	2,051,699	2,051,699		-	-	-
Consumer discretionary								
Consumer durables and apparel								
Abans PLC	20.12.2018	400,000	419,918	419,918	20.12.2018	400,000	440,998	440,998
Retailing								
Singer Retailing Sri Lanka PLC	-	-	-	-	07.06.2018	345,020	357,252	357,252
Singer (Sri Lanka) PLC	15.03.2019	200,000	206,094	206,094	15.03.2019	200,000	205,094	205,094
Sector Total		600,000	626,012	626,012		945,020	1,003,344	1,003,344
Consumer staples								
Beverages, food, and tobacco								
The Lion Brewery Ceylon PLC	-	-	-	-	17.06.2018	140,800	148,261	148,261
The Lion Brewery Ceylon PLC	08.12.2019	400,000	398,555	398,555	08.12.2019	400,000	388,155	388,155
Sector total		400,000	398,555	398,555		540,800	536,416	536,416
Total investment in Listed debentures		23,992,679	23,867,197	23,867,197		21,420,863	21,017,947	21,017,947

1. Guaranteed by Guarant Co. Ltd., which is ultimately owned by multilateral G10 Governments.

2. Guaranteed equally by Hatton National Bank PLC and Sampath Bank PLC.

3. Guaranteed by Hatton National Bank PLC.

5.4 Fair value through profit or loss (FVTPL)

As at 31 December	Group				Company			
	2018		2017		2018		2017	
	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Listed shares	3,627,702	3,627,702	4,050,081	4,050,081	3,627,702	3,627,702	4,050,081	4,050,081
	3,627,702	3,627,702	4,050,081	4,050,081	3,627,702	3,627,702	4,050,081	4,050,081

Fair value through profit and loss investment and available-for-sale investments have been measured at fair value. Held-to-Maturity investment and loans and receivables are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL INVESTMENTS (CONTD.)

5.4 Fair value through profit or loss (FVTPL) (contd.)

5.4.1 Listed shares

As at 31 December Company/Group	2018			2017		
	Number of shares	Carrying value LKR '000	Fair value LKR '000	Number of shares	Carrying value LKR '000	Fair value LKR '000
Sector Total		–	–		–	–
Consumer discretionary						
Retailing						
C M Holdings PLC	392,076	17,526	17,526	392,076	28,229	28,229
Sector total		17,526	17,526		28,229	28,229
Hotels						
Aitken Spence Hotel Holdings PLC	5,518,727	149,006	149,006	5,518,727	162,251	162,251
Asian Hotels and Properties PLC	10,055,900	432,404	432,404	10,055,900	530,952	530,952
John Keells Hotels PLC	67,055,250	523,030	523,030	69,872,369	614,877	614,877
Anilana Hotels and Properties PLC	–	–	–	2,500,000	3,000	3,000
Sector total		1,104,440	1,104,440		1,311,080	1,311,080
Automobiles and components						
Kelani Tyres PLC	181,689	6,541	6,541	181,689	8,067	8,067
Sector total		6,541	6,541		8,067	8,067
Consumer durables and apparel						
Textured Jersey Lanka PLC	2,000,000	65,000	65,000	–	–	–
Consumer staples						
Food, beverage and tobacco						
The Lion Brewery Ceylon PLC	3,441	1,961	1,961	–	–	–
Nestle Lanka PLC	180,466	306,882	306,882	180,466	293,257	293,257
Food and staples retailing						
Cargills (Ceylon) PLC	114,286	22,972	22,972	100,000	20,000	20,000
Sector total	2,298,193	396,815	396,815	280,466	313,257	313,257
Energy						
Laugfs Gas PLC	7,800	147	147	7,800	183	183
Sector total		147	147		183	183

5. FINANCIAL INVESTMENTS (CONTD.)**5.4 Fair value through profit or loss (FVTPL) (contd.)****5.4.1 Listed shares (contd.)**

As at 31 December Company/Group	2018			2017		
	Number of shares	Carrying value LKR '000	Fair value LKR '000	Number of shares	Carrying value LKR '000	Fair value LKR '000
Financials						
Diversified financials						
People's Merchant Finance PLC	1,500	17	17	1,500	19	19
Nation Lanka Finance PLC	–	–	–	979,500	1,077	1,077
People's Leasing & Finance PLC	7,022,962	114,474	114,474	7,022,962	119,390	119,390
Sector total		114,491	114,491		120,486	120,486
Banks						
Sampath Bank PLC	171,000	40,185	40,185	–	–	–
Sector Total		40,185	40,185		–	–
Real estate						
Overseas Reality PLC	4,649,218	76,712	76,712	4,649,218	81,826	81,826
RIL Property PLC	10,000,000	69,000	69,000	10,000,000	74,000	74,000
Sector total		145,712	145,712		155,826	155,826
Industrials						
Capital goods						
John Keells Holdings PLC	319,395	50,784	50,784	–	–	–
Vallibel One PLC	1,121,800	19,070	19,070	1,121,800	19,856	19,856
Hayleys PLC	397,418	74,318	74,318	397,418	95,380	95,380
ACL Cabels PLC	675,647	24,999	24,999	675,647	28,512	28,512
Access Engineering PLC	1,070,000	15,087	15,087	–	–	–
Lanka Walltiles PLC	807,600	57,339	57,339	807,600	82,294	82,294
Hemas Holdings PLC	826,375	73,044	73,044	–	–	–
Brown & Company PLC	786,990	47,220	47,220	786,990	62,881	62,881
Lankem Ceylon PLC	306,169	7,379	7,379	306,169	12,247	12,247
Colombo Dockyard PLC	3,536,548	196,278	196,278	3,592,548	315,426	315,426
Expolanka Holdings PLC	9,499,000	37,996	37,996	9,499,000	51,295	51,295
Aitken Spence PLC	1,263,348	60,388	60,388	1,263,348	68,347	68,347
Sector total		663,902	663,902		736,238	736,238
Utilities						
LVL Energy Fund Limited	50,000,000	425,000	425,000	50,000,000	500,000	500,000
Sector total		425,000	425,000		500,000	500,000

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL INVESTMENTS (CONTD.)

5.4 Fair value through profit or loss (FVTPL) (contd.)

5.4.1 Listed shares (contd.)

As at 31 December Company/Group	2018			2017		
	Number of shares	Carrying value LKR '000	Fair value LKR '000	Number of shares	Carrying value LKR '000	Fair value LKR '000
Materials						
Lanka Aluminium Industries PLC	69,838	4,498	4,498	69,838	5,021	5,021
Chevron Lubricants Lanka PLC	3,400,000	246,500	246,500	2,900,000	345,100	345,100
Swisstek (Ceylon) PLC	368,132	15,093	15,093	368,132	23,524	23,524
Tokyo Cement Company (Lanka) PLC	500,000	12,500	12,500	–	–	–
Sector total		278,591	278,591		373,645	373,645
Telecommunication services						
Sri Lanka Telecom PLC	17,713,735	416,273	416,273	17,713,735	503,070	503,070
Dialog Axiata PLC	1,790,023	18,079	18,079	–	–	–
Sector total		434,352	434,352		503,070	503,070
Total investment in listed shares		3,627,702	3,627,702		4,050,081	4,050,081

5.5 Movement of carrying values in financial investments

Company	Available-for-sale financial assets LKR '000	Fair value through profit or loss LKR '000	Held-to-maturity financial assets LKR '000	Loans and receivables LKR '000	Total LKR '000
As at 1 January 2018	62,780,394	4,050,081	55,020,954	22,748,913	144,600,344
Purchases	8,330,590	441,995	10,526,604	48,083,509	67,382,698
Maturities	(6,881,011)	(110,484)	(11,036,230)	(39,844,790)	(57,872,515)
Disposals	(1,445,227)	–	–	–	(1,445,227)
Fair value gain recorded in other comprehensive income	(5,310,625)	–	–	–	(5,310,625)
Realised capital gains/(losses)	801,264	–	–	–	801,264
Realised/unrealised capital gains/(losses)	–	(753,387)	–	–	(753,387)
Interest amortisation	110,417	–	79,739	–	190,156
Foreign currency translation adjustments	127,106	–	–	1,725,833	1,852,939
Interest income	2,883,108	–	5,582,758	2,584,775	11,050,641
Interest/coupon receipts	(2,915,411)	(502)	(5,550,909)	(1,971,687)	(10,438,510)
As at 31 December 2018	58,480,605	3,627,703	54,622,916	33,326,553	150,057,778

5. FINANCIAL INVESTMENTS (CONTD.)

5.5 Movement of carrying values in financial investments (contd.)

Company	Available- for-sale financial assets LKR '000	Fair value through profit or loss LKR '000	Held-to-maturity financial assets LKR '000	Loans and receivables LKR '000	Total LKR '000
As at 1 January 2017	55,555,183	5,320,606	49,313,552	19,995,372	130,184,713
Purchases	8,924,221	2,439,046	9,312,171	30,474,071	51,149,508
Maturities	(2,883,595)	(2,807,845)	(3,900,000)	(28,411,007)	(38,002,448)
Disposals	(16,577)	(641,180)	-	-	(657,757)
Fair value gain recorded in other comprehensive income	1,102,601	-	-	-	1,102,601
Realised capital gains/(losses)	144	-	-	-	144
Realised/unrealised capital gains/(losses)	-	(260,545)	-	-	(260,545)
Interest amortisation	156,726	-	409,224	-	565,950
Foreign currency translation adjustments	-	-	-	382,183	382,183
Interest income	2,427,883	-	5,261,877	1,825,534	9,515,294
Interest/coupon receipts	(2,486,191)	-	(5,375,870)	(1,517,238)	(9,379,300)
As at 31 December 2017	62,780,395	4,050,082	55,020,954	22,748,915	144,600,343
Group	Available- for-sale financial assets LKR '000	Fair value through profit or loss LKR '000	Held- to-maturity financial assets LKR '000	Loans and receivables LKR '000	Total LKR '000
As at 1 January 2018	62,780,395	4,050,081	55,020,955	25,074,770	146,926,200
Purchases	8,330,590	441,995	10,526,604	48,531,415	67,830,604
Maturities	(6,881,011)	(110,484)	(11,036,230)	(39,844,790)	(57,872,515)
Disposals	(1,445,227)	-	-	-	(1,445,227)
Fair value loss recorded in other comprehensive income	(5,310,625)	-	-	-	(5,310,625)
Realised capital	801,264	-	-	-	801,264
Unrealised capital losses	-	(753,387)	-	-	(753,387)
Interest amortisation	110,417	-	79,739	-	190,156
Foreign currency translation adjustments	127,106	-	-	1,725,833	1,852,939
Reclassification from unlisted shares to associates (Note 7)	2,883,108	-	5,582,758	2,584,775	11,050,641
Interest income	(2,915,411)	(502)	(5,550,909)	(1,971,687)	(10,438,510)
Interest/coupon receipts	-	-	-	-	-
As at 31 December 2018	58,480,606	3,627,703	54,622,917	36,100,316	152,831,540

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL INVESTMENTS (CONTD.)

5.5 Movement of carrying values in financial investments (contd.)

Group	Available- for-sale financial assets LKR '000	Fair value through profit or loss LKR '000	Held- to-maturity financial assets LKR '000	Loans and receivables LKR '000	Total LKR '000
As at 1 January 2017	55,555,182	5,449,200	49,313,552	21,997,008	132,314,941
Purchases	8,924,222	2,439,046	9,312,172	30,799,967	51,475,407
Maturities	(2,883,595)	(2,807,845)	(3,900,000)	(28,411,007)	(38,002,447)
Disposals	(16,577)	(769,775)	–	–	(786,352)
Fair value loss recorded in other comprehensive income	1,102,601	–	–	–	1,102,601
Realised capital	144	–	–	–	144
Unrealised capital losses	–	(260,545)	–	–	(260,545)
Interest amortisation	156,726	–	409,224	–	565,950
Foreign currency translation adjustments	–	–	–	382,183	382,183
Reclassification from unlisted shares to associates (Note 7)	2,427,883	–	5,261,877	1,825,534	9,515,294
Interest income	(2,486,191)	–	(5,375,870)	(1,518,915)	(9,380,976)
Interest/coupon receipts	–	–	–	–	–
As at 31 December 2017	62,780,395	4,050,081	55,020,955	25,074,770	146,926,200

6. INVESTMENTS IN SUBSIDIARIES

As at 31 December	Note	Company	
		2018 LKR '000	2017 LKR '000
At cost			
Listed subsidiaries	6.1	2,925,567	2,925,567
Unlisted subsidiaries	6.2	18,160,337	18,160,338
		21,085,905	21,085,905

6. INVESTMENT IN SUBSIDIARIES (CONTD.)

6.1 Listed subsidiaries

As at 31 December	2018				2017			
	Number of shares	SLIC holdings %	Carrying value LKR '000	Fair value LKR '000	Number of shares	SLIC holdings %	Carrying value LKR '000	Fair value LKR '000
The Lanka Hospitals Corporation PLC	122,177,993	54.61	2,925,567	4,862,684	122,177,993	54.6	2,925,567	7,575,036
			2,925,567	4,862,684			2,925,567	7,575,036

6.2 Unlisted subsidiaries

As at 31 December	2018				2017		
	Note	Number of shares	SLIC holdings %	Carrying value LKR '000	Number of shares	SLIC holdings %	Carrying value LKR '000
Litro Gas Lanka Ltd.		35,976,853	99.94	3,510,063	35,976,853	99.94	3,510,063
Litro Gas Terminal Lanka (Private) Limited		158,710,945	100.00	5,280,188	158,710,945	100.00	5,280,188
Management Services Rakshana Ltd.		5	100.00	0	5	100.00	–
Canwill Holdings (Pvt) Ltd.		850,000,000	45.95	8,500,000	850,000,000	45.95	8,500,000
Canowin Hotels and Spas (Pvt) Ltd.		87,008,686	100.00	870,087	87,008,686	100.00	870,087
				18,160,338			18,160,338

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

6.3 Group holdings in subsidiaries and sub-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	
				2018 (%)	2017 (%)	2018 (%)	2017 (%)
The Lanka Hospitals Corporation PLC	Healthcare and laboratory services	Ordinary	54.61	54.61	54.61	45.39	45.39
Lanka Hospital Diagnostics Limited	Healthcare and laboratory services	Ordinary	100.00	54.61	54.61	45.39	45.39
Litro Gas Lanka Limited	Import, process, store, distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services	Ordinary	99.94	99.94	99.94	–	–

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT IN SUBSIDIARIES (CONTD.)

6.3 Group holdings in subsidiaries and sub-subsidiaries (contd.)

Company	Principal activities	Class of shares held	Proportion of shares held (%)	Group interest		Non-controlling interest	
				2018 (%)	2017 (%)	2018 (%)	2017 (%)
Litro Gas Terminal Lanka (Pvt) Ltd.	Provide bulk storage facilities for Liquid Petroleum Gas	Ordinary	100.00	100.00	100.00	-	-
Canowin Hotels and Spas (Pvt) Ltd.	Hoteliering	Ordinary	100.00	100.00	100.00	-	-
Canwill Holdings (Pvt) Limited	Investment promotion in relation to leisure sector	Ordinary	72.97	72.98	72.97	27.02	27.03
Sinolanka Hotels & Spa (Pvt) Limited	Hoteliering	Ordinary	100.00	72.98	72.97	27.02	27.03
Helanco Hotels & Spa (Pvt) Limited	Hoteliering	Ordinary	100.00	72.98	72.97	27.02	27.03
Management Services Rakshana (Pvt) Ltd.	Management Services	Ordinary	100.00	100.00	100.00	-	-

6.4 Non-controlling interest

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

Canwill Holdings (Private) Limited

	Holding Percentage (%)	Company	
		2018 LKR '000	2017 LKR '000
Sinolanka Hotels & Spa (Pvt) Ltd.	100.00	18,000,000,000	18,000,000,000
Helanco Hotels & Spa (Pvt) Ltd.	100.00	500,000,000	500,000,000
Nilyan Hotels & Spa (Pvt) Ltd.	100.00	10	10
		18,500,000,010	18,500,000,010
Provision for impairment		(10)	(10)
		18,500,000,000	18,500,000,000

The Board of Directors of the Nilyan Hotels & Spa (Pvt) Ltd. has decided to strike off the name of the company from the register maintained at the Department of the Registrar of Companies since the Company will not proceed with business activities. Accordingly, a provision has been made as fall in value of the investment of LKR 10.00 under Nilyan Hotels & Spa (Pvt) Ltd.

7. INVESTMENT IN ASSOCIATES

Group/Company	2018				2017			
	Number of shares	SLIC holdings %	Carrying value LKR '000	Fair value LKR '000	Number of shares	SLIC holdings %	Carrying value LKR '000	Fair value LKR '000
Ceylon Asset Management Company Ltd.	1,250,000	21.37	3,350	3,350	1,250,000	21.37	3,350	3,350
Ceybank Asset Management Ltd.	759,998	26.57	140,296	140,296	759,998	26.57	140,296	140,296
			143,646	143,646			143,646	143,646

8. PROPERTY, PLANT AND EQUIPMENT**8.1 Group**

	2018 LKR '000	2017 LKR '000
Carrying amount	33,420,252	32,005,618
Less: Impairment for – Avissawella land and building	(90,513)	–
Work-in-Progress (Note 8.1.3)	19,052,233	17,592,604
	52,381,971	49,598,222

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

8.1 Group (contd.)

	Land	Buildings on freehold land	Building on leasehold land	Equipment	Furniture and Fittings	Motor vehicle
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost/Valuation						
Freehold						
Balance as at 1 January 2018	8,175,894	2,993,477	3,913,442	4,431,416	653,357	1,026,740
Additions during the year	–	238,582	24,993	383,248	95,577	121,802
Revaluation	2,172,046	(374,687)	–	5,157	(1,633)	392,428
Accumulated depreciation transfers to revaluation reserve		(275,243)		(133,140)	(69,443)	(326,853)
Disposals	(599,841)	(371,325)	–	(19,490)	(380)	(64,031)
Transfers	–	–	2,335	–	–	(23,450)
Write-off of fully depreciated assets	–	–	–	(218,078)	(50,361)	(41)
Balance as at 31 December 2018	9,748,099	2,210,804	3,940,770	4,449,113	627,117	1,126,595
Accumulated depreciation						
Freehold						
Balance as at 1 January 2018	5,800	192,925	73,512	2,260,395	358,032	797,927
Charge during the year	1,741	150,401	129,089	309,481	56,205	98,934
Transfers to revaluation reserve	–	(275,243)	–	(133,140)	(69,443)	(326,853)
Disposals	–	–	–	(8,663)	(188)	(64,008)
Transfers	–	–	–	–	–	(23,450)
Write-off of fully depreciated assets	–	–	–	(218,078)	(50,361)	(41)
Balance as at 31 December 2018	7,541	68,083	202,601	2,209,995	294,245	482,509
Net Book Value						
As at 31 December 2017	8,170,094	2,800,552	3,839,930	2,171,020	295,325	228,813
As at 31 December 2018	9,740,558	2,142,721	3,738,169	2,239,118	332,872	644,086

Electrical generators and passenger lifts LKR '000	Fixtures and fittings LKR '000	Aircondition plant LKR '000	Plant and machinery LKR '000	Storage tanks, pipelines and pumping stations LKR '000	LPG cylinders LKR '000	Others LKR '000	Total LKR '000
101,196	10,797	191,716	1,331,510	5,446,973	12,731,400	253,275	41,261,192
-	139	13,587	114,342	62,300	1,599,254	30,946	2,684,771
(15,655)	(105)	(21,949)	-	-	-	(12,381)	2,143,221
(24,102)	(148)	(72,652)	-	-	-	(11,481)	(913,063)
-	-	(6,455)	-	(57,884)	(7,412)	(96)	(1,126,914)
-	-	-	-	-	-	-	(21,115)
(8,683)	(9,376)	-	-	-	-	(87)	(286,626)
52,755	1,307	104,246	1,445,852	5,451,389	14,323,242	260,176	43,741,465
23,694	9,654	55,294	316,787	1,400,994	3,591,694	168,864	9,255,574
10,642	548	21,308	63,387	218,810	1,287,189	29,316	2,377,051
(24,102)	(148)	(72,652)	-	-	-	(11,481)	(913,063)
-	-	(2,075)	-	(8,360)	(4,884)	(94)	(88,272)
-	-	-	-	-	-	-	(23,450)
(8,683)	(9,376)	-	-	-	-	(87)	(286,626)
1,550	678	1,875	380,174	1,611,444	4,873,999	186,518	10,321,214
77,502	1,143	136,422	1,014,723	4,045,979	9,139,706	84,411	32,005,618
51,205	630	102,372	1,065,678	3,839,945	9,449,243	73,658	33,420,251

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

8.1 Group (contd.)

8.1.1 Lands

Freehold lands

The Lanka Hospitals Corporation PLC – carried at revalued amount

Location	Extent (perches)	Method of valuation	Property valuer	Effective date of valuation	Significant unobservable inputs	Carrying value as at 31.12.2018	Revaluation surplus	Carrying value at cost
					LKR	LKR	LKR '000	LKR '000
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.35	Open market value method	Mr A A M Fathihu (FIV), Chartered Valuer	31 December 2018	Estimated price per perch	32,550,370	26,081,923	6,468,447
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.00	Open market value method	Mr A A M Fathihu (FIV), Chartered Valuer	31 December 2018	Estimated price per perch	31,449,632	25,199,926	6,249,706
	20.35					64,000,002	51,281,849	12,718,153

Sinolanka Hotels & Spa (Pvt) Ltd.

Sinolanka Hotels & Spa (Pvt) Ltd., has purchased three blocks of land with buildings attached to land, with the intention of demolishing the buildings in 2014 to facilitate the expansion of ballroom, car parking facilities, reorganisation of traffic circulation and compliance with the regulatory requirement. The total cost of the said properties purchased during 2013 was LKR 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 LKR 7 Mn., per perch. Thereby LKR 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 – 62.77 p, Assessment No. 108 – 15p and Assessment No. 134 – 20.10p. The total additions to the freehold land above includes the direct costs related to the acquisition. In addition to the above freehold land, the Company occupies approximately 22.56p of land, which is currently owned by Ceylinco Homes International (Lotus Tower) Ltd. Followings are the legal consequences connected therein:

Case No. DLM/43/18 was filed in the District Court of Colombo by Ceylinco Homes International Ltd. against Sinolanka Hotels & Spa (Pvt) Ltd., requesting to issue a declaration from the Court that they are the lawful owner of the property and to eject the present occupier from the property, to recover damages and issue a Permanent Injunction restraining Sinolanka Hotels & Spa (Pvt) Ltd. from occupying and making further construction on the property. The case was subsequently rejected by the Learned District Court Judge of Colombo by her order dated 24 July 2018.

Case NO. WP/HCCA/109/18/LA has filed in the High Court of the Western Province (Civil Appeal) by Ceylinco Homes International Ltd. to initiate an appeal application against Sinolanka Hotels & Spa (Pvt) Ltd., in order to set aside the aforesaid or Order of District Court dated 24 July 2018. Further, proceedings of this case is ongoing as at the balance sheet date.

The acquisition process of this land was initiated by the Line Ministry (Ministry of Public Enterprise Development), through an Extraordinary Gazette No. 2065/24, dated 04th April 2018 in order to obtain immediate possession of the land by the Ministry of Land and Parliamentary Reforms. However, CA (Writ) Application No. 219/18 was instituted in the Court of Appeal by the Ceylinco Homes International Ltd., on 2 July 2018 against the Ministry of Lands, Acquiring Officer, Urban Development Authority and Sinolanka Hotels & Spa (Pvt) Ltd., in order to issue Writ of Certiorari quashing the order made under provision (a) to Section 38 of the Land Acquisition Act by the Minister of Lands and Parliamentary Reforms.

Sinolanka Hotels & Spa (Pvt) Ltd. entered into an agreement dated 16 July 2012 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising in extent 0.6057 Hectares together with the partly constructed building thereon, for an annual nominal lease of Rs. 10,000.00 for a period of 99 years for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of nominal annual lease for the period of 99 years should be in one lump sum of LKR 990,000.00.

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

8.1 Group (contd.)

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

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

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

8.1.2 Buildings on leasehold land

The Lanka Hospitals Corporation PLC – carried at revalued amount

Location	Method of valuation	Property valuer	Effective date of valuation	Significant unobservable inputs	Cost as at 31.12.2018 LKR '000	Cumulative depreciation if assets were carried at cost LKR '000	Net carrying amount LKR '000
578, Elvitigala Mawatha, Colombo 5	Depreciated replacement cost method	Mr A A M Fathihu (FIV), Chartered Valuer	31.12.2018	Estimated value per square foot LKR 5,000-12,500	1,651,883,650	274,923,814	1,376,959,836

SinoLanka Hotels & Spa (Pvt) Ltd.

The Company entered into an agreement dated 16 July 2012 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising in extent 0.6057 hectares together with the partly constructed building thereon, for an annual nominal lease of LKR 10,000.00 for a period of 99 years for the purpose of constructing and operating a luxury hotel complex. The agreement further provided that the settlement of nominal annual lease for the period of 99 years should be in one lump sum of LKR 990,000.00.

Upon the termination of the lease by effluxion of time, the UDA may grant to the SinoLanka Hotels & Spa (Pvt) Ltd. or its successors a renewal of the lease for a further period of 99 years or for a period to be mutually agreed upon by the UDA and SinoLanka Hotels & Spa (Pvt) Ltd.

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

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**8.1 Group (contd.)****8.1.3 Capital work-in-progress**

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
At the beginning of the year	17,592,604	14,843,231	–	–
Transferred to opex to profit and loss account	(44,650)	–	–	–
Cost incurred during the year	1,589,137	2,806,264	–	–
Amount capitalised during the year	(84,858)	(56,891)	–	–
At the end of the year	19,052,233	17,592,604	–	–

Capital work in progress of SinoLanka Hotels & Spa (Pvt) Ltd., consists of the partly completed property at No. 116, Galle Road, Colombo 03, Grand Hyatt Colombo, and Lewaya Road, Hambanthota, Hyatt Regency Hambanthota Hotel. Further to the above, the Capital work in progress for the previous year has been restated due to the reclassification of Tap fittings and Sanitary fittings amounting to LKR 69,868,329.00 under material at site.

8.1.4 Impairment of property, plant and equipment**Sri Lanka Insurance Corporation Limited**

There is Court decision against the ownership of the Awissawella, Land and Building (No. 77, Ratnapura Road, Awissawella). Based on the advise of the SLIC legal department and other corresponding, we believe that the court decision is in favour of SLIC's is less probable. Accordingly provision has been made in the financial statements 2018.

Helanco Hotels & Spa (Pvt) Limited

In accordance with Sri Lanka Accounting Standards (LKAS) 16 – Property, Plant and Equipment, the initial costs incurred in relation to the commencement of construction of Hyatt Hotel at Hambantota were capitalised. The Board of Directors of the Company had since resolved to discontinue 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 LKR 111,103,548.00 has been recorded in the Financial Statements of 2015.

The hotel in Hambantota was to be constructed on a leasedhold 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 recognised as leasehold land and property in the Financial Statements for 2014. As the Company had since resolved to discontinue with the hotel project the Board of Directors are evaluating options available to the Company. The Directors are of the view that the unamortised leasehold land value of LKR 164,776,900 as at 31 December 2017 could be recovered from the disposal of the property. Hence, no impairment provision had been considered necessary on the asset.

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

8.1 Group (contd.)

8.1.5 Fully depreciated assets

Sri Lanka Insurance Corporation Ltd.

Property, plant and equipment include fully depreciated assets having a gross carrying amount of LKR 286.6 Mn. (2017 – LKR 286.6 Mn.)

The Lanka Hospitals Corporation PLC

Property plant and equipment as at 31 December 2018 include fully depreciated assets that are still in use having a gross carrying amount (cost) of LKR 1.46 Bn. (2017 – LKR 1.42 Bn.).

Litro Gas Lanka Limited

Property, plant and equipment as at 31 December 2018 include fully depreciated assets that are still in use having a gross carrying amount (Cost) of LKR 360 Mn. (2017 – LKR 313 Mn.).

8.1.6 Asset requalification

Litro Gas Lanka Limited

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

Litro Gas Terminal Lanka (Private) Limited

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

8.1.7 Revaluation gain/(impairment)

Litro Gas Lanka Limited

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

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**8.1 Group (contd.)****Revaluation of property, plant and equipment.**

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

Asset category	Date	Cost LKR '000	Net book value under cost model LKR '000
Land	December 16	36,652	36,652
Building and site development	December 16	315,098	258,948
Motor vehicles*	November 11	344,102	–
LPG storage tanks, pipe and fittings*	November 10	116,435	17,488
Plant and machinery*	November 10	299,709	118,478
Work shop equipment*	November 10	464	–
Other equipment*	November 10	34,419	3,741
Furniture, and fittings and computers*	November 10	2,047	2,047
LPG cylinders*	November 10	4,139,809	87,939

* As at 31 December 2018, based on a valuation carried out by Sunil Fernando & Associate (Pvt) Ltd. it was determined that the fair value of the revalued assets did not materially differ from its carrying amount.

Litro Gas Terminal Lanka (Private) Limited

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

Revaluation of property, plant and equipment.

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

Asset category	Date	Cost LKR '000	Net book value under cost model LKR '000
Building and site development	December 16	258,540	93,320
Plant and machinery*	November 10	247,656	53,438
Storage tanks, pipeline and pumping stations*	November 10	3,175,167	501,435
Motor vehicles*	November 11	3,288	–
Instrumentation equipment*	November 10	736,798	44,325
Office equipment and computers*	November 10	47,347	1,746

* As at 31 December 2018, based on a valuation carried out by Sunil Fernando & Associate (Pvt) Ltd. it was determined that the fair value of the revalued assets did not materially differ from its carrying amount.

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**8.1 Group (contd.)****8.1.8 Assets revaluation**

Sri Lanka Insurance Corporation Ltd. – Company

Location	Extent of the land	Land	Building	Total
		LKR '000	LKR '000	LKR '000
Land situated at No. 288, Union Place, Colombo 2	A 01 R 00 P 20.35	2,705,250	–	2,705,250
Land and building situated at No. 21, Vauxhall Street, Colombo 2	A 02 R 00 P 05.62	4,070,250	1,332,164	5,402,414
Land and building situated at Thelawala, Katubedda, Moratuwa	A 02 R 00 P 13	224,775	28,714	253,489
Land and building situated at Lake Road, 4th Lane, Anuradhapura	A 0 R 0 P 30	15,000	4,968	19,968
Land and building situated at Main Street, 2nd Lane Anuradhapura	A 0 R 0 P 36.03	95,975	63,197	159,172
Land and building situated at 571, Hospital Road, Jaffna	A 0 R 1 P 21.66	123,320	–	123,320
Land and building situated at No. 25, Kande Veediya, Kandy	A 0 R 0 P 16.45	131,600	43,154	174,754
Land and building situated at No. 20, Rajapaksha Broadway, Negombo	A 0 R 0 P 18.10	85,975	27,346	113,321
Land and building situated at No. 7, Hakmana Road, Matara	A 0 R 1 P 04.17	176,680	21,084	197,764
Land and building situated at No. 25, Waterfield Drive, Nuwara Eliya	A 0 R 02 P 23.01	152,250	9,010	161,260
Land and building situated at No. 16/1, Dambulla Road, Kurunegala	–	–	68,400	68,400
Land and building situated at No. 14A, Pulathisigama, Hingurakgoda	A 0 R 0 P 49.42	4,214	1,263	5,477
Land and building situated at No. 46, Main Street, Trincomalee	A 0 R 01 P 37.65	104,828	1,086	105,914
Land and building situated at No. 77, Ratnapura Road, Awissawella	A 0 R 0 P 30.75	87,638	3,195	90,833
Land situated at Bauddhaloka Mawatha, Gampaha	A 0 R 0 P 27.60	96,600	–	96,600
Land and building situated at No. 14, River Side Road, Kalutara	A 0 R 0 P 61.9	40,235	–	40,235
Land and building situated at No. 32, Negombo Road, Marawila	A 0 R 0 P 17.30	25,950	–	25,950
Land and building situated at No. 195, Bowela Village, Heerassagala, Kandy	A 0 R 01 P 03	34,650	–	34,650
Land and building situated at No. 97, New Road, Ambalangoda	A 0 R 01 P 02.41	127,230	60,273	187,503
Land and building situated at No. 211/C, Colombo Road, Pilimatalawa	A 0 R 0 P 08	24,000	15,778	39,778
Land situated at No. 42, Kurunegala Road, Chilaw	A 0 R 0 P 15.63	35,168	–	35,168
Land and building situated at No. 38, Miyugunagama, Mahiyanganaya.	A 0 R 0 P 09.96	5,978	556	6,534
Land and building situated at Bogahahena, Dikwella Road, Beliatta	A 0 R 01 P 33.58	53,351	–	53,351
Land and building situated at No. 68, Ragala Road, Rikillagaskada.	A 0 R 0 P 6.832	19,471	6,617	26,088
Land and building situated at No. 69, Kothmale Road, Nawalapitiya.	A 0 R 0 P 05	15,000	12,906	27,906
Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota.	A 0 R 0 P 22.73	9,092	–	9,092
Land and building situated at No. 6, Wadugodapitiya Veediya, Kandy .	A 0 R 0 P 08.50	34,000	27,701	61,701
Land and building situated at No. 389, Main Street, Kegalle	A 0 R 0 P 09.51	28,530	34,288	62,818
Land situated at Kachchery Junction, Kandy Road, Jaffna	A 0 R 0 P 38.24	7,648	–	7,648
Land and building situated in Badulla, 14, R.H Gunawardana Mawatha, Badulla.	A 0 R 0 P 22.06	38,605	–	38,605
Land and building situated at No. 60/1, Park Road, Nuwara Eliya	–	–	20,422	20,422
		8,573,263	1,782,122	10,355,385

During the year 2018, Land and building have been revalued and fair value was determined by FM Valuers an external, independent chartered valuation surveyor, who had relevant experience in the category of assets being revalued.

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

8.2 Company

As at 31 December	2018 LKR '000	2017 LKR '000
Carrying Amount	11,256,423	10,138,320
Less: Impairment for – Avissawella Land and Building	(90,513)	
	11,165,910	10,138,320

	Land LKR '000	Buildings on freehold land LKR '000	Building on leasedhold land LKR '000	Equipment LKR '000	Furniture and Fittings LKR '000
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Cost/Valuation**Balance as at 1 January 2018**

Balance as at 1 January 2018	7,010,057	2,657,507	69,700	461,008	242,666
Additions during the year	–	76,168	–	113,688	23,890
Revaluation	2,163,046	(374,687)	–	5,157	(1,633)
Accumulated depreciation transfers to revaluation reserve	–	(275,243)	–	(133,140)	(69,443)
Disposals	(599,841)	(371,325)	–	(544)	(263)
Write-off of fully depreciated assets	–	–	–	(218,078)	(50,361)
Balance as at 31 December 2018	8,573,262	1,712,420	69,700	228,091	144,856

Accumulated depreciation

Balance as at 1 January 2018	–	137,186	–	345,626	103,611
Depreciation charge for the year	–	138,376	–	45,952	25,080
Revaluation	–	–	–	–	–
Disposals	–	–	–	(127)	(111)
Transfers to revaluation reserve	–	(275,243)	–	(133,140)	(69,443)
Write-off of fully depreciated assets	–	–	–	(218,078)	(50,361)
Balance as at 31 December 2018	–	319	–	40,233	8,776

Carrying amount

As at 31 December 2017	7,010,057	2,520,321	69,700	115,382	139,055
As at 31 December 2018	8,573,262	1,712,101	69,700	187,858	136,080

During the 2018, in addition to land and building all other assets have been revalued by Messrs CT Kulathunga Associates.

During the year the Company has acquired property, plant and equipment amounting to LKR 243.21 Mn. (2017 – LKR 160.84 Mn.) There were no assets pledged against the borrowings.

Transfers were made to correct the opening balances and correction of respective class of assets.

Motor vehicle LKR '000	Electrical generators and Passenger Lift LKR '000	Fixtures and Fittings LKR '000	Air-conditioned Plant LKR '000	Others LKR '000	Total LKR '000
367,783	101,196	10,446	191,716	27,223	11,139,302
895	–	139	13,587	14,841	243,209
379,028	(15,655)	(105)	(21,949)	(12,381)	2,120,821
(326,853)	(24,102)	(148)	(72,652)	(11,481)	(913,063)
(14,105)	–	–	(6,455)	–	(992,533)
(41)	(8,683)	(9,376)	–	(87)	(286,626)
406,707	52,756	956	104,246	18,116	11,311,110
319,102	23,170	9,645	55,294	7,349	1,000,983
21,913	10,642	372	21,308	6,168	269,811
–	–	–	–	–	–
(14,105)	–	–	(2,075)	–	(16,418)
(326,853)	(24,102)	(148)	(72,652)	(11,481)	(913,063)
(41)	(8,683)	(9,376)	–	(87)	(286,626)
16	1,026	493	1,875	1,949	54,687
48,681	78,026	801	136,423	19,874	10,138,320
406,691	51,729	464	102,372	16,166	11,256,423

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT PROPERTY

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	1,422,700	1,396,200	619,200	619,200
Additions during the year	3,104	864	-	-
Transfer from property, plant and equipment	971,166	-	971,166	-
Transfer to right to use of land on lease	(21,680)	-	-	-
Fair value gains/(loss)	130,389	25,636	129,600	-
Balance as at 31 December	2,505,679	1,422,700	1,719,966	619,200

Investment property held by Sri Lanka Insurance Corporation Ltd. is located at No. 6, Sir Baron Jayathilake Mawatha, Colombo 1. Extent of land is A0 R0 P38.88 and extent of the building is 40,000 sq.ft. The fair value has been recognised amounting to LKR 129,600,000.00 as at 31 December 2018.

During the year SLIC reclassified the following two properties from property, plant and equipment to Investment Property. Property located at No. 267, Union Place, Colombo, extent of land is A0 R0 P37.62 and the extent of building is 49,646 sq.ft. and the bare land located at Gorkadeniya Road, Yatinuwara, Extent is A0 R0 P118.47. The fair value of the above said properties as at 31 December 2018 is LKR 971,166.

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 August 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 appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement of investment property has been categorised as Level 3 based on the SLFRS 13 – "Fair Value Measurement".

9. INVESTMENT PROPERTY (CONTD.)**9.1 Measurement of fair values (contd.)****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 the present value of future cash flows has been used. This is based on the 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.	<ol style="list-style-type: none"> 1. Future rental and other income 2. Future operational expenses 3. Discount rates 	<p>Estimated fair value would increase (decrease) if:</p> <ol style="list-style-type: none"> 1. Future rental and related income changes 2. Future operational expenses change 3. Discount rate changes
Alhamra property – Valuation			
Income Approach based valuation which considered the present value of net future cash flows has been used. This is based on observable rental income and the outgoing expenses. Under the income approach it also considered the outgoing expense to determine the net future cash flows.	SLIC	<ol style="list-style-type: none"> 1. Future rental 2. Future operational expenses 3. Discount rates 	<p>Estimated fair value would increase (decrease) if:</p> <ol style="list-style-type: none"> 1. Future rental and related income changes 2. Future operational expenses change 3. Discount rate changes
Litro Union place property – Valuation			
Income Approach based valuation which considered the present value of net future cash flows has been used. This is based on actual rental income currently earned and outgoing expenses. Under the income approach it also considered the outgoing expense to determine the net future cash flows.	SLIC	<ol style="list-style-type: none"> 1. Future rental 2. Future operational expenses 3. Discount rates 	<p>Estimated fair value would increase (decrease) if:</p> <ol style="list-style-type: none"> 1. Future rental and related income changes 2. Future operational expenses change 3. Discount rate changes
Yatinuwara bare land			
Market Approach based valuation is used for the Ytinuwara Bare Land. Value is determined by using the direct comparison approach ,whereby the subject property is compared to the recent comparable land sales values and the necessary adjustment is made to determine the fair value of the bare land.	SLIC	<ol style="list-style-type: none"> 1. Value per perch of the land 2. Interest Rates 	<p>Estimated fair value would increase (decrease) if:</p> <ol style="list-style-type: none"> 1. Value per perch of Land 2. Interest Rate Fluctuations

NOTES TO THE FINANCIAL STATEMENTS

10. LEASEHOLD PROPERTY

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Leasehold right to land (Note 10.1)	168,484	20,001	168,484	20,001
Right-to-use of land on lease (Note 10.2)	240,285	205,750	–	–
Balance as at 31 December	408,769	225,751	168,484	20,001

10.1 Leasehold right to land

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Cost				
Balance as at 1 January	28,015	28,015	28,015	28,015
Transfers to revaluation reserve	148,752	–	148,752	–
Accumulated depreciation transfers to revaluation reserve	(3,394)	–	(3,394)	–
Balance as at 31 December	173,373	28,015	173,373	28,015
Amortisation				
Balance as at 1 January	8,014	7,747	8,014	7,747
Transfers to revaluation reserve	(3,394)	–	(3,394)	–
Amortisation during the year	269	267	269	267
Balance as at 31 December	4,889	8,014	4,889	8,014
Net balance as at 31 December	168,484	–	168,484	20,001

Sri Lanka Insurance Corporation Limited 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 17 – “Leases”.

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

10. LEASEHOLD PROPERTY (CONTD.)

10.2 Advance lease premium

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Advance lease premium				
Balance as at 1 January	205,750	191,986	–	–
Premium paid during the period	18,547	18,547	–	–
Amortised during the period	(5,692)	(4,782)	–	–
Transferred from investment property	21,680	–	–	–
Balance as at 31 December	240,285	205,751	–	–

The Lanka Hospitals Corporation PLC, a subsidiary of SLIC had entered into a 99 year lease agreement with the Urban Development Authority in 1999. In terms of this agreement, a sum of LKR 18,546,522.00 per annum should be paid by the Company till 2025, and the final premium payment of LKR 9,273,274.00 should be paid in 2026. As at 31 December 2018 a sum of LKR 140 Mn. is payable by 2026. (31 December 2017 – LKR 158 Mn.). Lease rent paid on each instalment is carried forward and amortized over the 99 year period in accordance with the said agreement.

Canowin Hotels & Spas (Pvt) Ltd. had acquired two leasehold plots in Welipenna from the Road Development Authority, on 1 March 2014 for a period of 30 years. The properties are adjoining the main property situated at the entrance of the Southern Expressway in which the rest area and food arcade has been constructed. This property is currently being utilised by Litro Gas Lanka (Pvt) Ltd.

11. INTANGIBLE ASSETS

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Goodwill on acquisition (Note 11.1)	2,992,805	2,992,805	–	–
Computer software (Note 11.2)	177,885	188,731	83,828	93,167
	3,170,690	3,181,536	83,828	93,167

11.1 Goodwill on acquisition

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Cost				
Balance at 1 January	2,992,805	2,992,805	–	–
Balance as at 31 December	2,992,805	2,992,805	–	–

NOTES TO THE FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS (CONTD.)**11.1 Goodwill on acquisition (contd.)**

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

	2018 LKR Mn.	2017 LKR Mn.	2018 LKR Mn.	2017 LKR Mn.
The Lanka Hospitals Corporation PLC	1,577	1,577	–	–
Litro Gas Lanka Limited	842	842	–	–
Litro Gas Terminal Lanka (Pvt) Ltd.	574	574	–	–
	2,993	2,993	–	–

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

11.2 Computer Software

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Cost				
Balance as at 1 January	496,163	448,268	364,526	364,476
Additions	51,383	47,895	31,716	50
Balance as at 31 December	547,546	496,163	396,242	364,526
Amortisation				
Balance as at 1 January	307,432	239,672	271,359	216,204
Amortisation charge	62,229	67,760	41,055	55,155
Balance as at 31 December	369,661	307,432	312,414	271,359
Net Balance as at 31 December	177,885	188,731	83,828	93,167

Canwill Holdings (Private) Limited

The intangible assets comprise accounting system, payroll system, and communication solutions acquired and used for the purpose of the companies of the Group.

12. LOANS TO POLICYHOLDERS

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
As at 31 December				
Balance as at 1 January	1,522,185	1,518,719	1,522,185	1,518,719
Loans granted during the year	1,513,152	1,399,961	1,513,152	1,399,961
Interest receivable on loans	368,854	353,370	368,854	353,370
Loans settled during the year (against claims)	(1,764,340)	(1,749,866)	(1,764,340)	(1,749,866)
Balance as at 31 December	1,639,851	1,522,184	1,639,851	1,522,184

The surrender value of the loans granted to policyholders as at 31 December 2018 amounted to LKR 2,634 Mn. (2017 – LKR 2,489 Mn.)

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 void. The Company has the first lien on all policies which are subject to policy loans and this mitigates the Company's credit exposure on policy loans.

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 approximate the fair value at the reporting date.

13. REINSURANCE RECEIVABLES

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
As at 31 December				
Reinsurance receivables on settled claims	615,563	885,066	615,563	885,066
Reinsurance receivables on outstanding claims	1,800,974	1,617,376	1,800,974	1,617,376
Impairment on reinsurance receivables	(52,823)	(55,143)	(52,823)	(55,143)
	2,363,713	2,447,299	2,363,713	2,447,299

Impairment of Reinsurance Receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

14. PREMIUM RECEIVABLE

	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000
Premium receivable from policyholder loan	3,014,079	3,361,856	3,014,079	3,361,856
Premium receivable from agent, brokers and intermediaries	839,366	332,301	839,366	332,301
	3,853,445	3,694,158	3,853,445	3,694,158

14.1 Premium receivable from policyholders

	Group		Company	
As at 31 December	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Premium receivable from policyholders	3,127,586	3,415,932	3,127,586	3,415,932
	3,127,586	3,415,932	3,127,586	3,415,932

Impairment on premium receivable

As at the beginning of the year	(54,076)	(128,972)	(54,076)	(128,972)
Reversal/(Charge) made during the year	(59,432)	74,896	(59,432)	74,896
As at the end of the year	(113,508)	(54,076)	(113,508)	(54,076)
Subtotal of premium receivable from policyholders	3,014,079	3,361,856	3,014,079	3,361,856

14.2 Premium receivable from agents, brokers and intermediaries

	Group		Company	
As at 31 December	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Premium receivable from agents and brokers	877,202	350,327	877,202	350,327
	877,202	350,327	877,202	350,327

Impairment on premium receivable

As at the beginning of the year	(18,026)	(42,991)	(18,026)	(42,991)
Reversal/(Charge) made during the year	(19,810)	24,965	(19,810)	24,965
As at the end of the year	(37,836)	(18,026)	(37,836)	(18,026)
Subtotal of premium receivable from agents and brokers	839,366	332,301	839,366	332,301
Total premium receivable	3,853,445	3,694,158	3,853,445	3,694,158

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

15. DEFERRED TAX ASSETS AND LIABILITIES

15.1 Recognised deferred tax assets and liabilities

15.1.1 Movement in deferred tax balances

Deferred tax assets and liabilities are attributable to the following:

Group	Net Balance as at 1 January 2018 LKR '000	Recognised in profit or loss LKR '000	Recognised in OCI LKR '000	Net Balance at 31 December 2018 LKR '000	Deferred tax asset LKR '000	Deferred tax liability LKR '000
Property, plant and equipment	4,619,787	158,764	31,012	4,809,563	-	4,809,563
Revaluation reserve – Land	506,906	-	1,554,331	2,061,237		2,061,237
Intangible assets	7,257	2,202	-	9,459	-	9,459
Investment property	105,101	8,929	-	114,030	-	114,030
Employee benefits	(427,339)	143,345	18,106	(265,889)	(265,889)	-
Carry-forward tax losses	(90,851)	(201,948)	-	(292,799)	(292,799)	-
Available-for-sale financial assets	(66)	-	(2,839)	(2,905)	(2,905)	-
Provisions on inventory	(1,630)	(964)	-	(2,594)	(2,594)	-
Provisions on trade receivables	28,567	(50,169)	-	(21,601)	(21,601)	-
	4,747,733	60,159	1,600,610	6,408,504	585,788	6,994,289

Group	Net Balance as at 1 January 2017 LKR '000	Recognised in profit or loss LKR '000	Recognised in OCI LKR '000	Net Balance at 31 December 2017 LKR '000	Deferred tax asset LKR '000	Deferred tax liability LKR '000
Property, plant and equipment	3,308,074	453,032	858,681	4,619,787	-	4,619,787
Intangible assets	1,677	5,580	-	7,257	-	7,257
Revaluation reserve – Land			506,906	506,906		506,906
Investment property	105,100	-	-	105,102	-	105,101
Employee benefits	(331,717)	(44,808)	(50,815)	(427,339)	(427,339)	-
Carry-forward tax losses	(90,850)	-	-	(90,851)	(90,851)	-
Available-for-sale financial assets	(25,104)	-	25,038	(66)	(66)	-
Provisions on inventory	(2,881)	1,251	-	(1,630)	(1,630)	-
Provisions on trade receivables	(10,054)	38,621	-	28,567	28,567	-
	2,954,251	453,676	1,339,810	4,747,736	(491,318)	5,239,051

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAX ASSETS AND LIABILITIES (CONTD.)**15.1 Recognised deferred tax assets and liabilities (contd.)**

15.1.1 Movement in deferred tax balances (contd.)

Company	Net Balance as at 1 January 2018 LKR '000	Recognised in profit or loss LKR '000	Recognised in OCI LKR '000	Net Balance at 31 December 2018 LKR '000	Deferred tax asset LKR '000	Deferred tax liability LKR '000
Property, plant and equipment	839,986	(106,004)	31,012	764,995	–	764,995
Revaluation reserve – Land	506,906	–	1,554,331	2,061,237	–	2,061,237
Investment property	20,966	8,929	–	29,895	–	29,895
Employee benefits	(376,701)	154,725	17,711	(204,265)	(204,265)	–
Carry-forward tax losses	–	–	–	–	–	–
Available-for-sale financial assets	(66)	–	(2,839)	(2,905)	(2,905)	–
Provisions on inventory	–	–	–	–	–	–
Provisions on trade receivables	30,488	(51,734)	–	(21,245)	(21,245)	–
	1,021,579	5,916	1,600,215	2,627,712	(228,415)	2,856,127

Company	Net Balance as at 1 January 2017 LKR '000	Recognised in profit or loss LKR '000	Recognised in OCI LKR '000	Net Balance at 31 December 2017 LKR '000	Deferred tax asset LKR '000	Deferred tax liability LKR '000
Property, plant and equipment	881,942	(38,112)	(3,845)	829,986	–	839,986
Intangible assets	–	–	–	–	–	–
Revaluation reserve – Land	–	–	506,906	506,906	–	506,906
Investment property	20,966	–	–	20,966	–	20,966
Employee benefits	(289,978)	(36,648)	(50,075)	(376,701)	(376,701)	–
Carry-forward tax losses	–	–	–	–	–	–
Available-for-sale financial assets	(25,104)	–	25,038	(66)	(66)	–
Provisions on inventory	–	–	–	–	–	–
Provisions on trade receivables	(10,054)	40,542	–	30,488	–	30,488
	577,772	(34,218)	478,024	1,021,580	(376,767)	1,398,345

15. DEFERRED TAX ASSETS AND LIABILITIES (CONTD.)**15.1 Recognised deferred tax assets and liabilities (contd.)****15.1.1 Movement in deferred tax balances (contd.)**

The amounts shown in the statement of financial position represent the following:

As at 31 December Group	2018 Net deferred tax (asset) /liability	2017 Net deferred tax (asset) /liability
Sri Lanka Insurance Corporation Limited – Life	–	(171,476)
Canwill Holdings (Pvt) Limited	(80)	(50)
	(80)	(171,526)
Sri Lanka Insurance Corporation Limited – Non-Life	2,627,711	1,193,056
The Lanka Hospitals Corporation PLC	1,004,319	998,190
Litro Gas Lanka Limited	1,654,859	1,527,235
Litro Gas Terminal Lanka (Pvt) Ltd.	1,099,135	1,168,477
Canowin Hotels and Spas (Pvt) Ltd.	22,560	32,303
	6,408,584	4,919,261
	6,408,504	4,747,735

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

As at 31 December	2018		2017	
	Temporary difference LKR '000	Deferred tax LKR '000	Temporary difference LKR '000	Deferred tax LKR '000
Life				
Deferred tax asset				
Retirement benefit obligation	–	–	(643,432)	(180,161)
Provision for doubtful debtors		–		–
Deferred tax liability				
Property, plant and equipment	–	–	31,018	8,685
Investment property	–		–	–
Available-for-sale reserve	–	–	–	–
Revaluation reserve				
Net deferred tax (asset)/liability	–	–	(612,414)	(171,476)
Unrecognised deferred tax liability	–	–	–	–
Net deferred tax (asset)/liability	–	–	(612,414)	(171,476)

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAX ASSETS AND LIABILITIES (CONTD.)**15.1 Recognised deferred tax assets and liabilities (contd.)****15.1.1 Movement in deferred tax balances (contd.)**

As at 31 December	2018		2017	
	Temporary difference LKR '000	Deferred tax LKR '000	Temporary difference LKR '000	Deferred tax LKR '000
Non-Life				
Deferred tax asset				
Retirement benefit obligation	(729,519)	(204,265)	(701,925)	(196,539)
Available-for-sale negative reserve – Treasury bonds	(10,374)	(2,905)	108,886	30,488
Provision for doubtful debtors	(75,876)	(21,245)	(236)	(66)
	(815,769)	(228,415)	(593,275)	(166,117)
Deferred tax liability				
Property, plant and equipment and revaluation reserve	2,732,124	764,995	2,968,932	831,301
Investment property	106,767	29,895	74,879	20,966
Revaluation reserve – Land	7,361,561	2,061,237	5,069,060	506,906
	10,200,452	2,856,127	8,112,871	1,359,173
Net deferred tax (asset)/liability	9,384,683	2,627,712	7,519,596	1,193,056

15.2 Sinolanka Hotels and Spa (Pvt) Ltd.

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

15.3 Helanco Hotels and Spa (Pvt) Ltd.

A deferred tax asset has not been recognised since the company does not have any asset entitled for income tax.

15.4 Canowin Hotels and Spas (Pvt) Ltd.

Deferred income taxes are calculating on all temporary differences under the liability method using the principle tax rate 14%.

16. OTHER ASSETS

As at 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Inventories	16.1	1,613,141	1,628,287	206,017	164,568
Other receivables		510,204	725,666	510,204	460,706
Impairment on other receivables		(117,183)	(130,073)	(117,183)	(129,315)
		393,021	595,593	393,021	331,391
Amount due from Distilleries Company of Sri Lanka PLC		175,926	171,345	175,926	171,345
Other financial assets		715,751	–	–	–
Staff loans	16.2	1,685,483	1,326,513	1,685,483	1,326,513
Prepaid staff cost		668,205	529,636	668,205	529,637
Other loans		785,616	632,366	685,356	632,366
Advance on fixed assets		19,073	19,073	19,073	19,073
Trade and other receivables	16.3	1,838,287	1,736,441	–	–
Value added tax receivable		108,577	102,135	–	–
Economic service charge receivable		257	2,764	–	–
		8,003,338	6,744,152	3,833,082	3,174,893

16.1 Inventories

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Insurance	206,017	164,568	206,017	164,568
Healthcare	369,185	294,734	–	–
Energy	1,037,939	1,175,012	–	–
	1,613,141	1,634,314	206,017	164,568
Provision for Obsolete Inventories	–	(6,028)	–	–
	1,613,141	1,628,286	206,017	164,568

Litro Gas Lanka Limited**Goods in transit**

Goods in transit consists of the LPG stock shipment which was in transit as at the year end.

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER ASSETS (CONTD.)

16.2 Loans due from employees

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
At the beginning of the year	1,326,513	809,239	1,326,513	809,239
Loans granted during the year	1,007,961	1,491,693	1,007,961	1,491,693
Recoveries during the year	(509,649)	(753,645)	(509,649)	(753,645)
Fair value adjustment on staff loans	(139,341)	(220,774)	(139,341)	(220,774)
At the end of the year	1,685,483	1,326,513	1,685,483	1,326,513

16.3 Trade and other receivables

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Trade receivables				
Trade and other receivables	976,332	747,740	-	-
Provision for doubtful debt	(45,011)	(33,038)	-	-
Total trade receivables – Net	931,321	714,702	-	-
Deposit and prepayments	359,772	349,892	-	-
Advances and other receivables	547,195	671,847	-	-
	1,838,287	1,736,441	-	-

17. DEFERRED EXPENSES – INSURANCE CONTRACT

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Net deferred acquisition expenses				
Balance as at 1 January	600,588	533,085	600,588	533,085
Increase in deferred acquisition expenses	53,718	67,503	53,718	67,503
Balance as at 31 December	654,306	600,588	654,306	600,588
Deferred reinsurance commission				
Balance as at 1 January	(366,251)	(91,894)	(366,251)	(91,894)
Increase in deferred acquisition expenses	255,426	(274,357)	255,426	(274,357)
Balance as at 31 December	(110,825)	(366,251)	(110,825)	(366,251)
Net deferred acquisition expenses	543,481	234,337	543,481	234,337

18. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Cash in hand and at bank	1,733,162	1,520,307	990,029	826,623
Short-term investments	14,209,668	13,950,389	1,009,160	1,771,895
Total cash and cash equivalents	15,942,829	15,470,696	1,999,188	2,598,518
Bank overdraft used for cash management purposes	(955,361)	(869,302)	(608,586)	(635,929)
Cash and cash equivalents in the statement of cash flow	14,987,469	14,601,395	1,390,603	1,962,589

18.1 The reported bank overdraft balance as at the reporting date is used for the cash management purpose and there is no physical overdraft in the bank statement. The Company has a bank overdraft facility of LKR 9.3 Mn.

18.2 Litro Gas Lanka Limited**Fixed deposits, repo, and savings accounts:**

Investments in fixed deposits and repo's with a maturity period of less than three months have been classified as cash and cash equivalents.

Litro Gas Terminal Lanka (Private) Limited**Fixed deposits, treasury bills, and savings accounts:**

Investments in fixed deposits and repo's with a maturity period of less than three months have been classified as cash and cash equivalents.

19. STATED CAPITAL

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
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 meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

20. REVALUATION RESERVE

As at 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Revaluation reserve	20.1	11,109,100	10,442,923	8,348,502	7,664,272
		11,109,100	10,442,923	8,348,502	7,664,272

20.1 Revaluation reserve

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	10,442,923	11,623,290	7,664,272	8,159,082
Surplus/(Deficit) on revaluation of land and building	2,284,268	(629,111)	2,269,573	8,251
Depreciation transfer on surplus on revaluation of building	(25,391)	(42,861)		–
Deferred tax on revaluation Surplus/(Deficit)	(31,012)	3,845	(31,012)	3,845
Deferred tax on revaluation surplus – Land	(1,554,331)	(506,906)	(1,554,331)	(506,906)
Transfer of revaluation reserve on disposal of property, plant and equipment	(7,356)	(5,334)	–	–
Balance as at 31 December	11,109,100	10,442,923	8,348,502	7,664,272

21. AVAILABLE FOR SALE RESERVE

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	16,227,399	21,055,304	16,227,399	21,055,304
Transferred available-for-sale reserves – Life fund	–	(5,897,605)	–	(5,897,605)
Other comprehensive income for the year	(3,960,214)	1,069,700	(3,960,214)	1,069,700
Balance as at 31 December	12,267,185	16,227,399	12,267,185	16,227,399

Available for sale reserves comprise of the impact arising from the changes in market values of financial assets classified under Available-for-sale (AFS). AFS Reserves belonging to Life Policyholders are shown under the Insurance Provision Life.

22. REVENUE RESERVE

As at 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
General reserve		643,442	643,442	643,442	643,442
Surplus from life insurance	22.1	8,419,844	7,031,717	8,419,844	7,031,716
Policyholder reserve fund	22.2	-	-	-	-
Retained earnings	22.3	41,084,041	37,103,095	24,840,496	22,897,095
Transferred to one-off surplus – Unrestricted reserve	22.4	466,179	466,179	466,179	466,179
		50,613,506	45,244,434	34,369,961	31,038,432

22.1 Surplus from life insurance

As at 31 December		Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January		7,031,717	8,109,631	7,031,717	8,109,631
Transferred to the restricted regulatory reserve fund		-	(98,237)	-	(98,237)
Transferred from life fund to unrestricted reserve		-	(466,179)	-	(466,179)
Surplus attributable to shareholders from life insurance		1,688,127	2,385,271	1,688,127	2,385,271
Transferred to shareholders		(300,000)	(2,898,769)	(300,000)	(2,898,769)
Balance as at 31 December		8,419,844	7,031,717	8,419,844	7,031,717

22.2 Policyholder reserve fund

As at 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January		-	(4,711,129)	-	(4,711,129)
Change in fair value measurements applicable to life contract liability	23	-	4,711,129	-	4,711,129
Balance as at 31 December		-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. REVENUE RESERVE (CONTD.)

22.3 Retained earnings

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	37,103,095	36,116,076	22,897,095	23,664,612
Profit for the year	7,250,432	6,257,800	5,244,795	4,569,150
Other comprehensive income	102,683	(111,073)	103,523	(128,764)
Adjustments – Last year's depreciation	225	–	225	–
Depreciation transfer on surplus on revaluation of building	25,391	42,861	–	–
Surplus attributable to shareholders from life insurance	(1,688,127)	(1,820,855)	(1,688,127)	(1,820,855)
Revenue reserve – other liabilities	(163,808)	535,902	(163,808)	535,902
Transferred to the restricted regulatory reserve fund	–	(98,238)	–	(98,238)
Transferred from life fund to unrestricted reserve	–	(466,179)	–	(466,179)
Dividend paid	(1,853,206)	(3,358,533)	(1,853,206)	(3,358,533)
Transfer from life shareholders to general shareholders	300,000	–	300,000	–
Realisation of revaluation surplus on disposal	7,356	5,335	–	–
Balance as at 31 December	41,084,041	37,103,095	24,840,496	22,897,095

22.4 Transferred to one-off surplus – Unrestricted reserve

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	466,179	–	466,179	–
Transferred to one-off surplus – Unrestricted reserve	–	466,179	–	466,179
Balance as at 31 December	466,179	466,179	466,179	466,179

23. INSURANCE CONTRACT LIABILITIES – LIFE

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Life insurance fund as at 1 January	92,682,831	87,357,386	92,682,831	87,357,386
Surplus created due to change in valuation method from NPV to GPV	–	(6,280,931)	–	(6,280,931)
Movement of the fund	9,842,328	10,058,978	9,842,328	10,058,978
Regulatory restricted reserves from one-off surplus	–	(98,237)	–	(98,237)
Transferred from life-policyholders reserve fund	–	(4,711,128)	–	(4,711,128)
Transfers of surplus from one-off surplus – Unrestricted reserve	–	(466,179)	–	(466,179)
Impact of last year's available-for-sale reserve transfer to shareholders	–	2,898,769	–	2,898,769
Impact of current year's available-for-sale reserve transfer to shareholders	163,808	(535,902)	163,808	(535,902)
Surplus distributed to shareholders	(1,688,127)	(1,820,855)	(1,688,127)	(1,820,855)
Life insurance fund as at 31 December excluding one-off surplus	101,000,840	86,401,901	101,000,840	86,401,901
Surplus created due to change in valuation method from NPV to GPV	–	6,280,931	–	6,280,931
Life Insurance fund as at 31 December including one-off surplus	101,000,840	92,682,832	101,000,840	92,682,832
Available-for-sale reserves				
Available-for-sale reserves – Life fund	4,458,706	5,897,605	4,458,706	5,897,605
Life insurance funds as at 31 December including available-for-sale reserves	105,459,545	98,580,437	105,459,545	98,580,437
Policyholder's outstanding claims	2,546,415	3,090,743	2,546,415	3,090,743
	108,005,959	101,671,180	108,005,959	101,671,180

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating and non-participating life insurance products. The insurance provision has been established based upon the following:

* Investment return: Risk Free Rate structure proposed by Insurance Regulatory Commission of Sri Lanka (IRCSL) as at 31 December 2018

* 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 the policyholder's revisionary bonus to be paid is determined annually by the Company. The bonus includes life policyholders' share of net income that is required to be allocated by the insurance contract or, by insurance regulations.

From 1 January 2016 onwards, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka, IRCSL, SLICL fully implemented the Risk-Based Capital (RBC) solvency framework and as such adopted the "Gross Premium Valuation" basis (GPV) which is required under RBC regime for liability valuation purpose. SLICL has adopted a more prudent valuation basis for its surplus computation with compared to minimum regulatory basis (RBC). SLICL followed the "Net Premium Valuation" basis (NPV) for the valuation of liabilities as at 31 December 2015. This change in valuation basis has resulted an one-off surplus in life insurance policy liabilities as at 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

23. INSURANCE CONTRACT LIABILITIES – LIFE (CONTD.)

IRCSL submitted the guideline to compute One-off surplus and transferring mechanism to Shareholder fund from Life Non-participating Fund under the direction called "Identification and Treatment of One-Off Surplus: Direction# 16 – Section 964 of the Regulation of Insurance Industry Act No. 43 of 2000" dated 20 March 2018 where minimum One-off Surplus computation is recommended. Accordingly, SLICL has quantified the one-off surplus as at 1 January 2016, and it stands out that the amounts are LKR 6,281 Mn. and LKR 98 Mn. with in Participating Fund and Non-participating Fund respectively. The One-off surplus pertaining to Participating Fund will remain in the Life Fund under "Surplus created due to change in valuation method from NPV to GPV (Participating)". As per the directions given by IRCSL, SLICL transferred the one-off surplus arising from Non-participating Fund to Shareholder Fund and accounted in the statement of Financial Position as at 31 December 2017, under a new line item called "Restricted Regulatory Reserve". The "Restricted Regulatory Reserve" is a part of Shareholder Equity, but distribution of the same to Shareholders as dividend is subject to meeting Governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. SLICL maintains the same amounts in one-off surplus in Participating fund and Restricted Regulatory Reserve in Shareholders fund as at 31 December 2018. The One-off Surplus in the Shareholder Fund will remain invested in fixed deposit at DFCC Bank PLC [Fitch Ratings AA-(lka)] as per the direction of the IRCSL.

	LKR Mn.
Long term insurance fund excluding one-off surplus	99,179
Surplus created due to change in valuation method from NPV to GPV	6,281
Long-term insurance fund as at 31 December 2018	105,460
Restricted regulatory reserve (one-off surplus Non-Participating Fund)	98

The valuation of the Insurance Provision – Life Insurance Business, as at 31 December 2018 was made by Kunj Behari Maheshwari, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, for and on behalf of Sri Lanka Insurance Corporation Limited. In accordance with the consultant actuary's report, the sum of provision, LKR 1,514 Mn. (In 2017 LKR 1,654 Mn.), is included as the liability in respect of the policyholders' Bonus. In the opinion of the consultant actuary, the admissible assets of the life insurance fund as at 31 December 2018 are adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under section 26 of the regulation of Insurance Industry Act No. 43 of 2000. The life fund also carried forward surplus for future growth and safeguards against the adverse deviation of the assumptions set out in the valuation.

The Life Insurance Fund asset inclusive of Shareholders' Transfer as at 31 December 2018 is LKR 107,220 Mn. (2017 – LKR 101,502 Mn.). The Board of Directors decided to transfer LKR 1,760 Mn. (2017 – LKR 2,921 Mn.) to the Shareholders' Fund in the statement of financial position in life insurance inclusive of LKR 372 Mn. from AFS reserve. Subsequent to this transfer, the life insurance fund stands at LKR 105,460 Mn. (2017 – LKR 98,580 Mn.).

Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for life insurance contract liability was carried out by Kunj Behari Maheshwari, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, as at 31 December 2018 as required by SLFRS 4 – "Insurance Contracts". When performing the LAT, the Company has compared the provisions held as per audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within Risk Based Capital framework as prescribed by the IRCSL, whereby liabilities are valued using a discounted cashflow 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 December 2018.

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 2018. No additional provision is required against the LAT as at 31 December 2018.

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	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Reserves for net unearned premium	24.1	8,502,685	8,042,508	8,502,685	8,042,508
Reserves for title insurance and unexpired risk reserve	24.2	527,705	536,928	527,705	536,928
Reserves for gross outstanding claims	24.3	8,776,040	8,548,958	8,776,040	8,548,958
		17,806,430	17,128,394	17,806,430	17,128,394

24.1 Reserve for net unearned premium

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Reserve for unearned premium				
Balance as at 1 January	10,699,927	8,544,994	10,699,927	8,544,994
Transfer during the year	(1,092,863)	2,154,933	(1,092,863)	2,154,933
Balance as at 31 December	9,607,064	10,699,927	9,607,064	10,699,927
Reserve for unearned reinsurance premium				
Balance as at 1 January	(2,657,419)	(1,229,965)	(2,657,419)	(1,229,965)
Transfer during the year	1,553,040	(1,427,454)	1,553,040	(1,427,454)
Balance as at 31 December	(1,104,379)	(2,657,419)	(1,104,379)	(2,657,419)
Total reserve for net unearned premium	8,502,685	8,042,508	8,502,685	8,042,508

24.2 Reserve for title insurance and unexpired risk reserve

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Reserve for title insurance				
Balance as at 1 January	536,928	538,219	536,928	538,219
Transfer during the year	(9,223)	(1,291)	(9,223)	(1,291)
Balance as at 31 December	527,705	536,928	527,705	536,928
Total reserve for title insurance and unexpired risk reserve	527,705	536,928	527,705	536,928

NOTES TO THE FINANCIAL STATEMENTS

24. INSURANCE CONTRACT LIABILITIES – NON-LIFE (CONTD.)

24.3 Reserves for gross outstanding claims

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	6,239,031	6,284,617	6,239,031	6,284,617
Claims incurred during the year	11,137,581	9,917,205	11,137,581	9,917,205
Claims paid during the year	(11,045,164)	(9,962,791)	(11,045,164)	(9,962,791)
Balance as at 31 December	6,331,448	6,239,031	6,331,448	6,239,031
IBNR/IBNER balance as at 1 January	2,309,927	2,379,286	2,309,927	2,379,286
Increase in IBNR/IBNER	134,665	(69,359)	134,665	(69,359)
IBNR/IBNER balance as at 31 December	2,444,592	2,309,927	2,444,592	2,309,927
Total reserves for gross outstanding claims	8,776,040	8,548,958	8,776,040	8,548,958

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the 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.

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Reconciliation between insurance contract liabilities non-life and technical reserves				
Insurance contract liabilities non-life	17,806,429	17,128,394	17,806,429	17,128,394
Reserve for net deferred acquisition expenses	(543,481)	(234,337)	(543,481)	(234,337)
Reinsurance on claims reserves	(1,589,980)	(1,451,271)	(1,589,980)	(1,451,271)
Technical reserves	15,672,968	15,442,786	15,672,968	15,442,786

24. INSURANCE CONTRACT LIABILITIES – NON-LIFE (CONTD.)**24.4 Claims development information**

The table below presents changes in the historical non-life reserves, net of reinsurance. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each 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	2013 LKR	2014 LKR	2015 LKR	2016 LKR	2017 LKR	2018 LKR
Gross reserves for losses and loss adjustment expenses	7,817,801	7,709,471	7,893,502	8,663,903	8,548,958	8,776,040
Reinsurance recoverable	(1,160,449)	(1,004,432)	(976,138)	(1,434,140)	(1,451,271)	(1,589,981)
Net reserves for losses and loss adjustment expenses	6,657,352	6,705,039	6,917,364	7,229,763	7,097,687	7,186,060
Cumulative paid						
One year later	4,481,214	4,572,093	4,981,269	6,637,140	6,848,916	7,589,783
Two years later	5,873,386	5,907,060	6,989,106	8,392,494	9,003,830	–
Three years later	5,960,968	6,055,117	7,099,020	8,538,717	–	–
Four years later	6,010,004	6,097,506	7,159,602	–	–	–
Five years later	6,023,304	6,151,642	–	–	–	–
Six years later	6,068,901	–	–	–	–	–
Cumulative reported						
One year later	5,564,838	5,631,797	6,325,676	7,912,768	8,296,549	9,466,947
Two years later	6,107,021	6,204,339	7,290,857	8,530,543	9,183,846	–
Three years later	6,209,496	6,352,291	7,376,031	8,716,667	–	–
Four years later	6,218,063	6,362,252	7,397,879	–	–	–
Five years later	6,207,287	6,352,247	–	–	–	–
Six years later	6,229,104	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

25. CURRENT TAX LIABILITIES

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	750,211	964,284	750,176	438,483
Income tax charge for the year	2,758,510	1,948,068	1,899,889	1,355,272
Income tax settlements made during the year	(1,426,245)	(1,879,702)	(1,098,246)	(1,043,580)
Tax recoverable	(321,590)	(282,439)	–	–
Balance as at 31 December	1,728,770	750,211	1,551,819	750,175

26. EMPLOYEE BENEFITS

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	1,677,864	1,340,289	1,345,359	1,035,635
Recognised in the statement of profit or loss				
Current service cost	86,787	122,819	45,239	86,329
Interest cost	111,281	163,338	77,212	129,454
Recognised in the statement of other comprehensive income				
Actuarial (Gain)/Loss	(122,742)	164,538	(121,234)	178,839
	1,753,190	1,790,984	1,346,575	1,430,257
Benefit paid by the plan	(87,450)	(113,120)	(60,578)	(84,898)
Provision for gratuity	112,246	–	112,246	–
Balance as at 31 December	1,777,986	1,677,864	1,398,244	1,345,359

26. EMPLOYEE BENEFITS (CONTD.)

26.1 Description of the valuation method used and the information about the valuer

LKAS 19 – “Employee Benefits” requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefits that the employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligations and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Messrs Actuarial & Management Consultants (Pvt) Ltd., 1st Floor, 434, R A De Mel Mawatha, Colombo 3. The actuarial valuation is performed annually.

Litro Gas Lanka Limited

The provision for retirement benefit obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs Actuarial & Management Consultants (Pvt) Ltd., as at 31 December 2018. The actuarial present value of the retirement benefits as at 31 December 2018 amounted to LKR 112.91 Mn. The liability is not externally funded.

Litro Gas Terminal Lanka (PVT) Limited

The provision for retirement benefit obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31 December 2018. The actuarial present value of the retirement benefits as at 31 December 2018 amounted to LKR 8,331,623. The liability is not externally funded.

Canwill Holdings (Private) Limited

The provision for retirement benefit obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31 December 2018. The actuarial present value of the promised retirement benefits as at 31 December 2018 amounted to LKR 3,562,831.00. The liability is not externally funded.

26.2 Principal actuarial assumptions used

As at 31 December	2018	2017
Discount rate	10%-12%	9%-11%
Salary increment rate	10%-12%	5%-18%
Staff turnover factor	3%-14%	5%-10%
Retirement age: Female	60 years	60 years
Retirement age: Male	60 years	60 years
Retirement age: Minor staff	57 years	57 years

The Group's gratuity liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

26. EMPLOYEE BENEFITS (CONTD.)

26.3 Sensitivity analysis

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

As at 31 December	2018		2017	
	Increase LKR '000	Decrease LKR '000	Increase LKR '000	Decrease LKR '000
Group				
Discount rate 1%	1,371,800	1,755,917	1,462,757	1,782,700
Future salary growth 1%	1,682,293	1,376,068	1,772,545	1,467,596
Company				
Discount rate 1%	1,262,515	1,538,249	1,205,666	1,491,039
Future salary growth 1%	1,528,164	1,268,582	1,480,317	1,211,951

27. OTHER LIABILITIES

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Other liabilities				
Policyholder advance payments	435,430	164,747	435,430	164,747
Payables				
Agency commission payable	909,457	720,397	909,457	720,397
Economic services charge tax	53,065	40,084	-	-
Others including accrued expenses	5,880,440	3,622,557	3,376,558	3,115,904
Trade payable	2,480,477	3,638,617	-	-
VAT payable	769	708	-	-
Provision for assessment on VAT liability	17,454	14,146	-	-
Other payables	397,648	525,539	-	-
Advance received	63,016	89,579	-	-
Customer deposit payable	7,699,237	7,069,413	-	-
Professional fees payable	248	-	-	-
Total other liabilities	17,937,240	15,885,786	4,721,444	4,001,048

28. FINANCIAL LIABILITIES

As at 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Financial liabilities				
Bank overdraft	955,361	869,302	608,586	635,929
Total financial liabilities	955,361	869,302	608,586	635,929

The above overdraft of the Company mainly includes unrepresented cheques and it is only a book balance.

29. REVENUE

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Gross written premium	30	31,588,215	31,295,945	31,737,894	31,437,682
Net change in reserve for unearned premium	29.1	1,102,086	(2,153,642)	1,102,086	(2,153,642)
Gross earned premium		32,690,301	29,142,303	32,839,980	29,284,040
Premium ceded to reinsurers	29.2	(3,282,325)	(4,773,824)	(3,282,325)	(4,773,824)
Net change in reserve for unearned reinsurance premium	29.3	(1,553,040)	1,427,454	(1,553,040)	1,427,454
Net earned premium	29.4	27,854,936	25,795,933	28,004,615	25,937,670
Income from investments	31	14,372,021	13,612,125	13,058,640	12,127,617
Other income		3,818,890	2,649,758	3,316,613	1,334,450
Hospital revenue		5,763,023	3,542,735	-	-
Pharmacy revenue		-	1,682,818	-	-
Laboratory revenue		1,313,573	1,156,505	-	-
Room rental and service charges		97,836	99,807	-	-
Revenue from liquid petroleum gas (LPG) activities		38,882,995	30,038,337	-	-
		92,103,275	78,578,019	44,379,869	39,399,737

The Lanka Hospitals Corporation PLC

The effect of applying SLFRS 15, on the groups revenue from contract with customers described in Note 2.9.

Litro Gas Terminal Lanka (Private) Limited**Throughput fee:**

Revenue consists of throughput fee invoiced to Litro Gas Lanka Limited. US dollar 51 is charged per metric tonne at a fixed exchange rate of LKR 148.00 per US dollar. During the year the Board signed a MOU with Litro Gas to rebate a discount of LKR 1.00 per 1 kg of local sales of C2, C5, and C12 products. Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Private) Limited are controlled by the same ultimate parent.

NOTES TO THE FINANCIAL STATEMENTS

29. REVENUE (CONTD.)

Canwill Holdings (Private) Limited

The Company is the parent entity of Sinolanka Hotels & Spa (Pvt) Ltd., and Helanco Hotels & Spa (Pvt) Ltd. Sinolanka Hotels & Spa (Pvt) Ltd., is in the process of constructing the Grand Hyatt Hotel in Colombo. The Directors of Helanco Hotels & Spa (Pvt) Ltd., are evaluating the options available to the company. These companies are yet to commence commercial operations during the year.

Currently, the Sinolanka Hotels & Spa (Pvt) Ltd. is working on project divestiture programme approved by the Cabinet Ministers on 1 August 2017 (*inter alia*) and Expression of Interest (EOI) has been called from local and International Transaction Advisers to divestiture ownership of Grand Hyatt Colombo Project and as such, the official appointment has duly made for International Transaction Advisers, Ms Lazard Asia Limited of Singapore and MTI Consulting (Private) Ltd., of Bahrain. The divestiture process is being coordinated by National Agency for Public Private Partnership (NAPP) on behalf of the Ministry of Finance and Mass Media.

The Directors of Helanco Hotels & Spa (Pvt) Ltd. have resolved to discontinue the project to construct the Hotel in Hambantota, in the year 2015. As a consequence, the hotel construction activities of the Company has come to an end and the Board of Directors are evaluating other options available to the Company.

29.1 Net change in reserve for unearned premium

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Non-life insurance					
Change in reserve for unearned premium	24.1	1,092,863	(2,154,933)	1,092,863	(2,154,933)
Transfer to title insurance reserve	24.2	9,223	1,291	9,223	1,291
		1,102,086	(2,153,642)	1,102,086	(2,153,642)

29.2 Premiums ceded to reinsurers

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Life Insurance	292,534	231,795	292,534	231,795
	292,534	231,795	292,534	231,795
Non-life insurance				
Fire	1,473,237	1,325,393	1,473,237	1,325,393
Motor	327,224	300,239	327,224	300,239
Marine	367,225	280,747	367,225	280,747
Miscellaneous	822,105	2,635,650	822,105	2,635,650
	2,989,791	4,542,029	2,989,791	4,542,029
Total premium ceded to reinsurers	3,282,325	4,773,824	3,282,325	4,773,824

29. REVENUE (CONTD.)**29.3 Net change in reserve for unearned reinsurance premium**

For the year ended 31 December	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Non-life Insurance					
Change in reserve for unearned premium	24.1	(1,553,040)	1,427,454	(1,553,040)	1,427,454
		(1,553,040)	1,427,454	(1,553,040)	1,427,454

29.4 Net earned premiums

For the year ended 31 December	2018			2017		
	Non-Life LKR '000	Life LKR '000	Total LKR '000	Non-Life LKR '000	Life LKR '000	Total LKR '000
Net earned premiums						
Gross written premium	18,532,092	13,205,802	31,737,894	18,920,562	12,517,120	31,437,682
Change in reserve for unearned premium	1,092,863	–	1,092,863	(2,154,933)	–	(2,154,933)
Gross earned premium	19,624,955	13,205,802	32,830,757	16,765,629	12,517,120	29,282,749
Premiums ceded to reinsurers	(2,989,790)	(292,534)	(3,282,324)	(4,542,029)	(231,795)	(4,773,824)
Change in reserve for gross unearned reinsurance premium	(1,553,040)	–	(1,553,040)	1,427,454	–	1,427,454
Reinsurance premium	(4,542,830)	(292,534)	(4,835,364)	3,114,575	(231,795)	(3,346,370)
Transfer to title insurance reserve	9,223	–	9,223	1,291	–	1,291
	(4,533,607)	(292,534)	(4,826,141)	(3,113,284)	(231,795)	(3,345,079)
Net earned premium	15,091,348	12,913,268	28,004,616	13,652,345	12,285,325	25,937,670

NOTES TO THE FINANCIAL STATEMENTS

30. GROSS WRITTEN PREMIUM

For the year ended 31 December

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Life insurance				
Group and non-group	12,156,987	10,949,554	12,306,666	11,091,291
Group term life assurance	899,136	1,425,829	899,136	1,425,829
Gross written premium – Life insurance	13,056,123	12,375,383	13,205,802	12,517,120
Non-life insurance				
Fire and engineering risk	2,754,395	1,445,191	2,754,395	1,445,191
General accident	12,903,588	5,489,961	12,903,588	5,489,961
Marine	496,698	422,751	496,698	422,751
Workmen's compensation	–	–	–	–
Motor	2,377,410	11,562,659	2,377,410	11,562,659
Gross written premium – Non-life insurance	18,532,091	18,920,562	18,532,091	18,920,562
Total gross written premium	31,588,215	31,295,945	31,737,894	31,437,682

31. INVESTMENT INCOME

	Note	Group		Company	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
For the year ended 31 December					
Interest income	31.1	13,126,198	12,667,970	11,574,089	11,061,551
Dividend income	31.2	1,025,402	1,132,283	1,264,130	1,256,504
Capital gains/(losses)	31.3	220,421	(188,128)	220,421	(190,438)
		14,372,021	13,612,125	13,058,640	12,127,617

31. INVESTMENT INCOME (CONTD.)**31.1 Interest income**

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Financial investments at held to maturity (HTM)				
Treasury bonds	5,809,966	6,301,224	5,809,966	6,301,224
Financial investments at loans and receivables (L and R)				
Development bonds	510,889	387,709	510,889	387,709
Unlisted debentures	65,000	104,761	65,000	104,761
Term deposits	2,818,986	1,970,803	2,002,625	1,333,471
Commercial papers	6,462	–	6,462	–
Trust certificates	–	7,796	–	7,796
Financial investments at available for sale (AFS)				
Treasury bonds	270,605	491,709	270,605	491,709
Listed debentures	2,748,000	2,142,555	2,748,000	2,142,555
Cash and cash equivalents				
Reverse repurchase agreements	831,990	1,155,679	146,415	286,282
Unit trusts	20,111	99,978	14,127	6,043
Call and savings accounts	37,773	3,678	–	–
Short-term deposits – Interest income	6,416	2,077	–	–
Total interest income	13,126,198	12,675,765	11,574,269	11,053,754

NOTES TO THE FINANCIAL STATEMENTS

31. INVESTMENT INCOME (CONTD.)

31.2 Dividend income

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Financial investments at cost				
Listed subsidiaries	–	–	230,897	116,570
Unlisted subsidiaries	–	–	7,831	7,650
Financial investments at NAV				
Associates	4,905	5,700	4,905	5,700
Financial investments at available for sale (AFS)				
Listed shares	870,459	873,877	870,459	873,877
Unlisted shares	61	4,772	61	4,772
Unit trusts	–	72,184	–	72,184
Financial investments at fair value through profit or loss (FVTPL)				
Listed shares	149,977	175,751	149,977	175,751
Total dividend income	1,025,404	1,132,284	1,264,130	1,256,504

31.3 Capital gains/(losses)

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Financial investments at available for sale (AFS)				
Listed shares	884,438	56,717	884,438	56,717
Unlisted shares	3,098	–	3,098	–
Unit trusts	–	4,691	–	2,381
Treasury bonds	86,272	10,825	86,272	10,825
Financial investments at fair value through profit or loss (FVTPL)				
Listed shares	(753,387)	(260,361)	(753,387)	(260,361)
Total capital gains/(losses)	220,421	(188,128)	220,421	(190,438)

32. FEES AND COMMISSION INCOME

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Reinsurance commission	53,662	56,068	53,662	56,068
	53,662	56,068	53,662	56,068

33. NET REALISED GAINS

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Foreign Currency Gains	1,736,964	348,862	1,976,197	372,044
	1,736,964	348,862	1,976,197	372,044

34. OTHER INCOME

	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Rent income	217,268	113,466	200,644	99,861
Interest on policyholders and other loans	773,779	700,621	773,779	700,621
Sundry income	151,921	147,806	182,731	105,856
Non-refundable deposit income (Note 34.1)	734,551	1,239,469	–	–
Net gain from change in fair value of investment property	130,389	25,636	129,600	–
Gain/(Loss) on disposal of property, plant and equipment	20,356	17,830	–	–
	2,028,264	2,244,828	1,286,754	906,338

34.1 Non-refundable deposit income**Litro Gas Lanka Limited**

LP Gas cylinders are issued to customers on payment of a cylinder deposit, which consists of two elements, part refundable and part non-refundable. The refundable deposit component is recognised as a liability while the non-refundable deposit component is recognised as income.

NOTES TO THE FINANCIAL STATEMENTS

35. NET BENEFIT AND CLAIMS

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
(a) Gross benefits and claims paid				
Non-life insurance				
Fire	(822,829)	(660,377)	(822,829)	(660,377)
Motor	(7,395,402)	(6,883,776)	(7,395,402)	(6,883,776)
Marine	(80,140)	(75,251)	(80,140)	(75,251)
Miscellaneous	(2,847,456)	(2,297,801)	(2,847,456)	(2,297,801)
Total	(11,145,827)	(9,917,205)	(11,145,827)	(9,917,205)
Life insurance				
Death claims	(776,802)	(777,443)	(776,802)	(777,443)
Policy maturities	(4,896,816)	(5,450,525)	(4,896,816)	(5,450,525)
Surrenders	(521,132)	(482,541)	(521,132)	(482,541)
Disability, exgratia, annuities, hospitalisation and mortgage protection	(1,649,653)	(286,527)	(1,649,653)	(286,527)
Total	(7,844,403)	(6,997,036)	(7,844,403)	(6,997,036)
Total gross benefits and claims paid	(18,990,230)	(16,914,241)	(18,990,230)	(16,914,241)
(b) Claims ceded to reinsurers				
Claims recovered from reinsurers	1,231,537	801,182	1,231,537	801,182
Total claims ceded to reinsurers	1,231,537	801,182	1,231,537	801,182
(c) Gross change in contract liabilities				
Change in non-life insurance contract outstanding claims provision	(134,665)	69,359	(134,665)	69,359
Total gross change in contract liabilities	(134,665)	69,359	(134,665)	69,359
(d) Change in contract liabilities ceded to reinsurers				
Change in non-life insurance contract outstanding claims provision	138,710	17,131	138,710	17,131
Total change in contract liabilities ceded to reinsurers	138,710	17,131	138,710	17,131
Total net benefits and claims	(17,754,649)	(16,026,569)	(17,754,649)	(16,026,569)

36. UNDERWRITING AND NET ACQUISITION COSTS (INCLUDING REINSURANCE)

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Acquisition cost	3,112,060	2,777,135	3,112,060	2,777,135
Net change in reserve for deferred acquisition cost (DAC)	(53,718)	(67,503)	(53,718)	(67,503)
	3,058,342	2,709,632	3,058,342	2,709,632
Reinsurance commission received	305,043	659,137	305,043	659,137
Net change in reserve for unearned commission (UCR)	255,426	(274,357)	255,426	(274,357)
	560,469	384,780	560,469	384,780
	2,497,873	2,324,852	2,497,873	2,324,852

37. OTHER OPERATING AND ADMINISTRATION EXPENSES

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Audit fees	10,010	8,583	4,338	4,338
Audit related fees	1,385	3,894	1,385	1,295
Fees for non-audit services	821	1,250	821	1,250
Depreciation	2,377,051	2,087,916	269,811	279,067
Amortisation of intangible assets	62,229	67,760	41,055	55,155
Amortisation of advanced lease premium	5,692	4,782	-	-
Amortisation of leasehold land	269	267	269	269
Impairment loss of trade receivables	11,973	359,933	-	(129,315)
Impairment loss of inventories	(6,028)	(4,460)	-	-
Legal expenses	23,813	48,724	-	-
Staff benefits	7,821,936	6,683,384	4,776,806	3,802,997
Marketing and business promotion expenses	907,637	455,539	611,313	383,578

Litro Gas Terminal Lanka (Private) Limited**Common Cost Sharing**

During the year the Board signed a MOU with Litro Gas to share the common cost incurred by each company to show fair view of its financial performances. Administrative cost of 2017 and 2018 is including the common cost transferred from LGLL on MOU is LKR 61.15 Mn. and LKR 56.64 Mn. respectively.

NOTES TO THE FINANCIAL STATEMENTS

38. INCOME TAX EXPENSE**38.1 Amounts recognised in profit or loss**

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Current tax expenses				
Current tax year	2,746,621	1,941,711	1,899,889	1,348,915
Over/Under provision in previous year	(1,574)	9,495		6,357
10% withholding tax on intercompany dividends	13,463	7,328	-	-
	2,758,510	1,958,534	1,899,889	1,355,272
Deferred tax expenses				
Origination/(Reversal) of temporary differences	60,159	453,677	5,916	(34,218)
Income tax expenses reported in the income statement	2,818,669	2,412,210	1,905,806	1,321,055

38.2 Amounts recognised in OCI

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Remeasurement of defined benefit liability	(18,106)	50,815	(17,711)	50,075
Revaluation of property, plant and equipment	(1,585,343)	(555,614)	(1,585,343)	(503,061)
Effect on deferred tax due to rate change	-	(809,973)	-	-
Fair value changes in available-for-sale financial assets	2,839	(25,038)	2,839	(25,038)
	(1,600,610)	(1,339,810)	(1,600,215)	(478,024)

38. INCOME TAX EXPENSE (CONTD.)**38.3 Tax loss analysis**

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Balance as at 1 January	67,205	67,205	–	–
Tax loss incurred during the year	71,558	71,558	–	–
Tax loss claimed during the year	(50,653)	(50,653)	–	–
Balance as at 31 December	88,110	88,110	–	–

Litro Gas Terminal Lanka (Private) Limited

The Company's business profits were exempted from income tax for a period of 15 years according to the agreement entered into by the Company with the 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 there to, profits arising from operating and maintenance of storage facilities in accordance with item number 31 of the 5th schedule of the Inland Revenue Act are taxed at a concessionary rate of 10%. Therefore Litro Gas Terminal Lanka (Private) Limited is liable to income tax at 10% up to march 2018 and thereafter 28% on business income and 28% on non-business income.

Lanka Hospitals Corporation PLC

With the implementation of the new Inland Revenue Act No. 24 of 2017, effective from 1 April 2018, the corporate tax applicable to The Lanka Hospitals Corporation PLC is 28%.

In accordance with and subject to the power conferred on the Board of Investments of Sri Lanka, under section 17 of the BOI Law No. 4 of 1978, the operating profits and income accruing to Lanka Hospitals Diagnostics (Pvt) Ltd., is exempt from tax for a period of six years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever comes first. The Company commenced its commercial operations in July 2014 and the tax exemption period expires in 2020.

Deferred tax assets and liabilities have been measured at the tax rate that is expected to apply to the period when the asset is realised or liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

38. INCOME TAX EXPENSE (CONTD.)**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 the 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 three years after commencement of commercial operations, whichever comes first.

On expiry of the tax exemption period, profits and income of the SinoLanka Hotels & Spa (Pvt) Ltd., shall be charged at the rate of 6% or at 50% of the prevailing tax rate for the hotel industry, whichever is lower. These tax rates will be effective for a period of 15 years immediately succeeding the exemption period. After the expiration of the aforesaid period, profits and income of the SinoLanka Hotels & Spa shall be taxed in terms of provisions in the Inland Revenue Act in force at that time.

Canwill Holdings (Pvt) Ltd., and Helanco Hotels and Spa (Pvt) Ltd.

The income tax expense for Canwill Holdings (Pvt) Ltd., and Helanco Hotels and Spa (Pvt) Ltd., have been calculated on their adjusted profits at 28% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

Litro Gas Lanka Ltd.

As per the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto Litro Gas Lanka Ltd. is liable to 28% of income tax of the adjusted taxable profits for the year.

39. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31 December	Group		Company	
	2018	2017	2018	2017
Amounts used as the numerators				
Net profit attributable to ordinary shareholders (LKR '000)	7,250,432	6,257,799	5,244,795	4,569,150
Number of ordinary shares used as denominators				
Weighted average number of ordinary shares in issue ('000)	600,000	600,000	600,000	600,000
Basic earnings per share (LKR)	12.08	10.43	8.74	7.62

40. DIVIDEND PAID AND PROPOSED

For the year ended 31 December	Group		Company	
	2018	2017	2018	2017
Dividend paid/proposed (LKR '000)	1,835,214	1,007,568	1,835,214	1,007,568
Weighted average number of ordinary shares in issue ('000)	600,000	600,000	600,000	600,000
Dividend per share (LKR)	3.06	1.68	3.06	1.68

41. FINANCIAL ASSETS AND LIABILITIES

41.1 Accounting classification 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 liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 December

Group	Note	2018					
		Fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Carrying value	Fair value
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets measured at fair value							
Listed shares	5	3,627,702	27,221,446	–	–	30,849,148	30,849,148
Unlisted shares	5	–	35,495	–	–	35,495	35,495
Unit trusts	5	–	4,822,078	–	–	4,822,078	4,822,078
Listed debentures	5	–	23,867,197	–	–	23,867,197	23,867,197
Treasury bonds	5	–	2,534,387	–	–	2,534,387	2,534,387
Financial assets not measured at fair value							
Treasury bills and bonds	5	–	–	54,622,918	–	54,622,918	51,694,915
Unlisted debentures	5	–	–	–	500,534	500,534	500,534
Term deposits	5	–	–	–	24,887,040	24,887,040	24,887,040
Development bonds	5	–	–	–	10,456,280	10,456,280	10,456,280
Commercial paper		–	–	–	256,462	256,462	256,462
Loans to life policyholders	12	–	–	–	1,639,851	1,639,851	1,639,851
Reinsurance receivable	13	–	–	–	2,363,713	2,363,713	2,363,713
Premium receivable	14	–	–	–	3,853,445	3,853,445	3,853,445
Other receivables	16	–	–	–	2,939,786	2,939,786	2,939,786
Cash and cash equivalents		–	–	–	1,999,188	1,999,188	1,999,188
Total financial assets		3,627,702	58,480,603	54,622,918	48,896,299	165,627,522	162,699,519
Financial liabilities not measured at fair value							
Reinsurance payable		–	–	–	854,200	854,200	854,200
Trade payable		–	–	–	2,480,477	2,480,477	2,480,477
Bank overdraft		–	–	–	608,586	608,586	608,586
Total financial liabilities		–	–	–	3,943,263	3,943,263	3,943,263

NOTES TO THE FINANCIAL STATEMENTS

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting classification and fair values (Contd.)

As at 31 December		2017					
Group	Note	Fair Value through Profit or Loss LKR '000	Available for Sale LKR '000	Held to Maturity LKR '000	Loans and Receivables LKR '000	Carrying Value LKR '000	Fair Value LKR '000
Financial assets measured at fair value							
Listed shares	5	4,050,081	32,460,737	–	–	36,510,818	36,510,818
Unlisted shares	5	–	48,891	–	–	48,891	48,891
Unit trusts	5	–	4,593,369	–	–	4,593,369	4,593,369
Listed debentures	5	–	21,017,947	–	–	21,017,947	21,017,947
Treasury bonds	5	–	4,659,451	–	–	4,659,451	4,659,451
Financial assets not measured at fair value							
Treasury bills and bonds	5	–	–	55,020,955	–	55,020,955	56,832,040
Unlisted debentures	5	–	–	–	500,534	500,534	500,534
Term deposits	5	–	–	–	14,708,577	17,034,533	17,034,533
Development bonds	5	–	–	–	7,539,703	7,539,703	7,539,703
Commercial paper	5	–	–	–	256,462	256,462	–
Loans to life policyholders	12	–	–	–	1,522,184	1,522,184	1,522,184
Reinsurance receivable	13	–	–	–	2,447,299	2,447,299	2,447,299
Premium receivable	14	–	–	–	3,694,158	3,694,158	3,694,158
Other receivables	16	–	–	–	2,461,615	4,567,157	4,567,157
Cash and cash equivalents	18	–	–	–	2,598,518	15,470,696	15,470,696
Total financial assets		4,050,081	62,780,395	55,020,955	35,729,190	174,627,695	176,438,780
Financial liabilities not measured at fair value							
Reinsurance payable		–	–	–	2,789,967	2,789,967	2,789,967
Bank overdraft		–	–	–	869,302	869,302	869,302
Total financial liabilities		–	–	–	3,659,269	3,659,269	3,659,269

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting classification and fair values (Contd.)

As at 31 December		2018					
Company	Note	Fair value through profit or Loss LKR '000	Available for sale LKR '000	Held to maturity LKR '000	Loans and receivables LKR '000	Carrying value LKR '000	Fair value LKR '000
Financial assets measured at fair value							
Listed shares	5	3,627,702	27,221,446	–	–	30,849,148	30,849,148
Unlisted shares	5	–	35,495	–	–	35,495	35,495
Unit trusts	5	–	4,822,078	–	–	4,822,078	4,822,078
Listed debentures	5	–	23,867,197	–	–	23,867,197	23,867,197
Treasury bonds	5	–	2,534,387	–	–	2,534,387	2,534,387
Financial assets not measured at fair value							
Treasury bills and bonds	5	–	–	54,622,918	–	54,622,918	51,694,915
Unlisted debentures	5	–	–	–	500,534	500,534	500,534
Term deposits	5	–	–	–	22,113,279	22,113,279	22,113,279
Development bonds	5	–	–	–	10,456,280	10,456,280	10,456,280
Loans to life policyholders	12	–	–	–	1,639,851	1,639,851	1,639,851
Reinsurance receivable	13	–	–	–	2,363,713	2,363,713	2,363,713
Premium receivable	14	–	–	–	3,853,445	3,853,445	3,853,445
Other receivables	16	–	–	–	2,939,786	2,939,786	2,939,786
Cash and cash equivalents	0	–	–	–	1,999,188	1,999,188	1,999,188
Total financial assets		3,627,702	58,480,603	54,622,918	45,866,076	162,597,299	159,669,296
Financial liabilities not measured at fair value							
Reinsurance payable		–	–	–	854,200	854,200	854,200
Trade payable	27	–	–	–	2,480,477	2,480,477	2,480,477
Bank overdraft	28	–	–	–	608,586	608,586	608,586
Total financial liabilities		–	–	–	3,943,263	3,943,263	3,943,263

NOTES TO THE FINANCIAL STATEMENTS

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting classification and fair values (Contd.)

As at 31 December		2017					
Company		fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Carrying value	Fair value
	Note	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets measured at fair value							
Listed shares	5	4,050,081	32,460,737	–	–	36,510,818	36,510,818
Unlisted shares	5	–	48,891	–	–	48,891	48,891
Unit trusts	5	–	4,593,369	–	–	4,593,369	4,593,369
Listed debentures	5	–	21,017,947	–	–	21,017,947	21,017,947
Treasury bonds	5	–	4,659,451	–	–	4,659,451	4,659,451
Financial assets not measured at fair value							
Treasury bills and bonds	5	–	–	55,020,955	–	55,020,955	56,832,040
Unlisted debentures	5	–	–	–	500,534	500,534	500,534
Term deposits	5	–	–	–	14,708,677	14,708,677	14,708,677
Development bonds	5	–	–	–	7,539,703	7,539,703	7,539,703
Commercial paper							
Loans to life policyholders	12	–	–	–	–	–	–
Reinsurance receivable	13	–	–	–	1,522,184	1,522,184	1,522,184
Premium receivable	14	–	–	–	2,447,299	2,447,299	2,447,299
Other receivables	16	–	–	–	3,694,158	3,694,158	3,694,158
Cash and cash equivalents	18	–	–	–	2,461,615	2,461,615	2,461,615
		–	–	–	2,598,518	2,598,518	2,598,518
Total financial assets		4,050,081	62,780,395	55,020,955	35,472,688	157,324,119	159,135,204
Financial liabilities not measured at fair value							
Reinsurance payable		–	–	–	2,789,967	2,789,967	2,789,967
Bank overdraft	28	–	–	–	635,929	635,929	635,929
Total financial liabilities		–	–	–	3,425,896	3,425,896	3,425,896

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting classification and fair values (Contd.)

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. The following note shows an analysis of financial investments recorded at fair value by level of the fair value hierarchy.

Level	Fair Value Measurement Method
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Techniques for which, all inputs that have a significant effect on the recorded fair value, are observable, either directly or indirectly
Level 3	Techniques, which use inputs that have a significant effect on the recorded fair value, are not based on observable market data

As at 31 December 2018	Group				Company			
	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total fair value LKR '000
Available-for-sale (AFS) financial assets								
Listed shares	27,221,446	–	–	27,221,446	27,221,446	–	–	27,221,446
Unlisted shares	–	–	35,495	35,495	–	–	35,495	35,495
Unit trusts	4,822,078	–	–	4,822,078	4,822,078	–	–	4,822,078
Listed debentures	15,503,905	8,363,292	–	15,503,905	15,503,905	8,363,292	–	23,867,197
Treasury bonds	2,534,387	–	–	2,534,387	2,534,387	–	–	2,534,387
Total	50,081,817	8,363,292	35,495	58,480,603	50,081,817	8,363,292	35,495	58,480,603
Fair value through profit or loss (FVTPL) financial assets								
Listed shares	3,627,702	–	–	3,627,702	3,627,702	–	–	3,627,702
Total	3,627,702	–	–	3,627,702	3,627,702	–	–	3,627,702
Held-to-maturity (HTM) financial assets								
Treasury bills	–	–	–	–	–	–	–	–
Treasury bonds	51,694,915	–	–	51,694,915	51,694,915	–	–	51,694,915
Total	51,694,915	–	–	51,694,915	51,694,915	–	–	51,694,915
Loans and receivables (L and R) financial assets								
Unlisted debentures	–	500,534	–	500,534	–	500,534	–	500,534
Commercial papers	–	–	256,462	256,462	–	–	256,462	256,462
Term deposits	–	24,887,040	–	24,887,040	–	22,113,279	–	22,113,279
Development bonds	–	10,456,280	–	10,456,280	–	10,456,280	–	10,456,280
Total	35,843,854	35,843,854	256,462	36,100,316	–	33,070,093	256,462	33,326,555
Total financial assets	105,404,434	44,207,146	291,957	149,903,536	105,404,434	41,433,385	291,957	147,129,775

NOTES TO THE FINANCIAL STATEMENTS

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting classification and fair values (Contd.)

As at 31 December 2017	Group				Company			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Available-for-sale (AFS) financial assets								
Listed shares	32,460,737	-	-	32,460,737	32,460,737	-	-	32,460,737
Unlisted shares	-	-	48,891	48,891	-	-	48,891	48,891
Unit trusts	4,593,369	-	-	4,593,369	4,593,369	-	-	4,593,369
Listed debentures	9,296,673	11,721,274	-	21,017,947	9,296,673	11,721,274	-	21,017,947
Treasury bonds	4,659,451	-	-	4,659,451	4,659,451	-	-	4,659,451
Total	51,010,230	-	48,891	62,780,395	51,010,230	11,721,274	48,891	62,780,395
Fair value through profit or loss (FVTPL) financial assets								
Listed shares	4,050,081	-	-	4,050,081	4,050,081	-	-	4,050,081
Unit trust	-	-	-	-	-	-	-	-
Total	4,050,081	-	-	4,050,081	4,050,081	-	-	4,050,081
Held-to-maturity (HTM) financial assets								
Treasury bills	-	-	-	-	-	-	-	-
Treasury bonds	56,832,040	-	-	56,832,040	56,832,040	-	-	56,832,040
Total	56,832,040	-	-	56,832,040	56,832,040	-	-	56,832,040
Loans and receivables (L and R) financial assets								
Unlisted debentures	-	500,534	-	500,534	-	500,534	-	500,534
Term deposits	-	17,034,533	-	17,034,533	-	14,708,677	-	14,708,677
Development bonds	-	7,539,703	-	7,539,703	-	7,539,703	-	7,539,703
Total	-	25,074,770	-	25,074,770	-	22,748,914	-	22,748,914
Total financial assets	111,892,352	36,796,044	48,891	148,737,286	111,892,352	34,470,188	48,891	146,411,430

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.2 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 amortised costs.
3. The fair values of Fixed Deposits are estimated to be equal to their amortised costs 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 of Listed Debentures, which are traded in active markets, are based on their market prices.
6. The fair values of Listed Debentures, which are not traded in active markets, are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt Instruments carrying similar maturities and credit ratings.
7. The fair values of Unit Trusts are based on their bid prices as quoted by the Unit Trust management companies.
8. The fair values of Unlisted Shares, where the company pays regular dividends, are derived using the Discounted Cash Flow method. Otherwise, the fair value will be based on the Net Asset Values.

41.3 Reconciliation of movements in Level 3 financial instruments measured at fair value

	As at 31 December 2017	Total gains/ (losses) in income statement	Total gains/ (losses) in OCI	Purchases	Sales	Transfers from Level 1 and 2	As at 31 December 2018	Total gains/(losses) for the period included in profit or loss for assets held at 31 December 2016
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Available-for-sale (AFS) financial assets								
Unlisted stocks	48,891	3,159	(13,396)	–	–	–	35,495	(10,237)

	As at 31 December 2016	Total gains/ (losses) in Income Statement	Total gains/ (losses) in OCI	Purchases	Sales	Transfers from Level 1 and 2	As at 31 December 2017	Total gains/(losses) for the period included in profit or loss for assets held at 31 December 2015
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Available-for-sale (AFS) financial assets								
Unlisted stocks	47,972	4,772	919	–	–	–	48,891	5,690

NOTES TO THE FINANCIAL STATEMENTS

42. ALL OUTSTANDING BALANCES WITH GOVERNMENT RELATED ENTITIES WHICH ARE SIGNIFICANT FOR THE USERS OF THIS ANNUAL REPORT ARE LISTED BELOW:**Outstanding balances as at 31 December 2018**

Nature of the transaction/ name of the Company/Entity	Bank of Ceylon LKR '000	People's Bank LKR '000	National Savings Bank LKR '000	Regional Development Bank LKR '000
Listed debentures	825,995	–	–	–
Unlisted debentures	–	–	500,534	–
Fixed deposits	3,661,231	2,855,714	3,764,369	88,535
Unlisted shares	–	–	–	–
Listed shares	–	–	–	–
	4,487,226	2,855,714	4,264,903	88,535

Outstanding balances as at 31 December 2017

Nature of the transaction/ name of the Company/Entity	Bank of Ceylon LKR '000	People's Bank LKR '000	National Savings Bank LKR '000	Regional Development Bank LKR '000	People's Leasing and Finance PLC LKR '000	Merchant Bank of Sri Lanka PLC LKR '000
Listed debentures	1,104,020	–	–	–	1,342,635	119,673
Unlisted debentures	–	–	500,534	–	–	–
Fixed deposits	6,288,471	1,049,906	2,741,206	87,580	–	–
Unlisted shares	–	–	–	–	–	–
Listed shares	–	–	–	–	119,390	–
	7,392,491	1,049,906	3,241,740	87,580	1,462,025	119,673

The direct holding of 99.97% of the voting rights of the SLIC is owned by the Secretary to the Treasury and the rest is owned by employees and ex-employees of the Company. Therefore, the Secretary to the 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 disclosing of the same.

People's Leasing and Finance PLC LKR '000	Merchant Bank of Sri Lanka PLC LKR '000	Sri Lanka Telecom PLC LKR '000	HDFC Bank LKR '000	Associated Newspapers of Ceylon Ltd LKR '000
1,224,209	122,193	2,051,699	143,701	-
-	-	-	-	-
2,833,722	-	-	-	-
-	-	-	-	12,865
-	-	464,249	-	-
4,057,931	122,193	2,515,948	260,676	8,579

State Mortgage and Investment Bank LKR '000	People's Merchant Finance PLC LKR '000	Sri Lanka Telecom PLC LKR '000	HDFC Bank LKR '000	Associated/ Newspapers of Ceylon Ltd LKR '000
-	-	-	260,676	-
-	-	-	-	-
450,000	-	-	-	-
-	-	-	-	8,579
-	19	561,050	-	-
450,000	19	561,050	260,676	8,579

NOTES TO THE FINANCIAL STATEMENTS

43. RELATED PARTY DISCLOSURES**43.1 Transactions with key management personnel**

According to Sri Lanka Accounting Standard 24 (LKAS) – “Related Party Disclosures”, Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Chairman and the Board of Directors have been classified as Key Management Personnel of the Group.

The Lanka Hospitals Corporation PLC

Key Management Personnel includes the members of the Board of Directors of the Company. The compensation of Key Management Personnel for the year ended 31 December 2018 amounted to LKR 14,612,000.00 (2017 – LKR 16,194,000.00) and the professional fee earned from providing professional services to the company by key management personnel amounted to LKR 5,038,200.00. (2017 – LKR 5,927,296.00). While the compensation for key management personnel of the group for the year ended 31 December 2018 amounted to LKR 21,535,250.00 (2017 – LKR 240,000)

Helanco Hotels and Spas (Pvt) Ltd.

Helanco Hotels & Spa (Pvt) Ltd. has handed over the vehicle, Land Rover Defender KY-5208, to Mr Sujeewa K P Jayamanne in lieu of the vehicle allowance provided to the Executive Director of the company, with effect from 30 November 2017.

43.1.1 Key Management Personnel compensation

Key Management Personnel compensation comprised of the following:

For the year ended 31 December	Group		Company	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Salaries and short-term employee benefits	44,520	61,788	6,367	12,615
Consultation fee	9,032	524	–	–
Attendance fees	2,125	1,161	–	–

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

43. RELATED PARTY DISCLOSURES (CONTD.)**43.2 Transactions with subsidiary companies, sub-subsidiaries and associates**

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Management Services Rakshana (Pvt) Ltd.	Loan granted **	70,410	49,924	70,410	49,924
	Payment of emoluments ***	488,961	428,684	488,961	428,684
The Lanka Hospital Corporation PLC	Insurance premium	34,731	26,726	34,731	26,726
	Amount paid	(34,731)	(26,726)	(34,731)	(26,726)
	Dividend received	230,897	116,570	230,897	116,570
	Services	134,706	125,375	134,706	125,375
	Amount received from services	-	(119,619)	-	(119,619)
	Auditorium hiring charges received	-	(13,687)	-	(13,687)
	Auditorium hiring charges	-	16,882	-	16,882
	Vehicle hiring charges paid	(19,430)	-	(19,430)	-
Vehicle hiring charges	17,689	-	17,689	-	
Litro Gas Lanka Ltd.	Rent charged	113,154	17,217	113,154	17,217
	Insurance Premium	9,612	90,370	9,612	90,370
	Claims paid	-	101,681	-	101,681
	Cash settlement	177,496	-	2,557,994	-
	Throughput fee	-	-	2,390,623	(2,155,418)
	Reimbursement of expenses	-	-	76,915	205,180
	Repayment for the services	-	-	112,235	(64,516)
	Dividend received	-	-	-	2,198,238
	Fuel and Rent	-	-	178	178
Utility	-	9,634	38	9,634	
Litro Gas Terminal Lanka (Pvt) Ltd.	Insurance premium	48,565	-	48,565	-
	Throughput fee	-	-	2,390,623	2,155,418
	Reimbursement of expenses	-	-	112,235	205,180
	Repayment for the services	-	-	(79,432)	(64,530)
	Payments	(46,210)	-	(2,376,390)	2,198,238

NOTES TO THE FINANCIAL STATEMENTS

43. RELATED PARTY DISCLOSURES (CONTD.)

43.2 Transactions with subsidiary companies, sub-subsidiaries and associates (Contd.)

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Canwill Holdings (Pvt) Ltd.	Insurance premium	7,214	881	7,214	924
	Utilities	-	-	-	3,003
	Capital reduction	-	-	-	(3,500,000)
	Foreign currency transactions	(138)	27	(138)	27
	Fund transfer	2,036	-	12,036	890,409
	Staff salaries and allowances	526	-	133,917	97,943
	Consultancy services	1,828	-	1,828	-
	Cash settlement	6,391	1,323	53,591	(64,450)
	Reimbursement of expenses	-	-	353	2,421
	Others expenses	-	-	94,373	-
Canowin Hotels & Spas (Pvt) Ltd.	Dividends received	7,831	-	7,831	-
	Insurance premium	-	(4,422)	-	(4,422)
	Purchase of Goods/Services	-	-	-	(2,366)
	Cash settlement	-	3,858	(3,468)	8,259
Sinolanka Hotels & Spa (pvt) Ltd.	Insurance premium	944	-	944	-
	Foreign currency transactions	(138)	(27)	(138)	(27)
	Fund transfer/Cash settlement	936	713	(41,861)	(2,189,287)
	Staff related cost	-	-	132,672	(96,250)
	Insurance service cost	-	-	6,637	(43)
	Other expenses	-	-	94,381	-
	Expenses paid	-	-	3,194	63
	Short term loan	-	-	400,000	1,050,000
	Interest on short term loan	-	-	(33,915)	-
	Reimbursment of expenses	-	-	-	(2,421)
	Capital reduction	-	-	-	3,500,000
	Cash settlement	-	-	-	58,658
Common cost allocation	-	-	-	(7,834)	
Helanco Hotels & Spas (Pvt) Ltd.	Settlements	-	-	-	(2,201,766)

43. RELATED PARTY DISCLOSURES (CONTD.)**43.2 Transactions with subsidiary companies, sub-subsidiaries and associates (Contd.)**

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Lanka Hospitals Diagnostics (Private) Limited	Reimbursement of expenses/rent income received	-	-	57,731	64,174,592
	Amounts received	-	-	(151,463)	(25,000,000)
	Laboratory services provided	-	-	(695,421)	(668,811)
	Amounts paid	-	-	611,463	720,000
Ceybank Asset Management Ltd.	Investment in unit trusts	-	5,700	-	5,700
	Insurance premium received	2,178	2,523	2,178	2,523
	Claim paid	256	1,921	256	1,921
Ceylon Asset Management Company Ltd.	Investment in unit trusts	-	35,783	-	35,783
	Purchase of unit trust	567	-	567	-

43.3 Transactions with other related companies

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group companies	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Super Religare Laboratories Limited	Technical services provided to Lanka Hospital Diagnostics (Pvt) Ltd.	-	-	(78,886)	(76,321)
	Test charges from LHD	-	-	-	(9,090)
	Amounts Paid	-	-	96,006	86,166
Peoples's Bank	Settlements	-	-	-	(3,547)
	Services	-	-	-	3,598
Capital Alliance Investments Ltd.	Redemption of Units	1,500	-	1,500	-
Sinolanka Hotels & Spas (Private) Limited	Expense paid	-	-	-	57
	Short-term loan	-	-	-	(1,050,000)
	Settlements	-	-	-	(116)

NOTES TO THE FINANCIAL STATEMENTS

43. RELATED PARTY DISCLOSURES (CONTD.)

43.4 AMOUNT DUE FROM SUBSIDIARIES

Amount due from related parties	Balances with SLIC		Balances with Group companies	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Management Services Rakshana (Pvt) Ltd.**		6,763		6,763
The Lanka Hospitals Corporation PLC		4,769	-	4,769
Lanka Hospitals Diagnostics (Private) Limited	4,769	-	4,769	-
Litro Gas Lanka Ltd.	10,532	65,093	24,286	91,300
Litro Gas Terminal Lanka Ltd.	2,761	23,047	200,662	49,076
Canwill Holdings (Pvt) Ltd.		384	251,460	14,138
Canowin Hotels and Spas (Pvt) Ltd.		1,539	1,108	1,599
Sinolanka Hotels & Spa (Pvt) Ltd.	922	776	988	54,392
Helanco Hotels & Spas (Pvt) Ltd.		-	433,916	57
	18,984	102,371	917,189	222,094

Amount due from other related companies	Balances with SLIC		Balances with Group companies	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Sri Lanka Investment Holdings Ltd.	-	-	100,260	100,260
People's Bank	-	-	-	1,461
	-	-	100,260	101,721

43. RELATED PARTY DISCLOSURES (CONTD.)**43.5 Amount due to related parties**

Amount due to subsidiaries	Balances with SLIC		Balances with Group companies	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
The Lanka Hospital Corporation PLC*	5,022	6,763	5,022	6,763
Litro Gas Lanka Ltd	–	–	198,488	13,932
Litro Gas Terminal Lanka Ltd	–	23,047	–	49,076
Canwill Holdings (Pvt) Ltd	2,093	–	15,847	292
Canowin Hotels & Spas (Pvt) Ltd *	–	–	60	222
Sinolanka Hotels & Spa (Pvt) Ltd *	–	–	684,016	63
Helanco Hotels & Spas (Pvt) Ltd	–	–	1,134	57
	7,115	29,810	904,567	70,405

Amount due to subsidiaries	Balances with SLIC		Balances with Group Companies	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Super Religre Laboratories Limited.	–	18,712	–	18,712
	–	18,712	–	18,712

* Insurance claims paid during the year and claims outstanding as at the reporting date arising in the normal course of business have not been eliminated in Consolidated Financial Statements due to differences arising from reinsurance components attributable to claims and the claims outstanding estimates which are assessed from the individual company's point of view and need not be the same as provision determined by the insurer.

** The amounts reflect staff loans granted during the year by SLIC to the seconded employees of Management Services Rakshana (Private) Limited and the outstanding balance of the same.

*** The gratuity charges invoiced by MSRL have not been eliminated due to timing differences in recording the same by SLIC and also due to differences arising from the treatment for VAT amounts in SLIC books not being considered in elimination.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from insurance business and from financial instruments:

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks as required by the SLFRS 4 and SLFRS 7 together with the quantitative disclosures relating to the same.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

44.1 Insurance risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

44.1.1 Life insurance contracts

The following paragraph describes the concentration of life insurance based on the nature of the contract:

Concentration of insurance risk

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

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

The risks associated with life insurance include:

- "Mortality risk" is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- "Longevity risk" is the risk that annuitants live longer than expected.
- "Morbidity risk" is the risk that policyholder health-related claims are higher than expected.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.1 Insurance risk (Contd.)

44.1.1 Life insurance contracts (Contd.)

- "Policyholder behaviour risk" is the risk that policyholders' behaviour in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- "Expense risk" is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- "Market risk" is the risk associated with the Group's statement of financial positions where the value or cash flow depends on financial markets, which is analysed in the "Market Risk" section in the Risk Review.
- "Credit risk" is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations, which is analysed in the "Credit Risk" section in the Risk Review.

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 modelled and profit testing is produced by the Actuary thus mitigating product design and pricing risk. Also the Group uses matching instruments to back liabilities (ALM), if available.

From 1 January 2016 onwards, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka (IRCSL), SLICL fully implemented the Risk-Based Capital (RBC) solvency framework and as such adopted the "Gross Premium Valuation" basis (GPV) which is required under RBC regime for liability valuation purpose and to continue the same approach to the valuation of liabilities as at 31 December 2018 where the liability is calculated in market consistent manner for the solvency requirements. SLICL has adopted a more prudent valuation basis for its surplus computation compared to the minimum regulatory basis (RBC).

Sensitivities 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 by IRCSL as at 31 December 2018

SLIC maintained a steady and strong solvency ratio through the year 2018 for its Life Insurance business and as at 31 December 2018 the Risk-based Capital Adequacy Ratio (CAR), stands at 437% and it was 432% as at 31 December 2017. This is well above the regulatory minimum requirement which is 120%.

Assumption	Change in assumption	Impact on liability Mn.
Mortality	10%	396
	-10%	(407)
Investment return	Up shock scenario under RBC	(9,320)
	Down shock scenario under RBC	13,831

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.1 Insurance risk (Contd.)****44.1.1 Life insurance contracts (Contd.)****Segregation of policy liability based on product category**

31 December	2018			2017		
	Insurance liabilities (with profits) LKR '000	Insurance liabilities (without profits) LKR '000	Total gross insurance liabilities LKR '000	Insurance liabilities (with profits) LKR '000	Insurance liabilities (without profits) LKR '000	Total gross insurance liabilities LKR '000
Company						
Whole life	15,751	3,724	19,475	19,104	4,382	23,486
Endowment assurance	39,545,633	1,451,437	40,997,070	43,641,458	2,472,452	46,113,910
Term assurance	–	1,581,498	1,581,498	–	1,395,944	1,395,944
Annuity	7,110,235	1,688,574	8,798,809	7,355,651	1,646,657	9,002,308
Rider benefits	2,225	2,050,518	2,052,743	2,446	1,794,651	1,797,097
Total	46,673,844	6,775,751	53,449,595	51,018,659	7,314,086	58,332,745

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

Participating Fund vs Non-participating Fund

	Participating LKR '000	Non-Participating LKR '000	Total LKR '000
2018	98,410,831	7,048,715	105,459,546
Percentage	93.32%	6.68%	
2017	91,150,333	7,430,104	98,580,437
Percentage	92.46%	7.54%	

44.1.2 Non-life Insurance Contracts**General Insurance Risk**

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of occurrence of insured events as well as in the severity of the resulting claims.

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

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

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

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.1 Insurance risk (Contd.)

44.1.2 Non-life Insurance Contracts (Contd.)

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:

2018 Class	GWP LKR '000	Reinsurance LKR '000	NWP LKR '000	%
Motor	12,903,588	327,224	12,576,365	80.92
Fire	2,754,395	1,473,237	1,281,158	8.24
Marine	496,698	367,225	129,472	0.83
Other	2,377,410	822,105	1,555,305	10.01
	18,532,091	2,989,791	15,542,300	100.00

2017 Class	GWP LKR '000	Reinsurance LKR '000	NWP LKR '000	%
Motor	11,562,659	300,239	11,262,420	78.33
Fire	1,445,191	1,325,393	119,798	0.83
Marine	422,751	280,747	142,004	0.99
Other	5,489,961	2,635,650	2,854,311	19.85
	18,920,562	4,542,029	14,378,533	100.00

Reinsurance Risk

The Group purchases reinsurance as a part of its risk 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 all at one time.

Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quota Share and Surplus Treaty and Facilitative programmes which are taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Company net exposure to large single and catastrophic losses. Retention limits on the excess-of-loss reinsurance programmes vary by product line.

Name of the Company	Credit rating	Financial strength rating	Name of the rating agency
ACE European Group Ltd., London, England	aa+	A++	A. M. Best
ACE Insurance Ltd.	AA	AA	S & P
ACE Underwriting Agencies Limited	A+	A+	S & P
African Reinsurance Corporation	a	A	A. M. Best
AIG Asia Pacific Insurance Pte Ltd.	a+	A	A. M. Best
AIG Europe Ltd.	a	A	A. M. Best
Al Ahleia Insurance Kuwait	A-	A-	S & P

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.1 Insurance risk (Contd.)****44.1.2 Non-life Insurance Contracts (Contd.)**

Name of the Company	Credit rating	Financial strength rating	Name of the rating agency
Allianz Global Corporate & Specialty SE	aa-	A+	A. M. Best
Alte Leipziger Versicherung AG	A	A	S & P
Am Trust Syndicate	A+	A+	S & P
American Home Assurance Company	a	A	A. M. Best
Amlin Asia Pacific Pte Ltd.	A+	A+	S & P
Amlin Underwriting Limited	A+	A+	S & P
AmTrust at Lloyd's Limited	A+	A+	S & P
Antares Managing Agency Limited	A+	A+	S & P
ANV Syndicates Limited	A+	A+	S & P
Apollo Syndicate Management Limited	A+	A+	S & P
Arab Insurance Group	a-	A-	A. M. Best
Arch Insurance Company (Europe) Ltd.	aa-	A+	A. M. Best
Argo Managing Agency Limited	A+	A+	S & P
Ark Syndicate Management Limited	A+	A+	S & P
Ascot Underwriting Limited	A+	A+	S & P
Asia Capital Reinsurance Group Pte. Ltd.	a-	A-	A. M. Best
Aspen Insurance UK Limited	a	A	A. M. Best
Aspen Managing Agency Limited	A+	A+	S & P
Assicurazioni Generali S.p.A., UK Branch	a	A	A. M. Best
Asta Managing Agency Limited	A+	A+	S & P
Atrium Underwriters Limited	A+	A+	S & P
Aviabel S. A. Brussels, Belgium	a-	A-	A. M. Best
AXA Corporate Solutions Assurance	AA-	AA-	S & P
AXIS Specialty Europe SE	A+	A+	S & P
Barbican Managing Agency Limited	A+	A+	S & P
Beazley Furlonge Limited	a+	A	A. M. Best
Brit Syndicates Limited	A+	A+	S & P
Canopus Managing Agents Limited	A+	A+	S & P
Catlin Insurance Company (UK) Ltd.	A+	A+	S & P
Catlin Underwriting Agencies Limited	A+	A+	S & P
Chaucer Syndicates Limited	A+	A+	S & P
China Continent Property & Casualty Insurance Company Ltd.	a	A	A. M. Best
Chubb Managing Agent Ltd.	A+	A+	S & P
Delta Lloyd Schadeverzekering NV	A+	A+	S & P
Dongbu Insurance Co. Ltd.	A-	A-	S & P

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.1 Insurance risk (Contd.)****44.1.2 Non-life Insurance Contracts (Contd.)**

Name of the Company	Credit rating	Financial strength rating	Name of the rating agency
Dore Underwriting Services Ltd.	a+	A	A. M. Best
Emirates Insurance Company P.S.C	a-	A-	A. M. Best
Endurance at Lloyd's Limited	a	A	A. M. Best
ERGO Insurance Pte. Limited	a-	A-	A. M. Best
Everest Reinsurance Company	aa-	A+	A. M. Best
FALCON Insurance company (Hong Kong) Ltd.	A-	A-	S & P
First Capital Insurance Ltd, Singapore	a	A	A. M. Best
Fubon Insurance Company Ltd, Taipei, Taiwan	a+	A	A. M. Best
General Insurance Corporation of India	a-	A-	A. M. Best
Hannover Re (Ireland) Limited	aa-	A+	A. M. Best
Hardy (Underwriting Agencies) Limited	A+	A+	S & P
HDI Versicherung AG, Germany	A+	A+	S & P
Helvetia Schweizerische Versicherungsgesellschaft AG	A	A	S & P
Hiscox Syndicates Limited	a+	A	A. M. Best
India International Ins. Comp. Pte. Ltd.	a+	A	A. M. Best
International Insurance Co. of Hannover Se	aa+	A+	A. M. Best
IRB-Brasil Resseguros SA	a-	A-	A. M. Best
Korean Reinsurance Company	a	A	A. M. Best
Kuwait reinsurance Company	a-	A-	A. M. Best
La Reunion Aerieenne	A	A	S & P
Liberty Mutual Ins. Europe Ltd.	A	A	S & P
Liberty Syndicate Management Limited	A+	A+	S & P
Malaysian Reinsurance Berhad	a-	A+	A. M. Best
Mapfre Global Risks	a	A	A. M. Best
Markel International Singapore Pte Ltd.	a+	A	A. M. Best
Markel Syndicate Management Limited	A+	A+	S & P
Marketform Managing Agency Limited	A+	A+	S & P
Mitsui Sumitomo Insurance	aa	A+	A. M. Best
Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited	a+	A	A. M. Best
Ms Amlin Underwriting Limited	A+	A+	S & P
MSIG Insurance(singapore) Pte Limited	A	A	S & P
Muenchener Rueckversicherungs Gesellschaft	aa-	A+	A. M. Best
Navigators Underwriting Agency Limited	A+	A+	S & P
Neon Underwriting Limited	A+	A+	S & P
New India Assurance Company Ltd.	a-	A-	A. M. Best

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.1 Insurance risk (Contd.)****44.1.2 Non-life Insurance Contracts (Contd.)**

Name of the Company	Credit rating	Financial strength rating	Name of the rating agency
Novae Syndicates Limited	A+	A+	S & P
Oman Insurance Company P.S.C.	a	A	A. M. Best
Partner Reinsurance Europe SE	a+	A	A. M. Best
PICC Property and Casualty Company Ltd.	Aa3		Moody's
Pioneer Underwriting Limited	A+	A+	S & P
Qatar General Insurance & Reinsurance Company PJSC	a-	A-	A. M. Best
QBE Insurance (Europe) Limited	a	A	A. M. Best
Royal & Sun Alliance PLC – Dubai	A	A	S & P
Samsung Reinsurance Pte. Ltd.	a	A	A. M. Best
Scor Reinsurance Asia Pacific Pte. Ltd.	a+	A	A. M. Best
Sirius International Insurance Corporation (publ)	a	A	A. M. Best
Sompo Japan Nipponkoa Insurance Inc.	aa-	A+	A. M. Best
Starr Insurance & Reinsurance Limited (United Kingdom Branch)	a	A	A. M. Best
Starstone Underwriting Limited	A+	A+	S & P
Steamship Mutual Underwriting Association Limited	A	A	S & P
Swiss Re International SE	aa-	A+	A. M. Best
Taian Insurance Co. Ltd.	A-	A-	S & P
Taiping General Insurance Co. Ltd.	a	A	A. M. Best
Talbot Underwriting Ltd.	A+	A+	S & P
The Channel Managing Agency Ltd.	A+	A+	S & P
Tokio Marine & Nichido Fire Insurance Co. Limited	A+	A+	S & P
Tokio Marine Kiln Syndicates Ltd.	A+	A+	S & P
Travelers Syndicate Management Limited	A+	A+	S & P
W R Berkley Syndicate Management Limited	A+	A+	S & P
XL Insurance Company SE	a+	A	A. M. Best
Zurich Insurance Company	aa-	A+	A. M. Best

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.1 Insurance risk (Contd.)

44.1.2 Non-life Insurance Contracts (Contd.)

Financial Risks

The investment activities of the Group are exposed to financial risks which include credit risks, liquidity risks and market risks. The Investment Committee is responsible for mitigating those risks and optimising the investment returns.

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

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

44.2 Market Risk

Market risk is the risk changes in market prices, such as foreign exchange rates and interest rates, which 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 optimising the return.

The Group maintains 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 unsystematic risks.

As at 31 December 2018	Rise of market		Fall of market	
	Impact on profit LKR '000	Impact on OCI LKR '000	Impact on profit LKR '000	Impact on OCI LKR '000
Company				
Shock level:				
5%	181,410	1,361,072	(181,385)	(1,361,072)
10%	362,770	2,722,145	(362,770)	(2,722,145)
	544,155	4,083,217	(544,155)	(4,083,217)
As at 31 December 2017				
Company				
Shock level:				
5%	202,504	1,623,037	(202,504)	(1,623,037)
10%	405,008	3,246,074	(405,008)	(3,246,074)
	607,512	4,869,111	(607,512)	(4,869,111)

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.2 Market Risk (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 of mismatches.

Further the Group has adopted the following policies to mitigate the interest rate risk:

1. A considerable portion of the investments is made in risk free investments of Government securities with adherence to the rules and regulations issued by the IBSL in maintaining risk free investments.
2. The major part of the investment portfolio is made in rated financial institutions or in rated instruments.
3. The 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	2018 LKR '000	2017 LKR '000
Fixed rate instruments		
Held to Maturity (HTM)		
Treasury bonds	54,622,918	55,020,955
Loans and receivable (L and R)		
Unlisted debentures	500,534	500,534
Fixed deposits	22,113,279	14,708,677
Available for Sale (AFS)		
Listed debentures	23,368,705	20,523,470
Treasury bond	2,534,387	4,659,451
	103,139,823	95,413,087
Floating rate instruments		
Loans and Receivables (L and R)		
Development bonds	10,456,280	7,539,703
Unlisted debentures	-	-
Available for Sale (AFS)		
Listed debentures	498,492	494,477
	10,954,772	8,034,180
	114,094,595	103,447,267

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.2 Market Risk (Contd.)****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 2018	100bps Upward Parallel shift of Yield curve		100bps Downward Parallel shift of yield curve	
	Impact on Interest income LKR '000	Impact on equity LKR '000	Impact on interest income LKR '000	Impact on equity LKR '000
Company				
Financial Investments				
Held to maturity (HTM)	-	-	-	-
Loans and receivable (L and R)	45,416	-	(45,416)	-
Available for sale (AFS)	5,000	291,025	(5,000)	59,791
Fair value through profit or loss (FVTPL)	50,416	291,025	(50,416)	59,791

31 December 2017	100bps upward parallel shift of yield curve		100bps downward parallel shift of yield curve	
	Impact on Interest income LKR '000	Impact on equity LKR '000	Impact on interest income LKR '000	Impact on equity LKR '000
Company				
Financial investments				
Held to maturity (HTM)	-	-	-	-
Loans and receivable (L and R)	72,795	-	(72,795)	-
Available for sale (AFS)	5,000	270,258	(5,000)	81,516
Fair value through profit or loss (FVTPL)	77,795	270,258	(77,795)	81,516

* In case of a shift in yield curve, there is:

No impact to the interest income or to the equity for the fixed rate debt instruments classified under HTM and L&R

An impact to the interest income but no impact to the equity for the floating rate debt instruments classified under HTM and L&R

No impact to the interest income but there is an impact to the equity for the fixed rate debt instruments classified under AFS

An impact to the interest income but no impact to the equity for the floating rate debt instruments classified under AFS

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.2 Market Risk (Contd.)****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 are 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	
	2018 LKR '000	2017 LKR '000
Development bonds:		
USD	10,456,280	7,539,703
Fixed deposits:		
USD	165,779	2,896,620
	10,622,059	10,436,323

The following significant exchange rates were applicable during the year:

Company	Average rate		Reporting date spot rate	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
USD	166.35	149.88	181.30	151.40
GBP	215.12	192.09	227.48	202.76
AUD	122.17	111.52	127.55	116.79
EUR	191.48	167.32	203.43	179.52

Sensitivity analysis

A strengthening of the USD, as indicated below, against the LKR at 31 December 2018 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 2018

Company	Exchange rate shock level		
	1.0% LKR '000	1.5% LKR '000	2.0% LKR '000
Impact on forex gain/loss			
Floating rate instruments			
USD	104,563	156,844	209,126
Fixed rate instruments			
USD	1,658	2,487	3,316
	106,221	159,331	212,441

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.2 Market Risk (Contd.)

As at 31 December 2018

Company	Exchange rate shock level		
	1.0% LKR '000	1.5% LKR '000	2.0% LKR '000
Impact on interest income			
Floating rate instruments			
USD	5,109	7,663	10,218
Fixed rate instruments			
USD	53	79	106
	5,162	7,743	10,324

As at 31 December 2017

Company	Exchange rate shock level		
	1.0% LKR '000	1.5% LKR '000	2.0% LKR '000
Impact on forex gain/loss			
Floating rate instruments			
USD	75,397	113,096	150,794
Fixed rate instruments			
USD	28,966	43,449	57,932
	104,363	156,545	208,726

As at 31 December 2017

Company	Exchange rate shock level		
	1.0% LKR '000	1.5% LKR '000	2.0% LKR '000
Impact on interest income			
Floating rate instruments			
USD	3,295	4,942	6,590
Fixed rate instruments			
USD	893	1,340	1,786
GBP	432	648	864
AUD	793	1,190	1,586
EUR	1	2	2
	5,414	8,122	10,828

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.2 Market Risk (Contd.)

44.2.3 Market rate risk

The Group is maintaining the maximum exposure limit for the equity in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

Portfolio diversification of equity risks

Sri Lanka Insurance Corporation Limited – Life Insurance Business

Sector	Industry group	Market value 2018		Market value 2018	
		LKR '000	%	LKR '000	%
Financials	Banks	16,332,653	84.71	19,595,358	80.38
	Diversified financials	–	0.00	1,077	0.00
Financials		16,332,653	84.71	19,596,435	80.38
Consumer discretionary	Consumer services	1,104,441	5.73	1,311,079	5.38
	Consumer durables and apparel	65,000	0.34	–	0.00
	Retailing	17,526	0.09	28,229	0.12
	Automobiles and components	6,541	0.03	8,067	0.03
Consumer discretionary		1,193,508	6.19	1,347,375	5.53
Industrials	Capital goods	632,018	3.28	705,301	2.89
Health care*	Health care equipment and services	–	0.00	1,457,914	5.98
Telecommunication services	Telecommunication services	434,352	2.25	503,070	2.06
Materials	Materials	278,590	1.44	373,645	1.53
Consumer staples	Food and staples retailing	22,972	0.12	313,257	1.28
	Food, beverage and tobacco	308,843	1.60	–	0.00
Consumer staples		331,315	1.72	313,257	1.28
Real estate	Real estate	76,712	0.40	81,826	0.34
Energy	Energy	73	0.00	92	0.00
Total		19,279,721	99.99	24,378,916	100

* Including the Lanka Hospitals Corporation PLC which is a subsidiary of SLIC.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.2 Market Risk (Contd.)**

Sri Lanka Insurance Corporation Limited – General Insurance Business

Sector	Industry group	Market value 2018		Market value 2018	
		LKR '000	%	LKR '000	%
Financials	Banks	10,676,457	92.28	12,482,431	82.36
	Diversified financials	114,491	0.99	119,409	0.79
Financials		10,790,948	93.27	12,601,840	83.15
Consumer discretionary	Consumer durables and apparel	5,132	0.04	9,503	0.06
		5,132	0.04	9,503	0.06
Consumer discretionary					
Health care*	Health care equipment & services	–	0.00	1,575,156	10.39
Industrials	Capital Goods	231,800	2.00	346,401	2.29
Utilities	Utilities	425,000	3.67	500,000	3.30
Real estate	Real estate	69,000	0.60	74,500	0.49
Telecommunication services	Telecommunication services	47,976	0.41	57,980	0.38
Energy	Energy	73	0.00	92	0.00
Total		11,569,929	100	155,469	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 fail to meet their contractual obligations, and it 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, licensed specialised banks, and licensed finance companies.

Investment grade credit rating for both the entity and the instrument by a recognised credit rating agency is expected for all investments in corporate debentures and commercial papers.

No debt investment has been made in any of the related companies.

A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.3 Credit risk (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	
		2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
Held to maturity (HTM)	5	54,622,918	55,020,955	55,020,955	55,020,955
Loans and receivable (L and R)	5	10,956,814	8,040,237	10,956,814	8,040,237
Available for sale (AFS)	5	26,401,584	25,677,398	26,401,584	25,677,398
Loans to policyholders	12	1,639,851	1,522,184	1,522,184	1,522,184
Reinsurance receivable	13	2,363,713	2,447,299	2,447,299	2,447,299
Premium receivable	14	3,853,445	3,694,158	3,694,158	3,694,158
Other assets	16	–	725,666	3,010,325	3,010,325
Cash and cash equivalents	18	15,942,829	15,470,696	2,598,518	2,598,518
		115,781,154	112,598,593	105,651,837	102,011,074

Government securities

Government securities consist of investments in Treasury bills, Treasury bonds, development bonds and reverse repurchase agreements which are referred to as risk free instruments by nature.

Corporate Debt Securities

The corporate debt securities consist of corporate debentures which are listed in the 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 which 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 LKR 1,513 Mn. (2017 – LKR 1,400 Mn.) and the related surrender value is LKR 2,634 Mn. (2017 – 2,510 Mn.).

Reinsurance receivable

This is the risk of reinsurers failing to fulfil their financial obligations towards the Group.

Management assesses the creditworthiness of reinsurers on a regular basis and ascertains the suitable allowance for impairment of reinsurance assets.

The Board of Directors has assessed the potential impairment loss of reinsurance receivables.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.3 Credit risk (Contd.)****Premium receivable**

This consists 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 states 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 mainly consists of favourable 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 the efficiency of transaction processing by them. The Group held cash and cash equivalents of LKR 15,942 Mn. as at 31 December 2018 (LKR 15,470 Mn. as at 31 December 2017) which represent its maximum credit exposure on these assets.

Credit risk exposure – Life Insurance Business

As at 31 December	2018 LKR '000	Percentage of allocation	2017 LKR '000	Percentage of allocation
Financial investments				
Debt securities – Loans and receivables	18,015,015	46	8,803,687	32
Debt securities – Available for sale	21,279,947	54	18,496,859	68
	39,294,962	100	27,300,546	100

Credit Risk Exposure – General Insurance Business

As at 31 December	2018 LKR '000	Percentage of allocation	2017 LKR '000	Percentage of allocation
Financial investments				
Debt securities – Loans and receivables	4,598,798	64	6,405,524	72
Debt securities – Available for sale	2,587,250	36	2,521,088	28
	7,186,048	100.0	8,926,612	100

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.3 Credit risk (Contd.)

Debt securities allocation according to credit ratings

Life Insurance Business

Rating	2018		2017	
	LKR Mn.	Percentage of total	LKR Mn.	Percentage of total
AAA	3,809	10	3,666	13
AA+	5,978	15	1,334	5
AA	1,537	4	2,264	8
AA-	10,967	28	5,060	19
A+	4,795	12	3,174	10
A	6,191	16	4,924	12
A-	2,810	7	2,583	8
BBB+	2,229	6	2,392	9
BBB	144	0	564	2
BBB-	–	0	320	1
BB-	105	0	–	0
Unrated	1,150	3	1,021	4
Total	39,715	100	27,302	100

*Credit risk on fixed deposits is based on credit risk of the bank.

General Insurance Business

Rating	2018		2017	
	LKR Mn.	Percentage of total	LKR Mn.	Percentage of total
AAA	2,020	30	5,377	60
AA+	1,088	16	544	6
AA	125	2	17	–
AA-	1,540	23	700	8
A+	1,529	23	870	10
A	2	0	467	5
A-	333	5	721	8
BBB+	129	2	129	1
BBB-	–	0	101	1
Total	6,766	100	8,926	100

*Credit risk on fixed deposits is based on credit risk of the bank.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.4 Liquidity risk

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

Maturity analysis

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

As at 31 December 2018	Carrying value LKR Mn.	Number fixed tenure LKR Mn.	Up to 1 year LKR Mn.	1 to 2 years LKR Mn.	2 to 5 years LKR Mn.	5 to 10 years LKR Mn.	over 10 years LKR Mn.	Total LKR Mn.
Financial assets								
Held to maturity (HTM)	54,622,918	–	1,500,000	1,550,000	7,751,700	16,857,717	24,100,000	51,759,417
Loans and receivables (L and R)	33,326,555	–	19,774,646	2,200,493	10,116,494	–	–	32,091,633
Available for sale (AFS)	58,480,603	32,079,019	3,133,003	4,652,545	11,304,707	7,002,424	50,000	58,221,698
Fair value through profit or loss (FVTPL)	3,627,702	3,627,702	–	–	–	–	–	3,627,702
Loans to policyholders	1,639,850	–	1,639,850	–	–	–	–	1,639,850
Reinsurance receivable	2,363,713	–	2,244,569	67,847	46,920	4,347	31	2,363,713
Premium receivable	3,853,444	–	3,853,444	–	–	–	–	3,853,444
Other assets	3,833,082	–	3,833,082	–	–	–	–	3,833,082
Cash and cash equivalents	1,999,188	–	1,999,188	–	–	–	–	1,999,188
	159,889,873	35,707,224	37,977,782	8,470,885	29,219,821	23,864,488	24,150,031	159,390,230
Financial liabilities								
Reinsurance payable	854,200	–	845,612	55,005	109,478	1,450	7,624	1,019,169
Current tax liabilities	1,551,819	–	1,551,819	–	–	–	–	1,551,819
Other liabilities	4,721,444	–	4,721,444	–	–	–	–	4,721,444
Financial liabilities	608,586	–	608,586	–	–	–	–	608,586
	7,736,049	–	7,727,461	55,005	109,478	1,450	7,624	7,901,018

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)**44.4 Liquidity risk (Contd.)**

As at 31 December 2017 Company	Carrying value LKR Mn.	Number fixed tenure LKR Mn.	Up to 1 year LKR Mn.	1 to 2 years LKR Mn.	2 to 5 years LKR Mn.	5 to 10 years LKR Mn.	over 10 years LKR Mn.	Total LKR Mn.
Financial investments								
Held to maturity (HTM) financial assets	55,020,955	–	11,036,230	1,500,000	6,050,000	12,357,717	21,950,000	52,893,947
Loans and receivable (L and R)	22,748,914	–	20,683,968	231,794	1,213,094	–	–	22,128,856
Available for sale (AFS) financial assets	62,780,395	37,102,997	6,694,137	4,781,090	8,896,513	5,499,122	50,000	63,023,859
Fair value through profit or loss (FVTPL) financial assets	4,050,081	4,050,081	–	–	–	–	–	4,050,081
Loans to policyholders	1,522,184	–	1,522,185	–	–	–	–	1,522,185
Reinsurance receivable	2,447,299	–	2,278,941	57,285	105,594	5,520	31	2,447,371
Premium receivable	3,694,158	–	3,694,158	–	–	–	–	3,694,158
Other assets	3,174,893	–	3,174,893	–	–	–	–	3,174,893
Cash and cash equivalents	2,598,518	–	2,598,517	–	–	–	–	2,598,517
	158,037,397	41,153,078	51,683,029	6,570,169	16,265,201	17,862,359	22,000,031	155,533,867
Financial liabilities								
Reinsurance payable	2,789,967	–	845,612	55,005	109,478	1,450	7,624	1,019,169
Current tax liabilities	750,176	–	750,175	–	–	–	–	750,175
Other liabilities	4,001,048	–	4,001,047	–	–	–	–	4,001,047
Financial liabilities	635,929	–	635,929	–	–	–	–	635,929
	8,177,120	–	6,232,763	55,005	109,478	1,450	7,624	6,406,320

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES**45.1 Commitments**

The Group does not have significant capital commitments as at the reporting date other than that which is described below:

The Lanka Hospitals Corporation PLC

The following commitments for capital expenditure approved by the Directors as at 31st December have not been provided for in the financial statements.

As at 31 December	2018 LKR '000	2017 LKR '000
Approximate amount contracted for but not incurred	139,099	157,646

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTD.)**45.1 Commitments (Contd.)**

The Company has entered into a 99 years lease agreement with the Urban Development Authority. In terms of this agreement annual lease premiums payable are as follows.

	Annual lease premiums (Excluding taxes) LKR '000
1999 to 2003	9,273
2004 to 2005	18,547
2026	9,273

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

As at 31 December	2018 LKR '000	2017 LKR '000
Within one year	18,547	18,547
One year to five years	74,186	74,186
After 5 years	46,366	64,913

Litro Gas Lanka Limited

The capital expenditure approved by the Board and contracted for 31 December 2018 is LKR 1,401 Mn. (2017 – LKR 229 Mn.)

Litro Gas Terminal Lanka (Pvt) Limited

Operating lease commitments – where the Company is the lessee

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

As at 31 December	2018 LKR '000	2017 LKR '000
Lease payment for land at Kerawalapitiya	5,252,221	5,281,108
Lease payment for storage facility at Hambantota	445,935	544,471

Sino Lanka Hotels & Spa (Pvt) Ltd.

The total establishment cost for the construction of Grand Hyatt Colombo is LKR 48 Bn.

The following commitments for capital expenditure approved by the Directors as at 31 December 2018 have not been provided in the financial statements of Sinolanka Hotels & Spa (Pvt) Ltd.

As at 31 December	2018 LKR '000	2017 LKR '000
Approximate amount contracted for but not incurred	24,188,051	25,887,630

NOTES TO THE FINANCIAL STATEMENTS

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTD.)**45.2 Contingent liabilities and guarantees**

There were no significant contingent Liabilities and guarantees for 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 which is described below:

Sri Lanka Insurance Corporation Ltd.**Value added tax and nation building tax Assessments issued by the Commissioner General of Inland Revenue**

The Inland Revenue Department has taken a view that Reinsurance claims received from foreign reinsurers for the General insurance is liable for value added tax. Accordingly the Company received a Value Added Tax (VAT) Assessment on the Reinsurance Claims outstanding for LKR 318,099,913 and LKR 26,903,739 and the years of assessments are 2004/05 and 2005/06, respectively.

This is a common assessment issued by the Department of Inland Revenue to most insurance companies in the General Insurance business. However the General Insurance Industry's view is that, it is not liable for VAT on reinsurance claims.

The Company has filed valid appeals against these assessments in consultation with tax consultants. The Board of Review by letter dated 21 July 2010 determined that the assessments are valid. The Company is making an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the liability of LKR 345 Mn. pending the decision of the Court of Appeal.

The Company has received an official communication from the Inland Revenue Department stating that the Company is liable for Value Added Tax and Nation Building Tax on the financial service based on Section 25C of the VAT Act No. 14 of 2002 . Accordingly the Company received assessment on the VAT on Financial Service and NBT on the Financial Service for the period ending 31 December 2010, 2011, 2012, 2013, 2014, 2015 amounting to LKR 2,364 Mn., LKR 374 Mn., LKR 192 Mn., LKR 232 Mn., LKR 208 Mn. and LKR 247 Mn. respectively.

The Company has duly appealed against these assessments in consultation with the company tax consultants and the status of each assessment is as follows:

Year of assessment	Status of assessment	Nature of contingent liability	Measurement of contingent impact to the Company
2010/11	Pending decision from Tax Appeal Commission	VAT on financial services	An additional tax liability of LKR 2,364 Mn.
2011/12	Pending decision from Tax Appeal Commission	VAT on financial services	An additional tax liability of LKR 374 Mn.
2012/13	Pending decision from Tax Appeal Commission	VAT on financial services	An additional tax liability of LKR 192 Mn.
2013/14	Pending decision from Tax Appeal Commission	VAT on financial services	An additional tax liability of LKR 232 Mn.
2014/15	Pending decision from Tax Appeal Commission	VAT on financial services	An additional tax liability of LKR 208 Mn.
2015/16	Pending decision from Commissioner General	VAT and NBT on financial services	An additional tax liability of LKR 247 Mn.

However the Insurance companies in the industry and the Company's Tax Consultants are of the view that the insurance companies are not liable for VAT and NBT on Financial Services since the companies do not engage in the business of Financial Services. Hence no additional provision has been made in the Financial Statements.

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTD.)**45.2 Contingent liabilities and guarantees (Contd.)****Income Tax**

The Company received the Income Tax Assessment for the year of assessment 2011/12, 2012/13 amounting to LKR 524 Mn. and LKR 296 Mn. respectively with respect to taxation of Life Insurance. This assessment was issued by the Inland Revenue Department contrary to Section 92 of Inland Revenue Act No. 10 of 2016. Further this is a common Income Tax assessment that has been issued by the Inland Revenue Department for the Life Insurance companies in the insurance Industry. The view of the industry, the Company and the Company's tax consultants is that those assessments will not materialise. Therefore, no additional provision has been made in the Financial Statements.

The Company has duly appealed against these assessments in consultation with the Company's tax consultants and the status of each assessment provided in the table below:

Year of assessment	Status of assessment	Nature of contingent liability	Measurement of contingent impact to the Company
2011/12	Pending decision from Tax Appeal Commission	Income Tax	An additional tax liability of LKR 524 Mn.
2012/13	Pending decision from Tax Appeal Commission	Income Tax	An additional tax liability of LKR 296 Mn.
2013/14	Pending decision from Tax Appeal Commission	Income Tax	An additional tax liability of LKR 768 Mn.
2014/15	Pending decision from Tax Appeal Commission	Income Tax	An additional tax liability of LKR 1,149 Mn.
2015/16	Pending decision from Commissioner General	Income Tax	An additional tax liability of LKR 1,374 Mn.

The Lanka Hospitals Corporation PLC

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of LKR 222 Mn., exist as at the reporting date. Based on the information currently available the Company has been advised by its legal council that it is not probable that the ultimate resolution of such legal procedures would have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

There were no material contingent liabilities as at the reporting date which require adjustments to or disclosure in the financial statements, other than mentioned above.

Canowin Hotels & Spa (Private) Limited

The Company instituted legal proceedings against RDA in order to prevent the unlawful termination of the Lease Agreement in respect of the Rest Area and Petrol Sheds and the case is pending as at the balance sheet date. The Commercial High Court issued an enjoining order against RDA restraining the defendant and or its agents, directly or indirectly from acting on the purported notice of termination dated 8 Feb 2018 and 8 August 2018 until the final determination of this action. The matter is presently fixed for 15 March 2019 the RDA to file its objections and Answers.

In addition, there is a pending legal case due to one employee having filed a case against the Company in the Kaluthara Labor Tribunal and the outcome of this case was not determinable as at the reporting date. No provisions have been made in the books of accounts due to the low probability of future outflow.

NOTES TO THE FINANCIAL STATEMENTS

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTD.)**45.2 Contingent liabilities and guarantees (Contd.)**

Sinolanka Hotels & Spa (Pvt) Ltd.

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) and which was subsequently terminated by Sinolanka Hotels & Spa (Private) Limited by a letter dated 27th March 2015. Interna Contract Spa (Italy) has claimed Euro 20,552,242 for work done, loss of profit and costs incurred on execution of the contract. In addition, Interna Contract Spa (Italy) has claimed for costs incurred on arbitration processing to be reimbursed as well.

The award of the aforesaid arbitration was officially communicated by the tribunal on 29 September 2017. In terms of the arbitration award a sum of Euro 7,432,062.79 has been awarded to the claimant.

The management of the company has challenged the action filed by Interna Contract Spa in the Commercial High Court of Colombo to enforce the aforesaid arbitral award in Sri Lanka on the basis that the arbitral tribunal has no jurisdiction to hear or determine the claims of Interna Contract Spa. And also the company is of the view that the claim awarded to Interna Contract Spa cannot be sustained as the controversial agreement entered between Sinolanka Hotels & Spa (Private) Limited and Interna Contract Spa (Italy) on 7 January 2015 (day before the Presidential Election) was against the public policy of the country.

Based on the above information no provision has been made in the financial statements in respect of the claim by Interna Contract Spa (Italy).

Operating lease with Land Reclamation Board**Litro Gas Terminal (Pvt) Ltd.**

According to LKAS 17, the standard requires lease payments under an operating lease to be recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. The Company has two operating lease arrangements. The first one is with Land Reclamation Board for Kerawalapitiya land, where the lease term is 50 years from 1996 and the rental increases by 75% every five years. The second one is with Sri Lanka Ports Authority for Hambantota terminal, where the lease term is 10 years from 2013 and the rental increases by different rate in different years. However, the Company does not recognise the said lease on a straight-line basis since the directors are of the view that this represents a more systematic basis of the time pattern of the benefit.

46. EVENTS AFTER THE REPORTING DATE

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

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 February 2015. The Company is currently discussing with the relevant ministries to agree a methodology to satisfy the legal framework. Since the Company has not been able to segregate the composite business due to the aforementioned facts, the disclosure requirements of the "Guidelines on the presentation and disclosure of the long-term and general business under Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 issued by The Institute of Chartered Accountants of Sri Lanka" are not applicable.

48. USE OF TERMINAL FACILITY

Litro Gas Lanka Limited

The Company obtains bulk storage facilities for LPG from Litro Gas Terminal Lanka (Private) Limited. In obtaining this services, the Company uses the latter's own storage tanks, pipelines and pumping stations and pays a "throughput fee" to Litro Gas Terminal Lanka (Private) Limited for the facilities obtained. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, thus, constitutes 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 and as it is the Management's intention to enter into contracts with other importers to store the LPG, the said storage facilities have not been recognised in the books of account of the Company. However, during the year under review Litro Gas Terminal Lanka (Private) Limited had not entered into an any agreement to lease out the facilities in absence of any favourable proposal from prospective importers.

Litro Gas Terminal Lanka (Private) Limited

The Company provides bulk storage facilities for LPG and distribution of the same to Litro Gas Lanka Limited. In performing this function, the Company uses its own storage tanks, pipelines and pumping stations and receives a "throughput fee" from Litro Gas Lanka Limited for the facilities provided. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, constitutes 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 and as the Management's intention is to enter into contracts with other importers to store LPG, the said storage facilities have not been derecognised in the books of accounts of the Company. However, during the year under review no agreement was entered into lease out the facilities in the absence of any favourable proposal from prospective importers.

NOTES TO THE FINANCIAL STATEMENTS

49. GOING CONCERN

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

Helanco Hotels and Spa (Private) Limited

However the Board of Directors of Helanco Hotels & Spa (Pvt) Ltd., the company has resolved to discontinue the project to construct the Hotel in Hambantota. As a consequence, the hotel construction activities of the Company has come to an end. Further, the Ministry of Public Enterprise Development has given their instruction to transfer the Company's stake to its shareholders in Canwill Holdings (Pvt) Ltd. (Parent Company), in accordance with the Cabinet Decision No. 17/1613/733/029 dated 1 August 2017. The transfer of shares held by Canwill Holdings (Pvt) Ltd. in Helanco Hotels & Spa (Pvt) Ltd., should be based on an independent valuation which is in the process as in the reporting date. Hence, the Company has not resolved to liquidate the Company in the foreseeable future. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Sinolanka Hotel and Spa Private Limited

Further in the Financial Statements on going concern assumption in the preparation of the Financial Statements. As stated in the above note, The Company's management has made an assessment on the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt.

Upon the Company's ability to continue as a going concern. In addition, approval of the Cabinet of Ministers was granted on 1 August 2017 (Cabinet Decision No. 17/1613/733/029) for the divestiture of Grand Hyatt Colombo (GHC) hotel and to call for Express of Interests (EOI) from local and international advisers with prior international experience in marketing real estate and select a transaction adviser after following due tender process.

Further, Cabinet Committee of Economic Management (CCEM) instructed the National Agency for Private Public Partnership (NAPPP) on 10 January 2018 to assist the Company to obtain bridging loan from bank for the purpose of honouring the current contracts entered into with contractors and to avoid prolongation cost, pending completion of the divestment process. Accordingly Company is on the process of obtaining loan of USD 12 Mn. and which will in return solve the current insolvency. The proposed restructuring programme would change only the shareholding structure of the Company, hence the Financial Statements were prepared on the basis of going concern in the foreseeable future and does not intend to liquidate.

SUPPLEMENTARY INFORMATION

- 252** – Statement of Financial Position of the life insurance
- 253** – Notes to the Financial Statements – Life Insurance fund
- 264** – Ten Year Summary
- 268** – Branch Network
- 274** – GRI Content Index
- 278** – Notice of Annual General Meeting

STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE

As at 31 December	Note	2018 LKR '000	2017 LKR '000
Assets			
Financial investments	A	119,742,465	113,256,786
Investments in subsidiaries	B	1,457,914	1,457,914
Property, plant and equipment	E	90,723	66,048
Loans to policyholders	C	1,639,850	1,522,185
Reinsurance receivable		210,993	166,105
Premium receivable from policyholders		495,981	474,950
Deferred tax assets		–	171,476
Other assets	D	3,737,408	2,892,591
Cash and cash equivalents		1,043,036	1,731,684
Total assets		128,418,012	121,739,740
Equity			
Available-for-sale reserve	F	6,318,696	8,053,087
Revenue reserves	G	9,136,063	7,853,762
Restricted regulatory reserves		98,237	98,237
Revaluation reserve		57,378	31,128
Total equity attributable to equity holders of the Company		15,610,374	16,036,215
Liabilities			
Insurance contract liabilities (provision) – Life	I	108,005,957	101,671,180
Reinsurance creditors		225,535	210,640
Tax liability		867,605	561,248
Provision for retirement benefits		668,725	643,433
Agency commission payable		350,438	373,082
Other liabilities	J	2,483,092	1,597,781
Financial liabilities (Bank overdraft)		206,282	273,080
Total liabilities		112,807,635	105,703,526
Total equity and liabilities		128,418,012	121,739,740

NOTES TO THE FINANCIAL STATEMENTS – LIFE INSURANCE FUND

A. FINANCIAL INVESTMENTS

As at 31 December	Note	2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Held-to-Maturity (HTM)	A.1	52,036,644	50,531,045	52,472,450	54,236,574
Loans and Receivables (L and R)	A.2	21,782,883	21,782,883	11,461,721	11,461,720
Available-for-sale (AFS)	A.3	42,936,188	42,936,188	45,996,971	45,996,971
Fair Value through Profit or Loss (FVTPL)	A.4	2,986,750	2,986,750	3,325,644	3,325,644
		119,742,465	118,236,866	113,256,786	115,020,909

A.1 Held-to-Maturity (HTM)

As at 31 December	Note	2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Treasury bonds		52,036,644	50,531,045	52,472,450	54,236,574
		52,036,644	50,531,045	52,472,450	54,236,574

A.2 Loans and receivables (L and R)

As at 31 December	Note	2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Unlisted debentures	A.2.1	500,534	500,534	500,534	500,534
Fixed deposits		17,514,481	17,514,481	8,303,153	8,303,153
Development bonds		3,511,406	3,511,406	2,658,034	2,658,034
Commercial papers	A.2.2	256,462	256,462	-	-
		21,782,883	21,782,883	11,461,720	11,461,720

A.3 Available-for-sale (AFS)

As at 31 December	Note	2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Listed stocks	A.3.1	16,292,468	16,292,468	19,595,358	19,595,358
Unit trusts	A.3.2	3,928,978	3,928,978	4,361,144	4,361,144
Listed debentures	A.3.3	21,279,946	21,279,946	18,496,859	18,496,859
Treasury bonds		1,434,796	1,434,796	3,543,610	3,543,610
		42,936,188	42,936,188	45,996,971	45,996,971

NOTES TO THE FINANCIAL STATEMENTS – LIFE INSURANCE FUND

A.4 Fair Value through Profit or Loss (FVTPL)

As at 31 December	Note	2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
Listed stocks	A.4.1	2,986,750	2,986,750	3,325,644	3,325,644
		2,986,750	2,986,750	3,325,644	3,325,644

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

A.2.1 Unlisted debentures

As at 31 December	2018				2017			
	Maturity date	Face value LKR '000	Carrying Value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying Value LKR '000	Fair value LKR '000
National Savings Bank	29.12.2021	500,000	500,534	500,534	29.12.2021	500,000	500,534	500,534
		500,000	500,534	500,534		500,000	500,534	500,534

A.3.1 Listed stocks

	2018			2017		
	Number of shares	Carrying value LKR '000	Fair value LKR '000	Number of Shares	Carrying value LKR '000	Fair value LKR '000
Financials						
Banks						
Commercial Bank of Ceylon PLC	42,927,124	4,923,741	4,923,741	46,620,431	6,340,379	6,340,379
DFCC Bank PLC	26,509,832	2,465,414	2,465,414	26,509,832	3,287,219	3,287,219
Seylan Bank PLC	9,205,199	710,641	710,641	8,980,682	781,319	781,319
Hatton National Bank PLC	32,693,132	6,996,330	6,996,330	32,451,260	8,080,364	8,080,364
National Development Bank PLC	11,180,760	1,196,342	1,196,342	8,103,126	1,106,077	1,106,077
		16,292,468	16,292,468		19,595,358	19,595,358

A.3.2 Unit trusts

As at 31 December	2018			2017		
	Number of units	Carrying value LKR '000	Fair value LKR '000	Number of units	Carrying value LKR '000	Fair Value LKR '000
Ceybank Unit Trust	18,200,565	353,091	353,091	18,200,565	398,774	398,774
Ceylon Income Fund	20,066,000	334,382	334,382	20,066,000	305,003	305,003
Capital Alliance Investment Grade Fund	113,998,456	1,794,278	1,794,278	147,030,087	2,062,318	2,062,318
JB Vantage Money Market Fund	28,061,446	610,233	610,233	28,061,446	544,294	544,294
Guardian Acuity Money Market fund	35,448,446	605,995	605,995	35,448,446	543,598	543,598
Ceylon Money Market Fund	–	–	–	20,075,484	255,029	255,029
Ceybank High Yield Fund	–	–	–	25,000,000	252,128	252,128
Ceylon Dollar Bond Fund	1,318,836	230,999	230,999	–	–	–
		3,928,978	3,928,978		4,361,144	4,361,144

A.3.3 Listed Debentures

As at 31 December	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
Financials								
Banks								
Bank of Ceylon	–	–	–	–	24.10.2018	287,970	301,021	301,021
Bank of Ceylon	21.09.2019	500,000	503,668	503,668	21.09.2019	500,000	491,468	491,468
Bank of Ceylon	24.10.2023	67,050	73,957	73,957	24.10.2023	67,050	69,773	69,773
Bank of Ceylon	06.10.2020	250,000	248,370	248,370	06.10.2020	250,000	241,757	241,757
Hatton National Bank PLC	–	–	–	–	12.06.2018	316,717	346,640	346,640
Hatton National Bank PLC	14.12.2019	500,000	484,606	484,606	14.12.2019	500,000	495,790	495,790
Hatton National Bank PLC	31.03.2021	478,459	380,279	380,279	31.03.2021	478,459	340,854	340,854
Hatton National Bank PLC	28.03.2021	100,000	101,899	101,899	28.03.2021	100,000	96,599	96,599
Hatton National Bank PLC	30.08.2023	126,888	114,780	114,780	30.08.2023	126,888	111,240	111,240
Hatton National Bank PLC	01.11.2023	250,000	255,432	255,432	01.11.2023	250,000	255,432	255,432
Hatton National Bank PLC	31.03.2024	1,362,794	769,434	769,434	31.03.2024	1,362,794	680,443	680,443
Commercial Bank of Ceylon PLC	08.03.2026	1,000,000	935,137	935,137	08.03.2026	1,000,000	1,003,637	1,003,637
Commercial Bank of Ceylon PLC	27.10.2021	274,680	287,856	287,856	27.10.2021	274,680	245,308	245,308

NOTES TO THE FINANCIAL STATEMENTS – LIFE INSURANCE FUND

As at 31 December	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
Commercial Bank of Ceylon PLC	27.10.2026	185,110	194,331	194,331	27.10.2026	185,110	192,351	192,351
Commercial Bank of Ceylon PLC	23.07.2023	304,520	320,739	320,739	-	-	-	-
Commercial Bank of Ceylon PLC	23.07.2028	304,520	321,415	321,415	-	-	-	-
National Development Bank PLC	19.12.2023	750,000	905,025	905,025	19.12.2023	750,000	749,250	749,250
National Development Bank PLC	24.06.2020	444,000	428,016	428,016	24.06.2020	444,000	423,576	423,576
Seylan Bank PLC	-	-	-	-	21.02.2018	449,520	476,197	476,197
Seylan Bank PLC	22.12.2019	500,000	489,110	489,110	22.12.2019	500,000	476,360	476,360
Seylan Bank PLC	15.07.2021	66,650	70,686	70,686	15.07.2021	66,650	72,938	72,938
Seylan Bank PLC	15.07.2023	57,280	55,220	55,220	15.07.2023	57,280	60,948	60,948
Seylan Bank PLC	29.03.2023	500,000	516,846	516,846	-	-	-	-
Seylan Bank PLC	29.03.2025	250,000	258,499	258,499	-	-	-	-
Sampath Bank PLC	-	-	-	-	-	-	-	-
Sampath Bank PLC	20.03.2023	500,000	525,837	525,837	04.12.2018	340,190	355,680	355,680
Sampath Bank PLC	14.12.2019	500,000	508,516	508,516	14.12.2019	500,000	445,416	445,416
Sampath Bank PLC	18.11.2020	300,000	303,580	303,580	18.11.2020	300,000	294,010	294,010
Sampath Bank PLC	16.06.2021	500,000	535,805	535,805	16.06.2021	500,000	535,105	535,105
Sampath Bank PLC	21.12.2022	452,000	461,794	461,794	21.12.2022	452,000	453,703	453,703
Nations Trust Bank PLC	08.11.2021	600,000	578,829	578,829	08.11.2021	600,000	633,069	633,069
Nations Trust Bank PLC	08.11.2021	10,000	9,571	9,571	-	-	-	-
Nations Trust Bank PLC	20.04.2023	625,000	640,813	640,813	-	-	-	-
DFCC Bank PLC	09.11.2023	500,000	526,207	526,207	09.11.2023	500,000	509,257	509,257
DFCC Bank PLC	29.03.2023	250,000	274,116	274,116	-	-	-	-
DFCC Bank PLC	29.03.2025	250,000	274,753	274,753	-	-	-	-
DFCC Bank PLC	18.03.2019	500,000	539,713	539,713	18.03.2019	500,000	542,113	542,113
DFCC Bank PLC	10.06.2020	250,000	255,749	255,749	10.06.2020	250,000	253,999	253,999
Pan Asia Banking Corporation PLC	-	-	-	-	29.09.2018	300,000	302,960	302,960
The Housing Development Finance Corporation Bank of Sri Lanka	-	-	-	-	23.10.2018	100,000	118,520	118,520
The Housing Development Finance Corporation Bank of Sri Lanka	20.11.2025	150,000	143,701	143,701	20.11.2025	150,000	142,156	142,156
Diversified financials								
Merchant Bank of Sri Lanka PLC	11.12.2019	113,520	122,193	122,193	11.12.2019	113,520	119,673	119,673
People's Leasing & Finance PLC	18.04.2023	750,000	817,858	817,858	-	-	-	-

As at 31 December	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
People's Leasing & Finance PLC	-	-	-	-	26.03.2018	105,900	116,505	116,505
People's Leasing & Finance PLC	-	-	-	-	23.09.2018	750,000	819,938	819,938
LB Finance PLC	-	-	-	-	28.11.2018	220,670	242,935	242,935
LB Finance PLC	11.12.2022	1,000,000	907,623	907,623	11.12.2022	1,000,000	1,007,623	1,007,623
Senkadagala Finance PLC	-	-	-	-	10.12.2018	100,000	100,943	100,943
Senkadagala Finance PLC	-	-	-	-	09.11.2018	100,000	100,481	100,481
Citizens Development Business Finance PLC	-	-	-	-	19.12.2018	37,350	38,811	38,811
Softlogic Finance PLC ¹	29.08.2019	12,600	12,918	12,918	29.08.2019	12,600	13,005	13,005
Central Finance Company PLC	01.06.2020	225,000	243,090	243,090	01.06.2020	225,000	239,243	239,243
Commercial Leasing & Finance PLC	21.07.2020	250,000	271,525	271,525	21.07.2020	250,000	276,050	276,050
Commercial Credit & Finance PLC ²	10.12.2020	400,000	400,187	400,187	10.12.2020	400,000	396,907	396,907
Commercial Credit & Finance PLC ³	01.06.2020	43,345	44,492	44,492	01.06.2020	43,345	43,625	43,625
Vallibel Finance PLC ³	31.03.2020	100,000	102,814	102,814	31.03.2020	100,000	102,544	102,544
Siyapatha Finance PLC	20.09.2019	125,000	129,210	129,210	20.09.2019	125,000	127,961	127,961
Lanka Orix Leasing Company PLC	24.11.2019	110,000	102,595	102,595	24.11.2019	110,000	105,455	105,455
Lanka Orix Leasing Company PLC	31.07.2019	500,000	533,036	533,036	31.07.2019	500,000	526,686	526,686
Lanka Orix Leasing Company PLC	31.07.2022	500,000	527,275	527,275	31.07.2019	500,000	528,075	528,075
Industrials								
Capital goods								
Hayleys PLC	06.03.2020	200,000	199,733	199,733	06.03.2020	200,000	194,913	194,913
Hayleys PLC	31.07.2023	500,000	526,370	526,370	-	-	-	-
Hemas Holdings PLC	29.04.2019	119,970	122,696	122,696	29.04.2019	119,970	124,340	124,340
MTD Walkers PLC	02.10.2019	101,913	104,929	104,929	30.09.2018	200,000	202,788	202,788
Healthcare								
Healthcare equipment and services								
Nawaloka Hospitals PLC	30.09.2021	150,000	160,765	160,765	30.09.2021	150,000	168,280	168,280
Consumer discretionary								
Consumer durables and apparel								
Abans PLC	-	-	-	-	20.12.2018	400,000	440,998	440,998
Retailing								
Singer Sri Lanka PLC	15.03.2019	200,000	206,094	206,094	15.03.2019	200,000	205,094	205,094

NOTES TO THE FINANCIAL STATEMENTS – LIFE INSURANCE FUND

As at 31 December	2018				2017			
	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000	Maturity date	Face value LKR '000	Carrying value LKR '000	Fair value LKR '000
Consumer staples								
Food, beverage and tobacco								
The Lion Brewery Ceylon PLC	-	-	-	-	17.06.2018	140,800	148,261	148,261
The Lion Brewery Ceylon PLC	08.12.2019	400,000	398,555	398,555	08.12.2019	400,000	388,155	388,155
Telecommunication Services								
Telecommunication Services								
Sri Lanka Telecom PLC	19.04.2028	2,000,000	2,051,699	2,051,699	-	-	-	-
		21,460,299	21,279,946	21,279,946		18,963,462	18,496,860	18,496,859

1. Guaranteed by Guarant Co. Ltd., which is ultimately owned by multilateral G10 governments.
2. Guaranteed equally by HNB and Sampath.
3. Guaranteed by HNB.

A.4.1 Listed Stocks

As at 31 December	2018			2017		
	No. of Shares	Carrying value LKR '000	Fair value LKR '000	No. of Shares	Carrying value LKR '000	Fair value LKR '000
Consumer discretionary						
Consumer durables and apparel						
Textured Jersey Lanka PLC	2,000,000	65,000	65,000			
Retailing						
C M Holdings PLC	392,076	17,526	17,526	392,076	28,229	28,229
Consumer services						
Aitken Spence Hotel Holdings PLC	5,518,727	149,006	149,006	5,518,727	162,251	162,251
Asian Hotels & Properties PLC	10,055,900	432,404	432,404	10,055,900	530,952	530,952
John Keells Hotels PLC	67,055,250	523,031	523,031	69,872,369	614,877	614,877
Anilana Hotels & Properties Ltd.	-	-	-	2,500,000	3,000	3,000
Automobiles and components						
Kelani Tyres PLC	181,689	6,541	6,541	181,689	8,067	8,067
Consumer staples						
Food and staples retailing						
Cargills (Ceylon) PLC	114,286	22,972	22,972	100,000	20,000	20,000

As at 31 December	2018			2017		
	No. of Shares	Carrying value LKR '000	Fair value LKR '000	No. of Shares	Carrying value LKR '000	Fair value LKR '000
Food, beverage and tobacco						
The Lion Brewery Ceylon PLC	3,441	1,961	1,961	–	–	–
Nestle Lanka PLC	180,466	306,882	306,882	180,466	293,257	293,257
Energy						
Energy						
Laugfs Gas PLC	3,900	73	73	3,900	92	92
Financials						
Diversified financials						
Nation Lanka Finance PLC	–	–	–	979,500	1,077	1,077
Banks						
Sampath Bank PLC	171,000	40,185	40,185	–	–	–
Real estate						
Overseas Reality (Ceylon) PLC	4,649,218	76,712	76,712	4,649,218	81,826	81,826
Industrials						
Capital goods						
Aitken Spence PLC	1,263,348	60,388	60,388	1,263,348	68,347	68,347
John Keells Holdings PLC	275,000	43,725	43,725	–	–	–
Vallibel One PLC	65,900	1,120	1,120	65,900	1,166	1,166
ACL Cables PLC	675,647	24,999	24,999	675,647	28,512	28,512
Access Engineering PLC	1,070,000	15,087	15,087	–	–	–
Lanka Walltiles PLC	807,600	57,340	57,340	807,600	82,294	82,294
Brown & Company PLC	786,990	47,219	47,219	786,990	62,881	62,881
Colombo Dockyard PLC	3,536,548	196,279	196,279	3,592,548	315,426	315,426
Heyleys PLC	397,418	74,317	74,317	397,418	95,380	95,380
Hemas Holdings PLC	826,375	73,548	73,548	–	–	–
Expolanka Holdings PLC	9,499,000	37,996	37,996	9,499,000	51,295	51,295
Materials						
Materials						
Tokyo Cement Company (Lanka) PLC	500,000	12,500	12,500	–	–	–

NOTES TO THE FINANCIAL STATEMENTS – LIFE INSURANCE FUND

As at 31 December	2018			2017		
	No. of Shares	Carrying value LKR '000	Fair value LKR '000	No. of Shares	Carrying value LKR '000	Fair value LKR '000
Swisstek (Ceylon) PLC	368,132	15,093	15,093	368,132	23,524	23,524
Lanka Aluminium Industries PLC	69,838	4,497	4,497	69,838	5,021	5,021
Chevron Lubricants Lanka PLC	3,400,000	246,500	246,500	2,900,000	345,100	345,100
Telecommunication services						
Telecommunication services						
Dialog Axiata PLC	1,790,023	18,079	18,079	–	–	–
Sri Lanka Telecom PLC	17,713,735	416,273	416,273	17,713,735	503,070	503,070
		2,987,253	2,997,956		3,325,644	3,325,644

B. INVESTMENTS IN SUBSIDIARIES

As at 31 December	2018 LKR '000	2017 LKR '000
	1,457,914	1,457,914

As at 31 December	Note	2018		2017	
		Carrying value LKR '000	Fair value LKR '000	Carrying value LKR '000	Fair value LKR '000
At cost					
Listed subsidiaries	B.1	1,457,914	2,630,675	1,457,914	4,098,036
		1,457,914	2,630,675	1,457,914	4,098,036

B.1 Listed subsidiaries

As at 31 December	2018		2017	
	Number of shares LKR '000	Carrying value LKR '000	Number of shares LKR '000	Carrying value LKR '000
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

C. LOANS TO LIFE POLICYHOLDERS

As at 31 December	2018 LKR '000	2017 LKR '000
Policyholder loans	1,639,850	1,522,185
	1,639,850	1,522,185

D. OTHER ASSETS

As at 31 December	2018 LKR '000	2017 LKR '000
Inventories	36,233	32,106
Other debtors and receivables	155,355	149,552
Other loans	2,370,839	1,958,879
Investment receivables	–	–
Amount due from general division	506,415	222,417
Prepaid benefit on loans	668,205	529,637
	3,737,408	2,892,591

E. PROPERTY, PLANT AND EQUIPMENT

As at 31 December Freehold	Land LKR '000	Building LKR '000	Total LKR '000
Cost			
Balance as at 1 January 2018	35,030	31,489	66,519
Additions	–	–	–
Revaluation	8,500	17,750	26,250
Accumulated depreciation transferred to revaluation reserve	–	(2,045)	(2,045)
Balance as at 31 December 2018	43,530	47,194	90,724
Accumulated Depreciation			
Balance as at 1 January 2018	–	471	471
Depreciation charge for the period	–	1,574	1,574
Transferred to revaluation reserve	–	(2,045)	(2,045)
Balance as at 31 December 2018	–	–	–
Carrying amount			
As at 31st December 2018	43,530	47,194	90,724

F. AVAILABLE-FOR-SALE RESERVE

Life Policyholders are entitled to LKR 5,897 Mn. and Shareholders are entitled for LKR 6,318 Mn. respectively.

NOTES TO THE FINANCIAL STATEMENTS – LIFE INSURANCE FUND

G. REVENUE RESERVE

As at 31 December	Note	2018 LKR '000	2017 LKR '000
General reserve		42,100	42,100
Reserve on actuarial gain/(loss) on retirement benefit		(164,154)	(222,135)
Revenue reserve other liabilities		372,094	535,902
Surplus from life insurance	G.1	8,886,023	7,497,895
		9,136,063	7,853,762

G.1. SURPLUS FROM LIFE INSURANCE

As at 31 December	2018 LKR '000	2017 LKR '000
Balance as at 1 January	7,497,895	8,109,630
Surplus attributable to shareholders from life insurance	1,688,127	1,820,855
Impact of last year available-for-sale reserve transfer to shareholders	(300,000)	(2,898,769)
Transferred to the restricted regulatory reserve fund	–	–
Transferred from one-off surplus – Unrestricted reserve	–	466,179
Supper gain tax	–	–
Transferred to shareholders	–	–
Balance as at 31 December	8,886,022	7,497,895

H. POLICYHOLDER RESERVE FUND

As at 31 December	2018 LKR '000	2017 LKR '000
Balance as at 1 January		(4,711,130)
Adjusted to life fund	–	4,711,130
Balance as at 31 December	–	–

I. INSURANCE CONTRACT LIABILITIES – LIFE

As at 31 December	2018 LKR '000	2017 LKR '000
Life assurance fund	92,682,830	87,357,386
Movement of the fund	9,842,328	10,058,978
Impact of last year Available-for-sale reserve transfer to shareholders	–	2,898,769
Transferred from life policyholders reserve fund	535,902	(4,711,128)
Regulatory restricted reserves from one-off surplus	–	(98,237)
Impact of current year available-for-sale reserve transfer to shareholders	(372,094)	(535,902)
Transfers of surplus from one-off surplus – Unrestricted reserve	–	(466,179)
Transfers of surplus from long-term insurance business	(1,688,127)	(1,820,855)
Transfers to general shareholders	–	–
	101,000,837	92,682,830
Available-for-sale reserves		
Available-for-sale reserves – Life fund	4,458,706	5,897,605
Policyholder outstanding claims	2,546,415	3,090,743
	108,005,957	101,671,178

J. OTHER LIABILITIES

As at 31 December	2018 LKR '000	2017 LKR '000
Premium received in advance	369,398	339,172
Trade creditors and accrued expenses	2,113,694	1,258,609
	2,483,092	1,597,781

TEN YEAR SUMMARY

For the year ended 31 December	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000
Statement of Income					
Non-life					
Gross written premium	18,532,092	18,920,562	15,720,793	14,049,934	12,544,828
Net earned premiums	15,091,348	13,652,345	12,333,957	10,086,240	9,820,149
Net claims incurred	(10,028,386)	(9,127,011)	(8,605,127)	(6,628,963)	(6,205,796)
Operating and administration expenses	(4,834,806)	(4,138,944)	(3,815,993)	(2,877,500)	(3,977,357)
Investment and other income	4,168,839	2,189,129	9,322,418	2,472,763	2,224,732
Interest expense	–	–	(3)	(1)	(14)
Profit before taxation	4,396,994	2,575,519	9,235,253	3,052,539	1,861,713
Taxation	(840,326)	(391,642)	(308,911)	(538,488)	(217,101)
Profit after taxation	3,556,668	2,183,878	8,926,342	2,514,051	1,644,612
Long-term					
Gross written premium	13,205,802	12,517,120	11,893,640	10,470,079	8,121,159
Net written premium	12,913,268	12,285,325	11,679,336	10,307,235	7,984,758
Investment and other income	12,278,853	11,272,937	8,772,049	8,290,528	9,272,341
Claims incurred	(7,726,263)	(6,899,558)	(5,871,667)	(6,304,646)	(5,733,524)
Commission expenses	(1,836,556)	(1,688,772)	(1,560,526)	(1,240,955)	(1,127,919)
Management expenses	(4,721,492)	(3,981,540)	(3,265,086)	(2,443,684)	(2,507,814)
Increase in life fund before taxation	10,907,807	10,988,392	9,754,105	8,608,478	7,887,842
Taxation	(1,065,480)	(929,414)	(740,739)	(842,932)	(899,025)
Increase in life fund	9,842,327	10,058,978	9,013,366	7,765,546	6,988,817
Total business					
Revenue	44,379,869	39,399,736	42,107,760	31,156,767	29,301,980
Gross written premium	31,737,894	31,437,682	27,614,433	24,520,012	20,665,987
Net earned premiums	28,004,616	25,937,670	24,013,293	20,393,475	17,804,905
Benefits, losses and expenses	(28,406,723)	(26,025,127)	(21,870,191)	(21,360,285)	(18,928,978)
Investment and other income	16,375,253	13,462,066	18,094,467	10,763,292	11,497,075
Operating and administrative expenses	(8,822,546)	(7,484,404)	(6,446,601)	(4,975,705)	(5,999,863)
Profit before taxation	7,150,600	5,890,205	13,790,968	4,820,777	4,373,139
Taxation	(1,905,805)	(1,321,056)	(1,049,650)	(1,381,420)	(1,116,126)
Profit after taxation	5,244,795	4,569,150	12,741,317	3,439,357	3,257,013

SLFRS/LKAS			SLASs	
	Restated	Restated		
2013 LKR '000	2012 LKR '000	2011 LKR '000	2010 LKR '000	2009 LKR '000
12,953,151	12,803,592	11,477,600	9,266,637	8,764,542
9,504,974	9,487,217	7,828,645	6,034,185	6,592,541
(4,934,074)	(6,194,011)	(4,970,962)	(2,885,793)	(5,379,207)
(2,850,951)	(2,008,614)	(2,129,670)	(1,917,779)	(2,186,107)
2,516,799	2,064,835	(245,498)	10,112,693	1,940,038
(51)	(110)	(12)	(98)	(1,935)
3,736,069	2,829,411	158,513	11,343,207	965,330
(803,033)	(900,971)	(407,432)	(843,740)	(233,096)
2,933,035	1,928,440	(248,919)	10,499,467	732,232
8,397,718	7,369,032	6,743,073	6,009,859	4,819,860
8,300,082	7,281,225	6,593,457	5,945,561	4,769,590
7,658,997	6,811,040	3,236,025	13,026,350	7,227,092
(4,870,410)	(4,089,232)	(3,592,818)	(4,957,675)	(3,831,985)
(1,053,299)	(1,088,644)	(933,627)	(648,033)	(547,848)
(2,306,933)	(2,146,961)	(2,129,210)	(1,483,218)	(1,317,279)
7,728,350	6,767,312	3,173,803	11,882,985	6,299,570
(897,006)	(726,442)	(813,114)	(1,151,175)	(1,075,883)
6,831,344	6,040,870	2,360,689	10,731,810	5,223,687
27,890,852	25,644,316	17,207,927	43,777,495	22,306,632
21,350,869	20,172,624	18,220,673	15,239,001	13,584,399
17,805,056	16,768,442	14,422,101	11,942,251	11,362,130
(16,467,961)	(15,625,260)	(7,718,624)	(22,203,564)	(16,673,008)
10,175,796	8,875,874	2,785,827	28,538,494	10,945,554
(5,158,022)	(4,155,798)	(4,054,218)	(3,185,346)	(2,776,014)
6,354,869	5,863,255	5,435,086	15,130,395	2,851,431
(1,700,039)	(1,627,413)	(1,220,547)	(1,860,560)	(1,322,893)
4,654,830	4,235,842	4,214,539	13,269,836	1,528,566

TEN YEAR SUMMARY

As at 31 December	2018 LKR '000	2017 LKR '000	2016 LKR '000	2015 LKR '000	2014 LKR '000
Assets					
Balance Sheet					
Property, plant and equipment	52,381,971	49,598,222	44,033,234	38,265,273	35,754,938
Investments	152,975,185	147,069,847	132,453,389	133,912,388	119,156,967
Other assets	38,431,876	34,989,505	37,311,014	34,308,328	40,171,009
Total assets	243,789,031	231,657,573	213,797,636	206,485,989	195,082,914
Equity and liabilities					
Share capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Capital reserve	11,109,100	10,949,829	11,623,290	8,523,861	8,681,951
Regulatory restricted reserves from one off surplus	98,237	98,237	–	–	–
General reserve	643,442	643,442	643,442	643,442	643,442
Available-for-sale reserve	12,267,184	16,227,399	21,055,304	22,390,664	26,525,252
Revenue reserve	49,970,064	44,486,738	39,514,579	44,611,275	37,499,812
Non-controlling interest	8,226,474	8,077,450	7,961,626	7,509,450	7,246,077
Total capital and reserves	88,314,502	86,483,095	86,798,241	89,678,692	86,596,534
Liabilities					
Insurance provision – Long term	108,005,959	101,671,180	90,010,165	80,650,581	77,254,496
Insurance provision – Non-life	17,806,430	17,128,395	16,517,151	14,916,652	13,195,783
Other liabilities	29,662,140	26,374,903	20,472,077	21,240,064	18,036,101
Total liabilities	155,474,529	145,174,478	126,999,394	116,807,297	108,486,380
Total equity and liabilities	243,789,031	231,657,573	213,797,635	206,485,989	195,082,914
Long term – Supplemental					
Assets					
Property, plant and equipment	90,723	66,048	61,343	41,658	42,172
Investments	121,200,379	114,714,700	104,129,909	96,996,254	92,914,463
Other assets	7,126,910	6,958,991	5,333,967	6,055,405	6,140,884
Total assets	128,418,012	121,739,739	109,525,219	103,093,317	99,097,519
Liabilities					
Long term insurance funds	105,459,545	98,580,437	87,357,386	77,858,384	74,706,062
Other liabilities	7,348,093	7,123,087	5,742,466	6,031,340	5,764,890
Equity attributable to shareholders					
Capital reserve	57,378	31,128	43,296	27,877	27,877
Revenue/other reserves	15,552,996	16,005,085	16,382,071	19,175,716	18,598,689
Total liabilities	128,418,012	121,739,738	109,525,219	103,093,317	99,097,519

SLFRS/LKAS			SLASs	
	Restated	Restated		
2013 LKR '000	2012 LKR '000	2011 LKR '000	2010 LKR '000	2009 LKR '000
32,337,013	27,909,258	16,531,061	15,955,573	6,926,428
94,771,272	88,784,965	93,335,443	98,061,820	56,626,575
45,113,975	36,136,924	21,494,742	25,282,852	11,545,918
172,222,260	152,831,147	131,361,246	139,300,245	75,098,921
6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
8,738,238	9,161,368	4,638,021	5,359,282	1,457,507
-	-	-	-	-
643,442	643,442	643,442	643,442	643,442
15,364,711	12,521,041	13,190,776	25,704,419	
32,651,211	25,022,161	19,046,744	20,990,007	3,481,934
7,056,139	1,647,284	1,522,687	2,041,104	911,246
70,453,741	54,995,296	45,041,670	60,738,254	12,494,129
69,079,061	62,526,048	58,494,522	52,573,602	43,956,012
13,288,956	14,297,803	13,132,830	11,772,953	11,804,983
19,400,502	21,012,000	14,692,223	14,215,436	6,843,796
101,768,519	97,835,851	86,319,575	78,561,991	62,604,792
172,222,260	152,831,147	131,361,245	139,300,245	75,098,921
55,969	57,012	46,553	53,343	63,305
73,643,020	73,029,822	72,799,868	74,540,011	42,219,092
12,553,679	9,497,112	4,850,532	11,865,314	6,216,560
86,196,699	82,583,945	77,696,953	86,458,668	48,498,957
69,079,806	62,526,048	58,494,521	52,573,602	43,956,013
2,743,847	2,510,653	2,575,067	2,589,100	2,978,417
40,892	40,892	16,106	16,106	9,372
14,332,153	17,506,352	16,611,259	31,279,861	1,555,156
86,196,699	82,583,945	77,696,953	86,458,669	48,498,957

BRANCH NETWORK

Branch	Province	Address	Phone	Fax number
EASTERN – 5				
Batticaloa	EP	30, Pioneer Road, Batticaloa.	+94 65 222 4470	+94 65 222 2331
Trincomalee	EP	46, Main street, Trincomalee.	+94 26 222 2434, +94 26 567 5025	+94 26 222 3123
Kalmunai	EP	152/90, 1/1, Batticaloa Road, Kalmunai.	+94 67 222 9912, +94 67 567 0168	+94 67 222 9912
Kantale	EP	62/P, Main Street, Kantale.	+94 26 223 4043	+94 26 223 4043
Akkaraipattu	EP	143, Main Street, Akkaraipattu 2, Akkaraipattu.	+94 67 227 9627	+94 69 227 9627
GALLE – 11				
Galle	SP	50 A, Havlock Road, Galle.	+94 91 223 4531, +94 91 222 4029, +94 91 567 6528	+94 91 224 1981
Ambalangoda	SP	97, New Road, Ambalangoda.	+94 91 225 8339, +94 91 567 8298	+94 91 225 5855
Thalgaswala	SP	New Town Thalgaswala.	+94 91 229 6268	+94 91 229 6344
Elpitiya	SP	18/12, 1/1, New Road, Elpitiya	+94 91 229 1365, +94 91 567 3672	+94 91 229 1365
Udugama	SP	Pasans New Building, Mavi Dola, Bar Junction, Udugama.	+94 91 228 5097, +94 91 567 4987	+94 91 228 5097
Neluwa	SP	2nd Floor, Manuka Building, Dellawa Road, Neluwa.	+94 91 228 5140	+94 91 228 5140
Baddegama	SP	60 1/1, Gall Road, Baddegama.	+94 91 229 2303, +94 91 562 4502	+94 91 229 2303
Thanipolgaha – CSC	SP	45, H K Edmond Mawatha, Thanipolgaha.	+94 91 222 7041	
Habaraduwa – CSC	SP	Near The Petrol Shed, Matara Road, Habaraduwa.	+94 91 228 2605	+94 91 228 2605
Hikkaduwa – CSC	SP	231, Galle Road, Hikkaduwa.	+94 91 562 7494	
Karapitiya – CSC	SP	Hirimbura Road, Karapitiya.	+94 91 224 7191, +94 91 562 0286	+94 91 562 4190
GAMPAHA – 9				
Nittambuwa	WP	New Super Market Complex, Nittambuwa.	+94 33 228 9709, +94 33 567 1351	+94 33 228 9709
Veyangoda	WP	166, Negombo Road, Veyangoda.	+94 33 228 8027, +94 33 567 6037	+94 33 228 8027
Gampaha	WP	14, Holy Cross Road, Gampaha.	+94 33 222 2676, +94 33 222 4710, +94 33 567 5786	+94 33 222 2676
Yakkala	WP	39/C/1, Kandy Road, Yakkala.	+94 33 222 5522	+94 33 222 5522
Minuwangoda	WP	21/B, M P De Z Siriwardhane Mawatha, Minuwangoda.	+94 11 228 0870, +94 11 566 7822	+94 11 228 0870
Pugoda – CSC	WP	40/1, Kospitiyana, Pugoda.	+94 33 562 1223	
Ganemulla – CSC	WP	187/A/8, Main Street, Ganemulla.	+94 33 562 1208	
Kirindiwela – CSC	WP	27/5/2, Radawana Road, Kirindiwela.	+94 33 562 1192	
Mirigama – CSC	WP	Opposite Police Station, Mirigama.	+94 33 227 3441	

Branch	Province	Address	Phone	Fax number
HAMBANTOTA – 5				
Ambalantota	SP	195, Main Steet, Ambalantota.	+94 47 222 3235, +94 47 567 0906	+94 47 222 3235
Beliatta	SP	74, Tangalle Road, Beliatta.	+94 47 224 3211, +94 47 567 0908	+94 47 224 3211
Tissamaharama	SP	211 B, Kachcheriyagama Tissamaharama.	+94 47 223 7152, +94 47 567 0905	+94 47 223 7152
Tangalle	SP	85, Beliatta Road, Thangalla.	+94 47 224 2514, +94 47 567 6144	+94 47 224 2514
Hambantota	SP	59, Main Street, Hambantota.	+94 47 222 2572, +94 47 222 2570	+94 47 222 2571
KALUTARA – 7				
Kalutara	WP	55 1/1, Paranagama Building, Galle Road, Kalutara.	+94 34 222 2474, +94 34 567 4535, +94 34 223 6616, +94 34 226 6777	+94 34 222 8696
Horana	WP	50/9, Graceland Circular Road, Horana.	+94 34 226 1351, +94 34 567 4512	+94 34 226 1351
Panadura	WP	534, Galle Road, Panadura.	+94 38 223 4736, +94 38 567 1547	+94 38 223 4736
Mathugama	WP	79/1/1, Kalutara Road, Matugama.	+94 34 224 7510, +94 34 567 4654	+94 34 224 7510
Aluthgama	WP	433, 1st Floor, Wickramarathne Building, Depot Junction, Galle Road, Aluthgama.	+94 34 227 6409, +94 34 567 4655	+94 34 227 6409
Bandaragama	WP	72, Jayakody Building, Horana Road, Bandaragama.	+94 38 229 3940, +94 38 229 0960	+94 38 229 3940
Ingiriya	WP	Padukka Road, Ingiriya.	+94 34 226 8270	+94 34 226 8270
WAYAMBA 01 – 4				
Kurunegala	NW	16/1, Dambulla Road, Kurunegala.	+94 37 222 2376, +94 37 222 7433	+94 37 222 4053
Kurunegala City	NW	111/2, Rajapihilla Road, Kurunegala.	+94 37 223 4176	+94 37 223 4176
Narammala	NW	159/A, Super City building, U B Wijekoon Mawatha, Kurunegala Road, Narammala.	+94 37 224 8920	+94 37 224 8920
Melsiripura	NW	245, Dambulla Road, Melsiripura.	+94 37 225 0459	+94 37 225 0459
WAYAMBA 02 – 8				
Wariyapola	NW	29/1, Adikari Mawatha, Wariyapola.	+94 37 226 7451, +94 37 567 3407	+94 37 226 7451
Giriulla	NW	101, Negombo Road, Giriulla.	+94 37 228 8304, +94 37 567 3405	+94 37 228 8304
Anamaduwa	NW	70, Puttalam Road, Anamaduwa.	+94 32 226 3033, +94 32 567 5227	+94 32 226 3033
Nikaweratiya	NW	196, Puttalam Road, Nikaweratiya.	+94 37 226 0279, +94 37 567 3441	+94 37 226 0279
Warakapola	SG	459, Main Street, Warakapola.	+94 35 226 7747, +94 35 567 1938	+94 35 226 7747
Kuliyapitiya	NW	74/A, Hettipola Road, Kuliyapitiya.	+94 37 228 1304, +94 37 567 3401	+94 37 228 1304
Alawwa – CSC	NW	29, Narammala Road, Alawwa.	+94 37 227 9187	
Pannala – CSC	NW	44/1, Negombo Road, Pannala.	+94 37 224 5100	

BRANCH NETWORK

Branch	Province	Address	Phone	Fax number
MATARA – 10				
Matara	SP	5A, Hakmana Road, Matara.	+94 41 222 7962, +94 41 222 2352	+94 41 222 1472
Deniyaya	SP	122, Rathna Mahal, Main Street, Deniyaya.	+94 41 227 3565, +94 41 567 4483	+94 41 227 3565
Akuressa	SP	40 2/1, Matara Road, Akuressa.	+94 41 228 3590, +94 41 567 4482	+94 41 228 3590
Weligama	SP	352/2, Galle/Matara Middle Road, Weligama.	+94 41 225 0647, +94 41 567 3167	+94 41 225 0647
Dickwella	SP	95, Matara Road, Dickwella.	+94 41 225 5630, +94 41 567 4476	+94 41 225 5630
Hakmana	SP	New Pradesheeya Sabha Building, Matara Road, Hakmana.	+94 41 567 0600, +94 41 228 7616	+94 41 228 7616
Imaduwa – CSC	SP	New Shopping Complex, Main Street, Imaduwa.	+94 91 567 8781	
Middeniya – CSC	SP	Walasmulla Road, Middeniya.	+94 47 567 0437	
Urubokka – CSC	SP	2nd Floor, Shopping Complex, Main Street, Urubokka.	+94 41 567 0420	
Kamburupitiya – CSC	SP	154 A/1, Matara Road, Kamburupitiya.	+94 41 567 0291	
NEGOMBO – 9				
Negombo	WP	20, Rajapaksha Broadway, Negombo.	+94 31 223 1374, +94 31 223 5235, +94 31 222 4426	+94 31 223 3498
Ja-Ela	WP	205/1/1, Negombo Road, Ja-Ela.	+94 11 223 3169, +94 11 563 9270	+94 11 223 3169
Chilaw	NW	431/1, Kurunegala Road, Chilaw.	+94 32 222 2371, +94 32 567 1749	+94 32 222 2371
Puttalam	NW	80, Kurunegala Road, Puttalam.	+94 32 226 5324, +94 32 567 2749	+94 32 226 5324
Marawila	WP	2, Erick Suriyasena Mawatha, Marawila.	+94 32 225 4297, +94 32 567 2090	+94 32 225 4297
Wennappuwa	NW	236/3/A, Chilaw Road, Wennappuwa.	+94 31 225 3319, +94 31 567 2447	+94 31 225 3319
Kandana	WP	54, Negombo Road, Kandana.	+94 11 222 8848, +94 11 564 9536	+94 11 222 8848
Kochchikade	WP	18/1/4, Negombo Road, Kochchikade.	+94 31 227 4626, +94 31 5677 135	+94 31 227 4626
Divulapitiya – CSC	NW	71/1, Diulapitiya Plaza, Colombo Road, Diulapitiya.	+94 31 567 4774	
NORTHERN – 8				
Jaffna	NP	527, Hospital Road, Jaffna.	+94 21 222 2023	+94 21 222 4526
Nelliady	NP	Main Street, Opposite People's Bank, Nelliady.	+94 21 226 4686	+94 21 226 4686
Mannar	NP	Station Road, (Opposite Pakiya Studio) Mannar.	+94 23 222 3236	+94 23 222 3236
Mullaitivu	NP	Main Street, Mullaitivu.	+94 21 229 0089	
Chankanai	NP	45, Ponnalai Road (Main Street), Chankanai.	+94 21 225 0462, +94 21 225 0463	+94 21 225 0463
Chavakachcheri	NP	A-9 Road, Chavakachcheri.	+94 21 227 0711	+94 21 227 0711
Vavuniya	NP	119/1, Kandy Road, Vavuniya.	+94 24 222 2380, +94 24 567 0021	+94 24 222 2380
Kilinochchi	NP	A-09 Road, Karadippokku, Kilinochchi.	+94 21 228 0031	+94 21 228 0032

Branch	Province	Address	Phone	Fax number
BADULLA – 5				
Badulla	UP	14, R H Gunawardane Mawatha, Badulla.	+94 55 223 0972	+94 55 222 2372
Mahiyangana	UP	14, 1st Floor, Samanala Building, Kandy Road, Mahiyangana.	+94 55 225 7179, +94 55 567 0344	+94 55 225 7179
Welimada	UP	155/2/2, 2nd Floor, New Shoping Complex, Badulla Road, Welimada.	+94 57 224 5174, +94 57 567 0702	+94 57 224 5174
Nuwara Eliya	CP	60/1, Park Road, Nuwara Eliya.	+94 52 222 2759, +94 52 567 0529	+94 52 222 2759
Bandarawela	UP	250/1/A, Badulla Road, Bandarawela.	+94 57 222 3526, +94 57 567 0703	+94 57 222 3526
MONARAGALA – 4				
Monaragala	UP	114/1, Wellawaya Road, Monaragala.	+94 55 227 6145, +94 55 205 5559	+94 55 227 6145
Ampara	EP	1, Inginiyagala Road, Ampara.	+94 63 222 2073, +94 63 567 0307	+94 63 222 2073
Wellawaya	UP	145/1/1, Hambantota Road, Wellawaya.	+94 55 227 4133	+94 55 227 4133
Bibila	UP	Opposite R S Office, Bibila.	+94 55 567 5673, +94 55 226 5360	+94 55 226 5360
CENTRAL 01 – 7				
Kandy	CP	25, Hill Street, Kandy.	+94 81 223 4296, +94 81 223 4954, +94 81 222 8172	+94 81 220 1685
Matale	CP	134, Dharmapala Mawatha, Matale.	+94 66 223 3989, +94 66 222 4735, +94 66 567 1653	+94 66 222 2417
Gampola	CP	176/A, Kandy Road, Gampola.	+94 81 235 1709, +94 81 567 5128	+94 81 235 1709
Pilimathalawa	CP	211/C, Colombo Road, Pilimathalawa.	+94 81 257 5444, +94 81 563 0070	+94 81 257 5444
Mawathagama	NW	54/A, 1st Floor, Kandy Road, Mawathagama.	+94 37 229 9861	+94 37 229 4861
Katugastota	CP	431, Katugastota Road, Kandy.	+94 81 222 9938	+94 81 222 9938
Kandy FBD	CP	6, Wadugodapitiya Road, Kandy.	+94 81 222 4246, +94 81 562 7274	+94 81 220 4830
CENTRAL 02 – 6				
Kegalle	SG	389, Main Street, Kegalle.	+94 35 222 2531, +94 35 222 2531, +94 35 223 1342	+94 35 222 2531
Digana	CP	42, Gonawala Road, Digana, Rajawella.	+94 81 237 6814, +94 81 563 0744	+94 81 237 6814
Nawalapitiya	CP	79, Kothmale Road, Nawalapitiya.	+94 54 222 2019, +94 54 222 2216	+94 54 222 2019
Mawanella	SG	238, 1/1, Kandy Road, Mawanella.	+94 35 224 9335, +94 35 567 2981	+94 54 224 9335
Hatton	CP	01, 1/1, Sunday Fair Road, Hatton.	+94 51 222 2196, +94 51 567 0202	+94 51 222 2196
Rikillagaskada	CP	68, Ragala Road, Rikillagaskada.	+94 81 236 5279, +94 81 567 4793	+94 81 236 5667

BRANCH NETWORK

Branch	Province	Address	Phone	Fax number
COLOMBO 01 – 9				
Maharagama	WP	128, Opposite Elhena Road, High Level Road, Maharagama.	+94 11 284 3563, +94 11 563 5465	+94 11 284 3010
Battaramulla	WP	119, Pannipitiya Road, Battaramulla.	+94 11 286 6357, +94 11 563 4629	+94 11 286 6357
Nugegoda	WP	310A, High Level Road, Colombo 06.	+94 11 281 7739, +94 11 282 6364	+94 11 282 6365
Homagama	WP	64, High Level Road, Homagama.	+94 11 289 3426, +94 11 563 4670	+94 11 289 3200
Malabe	WP	821/3C, New Kandy Road, Malabe.	+94 11 276 2312, +94 11 565 1612	+94 11 276 2312
Kottawa	WP	129/10, 1st Floor, High Level Road, Kottawa.	+94 11 217 2273	+94 11 217 2273
Kirullapone	WP	88 1/1, 1st Floor, High Level Road, Kirulapone.	+94 11 251 4348, +94 11 564 9541	+94 11 251 4348
Pitakotte	WP	463, Kotte Road, Pitakotte.	+94 11 286 6755	+94 11 286 6755
Athurugiriya	WP	70/15 C, Main Street, Athurugiriya.	+94 11 207 7868	+94 11 207 7868
COLOMBO 02 – 8				
Kaduwela	WP	482/8, Colombo Road, Kaduwela.	+94 11 257 9976, +94 11 562 8269	+94 11 257 9976
Kotahena	WP	178, Gold Tower, George R De Silva Mawatha, Colombo 13.	+94 11 567 3345, +94 11 235 7540	+94 11 233 5254
Kiribathgoda	WP	101/1, Gala Junction, Kandy Road, Kiribathgoda.	+94 11 291 2776, +94 11 563 5483	+94 11 291 2742
Wattala	WP	396, Negombo Road, Wattala.	+94 11 535 5531, +94 11 535 5532, +94 11 563 5480	+94 11 535 5532
Kadawatha	WP	151/5, Kandy Road, Kadawatha.	+94 11 292 1567, +94 11 562 8907	+94 11 292 1567
Kotikawatta	WP	257/7/5, IDH Road, Kotikawatta.	+94 11 2568502	+94 11 256 8502
Pettah	WP	2nd Floor, 101, Olcott Mawatha, Colombo 11.	+94 11 574 1820, +94 11 242 3752	+94 11 242 3752
Ragama	WP	34/1, Mahabage Road, Ragama.	+94 11 295 6371	
COLOMBO 03 – 7				
City Office	WP	288, Union Place, Colombo 02.	+94 11 2357562, +94 11 230 3914, +94 11 567 7136	+94 11 230 3914
Bambalapitiya	WP	22, Duplication Road, Colombo 04.	+94 11 563 2790, +94 11 567 3296	+94 11 533 2427
Ratmalana	WP	143B – 2/4, Mount City Building (2nd Floor), Galle Road, Ratmalana.	+94 11 563 5475, +94 11 271 5992	+94 11 271 5982
Piliyandala	WP	34, Vidyala Mawataha, Piliyandala.	+94 11 261 3976	+94 11 261 5320
Moratuwa	WP	710, Galle Road, Idama, Moratuwa.	+94 11 555 4451, +94 11 264 8581	+94 11 264 8580
Borella	WP	27, D S Senanayake Mawatha, Colombo 08.	+94 11 267 8480	+94 11 267 8480
Dehiwala	WP	121,1/1, Ramanayake Automobile, Galle Road, Dehiwala.	+94 11 271 3702, +94 11 574 4962	+94 11 271 3702

Branch	Province	Address	Phone	Fax number
NORTH CENTRAL 01 – 6				
Anuradhapura	NC	248, Maithripala Senanayaka Mawatha, Anuradhapura.	+94 25 222 2167, +94 25 567 3819	+94 25 223 5258
Galgamuwa	NW	121, Anuradhapura Road, Galgamuwa.	+94 37 225 4141, +94 37 567 3406	+94 37 225 4141
Thambuttegama	NC	64, Kurunegala Road, Thambuttegama.	+94 25 227 5088	+94 25 227 5088
Horowpothana	NC	Rest House Junction, Horowpothana.	+94 25 227 8600	+94 25 227 8600
Padavi Parakramapura	NC	Infront of School, Padavi Parakramapura.	+94 25 225 4115	
Kekirawa	NC	81, Thalawa Road, Kekirawa.	+94 25 226 4573, +94 25 567 3430	+94 25 226 4573
NORTH CENTRAL 02 – 8				
Hingurakgoda	NC	31, Main Street, Hingurakgoda.	+94 27 224 6345, +94 27 567 2038	+94 27 224 6345
Galewela	CP	59-A, Kurunegala Road, Galewela.	+94 66 228 9285, +94 66 567 1651	+94 66 228 9285
Dambulla	CP	642, Anuradhapura Road, Dambulla.	+94 66 228 4616, +94 66 567 1624	+94 66 228 4616
Kaduruwela	NC	25, Batticaloa Road, Polonnaruwa.	+94 27 222 2954, +94 27 567 2041	+94 27 222 2954
Dehiattakandiya	EP	256, Mahaweli Uyana, Dehiattakandiya.	+94 27 225 0318	+94 27 225 0318
Bakamuna	NC	10, Samupakara Mawatha, Bakamuna.	+94 66 225 6550	
Medirigiriya – CSC	NC	Pola Road, Medirigiriya.	+94 76 747 8466	
Aralaganwila	NC	208/14, New Town, Aralaganwila.	+94 27 205 0830	
RATNAPURA – 9				
Ratnapura	SG	284/1, Main Street, Ratnapura.	+94 45 222 2433, +94 45 567 4250	+94 45 223 1517
Avissawella	WP	77, Ratnapura Road, Avissawella.	+94 36 222 2311, +94 36 567 2324	+94 36 222 2311
Embilipitiya	SG	67, Nonagama Road, Pallegama, Embilipitiya.	+94 47 223 0389, +94 47 567 2205	+94 47 223 0389
Balangoda	SG	60/1/1, Barne's Ratwatte Mawatha, Balangoda.	+94 45 228 7670, +94 45 567 8445	+94 45 228 7670
Kahawatta	SG	46/1A, Walawwatte Road, Kahawatta.	+94 45 227 0160, +94 45 567 4248	+94 45 227 0160
Kalawana	SG	56, Sampath Bank Building, Matugama Road, Manana, Kalawana.	+94 45 225 5930	+94 45 225 5930
Eheliyagoda	SG	344, Main Street, Eheliyagoda.	+94 36 225 9014	+94 36 225 9014
Pallebedda	SG	151/1, Main Street, Pallebedda.	+94 45 224 1717	+94 45 224 1717
Ruwanwella	SG	197, Avissawella Road, Ruwanwella.	+94 36 226 7737	+94 36 226 7737

GRI CONTENT INDEX

This report contains “Disclosures from the GRI Standards Sustainability Reporting Guidelines”. This is the Organisation’s first attempt to comply with the guidelines and hence is not in accordance with core or comprehensive criteria.

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/Explanation
General disclosures			
GRI 102: General disclosures			
102-1	Name of the organisation	Inner back cover	
102-2	Activities, brands, products, and services	44	
102-3	Location of headquarters	Inner back cover	
102-4	Location of operations	268 – 273	
102-5	Ownership and legal form	Inner back cover	
102-6	Markets served	5	
102-7	Scale of the organisation	8	
102-8	Information on employees and other workers	52 and 53	
102-9	Supply chain	–	
102-10	Significant changes to the organisation and its supply chain		No significant changes
102-11	Precautionary principle or approach	4	
102-12	External initiatives	51	
102-13	Membership of associations	51	
102-14	Statement from senior decision-maker	11	
102-16	Values, principles, standards, and norms of behaviour	5	
102-18	Governance structure	81	
102-40	List of stakeholder groups	26	
102-41	Collective bargaining agreements	59	
102-42	Identifying and selecting stakeholders	26	
102-43	Approach to stakeholder engagement	26 and 27	
102-44	Key topics and concerns raised	28	
102-45	Entities included in the consolidated financial statements	104	
102-46	Defining report content and topic Boundaries	4	
102-47	List of material topics	28	
102-48	Restatements of information		None
102-49	Changes in reporting		None

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/Explanation
102-50	Reporting period	4	
102-51	Date of most recent report		1 January 2017 – 31 December 2017
102-52	Reporting cycle	4	
102-53	Contact point for questions regarding the report	4	
102-54	Claims of reporting in accordance with the GRI standards	4	
102-55	GRI content index	274	
102-56	External assurance		None
Material topics			
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	30	
103-2	The management approach and its components	30	
GRI 201: Economic performance			
201-3	Defined benefit plan obligations and other retirement plans	138	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	52	
103-2	The management approach and its components	52	
GRI 202: Market presence			
202-2	Proportion of senior management hired from the local community	54	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	91	
103-2	The management approach and its components	91	
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	98	
205-3	Confirmed incidents of corruption and actions taken	None	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	4	
103-2	The management approach and its components	22	
GRI 206: Anti-competitive behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		None

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/Explanation
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	4	
103-2	The management approach and its components	22	
GRI 401: Employment			
401-1	New employee hires and employee turnover	55	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	57	
401-3	Parental leave		
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	59	
103-2	The management approach and its components	59	
GRI 403: Occupational health and safety			
403-1	Workers representation in formal joint management-worker health and safety committees	59	
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundaries	4	
103-2	The management approach and its components	22	
GRI 404: Training and education			
404-1	Average hours of training per year per employee	57	
404-2	Programmes for upgrading employee skills and transition assistance programmes	56	
404-3	Percentage of employees receiving regular performance and career development reviews	58	
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundaries	4	
103-2	The management approach and its components	22	
GRI 405: Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	58	
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundaries	4	
103-2	The management approach and its components	22	

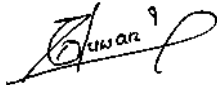
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/Explanation
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken		None
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	59	
103-2	The management approach and its components	59	
GRI 407: Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	59	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	4	
103-2	The management approach and its components	22	
GRI 413: Local communities			
413-1	Operations with local community engagement, impact assessments, and development programmes	60	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	44	
103-2	The management approach and its components	44	
GRI 416: Customer health and safety			
416-1	Assessment of the health and safety impacts of product and service categories	44 to 47	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	50	
103-2	The management approach and its components	50	
GRI 417: Marketing and labelling			
417-3	Incidents of non-compliance concerning marketing communications	50	
GRI 103: Management approach			
103-1	Explanation of the material topic and its boundaries	4	
103-2	The management approach and its components	22	
GRI 419: Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area		None

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, 28 June 2019, at 10.00am for the following purposes:

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2018 and the Report of the Auditors thereon.
2. To declare a Final Dividend of LKR 0.54 per share amounting to LKR 323,861,328.00 for the year ended 31 December 2018, as recommended by the Directors.
3. To elect Mr K A Vimalenthirarajah, Director who retires in terms of Article 98 of the Articles of Association of the Company.
4. To elect Mr B M Dushyanta B Basnayake, a Director who retires in terms of Article 98 of the Articles of Association of the Company.
5. To elect Mr W A P Abeysinghe, a Director who retires in terms of Article 98 of the Articles of Association of the Company.
6. To elect Mr Athula S Ranagala, a Director who retires in terms of Article 98 of the Articles of Association of the Company.
7. To elect Mr Thusitha Halloluwa, a Director who retires in terms of Article 98 of the Articles of Association of the Company.
8. To authorise the Directors to determine donations for the year 2019 and up to the date of the next Annual General Meeting.
9. To reappoint the Auditor General as the External Auditor in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.
10. Any other business of which due notice has been given.

By Order of the Board,



B A Ruwani Dharmawardana
Company Secretary

30 May 2019

FORM OF PROXY

I/We* of.....

..... being a member /members* of Sri Lanka Insurance Corporation Ltd. hereby appoint:

..... of

.....or failing him/her*

Mr K A Vimalenthirarajah	of Colombo or failing him
Mr B M Dushyanta B Basnayake	of Colombo or failing him
Mr W A P Abeysinghe	of Colombo or failing him
Mr Athula S Ranagala	of Colombo or failing him
Mr Thusitha Halloluwa	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-fifth Annual General Meeting of the Company to be held on Friday, 28 June 2019, at 10.00am 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 December 2018 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of LKR 0.54 per share amounting to LKR 323,861,328.00 for the year ended 31 December 2018, as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mr K A Vimalenthirarajah, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr B M Dushyanta B Basnayake, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr W A P Abeysinghe, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Mr Athula S Ranagala, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect Mr Thusitha Halloluwa, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to determine donations for the year 2019 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
9. To reappoint the Auditor General as the External Auditor in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2019

.....
Signature of Shareholder/s

*Please delete the inappropriate words.

FORM OF PROXY

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., 8th Floor, No. 21, Vauxhall Street, Colombo 02, not less than 48 hours before the time fixed for the Meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY AND REGISTERED OFFICE

Sri Lanka Insurance Corporation Ltd.
"Rakshana Mandiraya",
No. 21, Vauxhall Street, Colombo 2.
Phone: +94 11 235 7457
Fax: +94 11 244 7742
Web: www.srilankainsurance.com

COMPANY REGISTRATION NUMBER

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

BOARD OF DIRECTORS

The Board of SLIC has been reconstituted w.e.f. 26 February 2019 and the Board of Directors as of the reporting date is as follows:

Mr K A Vimalenthirarajah – Chairman

Mr B M Dushyanta B Basnayake –
Managing Director

Mr Priyantha Abeyasinghe –
Non-Executive Director

Mr Athula S Ranagala – Non-Executive Director

Mr Thusitha Halloluwa – Non-Executive Director

Mr K A Vimalenthirarajah is a Non-Executive Director.

Mr Hemaka D S Amarasuriya ceased to be effective w.e.f. 27 November 2018.

Mr Nilu D Wijedasa, Mr Pradeep A Liyanamana and Mr Keerthi Kotagama resigned w.e.f. 4 July 2018.

Dr Nalaka H Godahewa who was appointed as the Executive Chairman w.e.f. 12 November 2018 ceased to be effective w.e.f. 27 November 2018.

Dr K A S Keeragala who was appointed as the Executive Chairman w.e.f. 27 November 2018 ceased to be effective from 26 February 2019.

Mr J M U P Jayamaha, Mr K K S A Perera and Mr P M K Hettiarachchi who were appointed to the Board w.e.f. 26 November 2018 ceased to be effective from 26 February 2019.

Mr Saadi A Wadood and Mr P Algama also ceased to be effective w.e.f. 26 February 2019.

Mr Priyantha Abeyasinghe was appointed w.e.f. 6 February 2019.

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% shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government-owned Business Undertakings into Public Companies Act No. 23 of 1987. Under the privatisation programme of the Government, the Company was privatised in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the Companies Act No. 07 of 2007. Pursuant to the Supreme Court Judgement on 4 June 2009, annulling the privatisation, 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), PGDBM, DHRM(UK)

SUBSIDIARIES

Management Services Rakshana (Pvt) Ltd.
The Lanka Hospitals Corporation PLC
Litro Gas Lanka Ltd.
Litro Gas Terminal Lanka (Pvt) Limited
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.

AUDITORS

Auditor General

BANKERS

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank
Standard Chartered Bank
Sampath Bank PLC
Seylan Bank PLC
National Savings Bank
Regional Development Bank
Lankaputhra Development Bank
Pan Asia Bank PLC
DFCC Bank PLC

ACTUARY-LIFE

Messrs Towers Watson Singapore Pte Ltd.
63, Chulia Street,
No. 09-01 OCBC Centre East,
Singapore 049514.

ACTUARY NON-LIFE

Messrs NMG Financial Services Consulting
65, Chulia Street,
No. 37-07/08 OCBC Centre,
Singapore 049513.



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No. 21, Vauxhall Street, Colombo 2



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