



ANNUAL REPORT 2010

Sri Lanka Insurance  
Corporation Ltd

# The Handbook of Protection

Strong . Stable . Secure

PROTECTION FOR ALL





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## **Professionals in Protection**

We understand the hopes and dreams of every Sri Lankan, because for nearly a half a century we have been caring for our nation's people, delivering their dreams, strengthening their lives and protecting them from all uncertainties.

Our years of experience as insurers to the nation have brought us to the top ranking position we occupy in the industry today, with an unmatched managed asset base of over Rs.88 billion, the largest life fund in the insurance industry of around Rs.50 billion and a capitalisation of Rs.6 billion. Awarded internationally as well as locally and rated AA-(Ika) by FitchRatings, UK and AAA by RAM Rating Lanka, we are now the largest insurer in the island, settling the largest claim ever with a payment of Rs.36.9 billion made in 2001, as well as the largest bonus ever declared to our life policyholders, of Rs.3.4 billion.

This is how we know that Sri Lankans everywhere will continue to place their faith in us. Because our pledge to shield our people, keep them safe and retain their confidence in our protection, remains strong, stable and secure.

## **VISION**

TO BE THE TRUSTED INSURER TO THE NATION.

## **MISSION**

TO BE A CUSTOMER FOCUSED COMPANY THAT IS TRUSTED, WHICH CONSTANTLY INNOVATES IN PROVIDING INSURANCE SERVICES OF BEST VALUE TO OUR CUSTOMERS, WHILST REWARDING OUR EMPLOYEES AND ADDING VALUE TO OUR SHAREHOLDERS.

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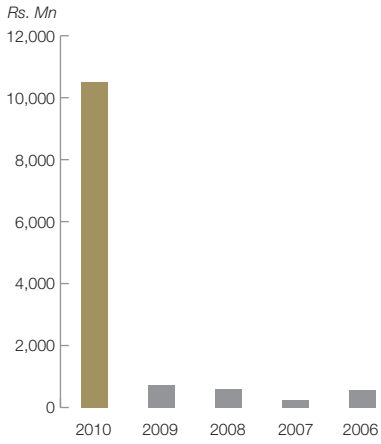
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## Financial Highlights

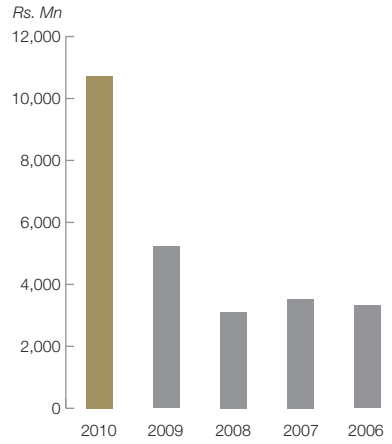
	2010	2009	2008	2007	2006
	Rs.million	Rs.million	Rs.million	Rs.million	Rs.million
<b>Profit After Tax</b>					
General Insurance	10,499	732	584	237	560
Life Insurance	10,731	5,224	3,107	3,528	3,321
<b>Group Assets</b>					
Property, Plant and Equipment	15,955	6,925	4,748	3,786	3,826
Investments	56,889	56,626	43,191	40,403	32,919
Others	26,409	11,547	16,819	14,008	15,813
Life Fund	49,569	41,484	37,050	34,138	30,885



PAT - General Insurance



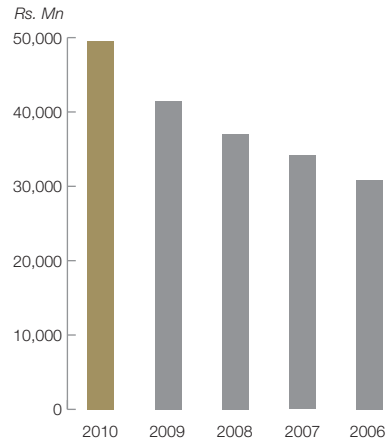
Life Insurance



Group Assets



Life Fund





## Management Reports

“The services we offer go far beyond conventional insurance policies and claims handling.

We look at our clients’ individual needs and consider the entire process as an opportunity to add value to their lives and businesses.

That’s how we create so many options designed to give our customers a better deal and ensure we deliver our promise  
..... ***Protection for All.***”

# Chairman's Message





## Professionals in Protection

“Sri Lanka Insurance Corporation Ltd. remains the largest composite insurance provider in Sri Lanka and holds Rs.88.9 billion worth of assets.

SLICL is the highest contributor to the Shareholders’ Fund and its contribution is Rs.18 billion. The Company holds the highest Life Fund worth Rs.49.5 billion.”

Gamini S. Senarath

“Sri Lanka Insurance Corporation Limited is the only insurance Company in Sri Lanka that was awarded AAA by RAM Ratings that affirms the Corporation's long-term claim paying ability.

SLICL is also the first insurance Company to receive an independent rating of AA-(Ika) from the global rating agency FitchRatings (London), which also affirms the Company's long-term financial sustainability.”

### **The Economy**

Sri Lanka entered 2010 with an unprecedented opportunity to accomplish the enormous potential of the economy by reaping the benefits of the post-war boom. Sri Lanka has capitalised on the new post-war growth opportunities in various sectors of the economy; namely, naval, aviation, commercial, energy and knowledge. A number of key infrastructure projects launched by the government such as the Hambantota Port Development Project, Norochcholai Coal Power Plant, Upper Kotmale Hydro Power Project and Southern Expressway will be an important catalyst for major economic development in Sri Lanka.

According to the Central Bank Reports, the Sri Lankan economy recovered robustly recording a remarkable growth of 7.8 per cent during the first half of 2010 compared to the growth of 1.9 per cent recorded during the corresponding period of 2009. The unemployment rate declined to 5.2 per cent (excluding the Northern Province) in the first half of 2010, from 5.9 per cent recorded in 2009. Inflation has continued to remain at relatively low and stable levels since early 2009 and on a year-on-year basis, inflation was 5.8 per cent in September 2010. In addition, services, exports and tourism rebounded strongly in 2010.

### **General Insurance Industry**

During 2010, the insurance sector recorded a growth in premium income and maintained its soundness. Total premium income grew by 11 per cent in the first half of 2010 compared with a decline of 4 per cent in the corresponding period of 2009. The gross written premium (GWP) for general insurance grew by 8 per cent, while premium income on life insurance recorded a growth of 16 per cent in the first half of 2010.

## Company Performance

While Sri Lanka Insurance celebrates nearly half a century of stellar performance in the insurance industry, we are preparing to herald the dawn of our golden jubilee in 2012. In this journey, 2010 is a momentum for our Company as it is to the country. Marking a remarkable leap forward in the Sri Lanka consumer market, in 2010, our Company acquired 100% of issued shares of the Litro Gas Terminal Lanka (Pvt) Ltd. (Formerly known as Shell Gas Terminal Lanka (Pvt) Ltd.) and 51% of issued shares of the Litro Gas Lanka Ltd. (Formerly known as Shell Gas Lanka Ltd.)

Utilising the benefits of the post-war boom, in December 2010 a new branch in Kilinochchi was added to our Jaffna Region.

Sri Lanka Insurance Corporation Limited remains the largest composite insurance provider in Sri Lanka and holds Rs.88.9 billion worth of assets. SLICL is the highest contributor to the Shareholders' Fund and its contribution is Rs.18 billion and the Company holds the highest Life Fund worth of Rs.49.5 billion. SLICL has achieved a Gross Written Premium of Rs.6.0 billion for Life and Rs.9.2 billion for Non-Life and a Net Profit Before Tax of Rs.15 billion in 2010. This is seen as a growth of 431% over 2009 Profit Before Tax. Further, we are the largest contributor by way of taxes to the Government's exchequer, from the insurance industry.

## Recognitions

Sri Lanka Insurance Corporation Limited is the only insurance Company in Sri Lanka to be awarded AAA by RAM Ratings which affirms the Company's long-term claim paying ability. SLICL is also the first insurance Company to receive an independent rating of AA-(Ika) from the global rating agency FitchRatings (London), which also affirms the Company's long-term financial sustainability. SLICL is the first and only insurance Company to have been awarded the ISO 9001:2008 certification and thereby becomes the only insurance Company in Sri Lanka to be thus endorsed by an international quality rating organisation.

We were also recognised and awarded at the World Finance Awards 2010 held in London as the "Best Insurance Company of the Year 2010- Sri Lanka".

## Future Outlook

The future looks very positive for Sri Lanka as we now have one of the most conducive economic environments. Especially as now there is a move in global demand towards fast

## Chairman's Message *Contd.*

growing, large emerging economies and countries like Sri Lanka can leverage on this shift. SLICL is strongly positioned to move forward, reaping these opportunities and our main strategy for 2010 and 2011 is diversification.

The Company has invested in a diversified portfolio including the sectors such as hospitality, manufacturing, health care, construction, banking and trading to avoid the concentration risk.

Through diversification, the Company aims to achieve two purposes; namely, steady returns to the Company through alternative opportunities given the low returns on investment income and to minimise the risk factor arising from concentration. As part of the diversification process, a five-star hotel in Hambantota will be constructed to be run by Sri Lanka Insurance Resorts and Spas (Private) Limited, a subsidiary of SLICL. This is an investment of Rs.3 to 4 billion and will be operational by 2014.

### Appreciations

In conclusion, I wish to convey my heartfelt appreciation to my colleagues on the Board for their valuable contribution. Further, I thank the Managing Director/Chief Executive Officer and his staff, field sales staff, strategic sales partners and brokers and especially the various agencies of the government for their invaluable contribution which enabled me to play my role efficiently.



**Gamini S. Senarath**

*Chairman*

*29th April 2011*





# Managing Director/Chief Executive Officer's Review





## Professionals in Protection

“2010 heralded a period of immense change both for the insurance industry in Sri Lanka and for the Company. The insurance industry in Sri Lanka faces many opportunities as well as challenges in the coming years especially with the new amendment to the Insurance Industry Act, No. 43 of 2000.”

A. M. Mohan De Alwis

## **Managing Director/ Chief Executive Officer's Review** *Contd.*

“SLICL has proposed a bonus of Rs.3.4 billion to our life policy holders which is incidentally the highest ever in the history of our company and the insurance industry in Sri Lanka.”

I am pleased to present to you the Annual Report for the year ended 31st December 2010. 2010 heralded a period of immense change both for the insurance industry in Sri Lanka and for the company. We have seen the industry entering into a growth phase particularly after the end of the internal conflict of the country which raged for almost three decades. The insurance industry in Sri Lanka faces many opportunities as well as challenges in the coming years, especially with the new amendment to the Insurance Industry Act No 43 of 2000. Listing requirements and operating life and general business under separate entities are major changes companies would have to adhere to in the future.

### **Financial Results**

SLICL reported a 24.6 per cent growth in life insurance premium during the year under review, increasing from Rs.4,819 million in 2009 to Rs.6,009 million in 2010. The company's combined GWP growth rate was 12.5 per cent against a zero growth the company experienced in the previous three financial years. This was a major shift in the business model and we expect it to improve further in the future. General insurance contributed 60.7 per cent towards total GWP in the wake of intense price competition and life insurance 39.3 per cent. The company achieved consolidated profit before tax of Rs.15,130 million and profit after tax of Rs.13,270 million compared to Rs.2,851 million and Rs.1,528 million respectively in 2009.

SLICL also made a major strategic investment in November 2010 when it purchased the 100 per cent shareholding of the Sri Lankan operation of Shell Gas Terminal Lanka (Private) Limited and 51 per cent shares of Shell Gas Lanka Limited to acquire the controlling interest and now operate as Litro Gas Terminal Lanka (Private) Limited and Litro Gas Lanka Limited respectively, engaged in importation, storage, filling and distribution of Liquid Petroleum Gas (LPG) in Sri Lanka and enjoys a 72 per cent market share.

The year under review was extremely successful in the investment arena for the company with the investment committee and the investment team working tirelessly to study the capital market developments in Sri Lanka. We were able to make conscious, informed and timely decisions to exploit the opportunities that were available thus

boosting the income from investments to exceptionally high levels. Life fund recorded an investment income of Rs.12.7 billion whilst the general fund contributed with Rs.9.9 billion. The Company has invested in approved assets and maintained its solvency requirements as shown in page 73.

The results for the year ended 31st December 2010, both in terms of Gross Written Premium and profit after tax, have been the highest ever achieved in the SLICL history since incorporation. I am also pleased to note that SLICL has proposed a bonus of Rs.3.4 billion to our life policy holders which is incidentally the highest ever in the history of our company and the insurance industry in Sri Lanka.

### **Key Factors Behind Favourable Performances**

The year 2010 was a very eventful year for the company achieving many milestones. SLICL entered into many strategic partnership agreements with a long-term vision in developing business. The business tie-ups with Diesel & Motor Engineering Company and Central Finance Company were among the major partnerships SLICL entered into during the year under review, which also contributed towards improving our GWP in the motor sector that has seen a very high growth from the last quarter of 2010. The company has continued to enter into strategic partnerships with large state owned entities in their approach to improve growth and performance in the year 2011 as well.

The company also commenced re-organising the branch operations to make them operationally efficient and profitable which included combining of branches and rationalising non-profitable branches. SLICL will be looking towards adding branches to its Northern and Eastern provinces as they are identified as growth areas. A branch in Kilinochchi has already been opened in our Northern network and Mannar, Chankanai, Chavakachcheri and Mullaitivu will be opened shortly. Three additional branches will be added to the Eastern Province this year with Akkaraipattu being the first.

The company introduced several innovative products to the motor insurance range to attract new customers which have been highly successful. Exclusive packages were designed and offered to identified segments, resulting in increased premium income. We expect to reap the benefits of these initiatives in the future. The “Yasas” – Investment Plan was another successful life insurance product introduced in 2010. This is a single premium policy where the policy holder is required to pay the full premium at the inception and the policy has a guaranteed maturity value.

## **Managing Director/ Chief Executive Officer's Review** *Contd.*

### **Future Outlook**

The future looks positive for the insurance industry and we expect that the life insurance industry is likely to record a growth around 25 per cent in 2011. Though the life insurance penetration still remains low in Sri Lanka, there is tremendous market potential and therefore high growth rates are feasible. The health insurance sector is seen as a growing market and many corporates are showing a keen interest in facilitating health covers. With the new infrastructure projects taking place in the economy and other investment opportunities opening up together with positive macro-economic conditions, we expect that there would be substantial growth opportunities in the general insurance sector although this is a very price sensitive market. A growth of over 20 per cent in the motor segment in our general insurance portfolio is planned for 2011, with the influx of vehicles as a result of reduction of duties and permit holder imports.

### **Acknowledgements**

None of these would have been possible without the dedication, hard work and understanding of our employees, field sales staff, strategic sales partners, various Government Institutions and brokers who worked diligently to deliver outstanding results. I also thank the Chairman, Board of Directors and The Secretary, Ministry of Finance for the continuous encouragement, guidance and direction given at all times. I acknowledge the policyholder base as a decisive stakeholder group and cornerstone of the company's success. Their loyalty is sincerely treasured and I look forward to their continuous association with the company as the insurer of first choice.

Last but by no means least, His Excellency the President Mahinda Rajapaksa with his long-term vision, prudence, guidance and direction, in his capacity as Minister of Finance as well, has made it possible to steer the state owned SLICL to a highly profitable venture. With the rapid economic development we now experience in Sri Lanka backed by sound macro-economic fundamentals under his leadership, I trust that SLICL, with its group companies, could move to greater heights and contribute positively towards the growth of the economy.



**A. M. Mohan De Alwis**

*Managing Director/ Chief Executive Officer  
29th April 2011*



# The Board of Directors

*Left to Right:*

Mr. Noel Selvanayagam, Mr. R. A. Jayatissa, Mr. Piyadasa Kudabalage, Mr. Mohan De Alwis,  
Mr. Gamini S. Senarath, Dr. B.M.S Batagoda, Mr. Dhammika Perera







## **The Board of Directors** *Contd.*

### **Mr. Gamini S. Senarath**

*Chairman*

Mr. Gamini S. Senarath, Chief of Staff to the President is the appointed Chairman of the Company. Mr. Senarath is a distinguished SLAS officer who has held senior public service posts such as the Deputy Controller of Immigration and Emigration and Commissioner of Motor Vehicles. He has an Honours Degree from the University of Kelaniya and holds a Postgraduate Degree in Computer Science. Mr. Senarath is the Chairman of Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd. as well and a Director of Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.

### **Mr. Mohan De Alwis**

*Managing Director/CEO*

Mr. Mohan De Alwis, the Managing Director and Chief Executive Officer of Sri Lanka Insurance Corporation Ltd. and Management Services Rakshana Lanka (Pvt) Ltd. has wide and diversified Managerial experience in leading corporate institutions both in Sri Lanka and overseas including Coopers & Lybrand (Botswana), Hayleys PLC, Star Garments Ltd. and Smart Shirts Ltd. He was the Vice Chairman of the Free Trade Zone Manufacturers' Association, Katunayake, and also served as a Management Consultant in Sri Lanka.

Mr. De Alwis holds a Bachelor of Commerce degree from the University of Kelaniya, an MBA from the University of Colombo and is a Certified Management Accountant (Australia). He has well over 30 years experience in the mercantile sector.

He is also the Chairman of Ceylon Asset Management Co. (Pvt) Ltd. and also the Director of Lanka Hospitals Corporation PLC, Seylan Bank PLC, Litro Gas Lanka Ltd., Litro Gas Terminal Lanka (Pvt) Ltd. and Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.

### **Mr. Piyadasa Kudabalage**

*Executive Director*

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

Mr. Kudabalage is the Managing Director / Chief Executive Officer of Litro Gas Lanka Ltd. and Litro Gas Terminal Lanka (Pvt) Ltd. He is the Chairman of the Board of E-Channelling PLC and also on the Board of Seylan Bank PLC, Ceylon Asset Management Co. (Pvt) Ltd. and Sri Lanka Insurance Resorts and Spas (Pvt) Ltd. and a Senior Partner of M/s P Kudabalage & Company, Chartered Accountants. He has well over 26 years experience in the mercantile sector. He held several senior positions in Kahawatta Plantations Ltd., Janatha Estate Development Board and Jay Cey Group of Companies and a Director in Malwatte Valley Plantation Ltd.

### **Mr. Dhammika Perera**

#### *Director*

Mr. Dhammika Perera is the Secretary to the Ministry of Transport, Sri Lanka and a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of LB Finance PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, Vallibel Holdings (Pvt) Ltd. and holds directorships in his other private sector companies. He is the Deputy Chairman of Royal Ceramics Lanka PLC, & Amaya Leisure PLC. Further, he is a Director of Sampath Bank PLC, Hayleys PLC, Haycarb PLC, Hayleys-MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC which owns Ceylon Continental Hotel, Colombo, Hunas Falls Hotels PLC, Dipped Products PLC, Nirmalapura Wind Power (Pvt) Ltd. & Alutec Anodising & Machine Tools (Pvt) Ltd.

He is also a Member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

### **Mr. Noel Selvanayagam**

#### *Director*

Mr. Noel Selvanayagam is an Entrepreneur. He is the Proprietor and President of Senok Group which consists of 24 subsidiary companies and holding the franchises for many world renowned brands of construction machinery, equipment and automobiles, for Sri Lanka and Maldives. He won the Entrepreneur of the Year award in 1996 and many other national and international awards for Exports and Imports. He is the President of the Industrial Association of Sri Lanka, Member of the Power & Energy Committee, Vice-President, Ceylon Motor Traders' Association and former Director, Export Development Board. He is also the Consul General for Sweden in Sri Lanka.

### Mr. R. A. Jayatissa

*Director*

Mr. Jayatissa is an Economist. He is a BA Honours Graduate from the University of Ceylon and also holds a MA Degree in Development Economics from Williams College-USA and a MA Degree in Political Economy from the Boston University-USA. He has served as Director of Economic Research and Assistant Governor of the Central Bank of Sri Lanka, Senior Economist and later as an Alternate Executive Director of the International Monetary Fund, and Deputy Secretary to the Treasury and a Senior Economic Policy Advisor of the Ministry of Finance and Planning. He has extensive knowledge and experience in economic and financial policy issues and management. Mr. Jayatissa also has served as member of the Boards of the National Development Bank, SME Bank, People's Bank, and the Sri Lanka Ports Authority. He is now a Senior Consultant Economist at the Academy of Financial Studies of the Ministry of Finance and Planning.

### Dr. B.M.S. Batagoda

*Director*

Dr. Batagoda is a BA Honours (in Geography) Graduate from the University of Sri Jayawardanapura and also holds a Ph.D. in Environmental Sciences from The University of East Anglia, UK, a MSc in Natural Resources Management from Michigan State University, USA and Attorney-at-Law of the Supreme Court of Sri Lanka. In addition, he holds a Certificate in Public Administration from the Institute of Development Administration, Sri Lanka.

Dr. Batagoda is a Board member of the Board of Directors of Ceylon Electricity Board, Litro Gas Lanka Ltd., Sri Lanka Tourist Development Authority, Sri Lanka Tourism Promotion Bureau and Urban Development Authority. In addition, he is the Director-General of the Department of National Planning General Treasury, Ministry of Finance and Planning. He held several senior positions in the Ministry of Public Administration, Ministry of Plantation Industries, Ministry of Environment and Natural Resources and Ministry of Finance and Planning. Further, he has served as an Assistant Secretary to his Excellency the President of Sri Lanka, Presidential Secretariat, Sri Lanka. Dr. Batagoda has authored several books including *State of the Environment in Sri Lanka*, *The Economic Valuation of Alternative Uses of Mangrove Forests in Sri Lanka* and co-authored books including *Urban Air Quality Management in Sri Lanka*, *Theoretical Manual for Environmental Valuation in Sri Lanka* and *Fiscal Policies on Fuels and Vehicles in Sri Lanka* etc.

## The Management Team

PROTECTION FOR ALL

*Left to Right*



Mohan De Alwis



Neel Hapuhinne



Suresh  
Paranavithana



Ainsley J. Alles



C.C. Jayasuriya



R.G.H. Lewis



Ranjith Perera



P.P.J. Perera



Siri Gunawardena



Renuka  
Ekanayake



Pushpa  
Siriwardena



M.O.G.S. Paris



Niroshini  
Pethiyagoda



Prasanna  
Vithanage



Ajith  
Wijayasundara



Nilanga  
Wickramasinghe

## The Management Team *Contd.*



Pubudu  
Wimalaratne



Hasantha Perera



Rasika Ranatunga



Dayaratne Perera



Kithsiri Bandara  
Wijeratne



Mahen Peiris



J.I.A. Vincent



Dr. S.L.P.P.  
Fernando



Tharaka Balasuriya



Prabath  
Pussadeniya



Parakrama  
Ambanpola



Nalin Subasinghe

*Left to Right***1. Mohan De Alwis**

BCom, MBA, CMA (Australia)

*Managing Director,*

*Chief Executive Officer*

**2. Neel Hapuhinne**

BCom (Special), Attorney-at-Law, PG.

Dip. (Australia), member of the

Australian Institute of Management

*General Manager-Administration*

**3. Suresh Paranavithana**

FCII, MBA, Dip. M, MCIM, M.I.Mgt,

Certified Management Accountant

(Australia)

*Chief Officer-Life*

**4. Ainsley J. Alles**

FCII and Chartered Insurer, FIII, ANZIIF

(Fellow), MBA, EDBA, FCPM

*Chief Officer-General Insurance*

*(Appointed w.e.f. 18/01/2011)*

**5. C.C. Jayasuriya**

LCCIC, HCCBK (Technical College

Ceylon), Partly qualified in FCII, ACII

*Consultant-General Insurance*

**6. R.G.H. Lewis**

*Consultant-Marine Insurance*

**7. Ranjith Perera**

BSc (Hons) (Pub.Admn.Sp.), MBA, PG.

Dip. in Corp. Finance, FCMA, ACA

*Senior DGM-Finance*

**8. P.P.J. Perera**

FCA, MBA (USQ)

*Senior DGM-Investment*

*(Resigned w.e.f. 31/12/2010)*

**9. Siri Gunawardena**

ACII, Chartered Insurer, BA (Hons)

*DGM-Training & Development*

**10. Renuka Ekanayake**

BA (Sp), MBA, All, Chartered Insurer

*DGM-Motor Insurance*

**11. Pushpa Siriwardena**

ACII (London), Chartered Insurer, BA (Hons)

*DGM-General Accident*

**12. M.O.G.S. Paris**

FCA, FCMA, MBIM, SAT, HNDMS

*DGM-Internal Audit*

*(Resigned w.e.f. 25/03/2011)*

**13. Nirosini Pethiyagoda**

MBA (MGSM, Syd), MCIM (UK), DipM (UK)

*DGM-Marketing*

**14. Prasanna Vithanage**

MCIM

*DGM-Administration*

**15. Ajith Wijayasundara**

BSc (Eng), MBA

*DGM-ICT*

*(Appointed w.e.f. 17/01/2011)*

## The Management Team *Contd.*

### 16. Nilanga Wickramasinghe

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

### 17. Pubudu Wimalaratne

ACII, All, Chartered Insurer  
*AGM-National Sales (General)/  
Technical Sales*

### 18. Hasantha Perera

Member of IPMSL, AIE (SL), MSc (IT),  
Dip. in Credit Mgmt., MSc (Const. P. Mgmt),  
MBA, BSc (Eng.)  
*AGM-ICT, Head of ICT Governance &  
Administration Dept.*

### 19. Rasika Ranatunga

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

### 20. Dayaratne Perera

BSc (Hons), ACII, Dip. in BA,  
Chartered Insurer  
*AGM-Life (Technical)*

### 21. Kithsiri Bandara Wijeratne

BSc, DPFM, FCA, SMIAAT (SL)  
*AGM-Finance*  
*(Resigned w.e.f 06/03/2011)*

### 22. Mahen Peiris

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

### 23. J.I.A. Vincent

BCom, MBA, CIM, Dip. in Journalism  
*AGM-Sales Dev & Adm*

### 24. Dr. S.L.P.P. Fernando

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

### 25. Tharaka Balasuriya

BA (Econ, Maths)  
*AGM-Corporate Sales*

### 26. Prabath Pussadeniya

BSc (Colombo), PGC (PIM),  
NDTD (SLITAD), AMSLITAD  
*AGM-HRD*

### 27. Parakrama Ambanpola

*AGM-Branch Administration*

### 28. Nalin Subasinghe

BSc (Hons) (Maths Special)  
Part Qualified (IAUK and SOA)  
Dip. in Computer Studies  
*AGM-Actuarial Services*



## Management Discussion and Analysis

### Overview

The Management Discussion and Analysis (MD&A) of SLICL for the year ended 31st December 2010 is presented below. The purpose of this MD&A is to give an opportunity for all readers to get information and an understanding about the Company's affairs through the eyes of the management. This report was developed based on both historical and prospective information.

### Economic Review

#### The Global Economy

According to the World Economic Outlook, October, 2010 issued by the International Monetary Fund, global activity is forecast to expand by 4.8 per cent in 2010 and 4.2 per cent in 2011, with a temporary slowdown during the second half of 2010 and the first half of 2011. Output of emerging and developing economies is projected to expand at rates of 7.1 per cent and 6.4 per cent in 2010 and 2011, respectively. In advanced economies, however, growth is projected to be only 2.7 per cent and 2.2 per cent, respectively.

Economic recovery continues to strengthen during the first half of 2010, but global financial stability suffered a major setback with the turmoil in sovereign debt markets in the second quarter of 2010.

Sustained health recovery rests on two rebalancing acts: internal rebalancing, with a strengthening of private demand in advanced economies, allowing for fiscal consolidation; and external rebalancing, with an increase in net exports in deficit countries and a decrease in net export in surplus countries, notably emerging Asia.

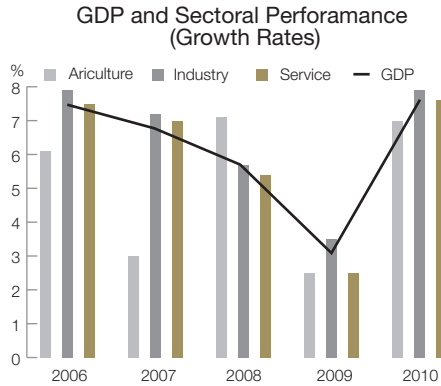
#### The Sri Lankan Economy

The end of the internal conflict which dragged for 30 years opened fresh hopes and prospects to Sri Lanka to recover its foothold, to attain its economic development aspirations and to flourish. Sri Lanka was upgraded to middle-income emerging country status by IMF in January 2010. Earlier Sri Lanka was listed under Poverty Reduction and Growth Trust (PRGT) eligible countries.

#### GDP Growth

The Sri Lankan economy grew by a higher rate of 7.8 per cent during the first half of 2010 compared to the growth of 1.9 per cent recorded during the corresponding period of 2009. The enhanced performance in all main sectors of the economy contributed towards this development. The agricultural sector, mainly driven by the higher growth in the

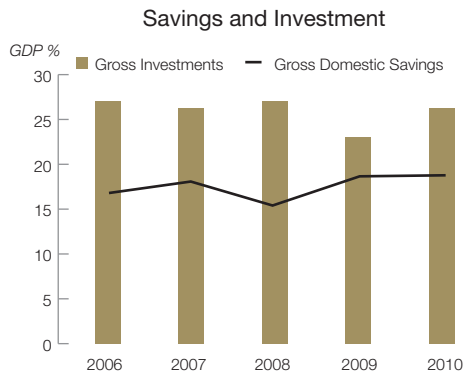
production of paddy, tea, and minor export crops and better performance in the fisheries sector grew by 7.2 per cent. The industry sector grew by 8.0 per cent with improved performance in mining and quarrying, manufacturing, electricity, gas and water, and construction sectors. The services sector recorded a growth of 7.8 per cent in the first half of 2010 supported by higher contribution from domestic and foreign trade, transportation, tourism and financial services.



*Source- Central Bank of Sri Lanka*

### Savings and Investment

The total gross investment of the country is projected to increase to 27.8 per cent of GDP in 2010 from 24.5 per cent in 2009. Private sector investment which contracted in 2009 has recovered robustly mainly in the manufacturing, telecommunications, tourism and construction sectors. Meanwhile, the inflows related to Foreign Direct Investments (FDI) during the first half of 2010 turned down reflecting the impact of the global financial crisis. The continuation of the government investment programme, particularly the mega infrastructure projects such as the Hambantota Port Development Project, Norochcholai Coal Power Plant, Upper Kotmale Hydro Power Project and the Southern Expressway, will also support the resurgence in investment. Domestic savings in 2010 are projected to remain unchanged at the 2009 level of 18 per cent of GDP. This is mainly due to the expected higher growth in import demand which would reflect the increased utilisation of domestic savings.



*Source- Central Bank of Sri Lanka*

## Inflation

The annual average inflation as measured by the Colombo Consumers' Price Index, which had decelerated since November 2008, reaching a low of 3.1 per cent in February 2010, moved upward gradually to 5.9 per cent in December 2010. Domestic inflation in 2011 is expected to remain subdued within single digits.

## Unemployment Rate

The rate of unemployment, which had been decelerating over the past few years, (except in 2009 when a temporary set-back occurred due to the global financial turmoil), declined further to 4.9 per cent in 2010 from 5.8 per cent in 2009. The implementation of various infrastructure development projects, reconstruction, resettlement and rehabilitation programmes, creation of self-employment opportunities, and increased agricultural activities have contributed to the generation of more employment opportunities. With the improved level of livelihood activity mainly in the North and East, a remarkable boost in self employment opportunities is anticipated.

## External Trade

### Trade in Goods and Trade Balance

External trade, which was affected by the global economic crisis in 2009, recovered during the first eight months of 2010. Earnings from exports grew by 10.8 per cent to US dollars 5,040 million, year-on-year, during the first eight months of 2010. Earnings from agricultural exports recorded a favourable growth of 20.6 per cent to US dollars 1,267 million mainly due to the higher prices that prevailed in the international market during the

## Management Discussion and Analysis *Contd.*

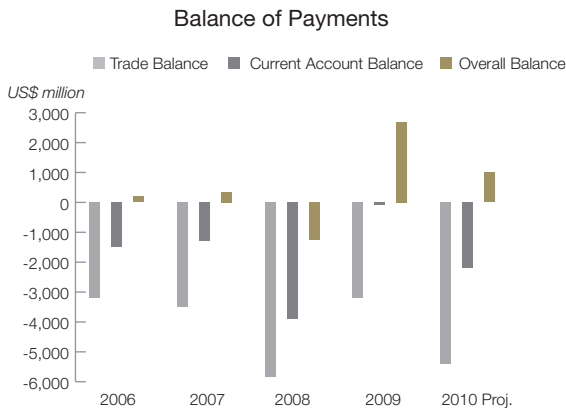
first eight months of 2010. Earnings from industrial exports increased by 7.9 per cent to US dollars 3,713 million during the first eight months of 2010.

### Trade in Service

With the expansion of economic activity and recovery of the global economy, trade in services recorded a significantly higher surplus during 2010. Sri Lanka's travel and tourism industry, which was adversely affected due to the prolonged internal conflict, staged a significant resurgence in 2010. Exports of software and Information Technology (IT) enabled services such as IT-related Business Process Outsourcing (BPO) to come out as a sector with better growth prospective.

### Balance of Payments

Regardless of the current account deficit escalating in line with the widened trade deficit, the higher inflows to the capital and financial account resulted in the overall BOP recording a surplus of US dollars 1.3 billion by mid October 2010. The ending of the internal conflict, a better macroeconomic environment and the continuation of the IMF-SBA facility have increased the assurance among international investors.



*Source- Central Bank of Sri Lanka*

## INDUSTRY REVIEW

### Global Insurance

Over the past few years it has become evident that the global insurance industry is being shaped by a small number of well-defined external drivers of change; namely, an evolving socioeconomic and political context, changing consumer concerns and buying behaviour,

rapidly developing technology, broadening distribution patterns, new regulations and natural disasters.

Major natural disasters in 2010 was one of the most catastrophic years in decades. Among the severe catastrophes that claimed many lives and hit the insurance industry were earthquakes and floods in Haiti, Chile, and Asian countries. In all, there were five catastrophes in 2010 assignable to the top category of “great natural catastrophes” based on the definition criteria of the United Nations: the earthquakes in Haiti (12 January), Chile (27 February) and central China (13 April), the heatwave in Russia (July to September), and the floods in Pakistan (also July to September). Nevertheless, the Haiti earthquake was the most disastrous in terms of human life, claiming about 223,000 lives and marking the most shocking earthquake since the 1976 Tangshan earthquake in China, which caused some 242,000 deaths.

Amidst all, the global insurance industry has recovered from the financial crisis and premium growth is expected to accelerate in 2011.

## Local Insurance

The insurance sector in total consists of 19 insurance companies, of which 12 are composite insurers, with 5 offering only General Insurance and 2 offering only Life Insurance products. Forty one (41) insurance brokering companies, registered with the IBSL in terms of the section 82 of the Regulation of Insurance Industry Act, No. 43 of 2000, currently engaged in insurance brokering business.

## Regulatory environment

Revisions to the Regulation of Insurance Industry (RII) Act have been prepared to strengthen the power of the Insurance Board of Sri Lanka to issue directions to insurance companies, brokers and loss adjusters, to deal with disputes and enforcement in order to protect the interests of policy holders. Eligibility criteria for directors, principal officers, specified officers of insurance companies and brokers are also specifically given in the Act. The other amendments include appointments and the requirement that long-term (life) and general insurance business be conducted in separately incorporated companies, with existing composite companies being given four years time to segregate business into two companies. In addition, existing insurance companies are required to be listed on a licensed stock exchange within five years from the date of coming into operation of the Insurance (Amendment) Act, 2011. A risk-based capital adequacy framework for insurance companies is also being formulated. The most welcoming new feature of the

## Management Discussion and Analysis *Contd.*

amendment is that it allows the appointment of “any person” as an agent which will facilitate/strengthen the insurance business.

According to the budget proposal 2011, there are certain changes to the direct and indirect taxes which are prevailing at present in the Company such as reduction of NBT from 3% to 2%, and reduction of corporate tax rate up to 28%. Those reforms may bring the industry to better tax planning and ease the administrative work relating to taxation.

### SLICL VS Insurance Industry

Sri Lanka Insurance Corporation Ltd. being the largest state owned insurance Company has reported the second highest market share around 20% for Life insurance in the year 2009 as per the IBSL information. General insurance business also recorded the second largest market share, around 26% of the industry performance in 2009.

### Premium Income-Insurance Industry

According to the Central Bank Reports, in the insurance industry, total premium income grew by 11% in the first half of 2010 compared with a decline of 4% in the corresponding period of 2009. The gross written premium (GWP) for general insurance grew by 8%, while premium income on life insurance recorded a growth of 16% in the first half of 2010. All insurance companies complied with the solvency margin requirement for both general and life insurance. The insurance sector holds about 41% and 13% of its assets in government securities and equities respectively indicating a diversification of the investment portfolio to an acceptable level.

In the insurance industry, the Aggregate Gross Written Premium (GWP) from Life Insurance business and General Insurance business was Rs.57, 252 million in 2009 down by 1.57% from the previous year's GWP of Rs.58,166 million. The decline in the premium growth during 2009 has resulted in a lower contribution to GDP of 1.19% when compared with the preceding six years. The GWP of the General Insurance business amounting to Rs.33,485 million (2008-Rs.34,553 million) accounted for 58.48% (2008-59.40%) of the total GWP while Life Insurance business with a premium income of Rs.23,767 million (2008-Rs.23,613 million) represented 41.52% (2008-40.60%) of GWP.

### Company's Financial Performance

#### Performance in GWP

The total contribution of combined GWP is Rs.15,276 million for the year 2010. The Company's combined growth rate is 12.46 per cent against the zero growth rate of the

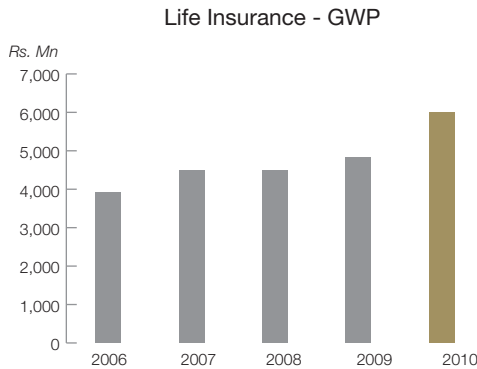
year 2009. The General GWP grew by 5.7 per cent while the Life GWP grew by 24.6 per cent. General Insurance contributed 60.66 per cent towards total GWP and life insurance contributed 39.34 per cent.

### Performance in Profitability

The Company achieved Profit Before Tax (PBT) of Rs.15, 034 million for the year 2010 recording 431 per cent growth over Rs.2,830 million made in the previous year. The contribution of General Insurance to PBT was Rs.11,343 million which is 1,075 per cent higher than Rs.965 million contributed in 2009. The contribution of the Life Insurance to PBT also grew by 103.7 per cent from Rs.1,864 million in 2009 to Rs.3,798 million in 2010. The Company reported Profit After Tax (PAT) of Rs.13,039 million with a growth rate of 757 per cent over the previous year.

### Review of Life Insurance

The Life Insurance business of SLICL has consistently out-performed the industry in terms of the GWP growth.



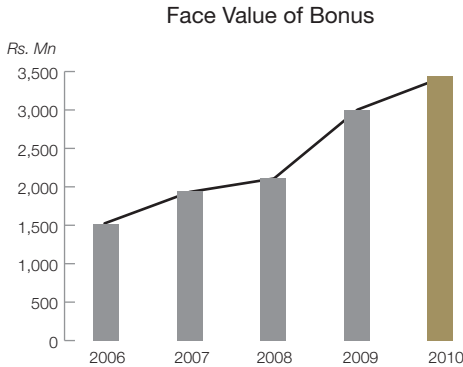
SLICL reported a 24.6 per cent of growth in premium during the period 2010, increasing from Rs.4,819 million in 2009 to Rs.6,009 million in 2010.

Growth rates of the Life Insurance are as follows.

<b>GWP Growth in Life Insurance</b>	<b>2010</b>	<b>2009</b>
Life GWP ( Rs.Min)	<b>6,009</b>	4,819
Growth	<b>24.6%</b>	7%

**Bonus to Life Policy Holders**

As seen in the graph below, SLICL has a remarkable increase in the bonus stream declared to our life policy holders, with 2010 being the highest at Rs.3.4 billion.



**Review of General Insurance Business**

The growth momentum of the General Insurance business was maintained throughout 2010, with a 5.7 per cent growth in GWP increasing from Rs.8,764 million in 2009 to Rs.9,266 million in 2010.

The General Insurance is divided into five classes; namely, Motor, Marine, Fire & Engineering, WCI and General Accident. The main contributor to the General Insurance, Motor insurance, recorded 14.02 per cent growth in 2010 whilst the other classes also recorded a growth: Marine 2.56 per cent, WCI 22.82 per cent and General Accident 13.06 per cent. The Motor classes accounted for about 54.74 per cent in the year 2010 out of the total GWP in General Insurance.

General Insurance Premium Class Wise Distribution is as given below.

	<b>2010</b>	<b>2009</b>
	<b>Rs.Million</b>	<b>Rs.million</b>
Fire & Engineering	<b>1,601</b>	1,991
Marine	<b>413</b>	403
Motor	<b>5,072</b>	4,448
WCI	<b>83</b>	67
General Accident	<b>2,095</b>	1,853



## Investment

### Investment Strategy

The investment strategy is focused on achieving the appropriate balance among asset growth as well as income to meet the obligations of the Fund, based on prudent investment management principles within the context of applicable Insurance Board of Sri Lanka (IBSL) insurance regulations.

Accordingly, an Investment Policy Statement (IPS) was developed for guidance in managing both Life and General investment portfolios. The IPS specifies the limits of exposure to various Asset Classes as well as Sectors. IPS also stipulates responsibilities of the Board of Directors, Investment Sub-Committee and the Investment Managers. Evaluation of Investment Performance was done quarterly and reported to the Board as required by the IPS.

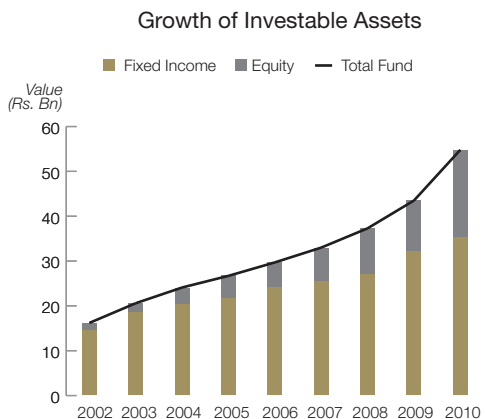
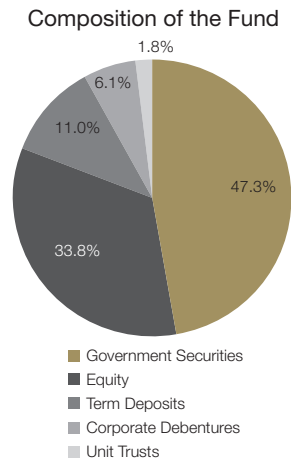
In a low interest rate environment as prevalent at present, more focus and reliance were placed on equity investments. Capital market, as expected, performed well providing higher capital gains for both Life and General portfolios than the returns on fixed income instruments.

### Investment Committee

The Investment Committee, as detailed in the Investment Committee Report is responsible for the ongoing management of the investment portfolio. The Committee has adhered to the CFA Institute Asset Manager’s Code.

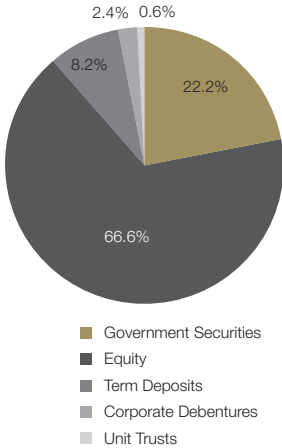
### Asset Allocation

Life Fund:

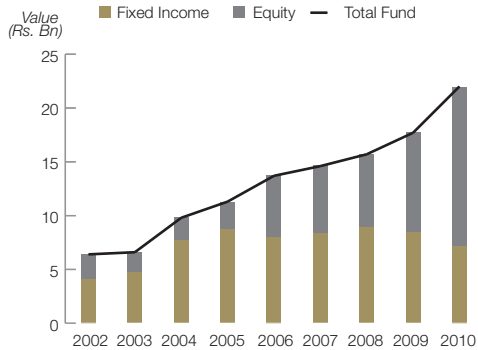


General Fund:

Composition of the Fund



Growth of Investable Assets



Liquidity

Life Fund:

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

However, in upcoming years greater than historical volumes of maturities and cash outflows are expected representative of a new phase in the fund’s policy maturity cycle. Treasury bonds may be used to match these anticipated exceptional cash outflows by coinciding maturities.

Short term allocation included a funding cushion of around Rs.1Bn in liquid securities to meet policy obligations, tax obligations and investment opportunities.

General Fund:

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

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

## Asset – Liability Matching

### Life Fund:

As there were no adequate long-term fixed income instruments available in the market, a substantial portion of the equity portfolio was invested in Strategic Investments in blue-chip companies. The Strategic Investments are employed to match the longer term liabilities of the Life Fund. The other part of the equity portfolio is used for trading to realise capital gains to meet the Life Fund obligations.

The Strategic Investments of the Life Fund appreciated in value far in excess of the cost of such investments. These investments are expected to provide strong support for the Life Fund liabilities to meet the future obligations.

### General Fund:

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

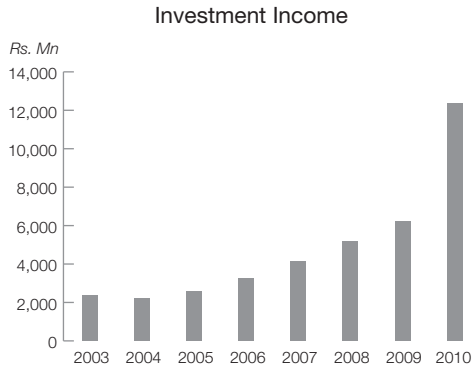
## Investment Performance

The Company achieved extremely healthy returns during 2010 for both Life and General funds under prudential and dynamic investment management whilst not taking any undue risks. This is a commendable performance under a regime where both short term and long term interest rates were falling continuously.

The Company recorded a total investment income of Rs. 22.5 Billion which is a superior 189.9% growth compared to the previous year.

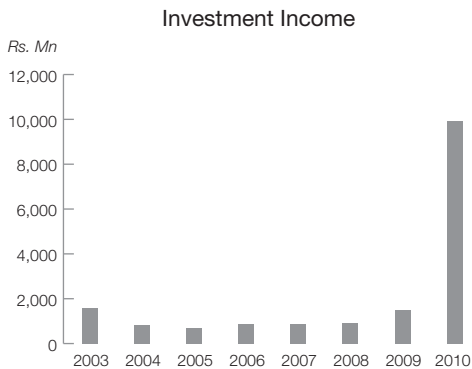
### Life Fund:

The Life Fund recorded an investment income of Rs.12.7 Billion which is a 102.9% growth compared to the previous year.



**General Fund:**

The General Fund recorded an investment income of Rs.9.9 Billion which is a massive 559.2% growth compared to the previous year.



**Distribution Network**

In 2010, SLICL was operating 18 Regions covering the whole island. This included 2 Metro Regions in Colombo; namely, Colombo 04 and Colombo 05. We had a total of 111 branches and 18 Customer Service Centers (CSC) in operation under 16 Regions and 11 Metro (virtual) branches under 2 Metro Regions in Colombo. In December 2010 a new branch in Kilinochchi was added to our Jaffna Region. Further, 12 new branches will be added to our network in 2011 as given below:

- Jaffna Region - Chankanai, Chavakachcheri, Mannar, Mulaitivu;
- East Region - Dehiattakandiya, Akkaraipattu, Horowpothana;
- Hambantota Region - Hambantota, Suriyawewa;

- Matara Region - Hakmana;  
 Negombo Region - Export Processing Zone in Katunayake; and  
 Colombo 03 Region - Borella.

## Human Capital

At SLICL we value talent and passion to work and moving away from boundaries, in search of innovation. Our people are part of our business process adding value and growth through high personal and professional standards. Hailing from diverse backgrounds they work as a team, blending individual talents and corporate experiences. At SLICL knowledge transferring takes place from one generation to another due to an assortment of demographical diversity of people.

We nurture our people to be passionate towards excellence and dynamism by empowering and guiding them throughout their career with us. As people managers we encourage them to actualise themselves to perform at full potential to create a value driven, customer based organisation.

At SLICL we aim to revolutionise how we attract, develop and retain talent to match the present as well as growing needs of our Company. We ensure that the best talent is hired and positioned at the right place and nurtured well. On the job and skill based trainings are offered to carve our human capital to fit into our customer requirements. We value their thinking and doors are open to articulate their ideas.

## Our Strengths and Our Challenges

Our main strengths are the financial stability of the Company as the largest and the strongest state owned insurer as endorsed by independent ratings from FitchRatings (London) and RAM Ratings; quality assurance as endorsed by the ISO 9001:2008; island wide distribution network of 125 branches makes SLICL a dominant player in the insurance market; compliance with applicable laws, rules and regulations and principles of good governance all of which have been affirmed by awards especially “Best Insurance Company of the Year 2010-Sri Lanka” at the World Finance Awards in London and last but by no means least, our valuable committed employees, sales force and all other stakeholders.

We have identified the following as the key challenges for the year 2011:

- a. fierce competition in the market with 18 other insurance companies;
- b. to increase the growth rate of insurance business;
- c. low penetration in life insurance business; and

## Management Discussion and Analysis *Contd.*

- d. new regulatory requirements under the amended Regulation of Insurance Industry Act, No. 43 of 2000 like segregation of composite insurance business and listing requirements.

Most of these challenges are faced by other insurance companies as well and we are positive that we can conquer these challenges with our strengths and strategies.

### Future Outlook

With the end of the prolonged internal conflict of the country, it is anticipated that industries like hospitality, agriculture & fisheries, construction, transport, housing etc. would achieve a remarkable growth in future. The insurance sector being a service sector supporting all these industries would benefit from this growth massively. Especially through diversification, the Company is positioned to achieve a steady growth in the future.

## Product Portfolio

Sri Lanka Insurance is a composite insurance provider engaged in both Life and Non-Life Insurance business. The Company offers a wide portfolio of Life and Non-Life Insurance solutions with unique tailor-made solutions for both individual and corporate customers.

### Life Insurance Solutions



Sri Lanka Insurance-Life policyholders enjoy unmatched benefits and services from the largest and strongest state owned insurer. It is home to the largest, professionally managed life fund in the insurance industry, which stands at Rs.49.5 billion to date, guaranteeing bonuses from the very first year to all participatory policies.

Sri Lanka Insurance's life product portfolio offers an array of customised solutions from child plans, retirement plans to advance benefit plans and investment plans, catering to the diverse needs of its clientele.

### Motor Insurance Solutions



Sri Lanka Insurance Motor Plus, the Company's flagship motor insurance policy offers an array of innovative customised solutions for private cars, commercial vehicles, fleets and all other vehicle classes.

A highly personalised service is ensured at every customer contact point. From obtaining a Motor Plus policy through to eventualities such as accidents, breakdowns and accident repairs, Sri Lanka Insurance Motor Plus provides a hassle-free experience to all its Motor policyholders.

Sri Lanka Insurance Motor Plus has collaborated with premier vehicle agents in the island such as Senok, Toyota, United Motors, BMW, DIMO, AMW, Carmart, Kia, Hyundai and Swedish Trading to provide stress-free collision repair services.

Policyholders also have the advantage of obtaining a motor-policy within 24 hours enabling them to enjoy the benefits of speedy onsite assessments, personal accident and surgery covers and rent-a-car allowances while the vehicle is under accident repair.

### Non-Motor Insurance Solutions

The Non-Motor category products of Sri Lanka Insurance meet the wide-ranging needs of the modern customer.

#### Business Club



Business Club provides comprehensive and flexible insurance solutions to the business community while safeguarding their business. Business Club product portfolio includes the following range of insurance policies:

**Trade:** This policy is specifically designed to meet the needs of shop keepers and store owners in both retail and wholesale businesses.

**Fire/Engineering:** Fire and Engineering Insurance provides total insurance solutions for business premises, factories, warehouses, schools, machines and construction projects etc.

**Tea:** A tailor-made insurance policy for the tea industry offering covers for factory,

buildings, machinery, fixtures and transportation of tea stocks.

**Hoteliers' Comprehensive:** Hoteliers are provided with a comprehensive cover against fire & allied perils, public liability, food poisoning, burglary and property damages.

**Marine:** A comprehensive marine insurance solution for import/export businesses as well as for the shipping and fisheries industries.

**Workmen's Compensation:** Workmen's Compensation Insurance provides protection against injuries and occupational diseases during the course of employment.

### Home Protect:



A complete home insurance solution providing cover for your home and valuables against unexpected risks, to ensure that it is safe and secure. The policy provides customised home insurance solutions to the customer which includes fire insurance, burglary insurance and comprehensive cover.



### Health Plus:



A unique and useful policy that can protect you from virtually any health related situation, so that you can enjoy life to the maximum. This is available to the corporate sector, government institutions, groups and individuals with a range of value added benefits.

### Globe Trotter:



Globe Trotter is the prime choice for travel insurance providing comprehensive cover from embarkation to destination and back, covering medical expenses, loss and delay of baggage, loss of passport, personal accident cover during travel as well as hijacked distress allowances. Customised solutions are available for business travellers, students, tourists, holiday makers and group customers.

### Gaurawa:



An insurance solution especially designed for professionals which offers an array of insurance covers inclusive of personal accident, reimbursement of replacement cost of bank cards, driver's license and National Identity Card, reimbursement of taxi fare and ambulance charges to the hospital etc.

### Personal Accident:

Personal accident cover provides compensation against death and bodily injuries caused by violence and accidents.



## Professionals in Protection

“Our hallmarks are reliability, solidity and customer focus. We have a long term vision of what we must achieve... a vision that has driven us to achieve profitable and consistent growth.

Thanks to this far-sighted strategy, the Company has grown into an exceptionally valuable organisation with good returns for our stakeholders.”

# Corporate Governance, Risk Management and Other Reports.



*“We have implemented and co-ordinated a set of risk management systems which help us to recognise any development likely to jeopardise our business, in a timely manner. As the nation’s largest insurance Company, we recognise that our responsibility to be an accountable and transparent Company is very serious.”*

## Corporate Governance

An internationally accepted definition of principles of corporate governance used by the Organisation of Economic Cooperation and Development (OECD) reads:

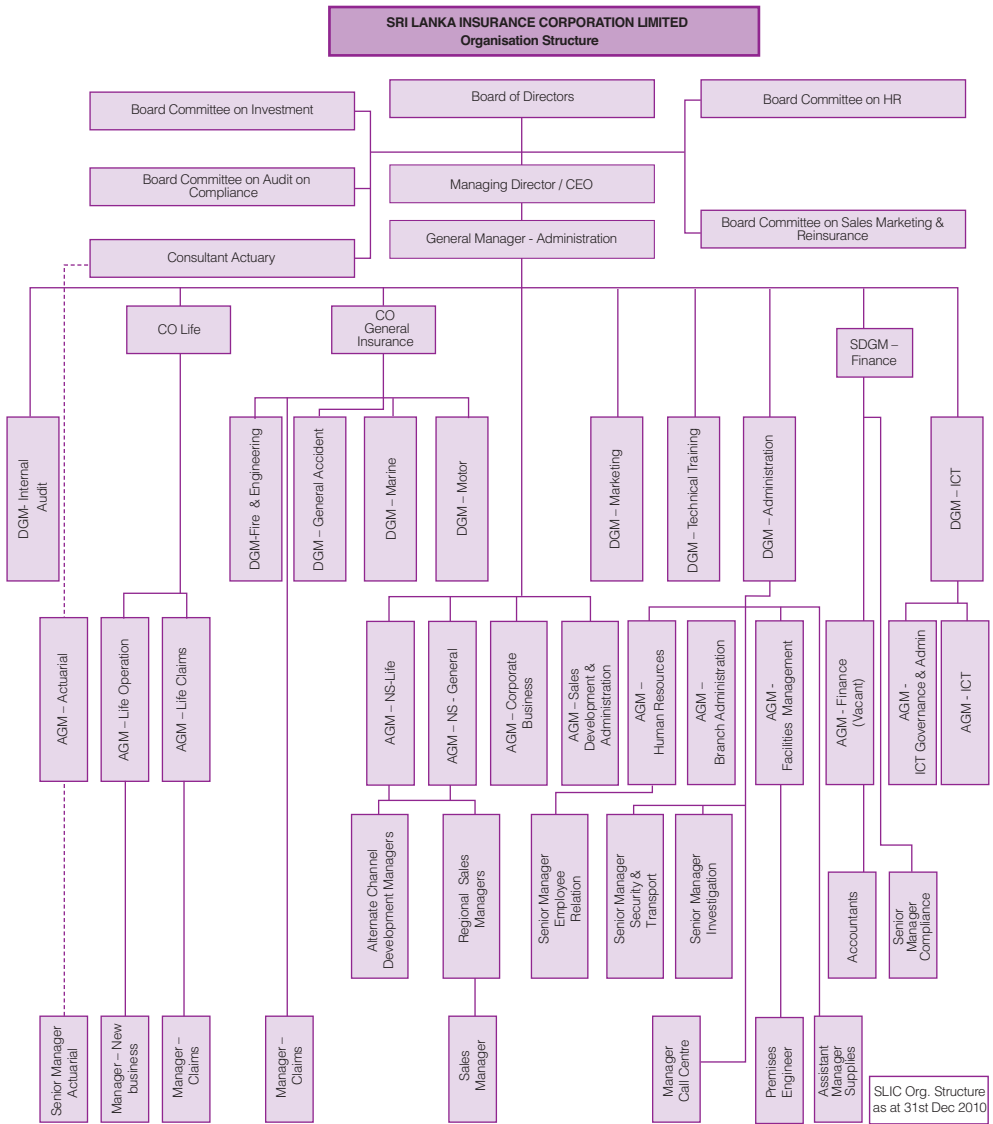
Corporate governance specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set, and the means of attaining those objectives and monitoring performance.

While approaches may differ, there is global appreciation of the OECD's basic corporate governance principles of responsibility, accountability, transparency, and fairness. With the Institute of Chartered Accountants of Sri Lanka (ICASL) publishing a voluntary "Code of Best Practice on Matters Relating to Financial Aspects of Corporate Governance" in 1997, corporate governance initiatives originated in Sri Lanka. Thereafter, the ICASL issued the "Code of Best Practice on Audit Committees" in 2002.

In 2003, the Department of Public Enterprises of the Ministry of Finance issued a "Code of Best Practice in Corporate Governance for Public Enterprises in Sri Lanka". The Code addresses issues peculiar to the corporate governance of public enterprises: specifically, the need for the government to improve the ways in which it exercises ownership and governance function over public enterprises, and the need for a professional board and management to enjoy greater operational autonomy without interference from the government.

# Corporate Governance *Contd.*

The governance structure of the Company is diagrammatically presented below:



The following corporate governance table was developed based on the Code of Best Practice on Corporate Governance Issued Jointly by the Securities and Exchange Commission of Sri Lanka & the Institute of Chartered Accountants of Sri Lanka, Year 2008.

Corporate Governance Principle	Level of Compliance
<b>Composition of the Board</b>	<p><b>Requirement:</b> It is preferable for the Board to have a balance of Executive and Non-Executive Directors. The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors whichever is higher.</p> <p><b>Company's Response:</b> The Board of Directors of Sri Lanka Insurance Corporation Ltd comprise of seven Directors of whom five are Non-Executive Directors. The Chairman is in a Non- Executive capacity.</p>
<b>Independency of Directors</b>	<p><b>Requirement:</b> <b>The criteria provide that an independent director:</b></p> <ul style="list-style-type: none"> <li>(i) has not been employed by the Company during the period of two years immediately preceding appointment as director;</li> <li>(ii) currently has/had not during the period of two years immediately preceding appointment as director, a Material Business Relationship with the Company, whether directly or indirectly;</li> <li>(iii) does not have a Close Family Member who is a director, Chief Executive Officer (and/or an equivalent position) in the Company;</li> <li>(iv) does not have a Significant Shareholding in the Company;</li> <li>(v) has not served on the board of the Company continuously for a period exceeding nine years from the date of the first appointment;</li> <li>(vi) is not employed in another Company or business, <ul style="list-style-type: none"> <li>a) in which a majority of the other directors of the Company are employed or are directors; or</li> </ul> </li> </ul>

Corporate Governance Principle	Level of Compliance
<p><b>Independency of Directors</b> <i>Contd.</i></p>	<p>b) in which a majority of the other directors of the Company have a Significant Shareholding or Material Business Relationship; or</p> <p>c) that has a Significant Shareholding in the Company or with which the Listed Company has a Business Connection;</p> <p>(vii) Is not a director of another Company,</p> <p>a) in which a majority of the other directors of the Company are employed or are directors; or</p> <p>b) that has a Business Connection in the Company or a Significant Shareholding;</p> <p>(viii) Does not have a Material Business Relationship or a Significant Shareholding in another Company or business,</p> <p>a) in which a majority of the other directors of the Company are employed or are directors; and/or</p> <p>b) which has a Business Connection with the Company or Significant Shareholding in the same;</p> <p>If a Non-Executive Director is identified as “Independent” notwithstanding the existence of any of the above factors, the reason for such determination should be disclosed.</p> <p><b>Company’s Response:</b> HE the President Mahinda Rajapaksa appointed the Board members in his capacity as the Minister of Finance. Non-Executive Directors are capable of forming an independent view since they are not part of the day-to-day operations of the Company.</p>
<p><b>Chairman and CEO</b></p>	<p><b>Requirement:</b> If Chairman and CEO is one and the same person, required to disclose the name of the Chairman/CEO and Senior Independent Director</p>



Corporate Governance Principle	Level of Compliance
<b>Chairman and CEO</b> <i>Contd.</i>	<p>appointed and justification of the decision to combine.</p> <p><b>Company's Response:</b> The positions of Chairman and CEO are separated to ensure a balance of power and authority. In addition, the Chairman is a non-executive position.</p>
<b>Financial Acumen &amp; Balance of the Board</b>	<p><b>Requirement:</b> The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p> <p><b>Company's Response:</b> There are two senior Chartered/Management Accountants on the Board. In addition, all members of the Board possess extensive knowledge and experience in various facets of financial management.</p>
<b>Frequency of Board Meetings</b>	<p><b>Requirement:</b> Board meetings should be held at least once in every quarter of a financial year.</p> <p><b>Company's Response:</b> The Board met 15 times as described below during 2010. The following sub Committees also met on a regular basis as detailed below:</p> <ol style="list-style-type: none"> <li>a) Audit and Compliance Committee.</li> <li>b) Investment Committee.</li> </ol>
<b>Supply of information to the Board</b>	<p><b>Requirement:</b> The Board should be provided with timely information in a form and of a quality as appropriate to enable it to discharge its duties.</p> <p><b>Company's Response:</b> The Board receives board papers, agendas and prior board minutes to be</p>

Corporate Governance Principle	Level of Compliance
<p><b>Supply of information to the Board</b> <i>Contd.</i></p>	<p>tabled prior to board meeting. In addition, during 2010, members of the senior management made presentations to the Board regarding product development, risk management strategies, investments and investment strategies, regular financial results, annual budgets and marketing activities etc. The chairman ensures that all members are properly briefed on issues arising at Board Meetings.</p>
<p><b>Re-election of Directors</b></p>	<p><b>Requirement:</b> All Directors should be required to submit themselves for re-election at regular intervals at least once in every three years.</p> <p><b>Company's Response:</b> Article 92 of the constitution of the Company requires that at each annual general meeting one third of non-executive directors retire from office and become eligible for re-election by the shareholders. Executive Directors are not subject to retirement by rotation.</p>
<p><b>Training</b></p>	<p><b>Requirement:</b> Every Director should receive appropriate training when first appointed to the Board of a Company and subsequently as necessary.</p> <p><b>Company's Response:</b> Training is provided to give sufficient opportunities for continuous development, subject to the relevance for each Director. The Board is updated on the latest developments and problems facing the Company and the insurance industry in common. The Compliance Department has provided a summary of Directors' Statutory Duties, to the Executive Directors and the same is available at the Company intranet for the Non-Executive Directors as well.</p>

Corporate Governance Principle	Level of Compliance
<b>Appraisal of the Board Performance</b>	<p><b>Requirement:</b> Board should periodically appraise their own performance and that of its committees in discharging its key responsibilities.</p> <p><b>Company's Response:</b> Not as yet and plan to implement in future.</p>
<b>Appraisal of the CEO</b>	<p><b>Requirement:</b> The Board should be required at least annually to assess the performance of the CEO.</p> <p><b>Company's Response:</b> Complied with.</p>
<b>Board Duties</b>	<p>a) <b>Requirement:</b> Ensuring the formulation and implementation of a sound business strategy:</p> <p><b>Company's Response:</b> A sound business strategy approved by the Board is in place.</p> <p>b) <b>Requirement:</b> Ensuring that the CEO and management team possess the skills, experience and knowledge to implement the strategy:</p> <p><b>Company's Response:</b> The CEO and the management team possess the necessary skills and experience and knowledge to implement the strategy. Please refer the Profile of the Board Members and the Senior Management.</p> <p>c) <b>Requirement:</b> Ensuring the adoption of an effective CEO and senior management succession strategy:</p> <p><b>Company's Response:</b> An effective Succession Strategy is in place.</p>

Corporate Governance Principle	Level of Compliance
<p><b>Board Duties</b> <i>Contd.</i></p>	<p>d) <b>Requirement:</b> Ensuring effective systems to secure integrity of information, internal controls and risk management:</p> <p><b>Company's Response:</b> Proper internal controls are in place (Please refer the Report of the Audit and Compliance Committee Report). Risk management function will be more streamlined in 2011.</p> <p>e) <b>Requirement:</b> Ensuring compliance with laws, regulations and ethical standards:</p> <p><b>Company's Response:</b> The Company is committed to comply with applicable laws, rules and regulations, and ethical standards and the compliance function is designed to achieve the said purpose.</p> <p>f) <b>Requirement:</b> Ensuring all stakeholders interests are considered in corporate decisions:</p> <p><b>Company's Response:</b> Complied with.</p> <p>g) <b>Requirement:</b> Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations:</p> <p><b>Company's Response:</b> Complied with.</p> <p>h) <b>Requirement:</b> Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned:</p> <p><b>Company's Response:</b> The Board fulfills its obligations effectively.</p>

Corporate Governance Principle	Level of Compliance
<p><b>Board Duties</b> <i>Contd.</i></p>	<p>i) <b>Requirement:</b> Calling of an EGM if the net assets of the Company are less than half of its stated capital: and</p> <p><b>Company's Response:</b> This is a remote risk to the Company.</p> <p>j) <b>Requirement:</b> Entering into major transactions.  <b>Company's Response:</b> Company has not entered into any major transactions as defined in the Companies Act, in 2010.</p>
<p><b>Company Secretary</b></p>	<p><b>Requirement:</b> All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with.</p> <p><b>Company's Response:</b> Varners International (Pvt) Ltd. is the corporate secretaries for Sri Lanka Insurance Corporation Ltd. and is qualified to act as Company Secretaries in terms of the Companies Act.</p> <p>The Company Secretary is present at all Board meetings and ensures that all board procedures are followed, applicable rules and regulations are complied with for the proper conduct of meetings.</p>
<p><b>Audit and Compliance Committee</b></p>	<p><b>Requirement:</b> The Audit Committee should be comprised of a minimum of two independent Non-Executive Directors (in the instance when a Company has only two Directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent whichever is higher. The duties of the Audit Committee should include</p>

Corporate Governance Principle	Level of Compliance
	<p>keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors.</p> <p><b>Company's Response:</b> Please refer the Report of the Audit and Compliance Committee Report.</p>

The number of Directors' meetings which comprise Board Meetings, Audit and Compliance Committee Meetings and Investment Committee Meetings together with the attendance of each Director at these meetings during 2010 is tabulated below:

NAME OF DIRECTOR	TOTAL BM		TOTAL ACCM		TOTAL ICM	
Board Members from 01/01/2010 to 14/05/2010	No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr. Pradeep Kariyawasam	9	9	-	-	-	-
Dr. Nalaka Godahewa	9	8	5	1	4	3
Mr. Chithral Ameratunga	9	9	-	-	-	-
Mr. Anura Lekamge	9	8	5	1	4	3
Mr. R.A. Jayatissa	9	9	5	5	-	-
Mr. A.B. Meddegoda	9	8	5	5	-	-
Mr. Ravi Abey Suriya	9	9	-	-	4	4
NAME OF DIRECTOR	TOTAL BM		TOTAL ACCM		TOTAL ICM	
Board Members from 14/05/2010 to 31/12/2010	No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr. G. S. Senarath	6	6	-	-	-	-
Mr. A.M. M. De Alwis	6	6	6	6	3	2
Mr. K.A.D.D. Perera	6	3	-	-	3	2
Mr. R.A. Jayatissa	6	4	6	6	-	-
Mr. P. Kudabalage	6	6	6	6	3	3
Mr. C.N.V. Selvanayagam	6	4	-	-	3	2

BM - Board Meeting

ACCM - Audit and Compliance Committee Meeting

ICM - Investment Committee Meeting

\*Dr. B.M.S. Batagoda was appointed to the Board with effect from 17th December 2010.

## What is Enterprise Risk Management?

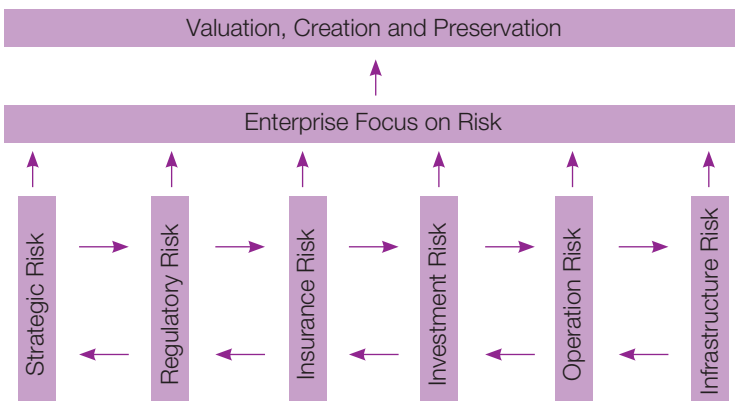
In 2004, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued its Enterprise Risk Management-Integrated Framework with this definition of ERM:

Enterprise risk management is a process, effected by the entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of objectives (Committee of Sponsoring Organizations of the Treadway Commission (COSO), Enterprise Risk Management-Integrated Framework, September 2004, New York).

This definition highlights several key concepts; namely, firstly ERM must be driven from the top of the organisation, including Board involvement; secondly ERM is meant to be value-adding, and thus risk analysis should be integrated with strategy planning; and thirdly the goal of ERM is not risk reduction, but it is designed so that risks are effectively managed by creating an enterprise-wide view of risks in which organisational objectives are more likely to be achieved for value preservation and enhancement.

ISO 31000 offers a universally accepted paradigm for companies employing risk management processes to substitute the myriad of existing standards, methodologies and paradigms that varies among industries, risk analysts and management officers, line managers and project managers, compliance and internal auditors and independent practitioners.

## ERM Brings Risks Together



### Why ERM for Insurance Companies?

In recent decades the insurance sector has grown considerably in size and complexity in the financial market and any collapse in the insurance market potentially generate systematic risks. Further, the insurance industry has had to face major destabilising forces from technology, climate changes and financial market stability. Therefore, to prevent systematic risk that threatens the entire financial market and to protect the interests of stakeholders, basically the policyholders and shareholders, risk management is important for insurance companies.

### Responsibility for ERM Process of SLICL

We at Sri Lanka Insurance consider risk management as one of its vital management functions which is interrelated and intertwined with other functions of the organisation. Whilst risks are inherent to any business, being the largest state owned insurance Company, it is apparent that we manage the risks transferred to us by our valued clients. Therefore, we exercise prudence in underwriting, reinsurance, premiums charged, premium collection, investment instruments and shareholder wealth for the sustainable growth and continuation of the business enterprise.

The Board of Directors bestows the overall strategic direction and risk appetite for the Company including financial objectives. The general management carves out the strategic plan in achieving these stated goals and objectives including measuring the organisation's progress towards achieving its mission.

The Board of Directors is mainly responsible for establishing the risk management process and evaluating and monitoring the activities of the Company. The Board of Directors gives significant oversight to risk management and is conscious of and concurs with the Company's risk appetite. The Audit and Compliance Committee, Investment Committee, Internal Audit Department, Actuarial Department and the respective managers of the Company assist the Company's risk management philosophy, promote compliance with its risk appetite, and manage risks within their spheres of responsibility in line with risk tolerance.

The Audit and Compliance Committee together with the Board of Directors play a significant role in ERM by establishing the correct environment or tone-at-the-top. The main role of the Internal Audit Department regarding ERM is to provide objective assurance to the Board of Directors of the effectiveness of the Company's ERM activities thereby to ensure that the key business risks are being managed properly and that the system of internal control is working efficiently. The Investment Committee oversees the



investment risk including concentration risk, credit risk, liquidity risk, market risk and interest risk. In addition, M/S KPMG Ford Rhodes, Thornton & Co. the External Auditor for the Company who is reporting to shareholders also plays an essential role in the risk management process of the Company.

## Type of Risks

### 1. STRATEGIC RISK

Strategic risk is the present and prospective impact on earnings or capital arising from unfavourable business decisions, improper execution of decisions, or lack of responsiveness to industry changes. The Company has prepared a business plan addressing strategic risks and we review this plan frequently to meet the market changes.

### 2. REGULATORY RISK

Regulatory risk brings in certain costs and risks including the risk of non-compliance and the risk of introduction of new laws, rules and regulations or changes to existing laws, rules and regulations. The latest and prominent examples of regulatory changes which had major implications for insurers include the introduction of the new amendment to the Insurance Industry Act, No. 43 of 2000; namely, Regulation of Insurance Industry (Amendment) Act, No. 3 of 2011, Determination 1 and New Solvency Margin Rules which will be effective from 01/04/2011.

Revisions to the Regulation of Insurance Industry (RII) Act have been prepared to strengthen the power of the Insurance Board of Sri Lanka to issue directions to insurance companies, brokers and loss adjusters, to deal with disputes and enforcement in order to protect the interest of policy holders. While we acknowledge and appreciate that these changes were initiated by the Insurance Board of Sri Lanka to bring in more standardisation/stabilisation to the insurance market, we identify that these changes will have major cost implications for the industry including revision in the product portfolio, changing the IT system, updating sales literature and training the staff and sales force on new compliance obligations.

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

obligations to the staff and management. As a proactive measure, the Compliance Department guides the management on anticipated regulations of the future, since a proactive business process management solution will provide the Company with the necessary tools to address new regulations cost effectively. The Compliance Department has briefed and communicated to the respective department heads regarding the Gazette-Part II of March, 27, 2009 to amend the Regulation of Insurance Industry Act, No. 43 of 2000, well in advance.

Further, we have identified the risk of money laundering and the Compliance Department has educated the staff on the importance of combating money laundering when selling insurance products.

### 3. INSURANCE RISK

#### I. Underwriting Risk

##### *Life Underwriting Risk*

Underwriting is the procedure of assessing a proposal for life insurance and deciding whether to accept the risk and, if so, at what rate of premium. The following types of risks are associated with the life underwriting process:

01. Physical Risk-health condition, occupation, age and habits.
02. Moral Hazard Risk-intention.

*The Life Underwriting Process involves the following:*

01. Completing a proposal form.
02. Evaluation of all applications for risk cover in excess of specified limits by experienced underwriters against established standards.
03. Conducting medical tests for individual risks in excess of certain exposures.
04. Analysing underwriting results.
05. Accept or reject the risk.

*In order to facilitate a smooth flow of business, we have the following arrangements:*

01. Reinsurance.
02. Claims Review meetings.
03. Actuarial Division reviews mortality and morbidity experience.

In addition to the above, the Company has highly qualified and experienced underwriting and claim managers.

*Non-Life Underwriting Risk*

The following types of risks are associated with the life underwriting process and considered as high risk: accepting insurance without proposal form, accepting an incomplete proposal form, accepting proposal form with incomplete supporting documentation/inventories, accepting proposal forms with amendments/alterations/typex without proper counter signature by the insured, backdating cover by a cover note, issuing a cover note for a period beyond that is specified by the Company internally and by the intermediary, erroneous reinsurance arrangement/placement, delay in issuing policies/endorsements and confirmation of cover, language and grammatical errors in the schedule etc.

We have taken a number of measures to ensure that the Company is not overtly exposed to any single loss or series of losses arising out of a single event. The staff is educated and trained in this aspect, and each step of the way in the underwriting process: from a quotation to issue of policy, any amendments subsequent to the issue of the policy, renewal and ultimate claim. Policy terms and cover provided are carefully evaluated with clearly defined financial authorities. Claims are carefully scrutinised to ensure equitable reimbursement of losses. The claims process is monitored by effective internal audit process. Any claim in excess of certain criteria or amount is presented to the Divisional Claims Panel and/or the Central Claims Panel based on the severity of the loss. The panel consists of experts in their respective fields and senior management. This process ensures collective responsibility and equity in settlement of claims. In addition, claims are reserved no sooner we are notified of a loss. The quantum thus reserved is based on the client's estimate of loss/damage and/or amount demanded and/or sum insured. If such data is not available or inadequate to quantify, we reserve based on our past experience.

**II. Claim Reserving Risk**

SLICL has a qualified, in-house independent Actuary continuously since 2003. As such SLICL's reserving is deemed strong as both its life and general reserves are actuarially assessed and SLICL accounts for the largest Life Fund and the General Fund in the industry.

The Actuary carries out a life valuation at the end of each quarter to comply with the solvency purpose and at the end of each financial year a valuation is carried out to determine the policyholders' and shareholders' portion of the surplus. The process ensures that the Company complies with Section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Life Insurance) Rules, 2002 issued by the IBSL and the net liability, "Life Fund", is adequate to meet the insurer's future commitments under the life insurance contracts, and the policyholders' reasonable expectations.

With regard to the non life segment, SLICL's net premium to technical reserves has consistently been above 100%, much stronger than its industry peers. The Actuary certifies the estimation of Incurred But Not Reported Claims (IBNR) and Incurred But Not Enough Reported Claims (IBNER) based on internationally accepted actuarial methods since 2006. In addition, other claims provisions are made with sound judgement and in consultation with the Management. The Actuary also assesses the premium reserves in relation to meeting future liabilities of the unexpired risks in complying with section 48 of the Regulation of Insurance Industry Act No. 43 of 2000 issued by the IBSL and the Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary, No. 1341/8 Monday, May 17th 2004.

### III. Reinsurance Risk

#### *Non-Life Reinsurance*

As with any organisation, risk management is an important integrated function in mitigating the effects of risks and uncertainties of an organisation in its endeavours to achieve its vision and mission. Reinsurance arrangement is a similar exercise for an insurance organisation. Our balance sheet and risk acceptance is protected by reinsurance arrangements with the world renowned global insurance and reinsurance players carefully selected by SLICL for their financial stability, claims paying ability, reputation in the field, their value added services and international rating. Reinsurance with such global players gives SLICL the much needed capacity and capability to accept large risks whilst protecting our balance sheet from undue risks and fluctuations. Our reinsurance programme is carefully designed to meet our current and future needs of SLICL and its growing clientele.

#### *Life Reinsurance*

- Munich Re with high ratings given by globally recognised rating agencies such as AM best (A+), Standard & Poor 's(AA-) and Fitch (AA-) has been selected as the sole reinsurer by the Company and the relationship goes back to 1988.
- The Company maintains a very close relationship with the reinsurer and always makes sure that policy conditions, exclusions and policy limits are always aligned with the treaties.
- The Company always reviews the payments and recoveries to and from the reinsurer in a timely manner to mitigate reinsurance risks.

## 4. INVESTMENT RISK

We recognise that some risk must be assumed in order to ensure that investment objectives are achieved. However, we always strive 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.

### I. Interest Rate Risk

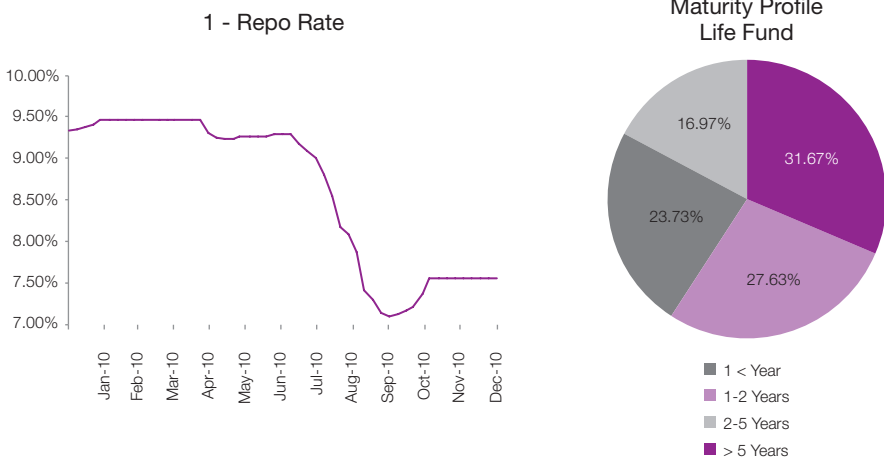
Interest Rate Risk is the risk incurred by the fund from volatility of interest rates when pricing of assets and liabilities are not matched.

The lack of long-term Fixed Income instruments yielding acceptable level of returns has brought in an Asset-Liability Duration mismatch for the Life Fund. Further, the interest rates have declined significantly in 2010 and as a result, the return of fixed income securities was relatively lower.

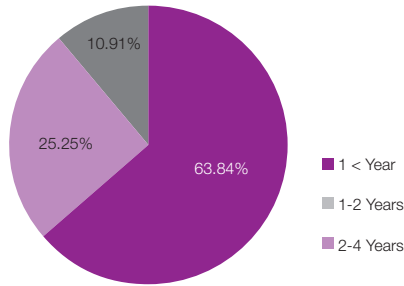
However, the Investment Committee proactively managed the Fixed Income investments by strategically shifting from low-yielding investments to relatively high-yielding ones, being watchful of market developments and thereby mitigating the pressure on interest income.

### II. Market Risk

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



Maturity Profile  
General Fund

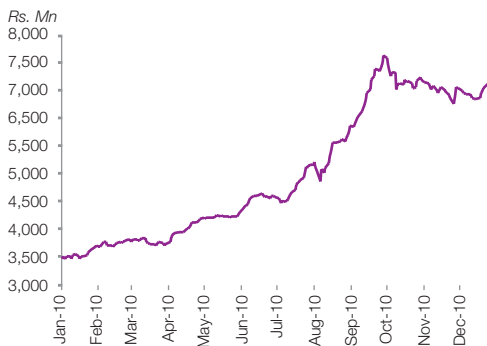


The rapid growth of the equity market experienced in 2010 helped to realise significant income and growth of the Equity portfolio. However, a sharp rise in the Index cannot be expected in the future as the current valuations have already factored the future earnings. Therefore, equities with huge capital appreciations could be disposed to maintain a higher level of return for both Life & General Funds and to reduce the risk of a sudden fall in the Equity market. Market Risk has also been mitigated by diversifying the portfolio into different sectors.

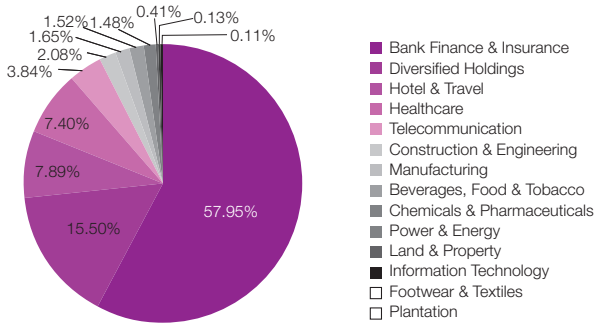
### III. Credit Risk & Concentration Risk

We monitor and manage credit risks at each borrower’s level, as well as at the portfolio level in order to ensure a well balanced portfolio, with a view to limiting concentrations in terms of risk quality, industry, maturity and large exposure.

All Share Index Movement



Sector Allocation Life Fund



- Investment grade credit rating by a recognised credit rating agency is expected for all significantly large debt investments.
- No debt investment has been made in any of the Related Companies.
- Maximum credit exposure to a single government entity is limited to Rs.1.5Bn.
- Maximum credit exposure to a single corporate entity is limited to Rs.1Bn.
- A comprehensive credit analysis is made internally prior to making any investment in a debt security.

IV. Liquidity Risk

*Life Fund:*

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

However, in upcoming years, greater than historical volumes of maturities and cash outflows are expected representative of a new phase in the fund’s policy maturity cycle. Treasury bonds may be used to match these anticipated exceptional cash outflows by coinciding maturities.

Short term allocation included a funding cushion of around Rs.1Bn in liquid securities to meet policy obligations, tax obligations and investment opportunities.

*General Fund:*

Because of the uncertainty of cash outflows, liquidity remained an essential consideration

for the General fund. It was important for the fund to maintain a portfolio of short term securities, as an immediate liquidity reserve.

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

### 5. OPERATIONAL RISK

#### I. Human Resources Risk

The key human capital risk gripped at SLICL is the attraction and retention of 'best talent' within the organisation. This creates a talent vacuum by unconstructively affecting the competitiveness. To surmount the above risk we as a team implement the following investment strategies.

Department-wide re-engineering process to recognise high performers and develop career paths based on each individual's strengths and organisational priority. This enables us to mitigate the risk by retaining peak performers.

"Grievance Committee" comprising members of Senior Management from different disciplines evolved with the objective of solving grievances of staff to create a healthy work environment.

"Salary Anomaly Correction Committee" to increase employees' salaries to be compatible with the industry benchmarks. This was a collective decision taken by the Management and staff after meticulously analysing their views and concerns.

Knowledge sharing and learning culture to bridge the knowledge gaps and energise the innovative process of the organisation. This enables retaining talent and developing their career. Tailor-made training programmes are in place to bridge the performance gaps and further enhance the competency levels of our people.

A range of non-monetary benefits is available to evade employee disengagement and motivate them to achieve higher standards whilst creating industrial harmony.

#### II. Business Continuity Risk

The Company has identified the importance of having a Business Continuity Plan and has educated the Board on the Guidelines on Business Continuity Plan issued by the IBSL. The Company is in the process of developing and implementing a more streamlined Business Continuity Plan.



### III. Reputation Risk

Reputational risk can be defined as the risk arising from negative perception on the part of customers, shareholders, investors or regulators that can unfavourably affect the Company's capacity to uphold existing, or establish new business relationships.

The Company has a sound system of internal controls to ensure that the reputation risk is mitigated. The Company is committed to comply with all applicable laws, rules & regulations and Company policies. The Company is in the process of preparing an up-to-date Code of Ethics whereby all employees shall be required to comply with a high level of integrity and professionalism at all times.

## 6. INFRASTRUCTURE RISK

Infrastructure risks include health and safety risk, IT systems failure, terrorism and natural disasters etc.

### I. Health and Safety Risk

Specially, health and safety risk needs to be addressed as the safety of the staff members is of paramount importance to our Company. Many organisations are implementing an Occupational Health and Safety Management System (OHSMS) as part of their risk management strategy to address changing legislation and protect their workforce. SLICL is committed to providing a safe working environment for all staff members. As a minimum, we comply with local health and safety legislation but will go beyond those requirements should it be necessary to do so in order to deliver the corporate objectives of the Company.

The principal Legislation in Sri Lanka relating to safety of workers is embodied in the Factories Ordinance Act No. 45 of 1942 and subsequent amendments. However, there are other pieces of legislation that include sections on welfare of employees, sanitation, safety and accident prevention to a certain extent. In addition to the Factories Ordinance, the Shop and Office Employees' Act enacted in 1954 prescribes, *inter alia*, provision for the safe health of workers employed in shops and offices and, sets out requirements for adequate light, ventilation, sanitary conveniences and washing facilities at work places.

Since 2007, the Health and Safety Committee of the Company held many meetings especially identifying the requirements under the OHSAS 18001 which is the internationally recognised assessment specification for occupational health and safety management systems. As part of this, many awareness programmes were conducted on health and safety.

## **Enterprise Risk Management** *Contd.*

As part of mitigating the safety risk, a fire drill with Sri Lanka Air Force was conducted in 2010. This brought a good understanding about the safeguard from fire incidents which can be aroused at any time. This was the last output from a series of awareness programmes conducted by the Company Fire Guard Unit.

### **II. IT System Failure Risk**

Information Communication Technology related risk profile was built in year 2010 and currently in the process of addressing all identified ICT risks. Special attention is given to the IT Security and ICT Operational related risk areas.

Building a comprehensive Business Continuity Plan (BCP) and Information Technology Disaster Recovery Plan (IT/DRP) are the identified major activities for the year 2011. In addition to the above, major focus is given to mitigate many network and perimeter level related risks.

### **III. Terrorism and Natural Disaster Risk**

With the end of the 30 years internal conflict, the risk of terrorism has become a remote risk. However, the Company acknowledges the Terrorism and Natural Disaster risk and has included it as part of the ERM process.

The Company has calculated its Solvency position for Life Insurance and General Insurance based on the Solvency Margin (Life Insurance) Rule 2002 and Solvency Margin (General Insurance) Rule 2004 respectively.

## Solvency Position –Life Insurance & General Insurance

	Rs.million			
	Life		General	
	2010	2009	2010	2009
Value of Admissible Assets	50,109	45,628	19,778	22,684
Value of Total Liabilities	39,694	35,489	14,619	14,595
Net of Admissible Assets	10,415	10,139	5,158	8,089
Required Solvency Margin	1,705	1,501	2,442	2,058
Solvency Ratio	6.11	6.75	2.11	3.93

## Approved Assets

The Company has invested in the approved assets based on the section 25 (1) of the Insurance Regulation Act, No. 43 of 2000 and the Determination - 01 issued by the Insurance Board of Sri Lanka.

## Life Insurance Business

	Rs.million	
	2010	2009
Approved Assets for Life Fund	52,247	44,918
Life Fund Values	49,569	41,484
Approved Assets in Excess of Life Fund	2,678	3,434

## General Insurance Business

	Rs.million	
	2010	2009
Approved Assets for Technical Reserves	15,030	10,956
Values of Technical Reserve	11,001	10,862
Approved Assets in Excess of Technical Reserve	4,029	94

# Sustainability Report

## Executive Director's Statement



*“We plan to focus even more intensely on developing the growth potential that derives from managing a truly sustainable business. We know that this attitude is what makes the best ethical and business sense combined.”*

## Professionals in Protection

“We have successfully created value over the long term and we believe that this process can only be successfully carried into the future through well-planned sustainability-related strategies.

We are very conscious of the need to balance economic, ecological and social commitments. Our Company’s long term success is dependent on this balance and we shall strive to maintain it in the years ahead.”

# Executive Director's Statement





## Professionals in Protection

“Our mission on sustainability is premised on the view that there should be a harmony and association between the objectives of cultural multiplicity and that of social equity, environmental accountability and economic feasibility.”

Piyadasa Kudabalage

*Dear Stakeholders,*

I have much pleasure in placing before you the first Sustainability Report of the Company developed based on the GRI Reporting Framework.

Sustainable development has conventionally been focused on an environmentalism framework that gives precedence to the issue of ecological dilapidation. However, modern mainstream concepts of sustainable development describe it as a tri-dimensional concept characterising the interface between environment, economic and social sustainability. “Environmental sustainability” is capable of meeting humanity’s present needs without compromising the wellbeing of future generations; “Economic dimension” of sustainable development requires that resources should not be exploited to the extent that their re-generative capacity is compromised; and “Social sustainability” relates to the maintenance of political and community values.

Our commitment to the environmental sustainability is well evidenced from our Company policy towards Green IT as detailed in the Sustainability Report that follows. Further, there is a growing attentiveness that the protection and promotion of cultural diversity is essential to universal human rights, fundamental freedom along with protecting ecological and genetic diversity. Our mission on sustainability is premised on the view that there should be a harmony and association between the objectives of cultural multiplicity and that of social equity, environmental accountability and economic feasibility. To preserve the cultural values of the country, we have sponsored cultural activities including pageants, multi-religious activities and the Deyata Kirula - National Development Exhibition of Sri Lanka, 2011 etc.

At SLICL, we have identified customers, employees, business partners and the community and environment as the major stakeholders of the Company. Especially we have harnessed the power of human capital through business sustainability in our organisation by aligning the salary scale of employees with that of market rates. With the revised salary scales we expect the staff members to be more committed and passionate for sustainable business success.

The Sustainability Report that follows will give you a more detailed picture of our commitment towards sustainability and we assure that we are committed to contribute to environmental, economic and social sustainability and move forward progressively as a sustainable business entity.



**Piyadasa Kudabalage**

*Executive Director*

*29th April 2011*



## Sustainable Development

The objective of sustainable development is to “meet the needs of the present without compromising the ability of future generations to meet their own need”. (World Commission on Environment and Development. Our Common Future. Oxford University Press, 1987, p.43.)

Given the twin role of insurance companies as investment vehicles and fiduciaries, their duty to take sustainability into account is mainly acute. Three focal sustainability issues the industry is facing are climate change, geopolitical risks (terror, emerging markets) and gene technology.

We have identified customers, employees, business partners and the community and environment as the major stakeholders of the Company.

## Report Scope and Boundary

This is our first Sustainability Report and it is based on the Global Reporting Initiative (G3) Guidelines for Sustainability.

## Financial Sustainability

The Sri Lanka Insurance Corporation Limited is the largest state owned composite insurance provider in Sri Lanka and is the only insurance Company which was awarded AAA by RAM Ratings which affirms the Corporation’s long-term claim paying ability. SLICL is also the first insurance Company to receive an independent rating of AA-(Ika) from the global rating agency FitchRatings (London), which also affirms the Corporation’s long term financial sustainability. Sri Lanka Insurance is the first and only insurance Company to have been awarded with the ISO 900:2008 certification and thereby becomes the only insurance Company in Sri Lanka to be endorsed by an international quality rating organisation.

Sri Lanka Insurance was honoured to be chosen as the “Best Insurance Company of the Year 2010 – Sri Lanka”, at the World Finance Awards in London competing and winning against the best in the Insurance Industry in Sri Lanka.

## Customers

In the wake of corporate scandals and mounting concern for climate change, many of us long to support companies that are actually committed to people, planet and profits the triple bottom line. And those companies who can bond with their customers emotionally

are likely to keep them for the long-term. Therefore, as described below we have taken a number of steps to create that bond with the customers to the brands that they buy from us thereby to retain them with the Company.

### **Large Claim Settlements**

SLICL manages an average daily claim settlement of Rs.31million. SLICL demonstrated its capability and absolute pledge of keeping its promise to customers, by honouring a claim settlement amounting to Rs.6.7 million under the Fire Insurance cover recently and the beneficiary was Nimalsiri Stores, Mawanella. This claim was a result of an accidental fire at the premises.

As the largest national insurance provider, SLICL takes upon itself the responsibility of protecting the people of this nation, and goes beyond its commercial objectives to safeguard the interests of its customers. It is our duty to take care and nurture the entrepreneurs of this country, who are the fore-runners of the post war economic development of our nation. As a state owned entity Sri Lanka Insurance Corporation Limited will always standby to guide and support the SME sector of Sri Lanka.

### **Motor Insurance- Special Benefits**

SLICL initiated special benefits during 2010 to facilitate the motor insurance policyholders to get the accident repair from local agents satisfying manufactures' specification with original parts. Exclusive opportunity is available for SLICL Motor Plus customers to get the most qualified services at no cost from their own local vehicle agent in which we have signed MOUs with 9 local agents. SLICL entered Partnership with 09 premier local vehicle agents to ensure a priority, speedy and overall hassle free collision repairs done to manufacturers' specifications at no additional cost to the customer. Other exclusive offers include discounts and free offers for non-collision repairs at above vehicle agents on submission of SLICL Motor Plus certificate card. Further, a customer can get back the repaired vehicle from the agent without any payment. Another special feature is that motor vehicle owners are now in a position of getting motor insurance cover 24 Hours x 360 days under Motor Plus insurance. Going further, opportunity to get the motor insurance facility through the post office network island wide is also available. An island wide site inspection facility is provided through 130 Technical Officers and 16 Regional Engineers.

### **Motor Insurance- No Claim Bonus**

Loyal customers with an earned NCB of 60% or more will enjoy the same NCB even after an accident.

## Motor Insurance- Customer Satisfactory Surveys

Customer feedback is obtained and analysed in three stages of the service milestones. First, in the event of an accident, after allocating the job to a Technical Officer within a reasonable period, the Call Centre re-checks the service delivered by the Technical Officer. Secondly, after delivering the cheque to the customer, the overall satisfaction of the service of the claim process will be monitored by a special unit. Thirdly, market surveys are being carried out by the Marketing Dept. in order to analyse our products and service levels.

## Motor Insurance- Claim Process Improvements

Motor Plus policy holders now have the facility of getting the claim from the nearest regional office. After receiving the final documents, the claim cheque will be delivered to the customer within 24 hours.

## Motor Insurance- Quality Assurance

Premier insurance service provider Sri Lanka Insurance Corporation Ltd. has been awarded the prestigious ISO 9001:2008 Quality Management System certification covering its entire branches island wide. SLICL is the first and only insurance Company to have been awarded the certification and thereby becomes the only insurance Company in Sri Lanka to be endorsed by an International Quality Organisation. This certificate covers all the activities of the Head Office of the Company and its branches.

The International Standards Certification takes into consideration five aspects of process perfection when awarding ISO 9001:2008—the criteria are Quality Management Systems, Management Responsibility, Resource Management, Product Realisation, Measurement, Analysis and Improvement. ISO certification is an endorsement of the fulfillment of the above criteria by the SLICL and formulation and maintenance of a quality management system in the Company, in compliance with the standard.

## Benefits of ISO 9001:2008

- Provides a systematic, visible way to lead and operate an organisation that continually improves performance.
- Provides an organisation-wide, consistent and comprehensive approach and clarifies roles and responsibilities and linkages to all interested parties.
- Involves top management in the improvement of the quality management system.
- Provides better understanding of the relationship between costs and benefits.
- Structures the operations of the organisation to achieve desired results.

- Ensures sustained customer satisfaction by producing, delivering services and providing support functions that meet the customer's needs and expectations.
- Provides controlled methods for measurement and monitoring of processes and products.
- Provides for factual decision making.
- Increases the effectiveness and efficiency of the organisation.

### Employees

Our people are our strength, our passion when becoming a competitive player in the industry. At SLICL we have fostered a learning culture by supporting and encouraging them to search for excellence. We always believe, 'they make the change' thus aligning and developing them towards excellence, is our responsibility.

People Management at SLICL is driven by four key best practices when achieving the corporate objectives.

### Driving Change

Change management plays a vital role when transforming and aligning a diversified work force to achieve the organisation's corporate objectives. This focuses on creating a healthy change management process by way of re-engineering business processes and modeling employees' skills, knowledge and attitudes to make a paradigm shift.

### Knowledge Sharing and Learning Culture

Knowledge sharing and learning culture as part of people development focuses on re-creating human capital to add value to business processes. We invest in our human capital by moving away from 'survival learning' to 'generalised learning' to generate innovate thinking and creativity to energize synergy. The learning process begins at the time of placement through a comprehensive induction process which then spreads to technical and soft skills enhancement.

### Investment in Human Capital to Develop and Retain Best Talent

Human capital is the building block for any organisation. However, the strength of it depends on their technical know-how and job specific competencies. Therefore, we have identified human capital within the organisation to train and develop. Identification of training requirements and developing customised training and development programmes play an important role in this regard. A talent pool within the organisation is identified, to groom themselves to be future leaders of the organisation in different functional expertise depending on their core competencies.

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

## Open House Discussions and Feedback Mechanism

Being a unionised organisation we strive to keep a balance between union representations and organisational corporate objectives. We align our people to preserve a healthy organisation culture which boosts the value creation process. Open door policies exist to voice people matters as we desire to have a healthy psychological contract with our people.

## People Engagement

At SLICL we make people drive the organisation towards success by a high level of commitment and involvement. We believe the “success story” of SLICL is our people thus engaging them and creating SLICL as a place to work is vital.

## Key Initiatives

- **Company wide salary revision programme**

A Company-wide salary anomaly correction programme to bring the present salary scales of the organisation to market rates to be an attractive employer of choice. The objective behind the project was to ‘to give more than what is expected’ and to boost commitment and performance.

- **TC3 Programmes**

Being a pioneer in the insurance industry we focused towards customer delighting to be a competitive player. Total Customer Care (TC3) programme embarked with the objective of creating a Total Customer Care culture and re-modeling our people to be part of the TC3 culture. The programmes focus on transforming organisational culture by cascading the corporate philosophy to individual level and obtaining individual feedback and knowledge sharing to re-craft the strategy.

- **Collective Agreement**

Two collective agreements were signed between the SLICL Management and the union members of the organisation, representing both executives and staff grade employees, to improve organisational harmony and to drive towards being the leader in insurance.

Remodeling the recruitment process by providing opportunity to eligible employees' children to be part of our success story.

- **'Harasara-Pranama'**

Every employee is an asset and should be recognised at different junctures during their career. 'Harasara-Pranama' or recognising long services is a programme we organise annually to show our gratitude for the immense service rendered by our people. Employees who completed 25/35 years were awarded with commemorative gold coins for their devoted services. We also had three exceptional employees completing more than 45 years of service with us; namely, Mr. C. C. Jayasuriya, Mr. R. G. H. Lewis and Ms. Manel Ranasinghe and were acknowledged and rewarded by our chief guest Hon. Gotabhaya Rajapaksa, Secretary, Ministry of Defence.



- **Career Guidance**

We invest in our people as their value appreciates with the passage of time. The best talent is given the opportunity to learn these by transforming from a mere job to a 'career'. We have career development programmes and educational aid policy to support them. In addition, library facilities and comprehensive revision sessions are in place to prepare them for examinations.

• **Medical Centre and Pharmacy**

A fully equipped medical centre was established with enhanced medical benefits for our people and their family members.



• **Employee Programmes**

We value our people and ensure they are looked after well. We understand the link between performance and satisfaction and continuously work towards achieving higher levels of satisfaction for our employees. With such objectives in mind, the organisation provides the following facilities:

- Wesak/Christmas programmes
- Annual sports festival/new year programmes
- Relief scheme to provide a helping hand in natural disasters
- Company 'Bus' at concessionary rates
- Scholarship programmes for employees' children
- Use of Company owned circuit bungalows at subsidised rates to staff when available

**Key HR Indicators**

Turnover Ratio	4.50%
Total Staff	2281

**Gender**

Male	1193
Female	1088
Total	2281

**Employee Cadre**

Senior Managerial	59
Managerial	180
Executive	487
Non Executive	1309
Other	204
Minor	42
Total	2281

Type of Training	Trainings as per Job Type	No of Trainings
Foreign Training	9%	5
Altitudinal Training	2%	1
Corporate Social Training	7%	4
Corporate Training	5%	3
Development Progressing Programme	5%	3
In-House Knowledge Sharing	7%	4
Knowledge Competent Training	47%	26
Orientation Programme	13%	7
Skills Competency Training	5%	3
<b>Total</b>	<b>100%</b>	<b>56</b>

## BUSINESS PARTNERS

SLICL is not forging its journey to sustainability alone. Ours is a journey made improved, more efficient and better-off with the perspectives, ideas and innovations of business partners of our Company. We have been able to build and maintain a strong rapport with our business partners; namely, sales force, reinsurers and suppliers.

### Sales Team

#### Star Awards by Sri Lanka Insurance Corporation Limited

Star Awards, the annual sales awards to honour top performers of SLICL was held amidst a gathering that included Gamini S Senarath, Chairman of SLICL, the Board of Directors and the management of SLICL. Dr Sarath Amunugama, Senior Minister of International Monetary Cooperation graced the occasion as the Chief Guest at the BMICH.

The Star Awards Night saw 330 Insurance advisors and team leaders being awarded for their excellent sales performance. They were all awarded on the basis of achieving the set sales targets and standards. The second place achievers were also invited to witness this evening.

Best regional sales managers, team leaders and advisors were recognised under their respective business category that is Life and Non Life Insurance business, with special certificates and cash awards. The best of the best in this category was presented with an attractive plaque in addition to the cash awards, overseas trainings and certificates.



### A Friend in need of Our Sales Team - A CSR Initiative

Mr. P. A. N. B. Thisera, Insurance Advisor attached to the Kiribathgoda branch met with an unfortunate accident making him permanently disabled in 2007. The Company donated a sum of Rs.500,000/- in appreciation of the valuable services rendered by him and to supplement the cost of his medical treatment.



### Reinsurers

The Company maintains a very close relationship with the panel of reinsurers and ensures that policy conditions, exclusions and policy limits are always aligned with the treaties.

### Suppliers

At SLICL, we follow an open and transparent procedure in selecting suppliers of the Company. As we are accredited with ISO 9001: 2000, proper procedures are in place for purchasing of stationary items, computer consumable /data storage items, fixed assets etc. and disposal of obsolete items.

## COMMUNITY, CULTURE AND ENVIRONMENT

At the heart of our CSR practice is the drive to connect all of our people, clients, suppliers, business partners, government, as well as potential employees to bring positive changes to the communities in which we live. One of the most important external factors influencing the social responsibility includes culture and to preserve the cultural values, we have sponsored cultural activities including pageants, multi-religious activities and the Deyata Kirula-National Development Exhibition of Sri Lanka, 2011 etc.

Further SLICL has established a strong partnership with the Learner Drivers' Association of Sri Lanka where apart from catering to all their insurance needs, has launched a "road safety campaign" aimed at minimising road related accidents in the country.

## Sustainability Report *Contd.*

As part of our social responsibility commitment towards culture, SLICL as the largest and the strongest government insurer in the country took upon itself the responsibility to nurture and protect the rich inheritance and rituals of the Sri Lankan people to be handed down to the future generations of Sri Lankans. As such, Sri Lanka Insurance provided a special service for the benefit of pilgrims who visit Kandy during the Esala perehera season by extending the 'Ira Handa Pavathina Thuru' personal accident cover amounting to Rs.50,000/- for all pilgrims who gathered to witness the Kandy Perahera. Further, SLICL extended the "Ira Handa Pavathina Thuru" personal accident cover amounting to Rs.100,000/- for all pilgrims who gathered to witness the Kataragama and Devundara Perehera during the season in 2010.



*'Ira Handa Pavathina Thuru' Policy*

In addition, Sri Lanka Insurance Motor Plus vehicle breakdown assistance and recovery service was geared up in Kandy and Kataragama to provide assistance to all pilgrims who would face difficulties due to vehicle breakdown during the Perahera season. In case of breakdowns which could not be repaired immediately, Sri Lanka Insurance Motor Plus vehicle breakdown service extended support to transport the vehicle to the nearest repair centre. This service was offered to all vehicle users and did not limit only to Sri Lanka Insurance Motor Plus policy holders.

Sri Lanka Insurance is a people oriented organisation which gives priority to enhance and uplift the environment within which it operates. Sri Lanka Insurance is synonymous with the number of projects it has successfully implemented to develop communities and add value to life.

Among many other sub CSR projects “Pasal Piriyatha Surakimu” is the main CSR Project of the Company and for the past two years Sri Lanka Insurance in collaboration with the educational authorities has been in a silent effort re-furbishing and painting over 3000 schools in the island. The project focuses on creating an attractive and a pleasant environment in “under privileged schools” below national level, where children could develop both physically and spiritually to become holistic individuals and grow to be responsible citizens of Sri Lanka.

The Project is co-ordinated through the Minister of Education and the Chief Minister of the area to identify the schools for consideration. A parents-teacher meeting is held within the school to identify the needs of the school, and together decide the logistics of implementation.

Financial support is borne by the Company and all stakeholders of the school - parents/teachers and the key people in the village together with Company officials are involved in physically implementing the project, thus creating a bond within all these groups in the village with the school. Activities such as this instill the importance of education and children within the community.

The Company does not isolate the school at the completion of the project; an official of the Company visits the schools periodically, attends parents-teacher meetings and further rewards are given to schools who have maintained the schools up to expected standards.

The above clearly indicates the extent of involvement the Company has with the society in relation to Corporate Social Responsibility.

launched in 2006, the project has covered over 3000 schools in the provinces of Wayamba, North Central, Sabaragamuwa, Central, Uva, South and Western Province.

SLICL as a corporate, committed towards social upliftment has consciously included sustainable development of education for children in the business strategy.



The Company takes a keen interest in facilitating a pleasant environment suitable to provide a solid educational background for our children to become responsible citizens in the country.

### Environment

Environmental sustainability is the process of making sure that current processes of dealing with the environment are pursued with the thought of keeping the environment as unspoiled as naturally possible. An “unsustainable situation” happens when natural capital (the sum total of nature’s resources) is used up quicker than it can be replenished.

At Sri Lanka Insurance, we have taken the following actions to contribute to the environmental sustainability:

1. Leveraged technology to reduce paper usage and the Company intranet system avoids the generation of paper based Memos.
2. Duplex printing to reduce paper waste.
3. Use of LCD monitors for energy conservation.
4. Central air conditioners are switched off at 5.00p.m.
5. Regular maintenance and service of the Company’s vehicle fleet to reduce emission.

And lastly, we constantly learn from the communities we serve and support - they encourage us to remain committed to our journey.

### Towards Green IT

Green ICT in the narrow sense refers to ICTs with low environmental burdens; using ICT as an enabler reduces environmental impacts across the economy outside of the ICT sector. See ‘Towards Green ICT Strategies: Assessing Policies and Programmes on ICT and the Environment’, June 2009 issued by the Organisation for Economic Co-operation and Development (OECD). We have taken following steps towards Green ICT:

1. Consolidation of IT Applications and ICT infrastructure to reduce energy consumption of all related devices and peripherals.
2. Introduction of Electronic Document Management System to reduce the paper work and enabling document and image upload from remote locations. This initiative will save a lot of document movement between SLICL locations and contribute to the environment in many ways.
3. Minimised IT Hardware and Media waste by recycling.

## GLOBAL REPORTING INITIATIVE (GRI) G3 INDEX

	GRI Indicator	Report Section	Page No.
<b>1.</b>	<b>Strategy and Analysis</b>		
1.1	Statement of Chairman and the MD/CEO	Chairman's Message MD/CEO's Review	10 16
1.2	Description of key impacts, risks and opportunities	Chairman's Message MD/CEO's Review Management Discussion & Analysis Risk Management	10 16 31 61
<b>2.</b>	<b>Organisational Profile</b>		
2.1	Name of the organisation	Sri Lanka Insurance Corporation Ltd.	
2.2	Primary brands, products and/or services	Life and General Insurance	
2.3	Operational structure of the organisation	Corporate Governance Report	52
2.4	Location of organisation's headquarters	No.21, Vauxhall Street, Colombo 02	
2.5	Number and name of countries with operation	Two (02) Sri Lanka and Republic of Maldives	
2.6	Nature of ownership and legal form	Corporate information-inner back cover	
2.7	Markets served	Management Discussion and Analysis	31
2.8	Scale of the reporting organistaion	Number of employees - 2,281 Statement of Income Total Assets Twenty largest shareholders - 99.99% of the Ordinary Shares in issued and fully paid up as at 31st December 2010 are held by the Secretary to the Treasury and the balance Shares are held by employees and ex-employees of the Company	119 118,124
2.9	Significant changes during the reporting period	Financial Statements	118 - 183

## Sustainability Report *Contd.*

	GRI Indicator	Report Section	Page No.
2.10	Awards received in the reporting period	Chairman's Message	10
<b>3.</b>	<b>Report Parameters-Report Profile</b>		
3.1	Reporting period	For the year ended 31st December 2010	
3.2	Date of most recent previous report	For the year ended 31st December 2009	
3.3	Reporting cycle	Annual	
3.4	Contact point	Corporate information-inner back cover	
	Report Parameters-Report Scope and Boundary		
3.5	Defining Report Content	Sustainability Report	78-79
3.6	Report scope and boundary	Sustainability Report	80
3.7	Limitations on scope/ boundary	No external assurance report was obtained	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	This report covers only the operations of SLICL and Accounts were consolidated for subsidiaries	
3.9	Data measurement techniques	Not applicable	
3.10	Explanation of the effect of any re-statement	No re-statement as this is the first report in this form	
3.11	Significant changes	First time application of GRI guidelines	
	Report Parameters-GRI Content Index		
3.12	Location of the standard disclosures in the report	Global Reporting Initiative (GRI) G3 Index	

	<b>GRI Indicator</b>	<b>Report Section</b>	<b>Page No.</b>
3.13	External assurance for the report	No external assurance report was obtained	
<b>4.</b>	<b>Governance and Commitments</b>		
4.1	Governance structure of the organisation	Corporate Governance Report	51
4.2	Indicate whether the Chairman of the Board is also the Chief Executive Officer	Corporate Governance Report Role of the Chairman and Chief Executive Officer is clearly separated	54-55
4.3	Independent and/or Non-Executive Directors	Corporate Governance Report	53-54
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	There is a mechanism for employees to provide recommendations to the Board by way of Employee Forums. Employees can forward their views, opinions, suggestions and grievances etc. to HR Division, and the same would reach the top management or the Board as per the standard protocol of the Company, according to their importance and priority	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	Annually obtained	
4.7	Process for determining the qualifications and expertise of the members of the Board for guiding the organisation's strategy	HE the President Mahinda Rajapaksa appointed the Board members in his capacity as the Minister of Finance	
4.9	Review of performance by the Board	Corporate Governance Report	57
4.10	Evaluating Board performance	Corporate Governance Report	57
4.11	Precautionary approach	Enterprise Risk Management Report	61

## Sustainability Report *Contd.*

	GRI Indicator	Report Section	Page No.
4.12	Externally developed charters, principles, or other initiatives to which the organisation subscribes or endorses	Not reported	
4.13	Memberships in associations	Members of the Insurance Association of Sri Lanka (IASL), Chamber of Commerce, Employer's Federation of Ceylon (EFC), Actuarial Association of Sri Lanka (AASL), Sri Lanka Insurance Institute and British Council Library	
	Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report	78
4.15	Basis for identification and selection of stakeholders	Sustainability Report	78
4.16	Approaches to stakeholder engagement	Sustainability Report	78
4.17	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report	78
<b>5.</b>	<b>Management Approach and Performance per Category Economic Performance Indicators</b>		
EC3	Company's defined benefit plan obligations	Notes to Financial Statements	165
EC4	Significant financial assistance received from Government	Did not receive any significant financial assistance from the government	
EC5	Standard entry level wage compared to local minimum wage (additional)	Wages are competitive with the market rates. Wages Boards have been established for over 43 trades such as manufacturers of tea, rubber, garments etc. and the minimum	



	<b>GRI Indicator</b>	<b>Report Section</b>	<b>Page No.</b>
		wages payable and conditions of employment applicable to those trades are published in the Government Gazette. A minimum salary is not applicable to employees covered under the Shop and Office Act and therefore can be decided by the employer and employee	
EC9	Significant indirect economic impact (additional)	Island-wide insurance solutions, taxes to the government exchequer	
	Environmental Performance Indicators		
EN7	Initiatives to reduce indirect energy consumption and reduction achieved (additional)	Sustainability Report	78
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None reported during the year	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operation, and transporting members of the work force	None	
	Social Performance Indicators – Labour Practices and Decent Work		
LA1	Breakdown of total workforce	Sustainability Report	86
LA2	Employee turnover	Sustainability Report	86

## Sustainability Report *Contd.*

	GRI Indicator	Report Section	Page No.
LA4	Collective bargaining agreements	The Company has entered into a Collective Agreement for Executive Grades 2011-2013 with Rakshana Sewaka Sangamaya and Sri Lanka Nidahas Sewaka Sangamaya (signed on 27th January 2011) and a Collective Agreement for Non-Executive Grades 2011-2013 with Rakshana Sewaka Sangamaya and Sri Lanka Nidahas Sewaka Sangamaya (signed on 27th January 2011)	
LA6	Percentage of total workforce represented in worker health and safety committee	Enterprise Risk Management Report	71-72
LA7	Rates of occupational diseases	None	
LA8	Training in occupational diseases	Enterprise Risk Management Report	71-72
LA10	Employee training	Sustainability Report	86
LA11	Programmes for skill management and lifelong learning	Sustainability Report	86
LA12	Employee receiving regular performance and career development reviews	Sustainability Report	86
LA13	Employees according to diversity	Sustainability Report	86
LA14	Basic salary of men and women	No gender differentials at SLICL	
	Social Performance Indicators-Human Rights		
HR4	Total number of incidents of discrimination and actions taken	None reported during the year	

	<b>GRI Indicator</b>	<b>Report Section</b>	<b>Page No.</b>
HR6	Operations identified as having significant risk for incidents of child labour	Strictly no child labour at SLICL	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	Strictly no forced labour at SLICL	
	<b>Society Performance Indicators</b>		
SO4	Actions taken in response to incidents of corruption	None reported during the year	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	No contributions to political parties during the year	
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	None reported during the year	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None reported during the year	
	<b>Product Responsibility Performance Indicators</b>		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	None reported during the year	

## Sustainability Report *Contd.*

	GRI Indicator	Report Section	Page No.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report	81
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	The Compliance Framework has identified anti-competitive laws and assigned responsibilities accordingly to mitigate such risk	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	None reported during the year. SLICL has complied with Directive No. 01 dated 14th October 2004 and Circular 01 dated 06th August 2001 issued by the IBSE	
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	None reported during the year	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None reported during the year	

The following sections of the GRI Guidelines are not reported as some are not relevant to SLICL while others are not relevant as per C Level reporting.

- Governance and Commitments : 4.5
- Economic Performance Indicators : EC1, EC2, EC6-EC8
- Environmental Performance Indicators : EN1-EN6, EN8-EN27, EN30
- Social Performance Indicators : LA3, LA5, LA9, HR1-HR3, HR5, HR8, HR9
- Society Performance Indicators : SO1-SO3, SO5
- Product Responsibility Performance Indicators : PR1, PR3, PR4

As this is our first Sustainability Report prepared in terms of the GRI Guidelines, we have evaluated our report as a “C”.

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

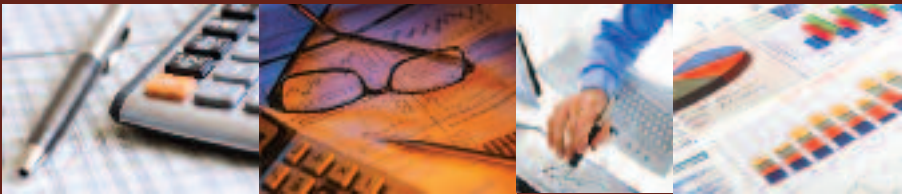


## Professionals in Protection

Sri Lanka Insurance brings together what belongs together. We know what Sri Lankans everywhere truly value and need.

This is how we build lasting relationships, lasting protection and lasting value for our clients, shareholders, staff, sales associates and community.”

# Financial Information & Other Reports



*“Sri Lanka Insurance Corporation Ltd. being the largest state owned insurance Company has reported the second highest market share around 20% for Life insurance in the year 2009 as per the IBSL information. General insurance business also recorded the second largest market share around 26% of the industry performance in 2009.”*



The Investment Committee, which comprises the following personnel, is responsible for the ongoing management of the investment portfolio. The Committee adheres to the CFA Institute Asset Managers' Code.

## Investment Committee Members from 01.01.2010 to 14.05.2010

### Board Members:

- Mr. Ravi Abeysuriya (Chairman)
- Dr. Nalaka Godahewa
- Mr. Aruna Lekamge

### Investment Managers:

- Mr. P.P.J. Perera
- Mr. Dhanuka Liyanagamage

## Investment Committee Members from 14.05.2010 to 31.12.2010


### Board Members:

- Mr. Dhammika Perera (Chairman)
- Mr. Mohan De Alwis
- Mr. Piyadasa Kudabalage
- Mr. Noel Selvanayagam

### Investment Managers:

- Mr. P.P.J. Perera
- Mr. Dhanuka Liyanagamage

The Committee met 07 times during the year and Senior Deputy General Manager-Finance, Chief Actuary & Senior Consultant and Assistant General Manager-Actuarial & Risk Management also attended by invitation.



**K.A.D.D. Perera**

*Chairman-Investment Committee*

*29th April, 2011*

# Audit and Compliance Committee Report

The Audit and Compliance Committee (ACC) comprised of Directors Mr. R.A. Jayatissa, Mr. Anura Meddegoda (until 13/05/2010) and Mr. Piyadasa Kudabalage (w.e.f. 14/05/2010) with the Managing Director, Senior DGM-Finance and DGM-Internal Audit also were regular participants at the ACC meetings. The Chief Actuary & Snr. Consultant and Compliance Officer-Legal and other senior officials attended the meetings by invitation. DGM-Internal Audit acted as the Secretary/Convener of the meetings.

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

## Meetings of the ACC

The Committee met 10 times during year, focusing on its primary responsibilities as outlined below.

## Role of the Audit and Compliance Committee

1. Ensuring that a good financial reporting system is in place in order to give accurate, appropriate and timely information to the management, regulatory authorities and the shareholders in compliance with the Companies Act, No. 07 of 2007, Sri Lanka Accounting Standards (SLAS), Regulation of Insurance Industry Act, No. 43 of 2000 as amended and Statement of Recommended Accounting Practice-ICASL etc.
2. Ensuring that there are appropriate plans, internal controls and procedures are in place in SLICL in support of smooth functioning of its business.
3. Ensuring that the strategies, plans, manning and organisation for internal auditing and the methodologies promulgated as best practice are carried out.
4. Assessing the independence and monitoring the performance and functions of external auditors.
5. Carrying out appropriate investigations to mitigate the fraud risk.
6. Ensuring whistleblowing procedures are in place.
7. Ensuring compliance with applicable laws, rules and regulations and Company policies.

## Internal Audit

The Company has its own internal audit department headed by DGM-Internal audit. The internal audit programme was presented and approved by the ACC.

## External Audit

ACC reviews the audit and non-audit services provided by the external auditors to ensure that such services do not impair the independence of the external auditors. Two meetings were held with the External Auditor of the Company.

The ACC has noted the declaration dated 23rd March 2011 from Messrs. KPMG Ford, Rhodes, Thornton & Co., as required by the Companies Act, No. 07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The ACC has recommended to the Board of Directors that Messrs. KPMG Ford, Rhodes, Thornton & Co. be re-appointed as auditors for the financial year ended 31st December 2011 at the next Annual General Meeting. The ACC recommends the fees payable to the statutory auditors for approval.

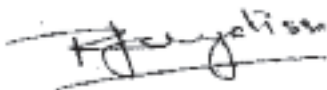
## Non-audit services

No non-audit services were provided by the external auditors during the year under review.

## Conclusion

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

The ACC approved this report on 25th March 2011.



**R. A. Jayatissa**

*Chairman-Audit and Compliance Committee*

*29th April, 2011*

# **Annual Report of the Board of Directors on the Affairs of the Company**

The Board of Directors has pleasure in presenting their Annual Report together with the Audited Financial Statements for the year 2010.

## **Principal Activities of the Company**

The principal activities of the Company are to transact Life and Non Life Insurance in Sri Lanka and Non Life Insurance in the Maldives. There were no major changes to the principal activities of the Company, during the year under review.

The Management Services Rakshana (Pvt) Ltd. (MSRPL) and Litro Gas Terminal Lanka (Pvt ) Ltd. are fully owned subsidiaries of the Company. MSRPL provides the payroll management and Litro Terminal is involved in the storage / terminalling of Liquid Petroleum Gas (LPG) respectively. Other two subsidiaries are The Lanka Hospitals Corporation PLC providing Health care services and Litro Gas Lanka Limited providing importation and distribution of LPG in domestic, commercial and bulk form.

Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Pvt) Ltd. became subsidiaries of Sri Lanka Insurance Corporation Limited during the financial year 2010.

## **Directors' Responsibility for Financial Reporting**

The Directors are responsible for the preparation and presentation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Statement of Directors' Responsibility for Financial Reporting is given on page 112 which forms an integral part of the Annual Report of the Board of Directors.

## **Significant Accounting Policies**

The significant accounting policies adopted in preparation of these Financial Statements are given on pages 134 to 147. There were no material changes in the accounting policies adopted with that of previous year.

The SLAS revised as SLFRS and LKAS by the Institute of Chartered Accountants of Sri Lanka will be effective for financial year beginning on or after 01st January 2012. The Company is currently working on the process of adoption of the said standards w.e.f 2012.

## Going Concern

The Board is satisfied that the Companies in the group have adequate resources to continue its operations in the foreseeable future and continues to adopt the going concern basis in preparing Financial Statements.

## Auditors

The Financial Statements for the year ended 31st December 2010 have been audited by Messrs. KPMG Ford, Rhodes, Thornton & Co., (Chartered Accountants) and their report on those statements which form an integral part of the Report of the Board of Directors is given on page 116 and 117 of this Annual Report.

In accordance with the Companies Act, No. 7 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Fees on audit and other related services are given below:

	<b>2010</b> <b>Rs.'000</b>	<b>2009</b> <b>Rs.'000</b>
Statutory Audit Fees	2,975	2,575
Audit Related Services	550	1,575

## Turnover / Gross Written Premium (GWP)

The total turnover as measured by Gross Written Premium (GWP) of the Company for the financial year under review amounted to Rs.15,276 million (2009 - Rs.13,584 million). The above GWP is made up of General and Life Insurance premium income amounting to Rs.9,266 million (2009 - Rs.8,764 million) and Rs.6,009 million (2009 - Rs.4,819 million) respectively. A detailed analysis of the total GWP achieved by the Company is given in Note 26 to the Financial Statements on page 171.

# Annual Report of the Board of Directors on the Affairs of the Company *Contd.*

## Financial Results and Appropriations

Description	2010	2009
	Rs.million	Rs.million
Profit Before Taxation (PBT)	15,034	2,830
Income Tax Expense	1,994	1,308
Profit After Taxation (PAT)	13,039	1,521
Unappropriated Profit Brought Forward	2,219	1,487
Profits Available for Appropriation	15,257	3,008
<b>Appropriations</b>		
Dividends Paid	6,720	-
Transferred to Surplus from Life Insurance	2,647	789
Unappropriated Profit Carried Forward	5,891	2,219

The Statement of Income of the Company is given on page 119. Transfers to / from reserves of the Company are shown in the Statement of Changes in Equity on page 120 and 121.

## Dividends

The Company declared an Interim Dividend of Rs.11.20 per share amounting to total Interim Dividend of Rs.6,720,000,000/-, during the year. The Directors have confirmed that the Company satisfies the solvency test requirement under the section 56 of the Companies Act No. 07 of 2007 for the dividend declared and accordingly signed a Certificate of Solvency as required by the Companies Act. Further, a Solvency Certificate was obtained by the KPMG Ford Rhodes Thornton & Co. (Chartered Accountants) as per section 56 (2) and 57 of the Companies Act No. 07 of 2007.

## Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 39 of the Financial Statements. These interests have been duly disclosed at the meetings of the Directors.

## Related Party Transactions

The Directors have also disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard 30, Related Party Disclosures (revised 2005), which is adopted in the preparation of these Financial Statements. Those transactions disclosed by the Directors are given in Note 39 to the Financial Statements which form an integral part of the Annual Report of the Board.

## Taxation

The tax position of the Company is disclosed in Note 34 in the Financial Statements.

## Corporate Donations

During the year, the Company made donations amounting to Rs.10,765,000/-.

## 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 Board of Sri Lanka (IBSL) and related to the employees have been made in time.

## Investments

The amount of investments (excluding cash and cash equivalents) held by the Company as at 31st December 2010 amounted to Rs.56,889 million (2009 – Rs.56,626 million).

A detailed description of the Investments held is disclosed in Note 4 to the Financial Statements on pages 148 to 153.

## Property, Plant and Equipment (PPE)

The Property, Plant and Equipment are shown in Note 5 on pages 154 to 160.

## Market Value of Freehold Properties

The Company uses the cost method as the accounting policy for recording Property, Plant and Equipment other than Land and Building. The Land and Buildings were revalued during the financial year by the Valuation Department of Sri Lanka. The results of such revaluation were incorporated in the Financial Statements from its effective date which is 31st December 2010. Such assets were valued on an open market value for existing use basis. The surplus/(deficit) arising from such revaluation was transferred to the revaluation reserve.

## Intangible Assets

The Company has recorded intangible assets as at 31st December 2010 as disclosed in Note 7 to the Financial Statements on page 161.

## Commitments and Contingencies & Guarantees

No significant capital expenditure commitments exist as at 31st December 2010. There were no significant Contingent Liabilities and Guarantees for which no provision has been

## **Annual Report of the Board of Directors on the Affairs of the Company *Contd.***

made in the Financial Statements or approved by the Board but not contracted as at the Balance Sheet date that would require adjustments to or disclosure in the Financial Statements, other than described in the Note 37 on pages 175 and 176 in the Financial Statements.

### **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 General Insurance. The Directors have also consulted an independent Actuary in the process of valuing IBNR and IBNER reserves and his report is given on page 115. Moreover, the Directors have arranged an independent Actuary to value the Life Fund and the report of the Independent Actuary is given on page 114.

Gratuity liability was also valued by an independent Actuary as required by the Sri Lanka Accounting Standards No. 16 Employee Benefits (revised 2006).

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.

### **Stated Capital and Reserves**

The stated capital of the Company as at 31st December 2010 was Rs.6,000 million (2009 - Rs.6,000 million). There were no changes in the stated capital during the year. The total reserves of the Company as at 31st December 2010 amounted to Rs.10,694 million (2009-Rs.4,375 million) excluding Revaluation Reserve. The movement of reserves is shown in the Statement of Changes in Equity on page 120 and 121.

### **Events Occurring after the Balance Sheet Date**

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

### **Directors**

The new Board of Directors was appointed by the Ministry of Finance, during the financial year 2010. The details of the Board of Directors are given on corporate information - Inner Back Cover.



## Directors' Meetings

The details of Directors meetings are presented on page 60.

## Remuneration to Directors

The Directors' fees and emoluments paid during the year is Rs.10,275,345/- (Rs. 10,191,000/- 2009).

## Annual General Meeting

The Annual General Meeting will be held on 13th June at the Auditorium of the Company at its registered office at No. 21, Vauxhall Street, Colombo 2. The notice of the meeting is given on page 194.

## Human Resources

The employment strategies of the Company are framed to employ, train, develop and retain the best talent available. In order to facilitate the process of matching people to jobs, the Company's employment policy is structured to include recruitment from external sources as well as internal promotions. These policies and procedures ensure the equitable treatment of all employees. Some of the policies and procedures adopted in this regard are mentioned on page 85 and 86 of the annual report.

By Order of the Board,



**Varners International (Pvt) Ltd.**

*Company Secretaries*

*29th April 2011*

## Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the auditors, in relation to the Financial Statements, is set out in the report of the auditors on pages 116 and 117 of the Annual Report.

Directors are of the view that the Financial Statements have been prepared under the Generally Accepted Accounting Principles and in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No. 07 of 2007 and Regulation of Insurance Industry Act, No. 43 of 2000. The formats and the disclosures are in accordance with the Statement of Recommended Practice for Insurance Contracts (SoRP), adopted by the Institute of Chartered Accountants of Sri Lanka.

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

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

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

By Order of the Board,



**Varners International (Pvt) Ltd.**

*Company Secretaries*

*29th April 2011*

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

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act, No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000. The formats and disclosures are also in accordance with the Statement of Recommended Practice for Insurance Contracts (SoRP), adopted by the Institute of Chartered Accountants of Sri Lanka.

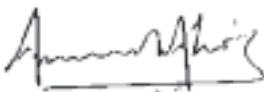
There have been no changes in the accounting policies adopted by the Company during the year under review. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, except unless otherwise stated in the notes accompanying the Financial Statements.

The Board of Directors and the Management of the Company accept the responsibility for the integrity of the Financial Statements. We confirm that to the best of our knowledge, the Financial Statements, and other financial information included in the Annual Report, 2010, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report.

The Financial Statements were audited by Messrs. KPMG Ford, Rhodes, Thornton & Company. Audit and Compliance Committee (ACC) reviews the audit and non-audit services provided by the external auditors to ensure that such services do not impair the independence of the external auditors.

ACC ensures that appropriate plans, internal controls and procedures are in place in SLICL in support of smooth functioning of its business. Further, ACC ensures that the strategies, plans, manning and organisation for internal auditing and the methodologies promulgated as best practice are carried out.

We confirm that the Company and all its subsidiaries have complied with all applicable laws, regulations and guidelines and that there are no material litigations that are pending against the Group other than those arising in the normal course of conducting businesses.



**A. M. M. De Alwis**

*Managing Director/Chief Executive Officer*



**M. S. P. R. Perera**

*Snr. Deputy General Manager (Finance)/Chief Financial Officer*

29th April 2011

# Certificate of Actuary of the Insurer

As under section 48 of the Regulation of Insurance Industry Act No. 43 of 2000

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

- a. that I have included each and every policy for which there is a policy liability in conducting the valuation of liabilities for the purposes of section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Life Insurance) Rules, 2002;
- b. that I have taken all reasonable steps to ensure the accuracy and completeness of the policies mentioned in item (a) above;
- c. that I have complied with the provisions of the said Act in item (a) above;
- d. that I have complied with provisions of the Solvency Margin (Life Insurance) Rules, 2002 and guidance notes/guidelines prescribed by the Board there under in the determination of the net amount of liabilities;
- e. that in my opinion that the net liability so determined by me, in the Form H-LT-the valuation balance sheet, is adequate to meet the insurer's future commitments under the insurance contracts, and the policyholder's reasonable expectations.

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

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



## 2. SIGNATURE:

3. PLACE: Westzaan

4. DATE: 29th April 2011

## **Certification of Incurred But Not (Enough) Reported Claims**

I hereby certify, as appointed actuary to Sri Lanka Insurance Corporation Limited, No 21 Vauxhall Street, Colombo 2, that the IBNR/IBN(E)R Claims Reserve as at 31 December 2010 is Rs.1,572,661,410/- net of reinsurance, which is an amount equal to 26% of the Net Earned Premium of Rs.6,034,185/- as at 31 December 2010. This IBNR/IBN(E)R provision, together with the case reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2010, in many but not all scenarios of future experience.

The result for the reserve for IBNR and IBN(E)R has been determined using actuarial techniques deemed reasonable and thus adequate to meet Sri Lanka Insurance Corporation's future obligations for claims incurred but not reported and claims incurred but not enough reported for all classes of business underwritten by the Company.



drs. J. S. A. Plugge AAG

Fellow of the Actuarial Association of Sri Lanka (AASL)

Fellow of the Dutch Actuarial Society (AAG)

*29th April 2011*

# Independent Auditors' Report



## **KPMG Ford, Rhodes, Thornton & Co.**

(Chartered Accountants)

32A, Sir Mohamed Macan Markar Mawatha,

P. O. Box 186,

Colombo 00300,

Sri Lanka.

Tel : +94 - 11 242 6426

+94 - 11 542 6426

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## **TO THE SHAREHOLDERS OF SRI LANKA INSURANCE CORPORATION LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sri Lanka Insurance Corporation Limited (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Consolidated") as at 31st December 2010 which comprise the balance sheet as at 31st December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 118 to 179 of the Annual Report.

### **Management's Responsibility for the Financial Statements**

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

### **Scope of Audit and Basis of Opinion**

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

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

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

### **Opinion**

1. According to the judgment delivered by the Supreme Court of Sri Lanka on 4th June 2009, Distilleries Company of Sri Lanka PLC ceased to be the immediate parent of the

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership  
and a member firm of the KPMG network of independent  
member firms affiliated with KPMG International Cooperative  
("KPMG International"), a Swiss entity

A.J.S. Fernando FCA  
P.Y.S. Perera FCA  
W.R.J.C. Perera FCA  
W.P.D.C. Abeysinghe ACA  
Princetals - S.A.L. (Pvt) ACMA, LLB, Attorney-at-Law, I.L.S. Co-ordinators ACA

H.E. Mulara FCA  
C.R. Jayatilaka FCA  
M.S. Joseph FCA  
S.T.D.L. Perera FCA

Ms M. D. Perera FCA  
T.J.E. Rajapaksa FCA  
Ms S.M.S. Jayawansa ACA  
G.A.U. Karanathilaka ACA

Company. Further, the Company was required to quantify and settle the profits earned by the Company during the period Distilleries Company of Sri Lanka PLC was the immediate parent of the Company. However, the management of the Company had not quantified the attributable profits to the said Company and no adjustments made to the financial statements.

2. In the absence of sufficient and appropriate audit evidence, we were unable to satisfy ourselves as to the completeness, existence and accuracy of net balance due from the Distilleries Company of Sri Lanka PLC Group Companies disclosed in Note 9 to the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters disclosed in the aforesaid paragraphs 1 and 2, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31st December 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters disclosed in the aforesaid paragraphs 1 and 2, the consolidated financial statements give a true and fair view of state of affairs as at 31st December 2010 and the profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

*Emphasis of Matter*

Without further qualifying our opinion, we draw attention to the Note 27.1 to the financial statements.

**Report on Other Legal and Regulatory Requirements**

These financial statements also comply with the requirements of Section 153(2) to 153 (7) of the Companies Act No. 07 of 2007.

Pursuant to Regulation of Insurance Industry Act No 43 of 2000 Section 47 (2), we also report, so far appears from our examination proper accounting records have been maintained as required by the relevant rules made by the Insurance Board of Sri Lanka.



**Chartered Accountants,**  
Colombo  
29th April 2011

# Balance Sheet

As at 31st December	Note	Consolidated		Company	
		2010 Rs.'000	2009 Rs.'000 Restated	2010 Rs.'000	2009 Rs.'000 Restated
<b>Assets</b>					
Investments	4	56,889,252	56,626,575	56,889,252	56,626,575
Property, Plant and Equipment	5	15,827,567	6,815,523	4,440,213	4,553,090
Lease Hold Property	6	128,009	110,902	21,881	22,150
Intangible Assets	7	2,992,805	1,576,730	-	-
Investments in Subsidiaries	4.5	-	-	9,965,816	2,925,566
Loans to Policyholders	8	1,850,812	2,121,099	1,850,812	2,121,099
Reinsurance Receivable	10	1,514,432	1,087,652	1,514,432	1,087,652
Premium Receivable from Policyholders	11	995,498	512,447	995,498	512,447
Premium Receivable from Agents, Brokers and Intermediaries	12	331,833	429,861	331,833	429,862
Other Assets	9	4,367,567	2,520,650	2,808,173	2,288,467
Deferred Tax Assets	13	49,764	48,957	49,764	48,957
Cash and Cash Equivalents	14	14,333,061	3,248,527	10,126,137	3,061,871
<b>Total Assets</b>		<b>99,280,600</b>	<b>75,098,922</b>	<b>88,993,819</b>	<b>73,677,736</b>
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Insurance Provision-Life	15	52,573,602	43,956,012	52,573,602	43,956,012
Insurance Provision-Non Life	16	12,359,448	11,804,983	12,359,448	11,804,983
Current Tax Liabilities	17	1,465,369	954,259	1,427,816	954,217
Deferred Tax Liabilities	18	2,326,369	870,510	399,560	519,812
Retirement Benefit Obligations	19	469,311	268,357	370,304	236,329
Other Liabilities	20	9,408,069	4,343,455	3,545,900	4,068,408
Government Grants	21	-	221	-	-
Interest Bearing Borrowings	22	438,092	406,995	285,703	304,515
<b>Total Liabilities</b>		<b>79,040,261</b>	<b>62,604,792</b>	<b>70,962,333</b>	<b>61,844,276</b>
<b>Equity</b>					
Stated Capital	23	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	24	1,566,107	1,457,510	1,336,694	1,457,510
Revenue Reserves	25	10,633,129	4,125,375	10,694,790	4,375,953
<b>Total Equity Attributable to Equity Holders of the Company</b>		<b>18,199,235</b>	<b>11,582,885</b>	<b>18,031,486</b>	<b>11,833,463</b>
Minority Interest		2,041,104	911,245	-	-
<b>Total Equity</b>		<b>20,240,339</b>	<b>12,494,130</b>	<b>18,031,486</b>	<b>11,833,463</b>
<b>Total Liabilities and Equity</b>		<b>99,280,600</b>	<b>75,098,922</b>	<b>88,993,819</b>	<b>73,677,736</b>

Notes to the Financial Statements as set out on pages 134 to 179 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No.7 of 2007.

**L i**

Chief Financial Officer

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

Signed for and on behalf of the Board by;



Managing Director



Director

Colombo  
29th April 2011



## Statement of Income

For the year ended 31st December		Consolidated		Company	
		Note	2010 Rs.'000	2009 Rs.'000 Restated	2010 Rs.'000
<b>Revenue</b>	26	40,480,743	22,306,633	35,011,286	20,529,262
<b>Gross Written Premium</b>	27	15,239,001	13,584,399	15,276,496	13,584,399
Less: Premium Ceded to Reinsurers		(2,363,687)	(2,723,748)	(2,363,687)	(2,723,748)
<b>Net Written Premium</b>		12,875,314	10,860,651	12,912,809	10,860,651
Net Change in Reserve for Unearned Premium		(933,063)	501,479	(933,063)	501,479
<b>Net Earned Premium</b>		11,942,251	11,362,130	11,979,746	11,362,130
Revenue from Other Operations		5,504,596	1,777,370	-	-
		17,446,847	13,139,500	11,979,746	11,362,130
<b>Benefits and Losses</b>					
Insurance Claims and Benefits (Net)	28	(7,841,416)	(9,211,192)	(7,843,468)	(9,211,192)
Underwriting & Net Acquisition Costs	29	(840,824)	(702,758)	(840,824)	(702,758)
Other Insurance Related Costs (including reinsurance)		(1,404,444)	(1,329,836)	(1,404,444)	(1,329,836)
Increase in Life Insurance Fund		(8,084,571)	(4,434,628)	(8,084,571)	(4,434,628)
<b>Cost of Services of Subsidiaries</b>		(4,032,309)	(994,594)	-	-
		(4,756,717)	(3,533,508)	(6,193,561)	(4,316,284)
<b>Other Revenue</b>					
Income from Investments	30	22,537,127	7,773,721	22,537,127	7,773,721
Other Income	31	496,771	1,394,463	494,413	1,393,409
<b>Expenses</b>					
Other Operating, Investment Related and Administrative Expenses	32	(3,185,308)	(2,776,016)	(1,803,651)	(2,016,878)
<b>Profit from Operations</b>	33	15,091,873	2,858,660	15,034,328	2,833,968
Net Finance Income/(Cost)		38,522	(7,231)	(210)	(3,697)
<b>Profit Before Taxation</b>		15,130,395	2,851,429	15,034,118	2,830,271
Income Tax Expense	34	(1,860,560)	(1,322,893)	(1,994,915)	(1,308,980)
<b>Profit for the Year</b>		13,269,835	1,528,536	13,039,203	1,521,291
Profit Attributable to Share holders		13,220,925	1,525,248	13,039,203	1,521,291
Minority Interest		48,910	3,288	-	-
<b>Profit for the Year</b>		13,269,835	1,528,536	13,039,203	1,521,291
Basic Earnings Per Share	35	22.03	2.54	21.73	2.54
Dividend Per Share	36	11.20	-	11.20	-

Notes to the Financial Statements as set out on pages 134 to 179 form an integral part of these Financial Statements.

## Statement of Changes in Equity

### Consolidated

	Stated Capital Rs.'000	Revaluation Reserve Rs.'000
<b>Balance as at 1st January 2009 as previously reported</b>	6,000,000	1,448,138
Reclassification of equity attributable to life shareholders as at 1st January 2009 (Note 25.3)	-	9,372
<b>Adjusted Balance as at 1st January 2009</b>	<b>6,000,000</b>	<b>1,457,510</b>
<b>Profit for the year</b>		
As previously reported		
Reclassification of equity attributable to life shareholders for the year 2009 (Note 25.3)		
Restated profit for the year		
Surplus Attributable to Shareholders from Life Insurance	-	-
<b>Balance as at 31st December 2009</b>	<b>6,000,000</b>	<b>1,457,510</b>
Balance as at 31st January 2010	6,000,000	1,457,510
Profit for the year	-	-
Pre-acquisition Profit	-	-
Dividend declared and paid during the Year	-	-
Surplus Attributable to Shareholders from Life Insurance	-	-
Surplus on revaluation	-	178,700
Tax effect on surplus on revaluation	-	(62,908)
Realisation of Revaluation Surplus	-	(7,195)
<b>Balance as at 31st December 2010</b>	<b>6,000,000</b>	<b>1,566,107</b>

### Company

#### Balance as at 1st January 2009 as previously reported

Reclassification of equity attributable to life shareholders  
as at 1st January 2009 (Note 25.3)

#### Adjusted Balance as at 1st January 2009

#### Profit for the year

As previously reported

Reclassification of equity attributable to life shareholders  
for the year 2009 (Note 25.3)

Restated profit for the year

Surplus Attributable to Shareholders from Life Insurance

#### Balance as at 31st December 2009

Balance as at 1st January 2010

Profit for the year

Transfer from Revaluation Reserve

Dividend declared and paid during the Year

Surplus Attributable to Shareholders from Life Insurance

#### Balance as at 31st December 2010

The Company re-stated the financial statements due to re-classification of Equity attributable to Life Shareholders which was previously included under Insurance Provision - Life and now included under Shareholders Equity. Consequent to the re-classification, the transfer of surplus from Life Insurance Business to Shareholders Funds as recommended by the Actuary is included in the Income Statement. The Company resolved to transfer the said surplus to a reserve within Equity.

Other Reserves Rs.'000	Surplus from Life Insurance Rs.'000	Retained Earnings Rs.'000	Total Rs.'000	Minority Interest Rs.'000	Total Rs.'000
601,342	-	1,232,689	9,282,169	907,958	10,190,124
42,100	723,998	-	-	-	775,470
<b>643,442</b>	<b>723,998</b>	<b>1,232,689</b>	<b>9,282,169</b>	<b>907,958</b>	<b>10,965,594</b>
		736,189	736,189	3,288	739,477
		789,057	789,057	-	789,057
		1,525,246	1,525,246	3,288	1,528,533
-	789,057	(789,057)	-	-	-
<b>643,442</b>	<b>1,513,053</b>	<b>1,968,880</b>	<b>11,582,885</b>	<b>911,246</b>	<b>12,494,130</b>
643,442	1,513,053	1,968,880	11,582,885	911,246	12,494,130
-	-	13,220,925	13,220,925	48,910	13,269,835
-	-	-	-	884,286	884,286
-	-	(6,720,366)	(6,720,366)	-	(6,720,366)
-	2,647,238	(2,647,238)	-	-	-
-	-	-	178,700	248,947	427,647
-	-	-	(62,908)	(52,287)	(115,195)
-	-	7,195	-	-	-
<b>643,442</b>	<b>4,160,291</b>	<b>5,829,396</b>	<b>18,199,235</b>	<b>2,041,104</b>	<b>20,240,339</b>
Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Other Reserves Rs.'000	Surplus from Life Insurance Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
6,000,000	1,448,138	601,342	-	1,487,222	9,536,699
	9,372	42,100	723,998	-	775,470
6,000,000	1,457,510	643,442	723,998	1,487,222	10,312,169
		-	-	732,234	732,234
		-	-	789,057	789,057
		-	-	1,521,291	1,521,291
-	-	-	789,057	(789,057)	-
<b>6,000,000</b>	<b>1,457,510</b>	<b>643,442</b>	<b>1,513,055</b>	<b>2,219,456</b>	<b>11,833,463</b>
6,000,000	1,457,510	643,442	1,513,055	2,219,456	11,833,460
-	-	-	-	13,039,203	13,039,203
-	(120,816)	-	-	-	(120,816)
-	-	-	-	(6,720,366)	(6,720,366)
-	-	-	2,647,238	(2,647,238)	-
<b>6,000,000</b>	<b>1,336,694</b>	<b>643,442</b>	<b>4,160,293</b>	<b>5,891,055</b>	<b>18,031,486</b>

Notes to the Financial Statements as set out on pages 134 to 179 form an integral part of these Financial Statements

# Cash Flow Statement

<i>For the year ended 31st December</i>	Consolidated	
	2010 Rs.'000	2009 Rs.'000 Restated
<b>Cash Flows From Operating Activities</b>		
Premium Received from Customers	14,548,721	13,691,757
Reinsurance Premium Paid	(1,970,604)	(2,383,445)
Claims and Benefits Paid	(8,551,020)	(7,058,128)
Reinsurance Receipts in respect of Claims and Benefits	410,939	461,916
Cash Receipts from Debtors	979,826	1,161,562
Cash Paid to Employees	(1,763,681)	(1,078,686)
Interest Received	5,645,483	4,913,224
Dividend Received	1,052,637	829,844
Interest Paid	(8,221)	(9,954)
Other Operating Cash Payments	(1,634,730)	(2,310,308)
<b>Cash Flows from Operating Activities</b>	<b>8,709,349</b>	<b>8,217,783</b>
Retiring Gratuity paid	(6,302)	(34,055)
Income Tax Paid	(1,659,419)	(1,069,845)
<b>Net Cash From Operating Activities</b>	<b>7,043,628</b>	<b>7,113,883</b>
<b>Cash Flows From / (Used in) Investing Activities</b>		
Purchase of Investments	(33,426,461)	(18,785,406)
Sale of Investments	41,761,900	4,473,875
Sale of Property, Plant and Equipments	40,506	-
Purchase of Property, Plant and Equipment	(437,630)	(84,698)
Cash Received from consolidation	2,843,873	-
<b>Net Cash from Investing Activities</b>	<b>10,782,188</b>	<b>(14,396,229)</b>
<b>Cash Flows From Financing Activities</b>		
Payment of Interest Bearing Loan	(30,120)	(22,590)
Dividend Paid	(6,720,366)	-
<b>Net Flows From / (Used in) Financing Activities</b>	<b>(6,750,486)</b>	<b>(22,590)</b>
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(52,039)	96,443
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>11,023,297</b>	<b>(7,208,493)</b>
Cash & Cash Equivalents at beginning of the Year	2,894,257	10,102,732
<b>Cash &amp; Cash Equivalents at end of the Year</b>	<b>13,917,557</b>	<b>2,894,241</b>
<b>Cash and Cash Equivalents at the end of the year</b>		
Cash at Bank & in Hand	4,899,094	1,020,642
Short term Investments	9,433,965	2,227,885
Bank Overdraft	(415,502)	(354,285)
	<b>13,917,557</b>	<b>2,894,241</b>

Notes to the Financial Statements as set out on pages 134 to 179 form an integral part of these Financial Statements

Company	
2010 Rs.'000	2009 Rs.'000 Restated
14,548,721	13,691,757
(1,970,604)	(2,383,445)
(8,551,020)	(7,058,128)
410,939	461,916
979,826	1,033,735
(1,225,917)	(1,083,246)
5,602,806	4,905,216
1,052,637	829,844
-	-
(3,519,132)	(2,329,378)
7,328,256	8,068,272
(3,538)	(32,400)
(1,642,374)	(1,065,401)
5,682,344	6,970,472
(33,426,461)	(18,785,406)
41,761,900	4,473,875
39,428	-
(201,728)	(64,561)
-	-
8,173,138	(14,376,091)
-	-
(6,720,366)	-
(6,720,366)	-
(52,039)	96,443
7,083,084	(7,309,178)
2,757,352	10,066,529
9,840,436	2,757,351
488,794	833,986
9,637,343	2,227,885
(285,701)	(304,515)
9,840,436	2,757,351

## Balance Sheet Segmental Review

As at 31st December

	2010				
	Non Life Insurance Rs.'000	Life Insurance Rs.'000	Healthcare Rs.'000	Energy	Other Rs.'000
<b>Assets</b>					
Investments	12,363,546	44,525,706	-	-	-
Property, Plant and Equipment	4,386,869	53,343	2,778,835	8,608,520	-
Lease Hold Property-Land	21,881	-	106,127	-	-
Intangible Assets	-	-	-	-	-
Loans to Policyholders	-	1,850,812	-	-	-
Investments in Subsidiaries	8,615,406	1,457,911	-	-	-
Reinsurance Receivable	1,428,515	85,917	-	-	-
Premium Receivable from Policyholders	995,498	-	-	-	-
Premium Receivable from Agents, Brokers & Intermediaries	331,833	-	-	-	-
Other Assets	449,694	2,536,155	302,694	1,365,372	22,021
Deferred Tax Assets	-	49,764	-	-	-
Cash and Cash Equivalents	1,304,548	8,821,592	467,743	3,739,168	14
<b>Total Assets</b>	<b>29,897,791</b>	<b>59,381,200</b>	<b>3,655,399</b>	<b>13,713,060</b>	<b>22,034</b>
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Insurance Provision-Life	-	52,573,602	-	-	-
Insurance Provision-Non Life	12,359,448	-	-	-	-
Current Tax Liabilities	751,168	676,648	-	38,336	(783)
Deferred Tax Liabilities	399,560	-	457,893	1,468,916	-
Retirement Benefit Obligations	188,006	182,300	33,011	60,524	5,472
Other Liabilities	2,119,564	1,604,010	282,099	5,693,417	17,344
Government Grants	-	-	-	-	-
Interest Bearing Borrowings	159,560	126,140	152,394	-	-
<b>Total Liabilities</b>	<b>15,977,306</b>	<b>55,162,700</b>	<b>925,396</b>	<b>7,261,194</b>	<b>22,034</b>
<b>Equity</b>					
Stated Capital	6,000,000	-	2,671,543	1,947,109	0.05
Capital Reserve	1,320,586	16,106	740,388	3,866,819	-
Revenue Reserves	6,599,899	4,202,394	(681,929)	637,938	-
Minority Interest	-	-	-	-	-
Total Equity	13,920,485	4,218,500	2,730,002	6,451,866	0.05
<b>Total Liabilities and Equity</b>	<b>29,897,791</b>	<b>59,381,200</b>	<b>3,655,399</b>	<b>13,713,060</b>	<b>22,034</b>

Notes to the Financial Statements as set out on pages 134 to 179 form an integral part of these Financial Statements

		2009						
Eliminations	Total	Non Life	Life	Healthcare	Other	Eliminations	Total	
Rs.'000	Rs.'000	Insurance	Insurance	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
							Restated	
-	56,889,252	14,774,836	41,851,744	-	-	-	56,626,575	
-	15,827,567	4,500,836	63,305	2,251,382	-	-	6,815,523	
-	128,009	22,150	-	88,752	-	-	110,902	
2,992,805	2,992,805	1,576,730	-	-	-	-	1,576,730	
-	1,850,812	-	2,121,099	-	-	-	2,121,099	
(10,073,317)	-	2,558,218	367,348	-	-	(2,925,566)	-	
-	1,514,432	984,355	103,297	-	-	-	1,087,652	
-	995,498	512,447	-	-	-	-	512,447	
-	331,833	429,861	-	-	-	-	429,861	
(308,367)	4,367,567	560,237	2,345,390	1,533,269	36,673	(1,954,899)	2,520,670	
-	49,764	-	48,958	-	-	-	48,957	
-	14,333,061	1,464,057	1,597,815	186,639	17	-	3,248,527	
<b>(7,388,880)</b>	<b>99,280,600</b>	<b>27,383,728</b>	<b>48,498,957</b>	<b>4,060,882</b>	<b>36,690</b>	<b>(4,881,333)</b>	<b>75,098,922</b>	
-	52,573,602	-	43,956,012	-	-	-	43,956,012	
-	12,359,448	11,804,983	-	-	-	-	11,804,983	
-	1,465,369	19,607	934,610	42	-	-	954,259	
-	2,326,369	519,812	-	350,698	-	-	870,510	
-	469,311	117,970	118,358	20,393	11,636	-	268,357	
(308,367)	9,408,069	2,903,293	1,793,335	863,779	25,054	(1,246,621)	4,343,455	
-	-	-	-	221	-	-	221	
-	438,092	172,406	132,114	102,474	-	-	406,995	
<b>(308,367)</b>	<b>79,040,261</b>	<b>15,538,071</b>	<b>46,934,430</b>	<b>1,337,607</b>	<b>36,690</b>	<b>(1,246,621)</b>	<b>62,604,792</b>	
(4,618,653)	6,000,000	6,000,000	-	2,671,543	-	(2,671,543)	6,000,000	
(4,377,794)	1,566,107	1,448,135	9,372	320,296	-	(320,296)	1,457,510	
(125,168)	10,633,139	3,486,274	1,555,156	(268,566)	-	(642,873)	4,125,375	
2,041,104	2,041,104	911,246	-	-	-	-	911,246	
(7,080,512)	20,240,339	11,845,655	1,564,528	2,723,273	-	(3,634,712)	12,494,130	
<b>(7,388,880)</b>	<b>99,280,600</b>	<b>27,383,728</b>	<b>48,498,957</b>	<b>4,060,882</b>	<b>36,690</b>	<b>(4,881,333)</b>	<b>75,098,922</b>	

## Statement of Income - Segmental Review

For the Year ended 31st December

	2010			
	Non Life Insurance Rs.'000	Life Insurance Rs.'000	Healthcare Rs.'000	Energy Rs.'000
<b>Revenue</b>	<b>16,146,878</b>	<b>18,971,911</b>	<b>3,157,044</b>	<b>2,349,910</b>
<b>Gross Written Premium</b>	9,266,637	6,009,859	-	-
Less- Premium Ceded to Reinsurers	(2,299,389)	(64,298)	-	-
<b>Net Written Premium</b>	6,967,248	5,945,561	-	-
<b>Net Change in Reserves for Unearned Premium</b>	(933,063)	-	-	-
<b>Net Earned Premium</b>	6,034,185	5,945,561	-	-
Revenue From Other Operations	-	-	3,156,023	2,348,574
	6,034,185	5,945,561	3,156,023	2,348,574
<b>Benefits and Losses</b>				
Insurance Claims and Benefits (Net)	(2,885,793)	(4,957,675)	-	-
Underwriting & Net Acquisition Costs	(192,791)	(648,033)	-	-
Other Insurance Related Costs	(1,343,465)	(60,979)	-	-
Increase in Life Insurance Fund	-	(8,084,571)	-	-
Cost of Services of Subsidiaries	-	-	(1,753,920)	(2,278,389)
<b>Underwriting Results</b>	1,612,136	(7,805,697)	1,402,102	70,185
<b>Other Revenue</b>				
Income from Investments	9,922,381	12,722,249	-	-
Other Income	190,312	304,101	1,021	1,336
<b>Expenses</b>				
Other Operating, Investment Related and Administrative Expenses	(381,524)	(1,422,127)	(1,125,824)	(291,276)
<b>Profit from Operations</b>	11,343,305	3,798,526	277,300	(219,755)
Net Finance Income/(Cost)	(98)	(112)	12,002	26,730
<b>Profit Before Taxation</b>	11,343,207	3,798,414	289,302	(193,024)
Income Tax Expense	(843,740)	(1,151,175)	(158)	134,513
<b>Net Profit after Taxation/ Transfer to shareholders' fund</b>	10,499,467	2,647,239	289,144	(58,511)

Notes to the Financial Statements as set out on pages 134 to 179 form an integral part of these Financial Statements



		2009					
Eliminations	Total	Non Life Insurance	Life Insurance	Healthcare	Eliminations	Total	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000 Restated	
<b>(144,998)</b>	<b>40,480,743</b>	<b>8,532,579</b>	<b>11,996,683</b>	<b>1,777,371</b>	-	<b>22,306,633</b>	
(37,495)	15,239,001	8,764,540	4,819,859	-	-	13,584,399	
-	(2,363,687)	(2,673,478)	(50,270)	-	-	(2,723,748)	
(37,495)	12,875,314	6,091,062	4,769,589	-	-	10,860,651	
-	(933,063)	501,479	-	-	-	501,479	
(37,495)	11,942,251	6,592,541	4,769,589	-	-	11,362,130	
-	5,504,596	-	-	1,777,371	-	1,777,370	
(37,495)	17,446,847	6,592,541	4,769,589	1,777,371	-	13,139,500	
2,052	(7,841,416)	(5,379,207)	(3,831,985)	-	-	(9,211,192)	
-	(840,824)	(154,910)	(547,848)	-	-	(702,758)	
-	(1,404,444)	(1,276,849)	(52,987)	-	-	(1,329,836)	
-	(8,084,571)	-	(4,434,628)	-	-	(4,434,628)	
-	(4,032,309)	-	-	(994,594)	-	(994,594)	
(35,443)	(4,756,717)	(218,425)	(4,097,859)	782,776	-	(3,533,508)	
(107,503)	22,537,127	1,505,911	6,267,810	-	-	7,773,721	
-	496,771	434,127	959,282	1,054	-	1,394,463	
35,443	(3,185,308)	(754,348)	(1,262,530)	(759,138)	-	(2,776,016)	
(107,503)	15,091,873	967,265	1,866,703	24,692	-	2,858,660	
-	38,522	(1,935)	(1,762)	(3,535)	-	(7,231)	
(107,503)	15,130,395	965,330	1,864,941	21,156	-	2,851,429	
-	(1,860,560)	(233,096)	(1,075,884)	(13,913)	-	(1,322,893)	
(107,503)	13,269,835	732,234	789,057	7,243	-	1,528,536	

## Balance Sheet-Life Insurance

As at 31st December

	Note	2010 Rs.'000	2009 Rs.'000 Restated
<b>Assets</b>			
Investments	a	45,983,617	42,219,092
Property, Plant and Equipment	b	53,343	63,305
Deferred Tax		49,764	48,958
Loans to Policyholders		1,850,812	2,121,099
Reinsurance Receivable		85,917	103,297
Other Assets	c	2,536,155	2,345,390
Cash & Cash Equivalents		8,821,592	1,597,815
<b>Total Assets</b>		<b>59,381,200</b>	<b>48,498,957</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Insurance Provision-Life		52,573,602	43,956,012
Retirement Benefit Obligations		182,300	118,358
Reinsurance Payable		140,481	144,685
Agency Commission Payable		167,995	148,625
Current Tax Liabilities		676,648	934,610
Other Liabilities	d	1,295,535	1,500,025
Interest Bearing Borrowings		126,140	132,114
<b>Equity Attributable to Shareholders</b>			
Capital Reserve		16,106	9,372
Revenue Reserve	e	4,160,294	1,513,055
Other Reserve		42,100	42,100
<b>Total Liabilities and Equity</b>		<b>59,381,200</b>	<b>48,498,957</b>

# Notes to the Financial Statements- Life Insurance

PROTECTION FOR ALL

	Note	2010 Rs.'000	2009 Rs.'000 Restated
<b>a Investments</b>			
Investments in Shares	a.1	18,492,036	10,450,172
Investments in Unit Trusts	a.2	989,811	788,437
Government Securities	a.3	19,115,994	21,040,310
Corporate Securities	a.4	3,345,882	1,939,107
Fixed Deposits		2,380,897	6,292,565
Development Bonds		1,659,000	1,708,500
		<b>45,983,617</b>	<b>42,219,092</b>

## a.1 Quoted Shares

	2010			2009		
	No of Shares 2010.12.31	Cost Rs.'000	Market Value Rs.'000	No of Shares 2009.12.31	Cost Rs.'000	Market Value Rs.'000
<b>Bank, Finance &amp; Insurance</b>						
Central Finance Company PLC	1,672,833	159,563	1,380,087	2,436,033	232,361	778,313
Commercial Bank of Ceylon PLC	18,022,212	499,201	4,685,775	12,014,808	499,201	2,282,814
Development Finance Corporation of Ceylon PLC	34,423,532	1,213,234	6,867,495	14,676,966	759,124	2,451,053
Sampath Bank PLC	7,615,396	212,916	2,071,388	3,433,110	212,916	700,354
Lanka Orix Leasing Company PLC	12,420,160	80,949	1,577,360	1,242,016	80,949	170,156
Pan Asia Banking Corporation PLC	697,333	9,950	36,261	523,000	7,858	10,460
Seylan Bank PLC.-Voting	6,500,000	635,867	630,500	350,000	17,715	13,213
Hatton National Bank PLC-Voting	18,751,224	1,751,954	7,498,614	10,751,224	301,694	1,827,708
Seylan Bank PLC-Non Voting	350,000	4,375	17,080	350,000	4,375	5,688
Janashakthi Insurance PLC	-	-	-	1,341,200	16,094	12,741
Nations Trust Bank PLC	1,122,100	46,541	93,695	449,600	13,467	16,410
National Development Bank PLC	3,902,713	621,384	1,363,998	3,750,000	549,620	772,500
<b>Beverage, Food &amp; Tobacco</b>						
Ceylon Brewery PLC	283,400	26,526	90,688	283,400	26,526	31,741
Ceylon Tobacco Company PLC	440	17	156	440	17	81
Distilleries Company of Sri Lanka PLC	2,320,200	382,534	412,996	22,269,200	1,275,869	2,343,833
Lion Brewery PLC	560,640	31,253	105,400	560,640	31,253	45,412
Cargills (Ceylon) PLC	382,100	11,056	74,510	9,018,600	260,958	590,718
Ceylon Cold Stores PLC	4,600	542	2,436	4,600	542	745
<b>Footwear &amp; Textiles</b>						
Hayleys MGT Knitting Mills PLC	78,800	3,988	2,522	78,800	3,988	2,758
Kuruwita Textiles PLC	414,400	20,775	12,432	516,000	25,868	18,318
<b>Diversified Holdings</b>						
John Keels Holdings PLC	11,216,113	1,278,964	3,343,523	15,062,085	929,157	2,583,148
Hayleys PLC	38,100	3,574	13,145	4,651,700	436,322	795,441
Hemas Holdings PLC	13,044,000	272,730	579,154	3,008,800	314,547	369,330
CT Holdings PLC	82,000	4,482	14,924	-	-	-
Aitken Spence PLC	18,000,000	4,161,218	3,060,000	-	-	-

# Notes to the Financial Statements- Life Insurance *Contd.*

## a.1 Quoted Shares *Contd.*

	2010			2009		
	No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
<b>Hotels &amp; Travels</b>						
Aitken Spence Hotel Holdings PLC	10,695,209	184,524	1,133,692	1,222,310	105,074	328,801
Asian Hotels & Properties PLC	5,058,500	422,570	981,349	5,058,500	428,577	478,028
Keels Hotel PLC	72,747,800	1,467,361	1,454,956	-	-	-
<b>Healthcare</b>						
Asiri Hospitals PLC	130,695,495	397,250	1,150,120	138,634,530	421,381	1,421,004
The Lanka Hospitals Corporation PLC	66,097,350	1,457,914	2,062,237	31,097,350	367,353	590,850
Asiri Surgicals Hospitals PLC	15,493,000	139,388	136,338	15,493,000	139,388	170,423
<b>Manufacturing</b>						
Chevron Lubricants Lanka PLC	500	22	80	11,559,000	515,987	1,641,378
Sierra Cables PLC	800	2	3	800	2	2
Lanka Cement PLC	509,700	7,482	14,272	509,700	7,482	11,851
Piram Glass PLC	-	-	-	16,228	40	36
ACL Cabels PLC	2,188,900	78,606	186,275	2,188,900	78,606	166,904
Tokyo Cement PLC Voting	1,830,375	25,514	101,586	162,700	25,514	52,878
Royal Ceramics PLC	875,000	52,960	266,788	875,000	52,960	58,625
Lanka Walltiles PLC	130,000	6,397	17,953	130,000	6,397	7,443
Tokyo Cement PLC-Non Voting	4,003,600	79,047	160,945	-	-	-
<b>Telecommunications</b>						
Dialog Telekom PLC	74,585,920	1,115,978	887,572	68,242,720	1,061,396	494,760
Sri Lanka Telecom PLC	17,713,735	629,009	850,259	17,713,735	629,009	823,689
<b>Trading</b>						
Singer (Sri Lanka) PLC	8	-	2	8	-	1
<b>Power &amp; Energy</b>						
Lanka Indian Oil Company PLC	9,854,500	276,543	186,250	11,978,700	336,153	206,633
Laugf Gas PLC	3,900	90	102	-	-	-
<b>Plantations</b>						
Thalawakele Tea Estate PLC	105,600	3,114	4,657	105,600	3,114	2,666
<b>Constructions &amp; Engineering</b>						
Colombo Dockyard PLC	3,421,475	294,985	940,906	3,036,475	190,398	734,827
<b>Information Technology</b>						
E-Channelling PLC	1,245,700	23,907	27,281	1,245,700	23,907	12,146
PC House PLC	1,812,300	19,935	20,479	-	-	-
<b>Chemical &amp; Pharmaceuticals</b>						
Chemical Industries (Colombo) PLC	4,769,800	311,828	667,772	1,074,800	52,362	67,175
<b>Property</b>						
Overseas Reality PLC	3,972,300	64,015	60,776	302,400	4,648	4,687
		18,492,036	45,246,789		10,450,172	23,097,739

**a.2 Unit Trusts**

	2010			2009		
	No of Units	Cost Rs.'000	Market Value Rs.'000	No of Units	Cost Rs.'000	Market Value Rs.'000
Ceybank Unit Trust	32,058,003	383,811	1,253,147	29,879,252	332,437	618,202
Ceybank Gilt Edged Fund	20,594,648	206,000	206,976	20,594,648	206,000	256,815
Namal Gilt Edged Fund	25,007,021	250,000	321,840	25,007,021	250,000	321,090
Ceylon Income Fund	13,786,765	150,000	165,441			
		989,811	1,947,405		788,437	1,196,107

<b>a.3 Government Securities</b>	2010 Rs.'000	2009 Rs.'000
Investments in Treasury Bills	91,491	689,047
Treasury Bonds	19,024,503	20,351,263
	19,115,994	21,040,310

<b>a.4 Corporate Securities</b>	Note	2010 Rs.'000	2009 Rs.'000
Investments in Debentures-Quoted	a.4.1	2,185,466	1,264,107
Investments in Debentures-Unquoted	a.4.2	1,025,000	675,000
Trust Certificate-Peoples Leasing Co Ltd		32,295	-
Promissory Notes		103,122	-
		3,345,882	1,939,107

**a.4.1 Quoted**

	Redeemable Date	2010			2009		
		Face Value Rs.'000	Cost Rs.'000	Market Value Rs.'000	Face Value Rs.'000	Cost Rs.'000	Market Value Rs.'000
Hatton National Bank PLC	11/09/2012	17,500	17,500	17,850	17,500	17,500	17,850
Hatton National Bank PLC	31/03/2021	164,314	164,314	164,314	148,029	148,029	148,029
Hatton National Bank PLC	31/03/2024	332,172	332,172	332,172	298,578	298,578	298,578
Commercial Bank of Ceylon PLC	18/12/2016	250,000	250,000	250,000	250,000	250,000	250,000
Sampath Bank PLC	30/08/2012	300,000	300,000	300,000	300,000	300,000	300,000
Nations Trust Bank PLC	19/08/2013	200,000	200,000	200,000	200,000	200,000	200,000
LB Finance PLC	22/09/2013	50,000	50,000	49,854	50,000	50,000	50,000
Urban Development Authority	5/10/1015	871,480	871,480	871,480	-	-	-
		2,185,466	2,185,466	2,185,670	1,264,107	1,264,107	1,264,457

**a.4.2 Unquoted**

	Redeemable Date	Face Value		Redeemable Date	Face Value	
		Rs.'000	Cost Rs.'000		Rs.'000	Cost Rs.'000
Bank of Ceylon	31/12/2011	250,000	250,000	31/12/2011	250,000	250,000
Sampath Bank PLC		-	-	19/09/2010	150,000	150,000
Commercial Bank of Ceylon PLC		-	-	11/10/10	100,000	100,000
Commercial Bank of Ceylon PLC	15/05/2016	125,000	125,000	15/05/2016	125,000	125,000
Senkadagala Finance Co PLC	21/09/2012	50,000	50,000	21/09/2012	50,000	50,000
People's Leasing Co Ltd	26/04/2014	500,000	500,000		-	-
Merchant Bank of Sri Lanka PLC	31/08/2013	100,000	100,000		-	-
		1,025,000	1,025,000		675,000	675,000

## Notes to the Financial Statements - Life Insurance *Contd.*

### b Property Plant & Equipment

Carrying Amount

#### Freehold

Cost	Land Rs.'000	Buildings Rs.'000	Equipment Rs.'000	Furniture & Fittings Rs.'000
Balance as at 1st January 2010	11,510	17,063	218,077	50,361
Adjustment on Revaluation	8,340	(3,313)	-	-
Balance as at 31st December 2010	19,850	13,750	218,077	50,361

Depreciation	Land	Buildings	Equipment	Furniture & Fittings
<b>Balance as at 1st January 2010</b>	-	853	202,574	33,338
Depreciation charge for the year	-	853	10,820	3,664
Adjustment on Revaluation	-	(1,706)	-	-
Balance as at 31st December 2010	-	-	213,394	37,002

#### Carrying Amount

As at 31st December 2010	<b>19,850</b>	<b>13,750</b>	<b>4,682</b>	<b>13,359</b>
<b>As at 31st December 2009</b>	11,510	16,209	15,503	17,023

	2010 Rs.'000	2009 Rs.'000
<b>c Other Assets</b>		
Inventories	7,723	5,304
Other Receivables	275,629	711,662
Less: Allowance for Uncollectible Amounts	(7,619)	(6,460)
Other Loans	615,674	409,583
Interest Receivable	1,644,748	1,225,301
	<b>2,536,155</b>	<b>2,345,390</b>
<b>d Other Liabilities</b>		
Policyholder Advance Payments	492,727	859,733
Other Payables Including Accrued Expenses	802,807	640,291
	<b>1,295,535</b>	<b>1,500,025</b>

	2010 Rs.'000	2009 Rs.'000
	53,343	63,305
	53,343	63,305

Generator Rs.'000	Electrical Fixtures Rs.'000	Others Rs.'000	Total Rs.'000
8,681	9,376	87	315,156
-	-	-	5,028
8,681	9,376	87	320,183

Generator	Electrical Fixtures	Others	Total
6,143	8,855	87	251,851
868	489	1	16,695
-	-	-	(1,706)
7,012	9,345	87	266,840

<b>1,670</b>	<b>31</b>	<b>-</b>	<b>53,343</b>
2,538	520	-	63,305

#### e Revenue Reserve

	2010 Rs.'000	2009 Rs.'000
Balance as at 1st January	1,513,055	723,998
Surplus Attributable to Shareholders from Life Insurance	2,647,238	789,057
Balance as at 31st December	4,160,294	1,513,055

The Company restated the Financial Statements due to reclassification of Equity attributable to Life Shareholders which was previously included under Insurance Provision-Life and now included under Shareholders Equity. Consequent to the reclassification, the transfer of surplus from Life Insurance Business to Shareholders Funds as recommended by the Actuary is included in the Income Statement.

# Notes to the Financial Statements

## 1. Reporting Entity

### 1.1 General

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

The consolidated Financial Statements of the Company as at and for the year ended 31st December 2010 comprise the Company and its subsidiaries Management Services Rakshana (Private) Limited, The Lanka Hospitals Corporation PLC, Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Pvt) Ld.

All values presented in the financial statements are in Sri Lankan Rupees thousands (Rs.'000) unless otherwise indicated.

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

### 1.2 Principal Activities and Nature of Operations

The principal activities of the Group are to undertake and carry on all classes of insurance businesses, healthcare services, provide bulk storage facilities for Liquid Petroleum Gas (LPG) and to import, process, store, distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services.

### 1.3 Date of Authorization for Issue

The Financial Statements of Sri Lanka Insurance Corporation Limited for the year ended 31st December 2010 was authorised by the Board of Directors on 29th April 2011.

## 2. Basis of Preparation

### 2.1. Statement of Compliance

The consolidated and separate Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS), and the requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No 43 of 2000. The formats and disclosures are also in accordance with the Statement of Recommended Practice for Insurance Contracts (SoRP), adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL).

### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the followings.

- Land and buildings are measured at fair value.
- Quoted securities are stated at lower of cost and market value.
- Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first-in first-out (FIFO) method. Cost includes costs of purchase and other costs incurred in bringing the inventory to the present location and condition.
- Retirement benefit obligations are measured at the present value of the defined benefit plans.



### 2.3 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information is presented in Sri Lankan Rupees rounded to the nearest thousand.

### 2.4 Use of Estimates and Judgements

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

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in following notes.

- Unearned premium
- Deferred acquisition costs
- Reserve for Gross Outstanding Claims
- Insurance provision – life
- Deferred tax
- Measurement of retirement benefit obligations
- Measurement of cash generating units containing goodwill

### 2.5 Significant Accounting Policies

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

The Company balance sheet represents the assets, liabilities and equity of the shareholders. The life insurance balance sheet represents assets and liabilities of the life fund. The statement of income reflects underwriting results and investment and other income of the general insurance business as well as results of the life insurance business.

### 2.5.1 Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are also taken into account. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

The interest of the outside shareholders of the Group is disclosed separately under the heading "Minority Interest".

### 3.1.3 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 2.5.2 Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 2.2.3 Segment Reporting

A segment is a distinguishable component of the Group engaged in providing services subject to risks and rewards that are different to those of other segments. Segmental information reflects the Non-Life and Life insurance business of the parent and healthcare and energy business of the subsidiaries.

The Parent Company's business activities are mainly located in Sri Lanka and a Branch in the Republic of Maldives (Male'). However, Assets and Liabilities of the Male' branch are considered not material to disclose as segmental by geographic region. The business activities of the Subsidiary Companies are located in Sri Lanka.

Expenses directly identified to a particular segment are charged accordingly. An expense that cannot be directly identified to a particular segment is allocated on bases decided by the management.

### 2.5.3 Investments

#### (a) Initial Recognition:

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees.

#### (b) Measurement

##### Quoted Shares, Quoted Debt Instruments and Unit Trust Investments

Quoted shares, quoted debentures and unit trust investments are stated at lower of cost and market value determined on an aggregate portfolio basis in total.

##### Unquoted Shares and Unquoted Debt Instruments

Unquoted shares and unquoted debt instruments are held on a long-term basis and stated at cost. Provision for diminution in value is made when there has been a decline, other than temporary in the value of the investment.

#### (c) Investment in Subsidiaries

Investments in subsidiaries are treated as long term investments and valued at cost in separate Financial Statements of the Company.

Provision for diminution in value is made when in the opinion of the directors there has been a decline other than temporary in the value of the investment.

#### (d) Investments in Government Securities

Investments in treasury bills, treasury bonds, loans to the government and repurchase agreements are stated at cost and interest is accrued up to year-end.

#### (e) Disposal of Investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in profit and loss.

### 2.5.4 Property, Plant and Equipment

#### (a) Recognition and measurement

##### Owned assets

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation or impairment losses.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

## Notes to the Financial Statements *Contd.*

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

A revaluation of land is carried out when there is a substantial difference between the fair value and the carrying amount of land and is undertaken by professionally qualified valuers.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are expensed in profit and loss.

### **(b) Subsequent Costs**

The cost of replacing a part of an item of property, plant & equipment is recognised in 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 in accordance with the derecognition policy given below.

The cost of the day-to-day servicing of property, plant & equipment are recognised in profit and loss as incurred.

### **(c) Depreciation**

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of items of each part of an item of property, plant and equipment. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will have ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

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

Sri Lanka Insurance Corporation Limited

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

The Lanka Hospitals Corporation PLC

Buildings on Leasehold Land	40 years
Medical Equipment	10years
Furniture and Fittings	10years
Office Equipment	10years
Computers	6 2/3years
Other Equipments	10 years
Kitchen Equipment	3years
Medical Vehicles	4 years
Motor Vehicles	4 years

Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Pvt) Ltd

Building and site development	20 years
Plant and machinery	20 years
Storage tanks, pipelines, pumping station	20 years
Submarine pipe lines	10 years
Instrumentation equipment	10 years
Bulk delivery and packed products delivery instruments	20 years
Other equipments	20 years
Office equipment	6 years
Furniture and fittings	6-7 years
Computers	3 years
Motor Vehicles	4 years

**(d) Derecognition**

An item of property, plant and equipment is derecognised upon disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition is recognised in profit and loss in the year the asset is derecognised.

## Notes to the Financial Statements *Contd.*

### Leasehold property

Leasehold property is stated at recorded carrying amounts as at the effective date of Sri Lanka Accounting Standard 19 – Leases. Such carrying amounts are amortised over the remaining lease term or useful life of the leased property whichever is shorter. No further revaluations of the said leasehold Property will be carried out.

### 2.5.5 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

### 2.5.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first-in first-out (FIFO) method. Cost includes costs of purchase and other costs incurred in bringing the inventory to the present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

### 2.5.7 Policyholder & Other Loans and Other Receivables

Policyholder & Other Loans are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

### 2.5.8 Premium and Reinsurance Receivable

Premium and reinsurance receivables are stated at their estimated realisable value. Recoverability of premium receivable is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A full provision is made for the premiums outstanding for more than six months.

Reinsurance assets include the balances due from reinsurance companies for unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the Balance Sheet unless a right to off-set exists. A provision for doubtful debt is raised when some doubt as to collection exists.

### 2.5.9 Other Assets and Receivables

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

### 2.5.10 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does

not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit and loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

### **2.5.11 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

## **2.6 Liabilities and Provisions**

All known liabilities have been accounted for in preparing the Financial Statements.

### **2.6.1 Provisions (Excluding Insurance Contracts)**

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, except for insurance related contracts. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

### **2.6.2 Retirement Benefit Obligations**

#### **(a) Defined Benefit Plan – Gratuity**

The defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plan which is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value. Any unrecognised past service costs and fair value of any plan assets are deducted. The calculation is performed by a qualified independent actuary by using projected unit credit method as recommended by SLAS 16-Employment Benefits. When the calculation result in a benefit to the Group, the recognised

## Notes to the Financial Statements *Contd.*

asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reduction in future contribution to the plan.

### (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 obligations to pay further amounts.

Obligation for contributions to provident and trust funds covering all employees are recognised as an expense in profit and loss in the periods during which services are rendered by employees. The Company contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

### (c) Short-Term Benefits

Short-term employees benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## 2.6.3 Customer deposits payable

### Cylinder Deposits/ Bulk Customer Deposits

LP Gas cylinders remain the property of the Company. These are issued to the customers on payment of cylinder deposits, which consist of two elements, part refundable and part non-refundable. The same cylinder issued on deposits does not remain with the customer till it is scrapped. Another refilled cylinder is issued when the cylinder is brought for refilling.

Refilling the cylinders brought in is not practical after the expiry of their life time. As a result, the Company has to replace the cylinders scrapped at the end of their lifetime.

Due to foregoing facts, the Company discloses the cylinders under property, plant and equipment at the purchase price less depreciation. The refundable deposit component on cylinders issued is reflected under cylinder deposits. The customer has the right to return cylinders at any time and obtain the refundable deposit paid previously on the cylinder. As stated under revenue, non-refundable deposits are taken as income of the Company.

## 2.7 Income statement

### 2.7.1 Non Life Insurance Business

#### (a) Gross Written Premium

Premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.



**(b) Outwards Reinsurance**

Premium ceded to reinsurers is recognised as an expense in accordance with pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premium is treated at the Balance sheet date as a prepayment.

**(c) Unearned Premium**

Unearned premium reserve represents the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated based on 1/365th pro-rata basis.

**(d) Unexpired Risk**

Provision is made where appropriate for the estimated amount required over and above the unearned premiums to meet future claim and related expenses on the business in force as at 31st December.

**(e) Claims**

Claims expense and liability for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid; incurred but not enough reported claims ("IBNER"), incurred but not reported claims ("IBNR"), and the anticipated direct and indirect cost of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. Provisions for anticipated losses are posted if the future premiums and proportional investment income in a portfolio will probably not be sufficient to cover the expected claims and costs.

**Actuarial valuation is performed on an annual basis.**

While the directors consider that the provision 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 statement for that period. The methods used and the estimates made are reviewed regularly.

**(f) Deferred Acquisition Cost**

Acquisition costs, representing commissions and other underwriting expense, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

**2.7.2 Life Insurance Business****(a) Gross Written Premium**

Premium from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognised as revenue when cash is received from the policyholder. Benefits and expenses are provided against such revenue to recognise such profits over the estimated life of the policies. Moreover, for single premium contracts, premium are

## Notes to the Financial Statements *Contd.*

recorded as income when received with any excess profit deferred and recognise in income in a constant relationship to insurance in-force or, for annuities the amount of expected benefit payments.

### **(b) Reinsurance Contracts**

Outward reinsurance premiums are recognised when payable. Reinsurance recoveries are credited to match the relevant gross claims.

### **(c) Benefits, Losses and Expenses**

Expenses related to the acquisition and maintenance of Life insurance business.

Claims by death or maturity are recorded on the basis of notification received or payment due.

Interim payments and surrenders are accounted for only at the time of settlement.

Claims payable includes direct cost of settlement.

### **(d) Actuarial Valuation for Life Insurance Provision**

The Directors agree to the Life Insurance business provisions for the Company on the recommendation of the Reporting Actuary following his annual investigation of the Life insurance business.

The Actuarial Valuation takes into account of all liabilities including contingent liabilities and is based on assumptions recommended by the Consultant Actuary.

## **2.7.3 Other Income and Investment Income**

### **(a) Investment income**

Investment income comprises interest income on funds invested, dividend income, and gains on the disposal of investments. Interest income is recognised as it accrues in the profit and loss, using the effective interest method. Dividend income is recognised in profit and loss on the date that the Company's right to receive is established. Interest income on loans granted to life policyholders is accounted on a cash basis.

### **(b) Rental income**

Rental income from property is recognised in profit and loss on a straight line basis over the term of lease.

### **(c) Healthcare segment**

Income of the Company comprises of two avenues i.e. from Hospital and Pharmacy revenue. All such revenue is recognised in profit and loss on an accrual basis.

### **(d) Sale of goods**

Sale of goods are recognised when the Company delivers products to the distributor / customer and distributor / customer accepts the products.

**(e) Sale of services**

Sale of services is recognised in the accounting period in which the services are rendered.

**(f) Non refundable deposit income**

Non refundable part of the customer cylinder deposits are recognised as non refundable deposit income at the time of issuing new cylinders to the distributors.

**2.7.4 Expenses****(a) Lease payments**

Minimum lease payments 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 consistent periodic rate of interest on the remaining balance of liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when lease adjustments are confirmed.

**(b) Finance cost**

Finance cost is recognised as expenditure in the period in which it is incurred.

**2.7.5 Income tax**

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

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

**Deferred Taxation**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

## Notes to the Financial Statements *Contd.*

Tax withheld on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

### **Economic Service Charge**

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

### **Social Responsibility Levy**

As per the provisions of the Finance Act No. 5 of 2005, as amended by the Finance Act No. 11 of 2006, Social Responsibility Levy (SRL) was introduced with effect from 1st January 2005. SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the First Schedule of the Act.

### **2.7.6 Earnings per share**

The Group presents basic EPS for its ordinary shares. 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 outstanding during the period.

### **2.7.7 Cash Flow Statement**

The Cash Flow Statement has been prepared using the 'direct method' in accordance with the Sri Lanka Accounting Standard 9 "Cash Flow Statements".

Interest paid is classified as an operating cash flow. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows.

### **2.8 Capital Commitments and Contingencies**

Capital commitments of the Company are disclosed in the respective notes to the Financial Statements.

### **2.9 Events Occurring after Balance Sheet Date**

All material post balance sheet events have been considered and where appropriate adjustment to or disclosures have been made in Financial Statements.

### **3. New Standards Issued but not effective at the Reporting Date**

The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards which will become applicable for annual periods beginning on or after 01 January 2012. Accordingly these Standards have not been applied in preparing these Financial Statements as they were not effective for the year ended 31st December 2010.

The Company is currently in the process of evaluating the potential effect of these Standards on its Financial Statements and the impact on the adoption of these Standards have not been quantified as at the reporting date.

## Notes to the Financial Statements *Contd.*

		Consolidated		Company	
		2010 Rs.000'	2009 Rs.000'	2010 Rs.000'	2009 Rs.000'
<b>4 Investments</b>					
Investments in Equity Securities	4.1	23,056,319	16,913,106	23,056,319	16,913,106
Investments in Unit Trusts	4.2	1,116,192	899,452	1,116,192	899,452
Investments in Government Securities	4.3	21,116,996	25,057,402	21,116,996	25,057,402
Investments in Corporate Securities	4.4	3,871,197	1,939,107	3,871,197	1,939,107
Investments in Fixed Deposits		3,304,548	7,147,608	3,304,548	7,147,608
Loans to ACE Power- Embilipitiya (Pvt) Ltd.		-	113,900	-	113,900
Development Bonds		4,424,000	4,556,000	4,424,000	4,556,000
		56,889,252	56,626,575	56,889,252	56,626,575

	2010			2009		
	No of Shares 2010	Cost 2010 Rs.000'	Market Value 2010 Rs.000'	No of Shares 2009	Cost 2009 Rs.000'	Market Value 2009 Rs.000'
<b>4.1 Investments in Equity Securities</b>						
<b>a) Quoted Investments</b>						
<b>Bank, Finance &amp; Insurance</b>						
Central Finance Co. PLC	1,702,133	164,605	1,404,260	2,465,333	237,403	787,674
Commercial Bank of Ceylon PLC - Non Voting	1,317,941	20,883	212,188	1,711,961	40,690	213,139
Commercial Bank of Ceylon PLC - Voting	33,518,835	930,872	8,714,897	22,345,890	930,871	4,245,719
DFCC Bank PLC	35,667,332	1,260,572	7,115,632	15,298,866	806,462	2,554,910
Lanka Orix Leasing PLC	12,420,160	80,949	1,577,360	1,242,016	80,949	170,156
Pan Asia Banking Corporation PLC	697,333	9,950	36,261	523,000	7,858	-
Hatton National Bank PLC-Non Voting	202,994	4,740	43,522	202,994	4,740	21,314
Hatton National Bank PLC-Voting	28,448,832	3,398,332	11,376,687	11,533,832	331,939	114,761
National Development Bank PLC	8,596,957	1,282,529	3,004,636	8,444,244	1,210,765	1,739,514
Nations Trust Bank PLC	1,128,594	46,715	94,237	456,022	13,639	16,644
Nations Trust Bank PLC (warrant)-2010	-	2	4	72	-	1
Nations Trust Bank PLC (warrant)-2011	35	-	2	35	-	-
People's Merchant Bank PLC	1,500	48	44	1,000	38	35
Sampath Bank PLC	7,615,396	212,916	2,071,387	3,433,110	212,916	700,354
Janashakthi insurance PLC	-	2	4	1,966,200	23,594	18,679
Seylan Bank PLC-Non Voting	714,000	11,216	34,843	714,000	11,216	19,127
Seylan Bank PLC-Voting	19,500,000	1,090,866	1,891,500	19,500,000	687,965	728,600
		8,515,197	37,577,464		4,601,045	11,330,627
<b>Beverage, Food &amp; Tobacco</b>						
Distilleries Company of Sri Lanka PLC	2,320,200	382,533	412,995	29,554,700	1,669,108	3,110,632
Coco Lanka PLC	1,002,300	50,264	64,749	-	-	-
Ceylon Tobacco PLC	440	17	156	440	17	81
Cargills (Ceylon) PLC	382,100	11,056	74,509	9,018,600	260,958	590,718
Ceylon Cold Stores PLC	4,600	542	2,435	4,600	542	745
Lion Brewery PLC	560,640	31,253	105,400	560,640	31,253	45,412
Ceylon Brewery PLC	283,400	26,526	90,688	283,400	26,526	31,741
		502,191	750,932		1,988,404	3,779,329

	2010			2009		
	No of Shares 2010	Cost 2010 Rs.000'	Market Value 2010 Rs.000'	No of Shares 2009	Cost 2009 Rs.000'	Market Value 2009 Rs.000'
<b>Footwear &amp; Textiles</b>						
Korea Ceylon Footwear PLC	-	-	-	44,129	12,663	-
Hayleys MGT knitting Mills PLC	78,800	3,988	2,521	78,800	3,988	2,758
Kuruwita Textiles Mills PLC	414,400	20,775	12,432	516,000	25,868	18,318
	-	24,763	14,953	-	42,519	21,076
<b>Hotels and Travels</b>						
Aitken Spence Hotel Holdings PLC	10,695,209	184,524	1,133,692	1,222,310	105,074	328,801
Asian Hotels & Properties PLC	5,058,500	422,570	981,349	5,058,500	428,577	478,028
Keells Hotels PLC	72,847,800	1,469,384	1,456,956	-	-	-
		2,076,478	3,571,997		533,651	806,829
<b>Manufacturing</b>						
Chevron Lubricants Lanka PLC	500	22	79	11,559,000	515,986	1,641,378
Piramal Glass PLC	-	-	-	10,555,656	30,476	23,223
Sierra Cables PLC	800	2	3	800	2	2
Lanka Cement PLC	509,700	7,482	14,272	509,700	7,482	11,851
ACL Cabels PLC	2,188,900	78,606	186,275	2,188,900	78,606	166,904
Royal ceramics PLC	875,000	52,959	266,787	875,000	52,960	58,625
Lanka Walltile PLC	130,000	6,397	17,953	130,000	6,397	7,442
Tokyo Cement PLC-Non voting	4,003,600	79,046	160,944			
Tokyo Cement PLC	1,830,375	25,514	101,586	162,700	25,514	52,878
Samson International PLC	9,437	644	892	9,437	644	755
		250,674	748,795		718,067	1,963,058
<b>Land &amp; Property</b>						
Overseas Reality PLC	3,972,300	64,015	60,776	302,400	4,648	4,687
		64,015	60,776		4,648	4,687
<b>Investment &amp; Trusts</b>						
Renuka Holdings PLC	2,500,000	152,025	155,000	-	-	-
		152,025	155,000			
<b>Trading</b>						
Singer (Sri Lanka) PLC	8	-	2	8	-	-
		-	2		-	-
<b>Healthcare</b>						
Asiri Surgical Hospital PLC	75,563,498	495,652	664,958	136,902,398	859,438	1,505,926
Asiri Hospitals PLC	130,695,495	397,250	1,150,120	240,104,300	913,860	2,461,069
		892,902	1,815,078		1,773,298	3,966,995
<b>Construction &amp; Engineering</b>						
Colombo Dockyard PLC	6,843,378	1,223,632	1,881,928	3,036,478	190,398	734,828
		1,223,632	1,881,928		190,398	734,828

## Notes to the Financial Statements *Contd.*

	2010			2009		
	No of Shares 2010	Cost 2010 Rs.000'	Market Value 2010 Rs.000'	No of Shares 2009	Cost 2009 Rs.000'	Market Value 2009 Rs.000'
<b>Information Technology</b>						
E-Channelling PLC	4,112,366	61,174	90,061	4,112,366	61,174	40,096
PC House PLC	1,812,300	19,935	20,479	-	-	-
		81,109	110,540		61,174	40,096
<b>Chemical &amp; Pharmaceuticals</b>						
Chemical Industries (Colombo) PLC	4,769,800	311,827	667,772	1,074,800	52,362	67,175
		311,827	667,772		52,362	67,175
<b>Diversified Holdings</b>						
Aitken Spence PLC	44,032,575	4,630,526	7,485,538	2,935,505	793,808	3,889,544
John Keells Holding PLC	11,416,113	1,299,951	3,403,143	30,862,085	2,587,183	5,292,848
Hayleys PLC	38,101	3,573	13,144	5,571,351	534,635	952,701
CT Holding PLC	82,000	4,482	14,924	-	-	-
Richard Pieris PLC	1,000,000	10,204	10,600	-	-	-
Hemas Holdings PLC	13,044,000	272,730	579,153	3,008,800	314,547	369,330
		6,221,466	11,506,502		4,230,173	10,504,423
<b>Telecommunications</b>						
Dialog Telecom PLC	96,906,280	1,443,677	1,153,184	89,363,080	1,378,771	647,883
Sri Lanka Telecom PLC	20,877,935	727,228	1,002,141	20,877,935	727,228	970,824
		2,170,905	2,155,325		2,105,999	1,618,707
<b>Plantations</b>						
Talawakelle Plantations PLC	105,600	3,114	4,656	105,600	3,114	2,666
		3,114	4,656		3,114	2,666
<b>Power and Energy</b>						
Lanka Indian Oil Company PLC	15,584,800	483,940	294,553	17,709,000	543,550	305,481
Laugfs Gas PLC	7,800	179	204	-	-	-
		484,119	294,757		543,550	305,481
<b>Total Gross Carrying amount of Investments</b>						
In Quoted Equity Securities		22,974,425	61,316,484		16,848,402	35,145,975
Allowance for irrecoverable Investment in Quoted Equity Securities		-	-		(12,663)	-
<b>Total Net Carrying amount of Investments in Quoted Equity Securities</b>		22,974,425	61,316,484		16,835,739	35,145,975



	No of Shares 2010	Cost 2010 Rs.000'	No of Shares 2009	Cost 2009 Rs.000'
<b>b) Un-Quoted Investments</b>				
Associated Newspapers of Ceylon Ltd.	61,206	539	61,206	539
Texpro Industries Ltd.	2,250,000	22,500	2,250,000	22,500
Equity Investments Lanka Ltd.	2,812,500	33,750	2,812,500	33,750
FitchRatings Lanka Ltd.	62,500	625	62,500	625
Splendor Media (Pvt) Ltd.	25,000	250	25,000	250
National Assets Management Ltd.	1	-	5	-
VINC Advertising (Pvt) Ltd.	250,000	2,500	250,000	2,500
Ceylon Assets Management Co.Ltd	1,000,000	10,000	-	-
Unit Trust Management Co (Pvt) Ltd.	759,998	18,328	759,998	18,328
<b>Total Gross Carrying amount of Investments in Un-Quoted Equity Securities</b>		88,492		78,492
Allowance for Decline in value other than Temporary		(6,598)		(1,125)
<b>Total Net Carrying amount of Investments in Un Quoted Equity Securities</b>		81,894		77,367
<b>Total Net Carrying amount of Investments in Equity Securities</b>		23,056,319		16,913,106

Directors are in the opinion that the Company's investments in unquoted shares have not significantly deviated from the recorded cost of such investments.

	No of Units 2010	Cost 2010 Rs.000'	Market Value 2010 Rs.000'	No of Units 2009	Cost 2009 Rs.000'	Market Value 2009 Rs.000'
<b>4.2 Investments Unit Trusts</b>						
Ceybank Unit Trust	32,058,003	383,811	1,253,147	29,879,252	332,437	618,202
Ceylon Income Fund	13,786,765	150,000	165,441	-	-	-
Ceybank Gift Edged Fund	20,594,648	206,000	206,976	20,594,648	206,000	256,815
Namal Gift Edged Fund	25,007,021	250,000	321,841	25,007,021	250,000	321,090
Com Trust Equity Fund	11,146,260	126,381	302,732	10,243,743	111,015	180,290
Total Gross Carrying amount of Investments in Unit Trusts		1,116,192	2,250,137		899,452	1,376,397
					Cost 2010 Rs.000'	Cost 2009 Rs.000'
<b>4.3 Investments in Government Securities</b>						
Treasury Bills					182,982	4,320,333
Treasury Bonds					20,934,014	20,737,069
					21,116,996	25,057,402

## Notes to the Financial Statements *Contd.*

	Redeemable Date	Cost 2010 Rs.000'	Market Value 2010	Cost 2009 Rs.000'	Market Value 2009 Rs.000'
<b>a) Investments in Debentures</b>					
<b>Quoted</b>					
Hatton National Bank PLC	11.09.2012	17,500	17,850	17,500	17,850
Hatton National Bank PLC	31.03.2021	164,314	164,314	148,029	148,029
Hatton National Bank PLC	31.03.2024	332,172	332,172	298,578	298,578
Urban Development Authority	05.10.2015	871,480	871,480	-	-
Commercial Bank of Ceylon PLC	18.12.2016	250,000	250,000	250,000	250,000
Sampath Bank PLC	30.08.2012	300,000	300,000	300,000	300,000
Nations Trust Bank PLC	19.08.2013	200,000	200,000	200,000	200,000
L.B.Finance PLC	22.09.2013	50,000	49,854	50,000	49,854
<b>Total Gross Carrying amount of Investments in Quoted Debentures</b>		2,185,466	2,185,670	1,264,107	1,264,311
<b>Unquoted</b>					
Bank of Ceylon	31.12.2011		250,000	250,000	
Senkadagala Finance PLC	21.09.2012		50,000	50,000	
Merchant Bank of Sri Lanka PLC	31.08.2013		100,000	-	
Peoples Leasing Co Ltd	26.04.2014		500,000	-	
Commercial Leasing Co Ltd	21.09.2012		500,000	-	
Seylan Bank PLC			-	150,000	
Commercial Bank of Ceylon PLC			-	100,000	
Commercial Bank of Ceylon PLC	15.05.2016		125,000	125,000	
<b>Total Net Carrying amount of Investments in Un-quoted Debentures</b>				1,575,000	675,000
<b>b) Trust Certificate and Promissory Notes</b>					
Trust Certificate-Peoples Leasing Co Ltd				57,609	-
Promissory Notes				103,122	-
				160,731	-
<b>Total Net Carrying amount of Investments in Corporate Securities</b>				3,871,197	1,939,107

	% Holding	No. of Shares	Cost 2010 Rs.000'	Market Value 2010 Rs.000'
<b>4.5 Investments in Subsidiaries</b>				
<b>Quoted Subsidiaries</b>				
The Lanka Hospitals Corporation PLC Elimination (Note 4.5.1)	54.61	122,177,993	3,033,069 (107,503)	3,811,953 -
			2,925,566	3,811,953
<b>Un-Quoted Subsidiaries</b>				
Management Services Rakshana (Pvt) Limited	100.00	5	0.05	-
Litro Gas Lanka Limited	51.00	18,360,000	1,760,063	-
Litro Gas Terminal Lanka (Pvt) Ltd	100.00	158,710,945	5,280,188	-
			7,040,250	
			9,965,817	
<b>Comparative Figures</b>				
	% Holding	No. of Shares	Cost 2010 Rs.000'	Market Value 2009 Rs.000'
<b>Quoted Subsidiaries</b>				
The Lanka Hospitals Corporation PLC.	54.61	122,177,993	2,925,566	2,779,549
<b>Un-Quoted Subsidiaries</b>				
Management Services Rakshana (Pvt) Limited	100.00	5	0.05	-

Management Services Rakshana (Pvt) Limited is a wholly owned subsidiary of the Sri Lanka Insurance Corporation Ltd., with Stated Capital of Rs.50/-.

#### Principal activities

The Lanka Hospitals Corporation PLC	- Providing health care services
Management Services Rakshana (Pvt) Limited	- Providing payroll management services
Litro Gas Lanka Limited	- Import, process, store, distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services.
Litro Gas Terminal Lanka (Pvt) Ltd	- Provide bulk storage facilities for Liquid Petroleum Gas (LPG)

**4.5.1** The Company disposed of Rs.35 million shares held by Non Life Business in The Lanka Hospitals Corporation PLC during the year under review which was purchased by the Life Fund of the Company. The profit on disposal was eliminated in preparing the Financial Statements.

**4.5.2** Sri Lanka Insurance Resorts & Spa (Private) Limited was incorporated during the year and no shares were issued as at the reporting date.

## Notes to the Financial Statements *Contd.*

### 5 Property Plant & Equipment Consolidated

<b>Carrying Amount</b>						
Work in Progress						
As at 31st December						
	Land Rs.'000	Buildings on freehold Land Rs.'000	Buildings on Leasedhold Land Rs.'000	Equipment Rs.'000	Furniture & Fittings Rs.'000	Motor Vehicle Rs.'000
<b>Cost/Valuation</b>						
Balance as at 1st January 2010	2,633,790	1,713,883	1,859,095	1,826,632	241,103	304,920
Acquisition of subsidiaries	126,125	244,088	-	933,098	192,555	519,027
Additions	-	-	-	229,322	23,757	66,042
Write off	-	-	-	(57,352)	-	-
Adjustment on Revaluation	(87,849)	(204,352)	340,781	-	-	-
Disposals/Transfers	-	-	-	-	-	(39,428)
<b>Balance as at 31st December 2010</b>	<b>2,672,066</b>	<b>1,753,619</b>	<b>2,199,876</b>	<b>2,931,700</b>	<b>457,414</b>	<b>850,561</b>
<b>Depreciation</b>						
Balance as at 1st January 2010	-	85,694	162,651	1,230,654	139,482	234,649
Acquisition of subsidiaries	-	137,074	-	553,940	154,755	433,636
Depreciation charge for the Year	-	85,694	46,679	168,794	21,657	34,753
Disposals/Transfers	-	-	-	-	-	(23,745)
Write Off	-	-	-	(43,835)	-	-
Adjustment on Revaluation	-	(171,388)	(207,681)	-	-	-
<b>Balance as at 31st December 2010</b>	<b>-</b>	<b>137,074</b>	<b>1,648</b>	<b>1,909,554</b>	<b>315,894</b>	<b>679,292</b>
<b>Carrying Amount</b>						
<b>As at 31 December 2010</b>	<b>2,672,066</b>	<b>1,616,545</b>	<b>2,198,228</b>	<b>1,022,146</b>	<b>141,520</b>	<b>171,269</b>
As at 31 December 2009	2,633,790	1,628,189	1,696,444	588,315	98,230	70,271

	2010 Rs.'000	2009 Rs.'000
	15,792,065	6,815,323
	35,502	199
	15,827,567	6,815,523

Electrical Generators Rs.'000	Fixtures & Fittings Rs.'000	Passenger Lifts Rs.'000	Air-cond. Plant Rs.'000	Plant and machinery Rs.'000	Storage tanks, pipe lines and pumping stations Rs.'000	LPG Cylinders Rs.'000	Others Rs.'000	Total Rs.'000
51,266	30,442	56,194	76,837	24,502	-	-	55,383	8,874,047
-	-	-	-	1,122,630	6,930,672	4,783,202	-	14,851,397
29,869	-	-	20,479	1,488	-	-	12,458	383,414
-	-	-	-	-	-	-	-	(57,352)
-	-	-	-	-	-	-	-	48,580
-	-	-	-	-	-	-	-	(39,428)
<b>81,135</b>	<b>30,442</b>	<b>56,194</b>	<b>97,315</b>	<b>1,148,620</b>	<b>6,930,672</b>	<b>4,783,202</b>	<b>67,841</b>	<b>24,060,658</b>

27,192	26,189	56,194	25,785	11,343	-	-	47,838	2,047,671
-	-	-	-	253,302	1,738,004	3,007,619	-	6,278,330
6,690	2,567	-	9,121	4,225	-	-	9,061	389,241
-	-	-	-	-	-	-	-	(23,745)
-	-	-	-	-	-	-	-	(43,835)
-	-	-	-	-	-	-	-	(379,069)
<b>33,882</b>	<b>28,756</b>	<b>56,194</b>	<b>34,905</b>	<b>268,870</b>	<b>1,738,004</b>	<b>3,007,619</b>	<b>56,899</b>	<b>8,268,593</b>

47,253	1,686	-	62,410	879,750	5,192,668	1,775,583	10,941	15,792,065
24,074	4,254	-	51,052	-	-	-	20,705	6,815,323

## Subsidiaries

### The Lanka Hospitals Corporation PLC

The land and building were revalued during the year 2010 by Messrs A.A.M Fathihu-F.I.V (Sri Lanka) Incorporated Valuer. Only the surplus on revaluation relating to the building was incorporated in the Financial Statements from its effective date which is 31st December 2010. Such assets were valued on an open market value for existing use basis, the surplus arising from the revaluation was transferred to the revaluation reserve.

Company Properties	Method of Valuation	Date of Valuation	Valuer	Revalued Amount Rs.'000	Market Value Rs.'000
Land situated at No. 578, Elvitigala Mawatha Col 5, leased by the Company	Cost Method	31/12/2010	A.A.M. Fathihu	1,444,051	1,444,051
Building situated at No. 578, Elvitigala Mawatha Col 5, leased by the Company	Cost Method	31/12/2010	A.A.M. Fathihu	2,189,450	2,189,450

## Notes to the Financial Statements *Contd.*

### Litro Gas Terminal Lanka (Pvt) Ltd

Company Properties	Method of Valuation	Date of Valuation	Valuer	Revalued Amount Rs.'000	Market Value Rs.'000
Land situated at No. 121, Gunasekara Mawatha, Handala, Wattala	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	417,730	417,730
Building situated at No. 121, Gunasekara Mawatha, Handala, Wattala	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	45,310	45,310
Storage tanks & Pipe Lines	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	4,785,877	4,785,877
Plant & Machinery	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	23,000	23,000
Other Fixed Assets	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	497,682	497,682

### 5 Property Plant & Equipment Company

Carrying Amount					
As at 31st December					
	Land	Buildings on freehold Land	Building on Leased Land	Equipment	Furniture & Fittings
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost/Valuation</b>					
Balance as at 1st January 2010	2,633,790	1,713,883	10,426	538,836	116,639
Additions	-	-	-	75,196	8,655
Adjustment on Revaluation	(87,849)	(204,352)	-	-	-
Disposals/Transfers	-	-	-	-	-
<b>Balance as at 31st December 2010</b>	<b>2,545,941</b>	<b>1,509,531</b>	<b>10,426</b>	<b>614,032</b>	<b>125,294</b>
<b>Depreciation</b>					
Balance as at 1st January 2010	-	85,694	1,186	455,188	70,175
Depreciation charge for the Year	-	85,694	462	36,759	8,889
Impact on estimation Change	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustment on Revaluation	-	(171,388)	-	-	-
<b>Balance as at 31st December 2010</b>	<b>-</b>	<b>-</b>	<b>1,648</b>	<b>491,947</b>	<b>79,064</b>
<b>Carrying Amount</b>					
<b>As at 31st December 2010</b>	<b>2,545,941</b>	<b>1,509,531</b>	<b>8,778</b>	<b>122,084</b>	<b>46,231</b>
As at 31st December 2009	2,633,790	1,628,189	9,240	75,986	43,073

Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.638.127 million (2009 Rs.509.693 million). During the year Company has acquired Property, Plant and Equipment amounting to Rs.201.728 million (2009 Rs.64.561 million)

**Litro Gas Lanka Limited**

Company Properties	Method of Valuation	Date of Valuation	Valuer	Revalued Amount Rs.'000	Market Value Rs.'000
Land situated at Sapugaskanda, Makola	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	132,625	132,625
Building situated at Sapugaskanda, Makola	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	53,468	53,468
L.P.G. Storage tanks	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	38,5000	385,000
Plant & Machinery	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	600,135	600,135
L.P.G. Cylinders	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	1,775,584	1,775,584
Other Fixed Assets	Earning Method	15/11/2010	Sunil Fernando & Associates (Pvt) Ltd	104,188	104,188

	2010 Rs.'000	2009 Rs.'000
	4,440,213	4,553,090
	4,440,213	4,553,090

Motor Vehicle	Electrical Generator	Fixtures & Fittings	Passenger Lifts	Air-cond. Plant	Others	Total
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
292,552	51,266	30,442	56,194	76,837	24,502	5,545,367
66,042	29,869	-	-	20,479	1,488	201,728
-	-	-	-	-	-	(292,201)
(39,428)	-	-	-	-	-	(39,428)
319,166	81,135	30,442	56,194	97,315	25,990	5,415,467
222,281	27,192	26,189	56,194	25,785	11,343	981,227
34,753	6,690	2,567	-	9,121	4,225	189,160
-	-	-	-	-	-	-
(23,745)	-	-	-	-	-	(23,745)
-	-	-	-	-	-	(171,388)
233,288	33,882	28,756	56,194	34,905	15,568	975,253
<b>85,878</b>	<b>47,253</b>	<b>1,687</b>	<b>-</b>	<b>62,410</b>	<b>10,422</b>	<b>4,440,213</b>
70,271	24,074	4,254	-	51,052	13,160	4,553,090

The land and buildings were revalued during the financial year by Valuation Department of Sri Lanka. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31st December 2010. Such assets were valued on an open market value for existing use basis. The deficit arising from the revaluation was setoff againsts previously recognised revaluation surplus.

## Notes to the Financial Statements *Contd.*

Company Properties	Method of Valuation	Date of Valuation	Valuer	Revalued Amount Rs.'000	Market Value Rs.'000
Land situated at No.288, Union Place, Colombo 2.	Cost Method	31.12.2010	Valuation Department	635,250	635,250
Land & Building situated at No.267, Union Place, Colombo 2.	Cost Method	31.12.2010	Valuation Department	315,000	315,000
Land & Building situated at No. 6, Sir Baron Jayathilaka Mawatha, Colombo 1.	Cost Method	31.12.2010	Valuation Department	367,500	367,500
Land & Building situated at No.21, Vauxhall Street, Colombo 2.	Cost Method	31.12.2010	Valuation Department	1,942,500	1,942,500
Land & Building situated at Thelawala, Katubedda, Moratuwa	Cost Method	31.12.2010	Valuation Department	68,250	68,250
Land & Building situated at Lake Road, 4th Lane, Anuradhapura	Cost Method	31.12.2010	Valuation Department	6,090	6,090
Land & Building situated at Main Street, 2nd Lane, Anuradhapura	Cost Method	31.12.2010	Valuation Department	31,500	31,500
Land & Building situated at 571, Hospital Road, Jaffna	Cost Method	31.12.2010	Valuation Department	21,500	21,500
Land & Building situated at No.25,Kande Veediya, Kandy	Cost Method	31.12.2010	Valuation Department	94,500	94,500
Land & Building situated at No. 20, Rajapaksha Broadway, Negambo	Cost Method	31.12.2010	Valuation Department	31,500	31,500
Land & Building situated at No. 7, Hakmana Road, Matara	Cost Method	31.12.2010	Valuation Department	73,500	73,500
Land & Building situated at No. 60/1,Park Road, Nuwara Eliya	Cost Method	31.12.2010	Valuation Department	56,700	56,700
Land & Building situated at No. 16/1, Dambulla Road, Kurunagala	Cost Method	31.12.2010	Valuation Department	31,500	31,500
Land & Building situated at No. 14A, Pulathisigama, Hingurakgoda	Cost Method	31.12.2010	Valuation Department	3,700	3,700
Land & Building situated at No. 46, Main Street, Trincomalee	Cost Method	31.12.2010	Valuation Department	42,000	42,000
Land & Building situated at No. 77, Ratnapura Road, Awissawella	Cost Method	31.12.2010	Valuation Department	12,915	12,915
Land situated at Baudhdhaloka Mawatha, Gampaha	Cost Method	31.12.2010	Valuation Department	34,650	34,650
Land & Building situated at 14, River Side Road, Kalutara	Cost Method	31.12.2010	Valuation Department	29,925	29,925
Land & Building situated at No. 32, Negombo Road, Marawila	Cost Method	31.12.2010	Valuation Department	16,800	16,800



Company Properties	Method of Valuation	Date of Valuation	Valuer	Revalued Amount Rs.'000	Market Value Rs.'000
Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy	Cost Method	31.12.2010	Valuation Department	9,450	9,450
Land & Building situated at No. 97, New Road, Ambalangoda	Cost Method	31.12.2010	Valuation Department	63,000	63,000
Land & Building situated at No. 211/C, Colombo Road, Pilmatalawa	Cost Method	31.12.2010	Valuation Department	13,125	13,125
Land situated at No. 42, Kurunagala Road, Chilaw	Cost Method	31.12.2010	Valuation Department	13,125	13,125
Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya.	Cost Method	31.12.2010	Valuation Department	1,365	1,365
Land & Building situated at Bogahahena, Dikwella Road, Beliatta	Cost Method	31.12.2010	Valuation Department	21,000	21,000
Land & Building situated at No.68, Ragala Road, Rikilagaskada	Cost Method	31.12.2010	Valuation Department	8,925	8,925
Land situated at Gorakadeniya, Yatinuwara, Kandy	Cost Method	31.12.2010	Valuation Department	17,850	17,850
Land & Building situated at No. 69, Kothmale Road, Nawalapitiya	Cost Method	31.12.2010	Valuation Department	15,750	15,750
Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota	Cost Method	31.12.2010	Valuation Department	5,250	5,250
Land & Building situated at No.6, Wadugodapitiya Veediya, Kandy	Cost Method	31.12.2010	Valuation Department	52,500	52,500
Land & Building situated at No. 389, Main Street, Kegalle	Cost Method	31.12.2010	Valuation Department	17,850	17,850

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
Cost	1,693,136	1,693,136	269,826	269,826
Accumulated Depreciation	(362,171)	(299,605)	(110,818)	(97,327)
Net Carrying Amount	1,330,965	1,393,531	159,008	172,499

## Notes to the Financial Statements *Contd.*

### Consolidated

	2010 Rs.'000	2009 Rs.'000
<b>6 Lease Hold property</b>		
Lease Hold Property	21,881	22,150
Advance Lease Premium	106,127	88,752
Total carrying amount at the end of the year	128,009	110,902
<b>Company Leased Hold Property</b>		
<b>Cost</b>		
Balance as at 1st January	28,015	28,015
<b>Amortisation</b>		
Balance as at 1st January	5,865	5,574
Amortisation of Lease hold Land	269	291
As at 31st December	6,134	5,865
Total carrying amount as at 31st December	21,881	22,150

The Company 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, it was 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 balance sheet as at the effective date of SLAS 19- Leases (Revised 2005)

The revised UITF ruling does not permit further revaluation of Leasehold Property. An amount of Rs.24.18 million is remaining in the equity under Revaluation Surplus relating to previous revaluation of Leasehold rights to land.

### Subsidiary

	2010 Rs.'000	2009 Rs.'000
<b>Advanced Lease Premium</b>		
Balance as at 1st January	88,752	92,264
Premium paid during the year	22,059	-
Amortised during the year	(4,683)	(3,513)
Balance as at 31st December	106,127	88,752

### The Lanka Hospitals Corporation PLC

The Lanka Hospitals Corporation PLC has entered into a 99-year lease agreement with the Urban Development Authority. In terms of this agreement Rs.278 million is to be paid between the period 1999-2026.

Premium paid on each instalment is carried forward and amortised over the 99 year period, in accordance with the said agreement. Premium with regard the lease land is due on 1st January of each year.

This lease hold land was revalued on 31st December 2010 by Messrs A.A.M.Fathihu – F.I.V. (Sri Lanka) Incorporated valuer, amounting to Rs.1,444,051,875/-, and this is not incorporated in this Financial Statements.

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>7 Intangible Assets</b>				
<b>Cost</b>				
Balance at the 1st January	1,576,730	1,576,730	-	-
On acquisition of Subsidiaries	1,416,075	-	-	-
Balance at 31st December	2,992,805	1,576,730	-	-

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

The recoverable amount of The Lanka Hospitals Corporation PLC, Litro Gas Lanka Limited and Litro Gas Terminal Lanka (Pvt) Ltd was based on the value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the assets. Key assumptions used are given below.

Business growth-Based on historical growth rate and business plan

Inflation-As per the Y-Y inflation as per CBSL

Discount rate-Average market borrowing rate adjusted for risk premium

Margin-Based on current margin and business plan

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

	Rs.million
The Lanka Hospitals Corporation PLC	1,580
Litro Gas Lanka Limited	839
Litro Gas Terminal Lanka (Pvt) Ltd.	574

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>8 Loans to Policyholders</b>				
Loans Receivable from Policyholders	1,850,812	2,121,099	1,850,812	2,121,099
<b>Total Policyholder and Other Loans</b>	<b>1,850,812</b>	<b>2,121,099</b>	<b>1,850,812</b>	<b>2,121,099</b>
<b>9 Other Assets</b>				
Inventories (Note 9.1)	1,140,447	112,293	57,426	55,173
Other Receivables	201,570	258,049	201,570	210,516
Less: Allowance for Uncollectible Amounts	(109,433)	(179,723)	(109,433)	(179,723)
	92,137	78,326	92,137	30,793
Amounts due from Distilleries Company of Sri Lanka PLC Group of Companies	167,381	167,381	167,381	167,381
Interest Receivable	1,857,805	1,562,458	1,857,805	1,562,458
Staff Loans (Note 9.2)	351,703	137,524	351,703	137,524
Other Loans	263,971	272,059	263,971	272,059
Amount due from The Lanka Hospitals Corporation PLC	-	-	7,067	8,062
Advance on Fixed Assets	10,682	55,018	10,682	55,018
Trade and Other Receivables (Note 9.3)	476,590	135,591	-	-
Economic Service Charge Recoverable	6,848	-	-	-
	4,367,567	2,520,650	2,808,173	2,288,467

## Notes to the Financial Statements *Contd.*

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>9.1 Inventories</b>				
Insurance	57,426	55,173	57,426	55,173
Healthcare	86,451	60,507	-	-
Energy	996,570	-	-	-
	1,140,447	115,680	57,426	55,173
Provision for slow moving Inventories	-	(1,951)	-	-
Provision for obsolete Inventories	-	(1,436)	-	-
	1,140,447	112,293	57,426	55,173
<b>9.2 Loans due from employees</b>				
Balance as at 1st January	137,524	147,926	137,524	147,926
Loans granted during the year	256,481	63,044	256,481	63,044
Recoveries during the year	(42,302)	(73,446)	(42,302)	(73,446)
Balance as at 31st December	351,703	137,524	351,703	137,524
<b>9.3 Trade and Other Receivables</b>				
Trade Receivable				
Trade & other receivables	254,362	91,884	-	-
Provision for doubtful Debt	(5,476)	(27,445)	-	-
Total Trade Receivable	248,886	64,439	-	-
Deposit and Prepayments	42,630	42,743	-	-
Advances and other receivables	185,075	28,410	-	-
	476,590	135,591	-	-

Advances and other receivables includes an advance of Rs 22,000,000 (2009 - Rs 22,000,000) paid to the Urban Development Authority in respect of the purchase of a property in Panadura. However, the Company abandoned the plan subsequently and has claimed the refund of the advance paid which yet to be received.

Other receivables include Value Added Tax recoverable amounting to Rs 29,874,071 (2009 - Rs.29,874,071), receivable from Ceylon Petroleum Corporation amounting to Rs 12,936,007 (2009 - Rs.12,936,007) on sale of Land from Shell Gas Lanka Limited.

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>10 Reinsurance Receivable</b>				
Reinsurance Receivable	221,175	227,182	221,175	227,182
Reinsurance Receivables on Claims	1,357,831	942,744	1,357,831	942,744
Less: Allowance for uncollectable amounts	(64,574)	(82,274)	(64,574)	(82,274)
	1,514,432	1,087,652	1,514,432	1,087,652

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>11 Premium Receivable from Policyholders</b>				
Premium Receivables from policyholders	1,403,064	793,845	1,403,064	793,845
Less: Allowance for uncollectable amounts	(407,566)	(281,399)	(407,566)	(281,399)
	995,498	512,447	995,498	512,447
<b>12 Premium receivable from Policyholders</b>				
Premium Receivables from Agents, Brokers	467,688	665,910	467,688	665,911
Less: Allowance for uncollectable amounts	(135,855)	(236,049)	(135,855)	(236,049)
	331,833	429,861	331,833	429,862
<b>13 Deferred Tax Assets/(Liabilities)</b>				
Capital Allowances for tax purpose	(12,882)	4,152	(12,882)	4,152
Revaluation/(Deficit) of Building	(1,159)	2,928	(1,159)	2,928
	(14,041)	7,080	(12,882)	7,080
<b>Deferred Tax Assets</b>				
Defined Benefit Obligations	63,805	41,877	63,805	41,877
Net Deferred Tax Asset	49,764	48,957	49,764	48,957
<b>14 Cash and Cash Equivalents</b>				
Cash in Hand & at Bank	2,055,223	1,020,642	488,794	833,986
On acquisition of subsidiaries	2,843,871	-	-	-
<b>Short Term Investments</b>				
Treasury Bonds	5,088,896	1,146,696	5,088,896	1,146,696
Treasury Bills/Bonds (Repos)	174,107	234,067	174,107	234,067
Term Deposits	4,170,963	847,122	4,374,340	847,122
<b>Total Cash &amp; Cash Equivalents</b>	<b>14,333,061</b>	<b>3,248,527</b>	<b>10,126,137</b>	<b>3,061,871</b>

#### 15 Insurance Provision-Life

Long duration contract liability included in the Life Insurance Fund, result primarily from traditional participating & non-participating life insurance products. Short duration contract liabilities are primarily accident & health insurance products. The insurance provision has been established based upon the following.

\* Interest rates which vary by product & year of assurance.

\* Mortality rates based on published mortality tables adjusted for actual experience by geographic area & modified to allow the variations in policy form.

\* Surrender rates based upon actual experience by geographic area and modified to allow for variation in policy form.

The amount of policyholder dividend to be paid is determined annually by the Company. The dividend includes life policyholders' share of net income that are required to be allocated by the insurance contract or, by insurance regulations.

The valuation of the Insurance Provision-Life Insurance Business, as at 31.12.2010 was made by drs. J. S. A Plugge AAG Member of the Dutch Actuarial Society for and on behalf of Sri Lanka Insurance Corporation Limited. In accordance with the consultants actuary's report, the sum of provision, Rs.2,053.9 million (In 2009 Rs.1,847.2 million), was included in the liability in respect of policyholders' dividend. In the opinion of the consultant actuary, the admissible assets of the Life Insurance Fund as at 31st December 2010 is adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under Section 26 of the Regulation of Insurance Industry

## Notes to the Financial Statements *Contd.*

Act No. 43 of 2000. The Life Fund also carried forward surplus for future growth and contingencies.

The Life Insurance Fund Assets including Shareholders' Transfer as at 31.12.2010 is Rs.52,217 million (2009 - Rs.42,274 million). The Board of Directors decided to transfer Rs.2,647.238 million (2009 - Rs.789.057 million) to shareholders' fund in the Life Balance Sheet. Subsequent to this transfer, the Life insurance fund stands Rs.49,569 million (2009 - Rs.41,485 million).

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>Life Insurance Fund as at 1st January</b>	41,484,784	37,050,156	41,484,784	37,050,156
Movement of the Fund	10,731,809	5,223,685	10,731,809	5,223,685
Transfer of Surplus to Shareholders Funds	(2,647,238)	(789,057)	(2,647,238)	(789,057)
<b>Life Insurance Fund as at 31st December</b>	49,569,355	41,484,784	49,569,355	41,484,784
Policyholder Outstanding Claims	3,004,247	2,471,228	3,004,247	2,471,228
	52,573,602	43,956,012	52,573,602	43,956,012
<b>16 Insurance Provision-Non Life Premiums</b>				
Unearned Premium				
Gross	4,527,583	3,856,675	4,527,583	3,856,675
Reinsurance	(673,601)	(772,944)	(673,601)	(772,944)
Net	3,853,982	3,083,731	3,853,982	3,083,731
Unexpired Risks				
Gross	407,658	252,147	407,658	252,147
Reinsurance	(10,859)	(61,950)	(10,859)	(61,950)
Net	396,799	190,197	396,799	190,197
Deferred Income on Reinsurance Commission	78,683	77,724	78,683	77,724
Deferred Acquisition Expenses	(252,678)	(232,181)	(252,678)	(232,181)
	(173,995)	(154,457)	(173,995)	(154,457)
	4,076,786	3,119,471	4,076,786	3,119,471
<b>Gross Claims Reserve</b>				
Claims Outstanding (Gross)	5,047,124	4,720,441	5,047,124	4,720,441
Claims Incurred But Not Reported (IBNR/IBNER)	1,708,072	1,425,951	1,708,072	1,425,951
Catastrophe(CAT)	360,000	270,000	360,000	270,000
Contingency	1,167,466	2,269,120	1,167,466	2,269,120
Claims Reserve Total	8,282,662	8,685,512	8,282,662	8,685,512
<b>Total</b>	12,359,448	11,804,983	12,359,448	11,804,983

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the Balance Sheet date. The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

Since 2006 onwards, the Company valued its insurance provision-Non-Life by way of an Actuarial Valuation. Accordingly, the basis of estimating unearned premium reserve has also changed from 50% of Net Premium received during the year to 1/365th pro-rata basis.

	Consolidated		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
<b>16.1 Technical Reserve</b>				
<b>Insurance Provision</b>	12,359,448	11,804,983	12,359,448	11,804,983
Reinsurance on Claims-Non Life	(1,357,831)	(942,744)	(1,357,831)	(942,744)
Technical Reserve as at 31st December	11,001,617	10,862,239	11,001,617	10,862,239
<b>17 Current Tax Liabilities</b>				
Balance as at 1st January	954,259	723,125	954,217	723,088
Income tax charge for the year	2,086,274	1,305,430	2,115,973	1,296,530
Income tax settlements made during the year	(1,659,419)	(1,069,846)	(1,642,373)	(1,065,401)
On acquisition of subsidiaries	84,255	-	-	-
Balance as at 31st December	1,465,369	954,259	1,427,816	954,217
<b>18 Deferred Tax</b>				
<i>Deferred Tax Liabilities</i>				
Capital Allowances for Tax Purposes	838,679	414,043	678,609	72,808
Revaluation/(deficit) of Building	179,519	518,014	(127,547)	518,014
On acquisition of subsidiaries	1,627,053	-	-	-
<i>Deferred Tax Assets</i>				
Defined Benefit Obligations	(75,045)	(31,013)	(65,802)	(40,476)
Provision for Doubtful Debtors	(85,700)	(59,201)	(85,700)	(59,201)
Tax Loss Carried Forward	-	28,667	-	-
On acquisition of subsidiaries	(158,137)	-	-	-
Net Deferred Tax Liabilities	2,326,369	870,510	399,560	519,812
<b>19 Retirement Benefit Obligations</b>				
Balance as at 1st January	268,357	262,068	236,329	227,398
On acquisition of subsidiaries	60,524	-	-	-
Current Service Cost	38,000	17,144	30,167	15,625
Interest Expenses	29,112	19,924	26,665	18,192
Actuarial Gain/( Loss )	81,004	(10,779)	80,681	(9,421)
	476,998	288,357	373,842	251,794
Benefit paid by the plan	(7,687)	(20,000)	(3,538)	(15,465)
Balance as at 31st December	469,311	268,357	370,304	236,329

As at 31st December 2010 the Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S Actuarial & Management Consultants (Pvt) Ltd, 1st Floor, 434, R.A.De Mel Mawatha, Colombo 3 for Rs.370,303,797. The actuarial valuation will be performed every year. Principal actuarial assumptions used:

	2010 % per Annum	2009 % per Annum
Discount Rate	10	11
Salary Increment Rate	7.5	10

The liability is not externally funded.

## Notes to the Financial Statements *Contd.*

### Subsidiaries

#### The Lanka Hospitals Corporation PLC

As at 31st December 2010 the Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S Actuarial & Management Consultants (Pvt) Ltd, 1st Floor, 434, R.A.De Mel Mawatha, Colombo 3 for Rs.33.011 million. The actuarial valuation will be performed every year. Principal actuarial assumptions used:

	2010 % per Annum	2009 % per Annum
Discount Rate	10	12
Salary Increment Rate		
Salary Denoted in Sri Lankan Rup	12	12
Salary Denoted in Indian Rup	5	5

The liability is not externally funded.

#### Litro Gas Terminal Lanka (Pvt) Ltd and Litro Gas Lanka Limited

Liability is not externally funded nor has been actuarially valued.

The Group's and Company's retirement benefit obligation would have been Rs.545,379,833/- and Rs.436,532,109/-. As at the reporting date their retirement had been calculated as per the requirement of the Payment of Gratuity Act No 12 of 1983.

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>20 Other Liabilities</b>				
Policyholder Advance Payments	616,555	1,454,408	616,555	1,454,408
<b>Payables</b>				
Agency Commission Payable	437,861	391,607	437,861	391,607
Reinsurance Payable	576,278	483,220	576,278	483,220
Economic Services Charge Payable	33,290	30,000	30,000	30,000
Others Including Accrued Expenses	1,784,421	1,104,657	1,350,283	1,104,657
Agrahara Premium Payable	138,835	138,835	138,835	138,835
Riot Fund	51,088	50,499	51,088	50,499
Trade Payable	1,828,999	118,619	-	-
Value Added Tax Payable	13,626	70,182	-	70,182
Provision for Assessment on Value Added Tax	345,000	345,000	345,000	345,000
Other Payables	79,471	156,428	-	-
Advanced Received	29,991	-	-	-
Customer Deposit Payable	3,472,651	-	-	-
	<b>9,408,069</b>	<b>4,343,455</b>	<b>3,545,900</b>	<b>4,068,408</b>



	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>21 Government Grants</b>				
Balance as at 1st January	221	885	-	-
Amortised during the year	(221)	(664)	-	-
Balance as at 31st December	-	221	-	-

The Lanka Hospitals Corporation PLC has received government grant in respect of a machinery in the year 2004, and it has been accounted for in accordance with SLAS - 24 "Accounting for Government Grants and Disclosure of Government Assistance".

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>22 Interest Bearing Borrowings</b>				
Syndicate Loan (Note 22.1)	15,090	35,210	-	-
NDB Loan (Note 22.2)	7,500	17,500	-	-
Bank Overdaft	415,502	354,285	285,703	304,515
	438,092	406,995	285,703	304,515
Amount Payable within one year	438,092	384,405	285,703	304,515
Amount Payable after one year	-	22,590	-	-
	438,092	406,995	285,703	304,515

## Notes to the Financial Statements *Contd.*

Lendor	2010 Rs.'000	2009 Rs.'000
<b>22.1</b> Hatton National Bank PLC	7,500	17,500
National Development Bank PLC	3,795	8,855
Seylan Bank PLC	3,795	8,855
<b>22.2</b> National Development Bank PLC	7,500	17,500

Rate of Interest (p.a)	Lendor	Security
Interest rate of one year weighted average treasury bills rate prevailing six months immediately prior to each interest review period plus 6% p.a	Hatton National Bank PLC	Partial Gurantee provided by the International Finance Corporation to the maximum of Rs.230 million for principal amount and non guranteed portion of the loan is subject to following securities. (i) primary concurrent mortgage over the moveable and immovable assets (ii) An assignment of the project documents (other than the investment agreement) (ii) A secondary mortgage over the stock in trade, book debts and receivables
	National Development Bank PLC	
	Seylan Bank PLC	
Interest rate of one year simple average treasury bills rate prevailing six months immediately prior to each interest review period plus 7% p.a	National Development Bank PLC	(i) primary concurrent mortgage over the moveable and immovable assets (ii) An assignment of the project documents (other than the investment agreement) (ii) A secondary mortgage over the stock in trade, book debts and receivables

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>23 Stated Capital</b>				
Issued and Fully Paid				
600,000,000 Ordinary Shares	6,000,000	6,000,000	6,000,000	6,000,000
	6,000,000	6,000,000	6,000,000	6,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

## Notes to the Financial Statements *Contd.*

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000 Restated	2010 Rs.'000	2009 Rs.'000 Restated
<b>24 Capital Reserve</b>				
Revaluation Reserve	1,566,107	1,457,510	1,336,694	1,457,510
<b>24.1 Revaluation Reserve</b>				
Balance as at 1st January	1,457,510	1,457,510	1,457,510	1,457,510
Surplus/(Deficit) on Revaluation of Property, Plant and Equipment	178,700	-	(120,816)	-
Deferred tax effect on revaluation	(70,103)	-	-	-
Balance as at 31st December	1,566,107	1,457,510	1,336,694	1,457,510

**24.2** The Revaluation Reserve consists of the net surplus on the revaluation of Property, Plant and Equipment as described in Note 05.

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>25 Revenue Reserve</b>				
General Reserve	643,442	643,442	643,442	643,442
Surplus from Life Insurance	4,160,293	1,513,055	4,160,293	1,513,055
Retained Earnings	5,829,396	1,968,880	5,891,054	2,219,456
	10,633,129	4,125,375	10,694,790	4,375,953
<b>25.1 Retained Earnings</b>				
Balance as at 1st January	1,968,880	1,232,689	2,219,456	1,487,222
Profit for the Year	13,220,925	1,525,246	13,039,202	1,521,291
Surplus Attributable to Shareholders from Life Insurance	(2,647,238)	(789,055)	(2,647,238)	(789,057)
Dividend Declared and Paid	(6,720,366)	-	(6,720,366)	-
Realisation of Revaluation Surplus	7,195	-	-	-
Balance as at 31st December	5,829,396	1,968,880	5,891,054	2,219,456

**25.2** General Reserves represents the amounts set aside by the Directors for the future expansion and to meet any contingencies, which formed part of the Company's distributable reserves.

**25.3** The Company restated the Financial Statements due to reclassification of Equity attributable to Life Shareholders which was previously included under Insurance Provision-Life and now included under Shareholders Equity. Consequent to the reclassification, the transfer of surplus from Life Insurance Business to Shareholders Funds as recommended by the Actuary is included in the Income Statement.

The Company resolved to transfer the said surplus to a reserve within Equity.

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>26 Revenue</b>				
Gross Written Premium	15,239,001	13,584,399	15,276,496	13,584,399
Less: Premium Ceded to Reinsurers	(2,363,687)	(2,723,748)	2,363,687	(2,723,748)
Net Written Premium	12,875,314	10,860,652	12,912,809	10,860,652
Net Change in Reserve for Unearned Premium	(933,063)	501,479	(933,063)	501,479
Net Earned Premium	11,942,251	11,362,131	11,979,746	11,362,131
Income from Investments	22,537,127	7,773,721	22,537,127	7,773,721
Other Income	496,771	1,393,410	494,413	1,393,410
Hospital Revenue	2,280,248	1,403,283	-	-
Pharmacy Revenue	875,775	374,088	-	-
Revenue from Liquid Petroleum Gas (LPG) Activities	2,237,364	-	-	-
Throughput fee	111,208	-	-	-
	40,480,743	22,306,633	35,011,286	20,529,262
<b>27 Gross Written Premium</b>				
<b>Life Insurance</b>				
Group and Non Group	5,854,145	4,585,960	5,854,145	4,585,960
Group Term Life Assurance	155,714	233,899	155,714	233,899
<b>Non- Life Insurance</b>				
Fire & Engineering Risk	1,564,477	1,991,596	1,601,972	1,991,596
General Accident	2,095,493	1,853,357	2,095,493	1,853,357
Marine	413,840	403,490	413,840	403,490
Workmen's Compensation	83,149	67,699	83,149	67,699
Motor	5,072,183	4,448,398	5,072,183	4,448,398
	15,239,001	13,584,399	15,276,496	13,584,399

**27.1** The balance of Premium Received in Advance in Non- Life and Long term Insurance as at 31.12.2009 was Rs.594.67 mn and Rs.859.73 mn respectively. During the year, Company recognised Rs.445 mn and Rs.364 mn of the above as Gross Written Premium (GWP) in both Non- Life and Long term Insurance respectively

The aforesaid sum recognised as Gross Written Premium for Non-Life Business of Rs.445 mn comprise a sum of Rs.256 mn identified as GWP applicable for previous years and a further unidentified difference between the front line operating system and the General Ledger amounting to Rs.189 mn.

The aforesaid sum recognised as Gross Written Premium for Life Insurance Business of Rs.364 mn comprise a sum of Rs. 267 mn being premium received in advance as at 1st January 2010 from lapsed policies which was revived during the year 2010 and a further unidentified difference between the front line operating system and the General Ledger amounting to sum of Rs.97 mn.

According to Sri Lanka Accounting Standard 10 – Accounting policies, Changes in Accounting Estimates and Errors, material prior period errors shall be corrected by retrospectively restatement in the first set of Financial Statements authorised for issue after their discovery. However, due to the impracticability in quantifying the cascade impact on the Life Fund and other technical reserves set up in the life and general businesses caused by retrospective restatement, the Company has not restated the comparative figures.

## Notes to the Financial Statements *Contd.*

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>28 Insurance Claims and Benefit Net</b>				
<b>Life Insurance</b>				
Group Term Life Assurance	496,650	58,405	496,650	58,405
Policy Maturities	3,820,311	3,106,535	3,820,311	3,106,535
Surrenders	214,121	176,721	214,121	176,721
Death, Disability, Ex-gratia, Annuities, Hospitalization & Mortgage Protection	448,805	475,284	448,805	475,284
	4,979,887	3,816,945	4,979,887	3,816,945
<b>Non- Life Insurance</b>				
Non-Life Insurance				
Gross Claims Incurred	3,699,248	5,745,201	3,701,300	5,745,201
Reinsurance Recoveries	(837,719)	(350,954)	(837,719)	(350,954)
	2,861,529	5,394,247	2,863,581	5,394,247
<b>Total Insurance Claims/Benefits (Net)</b>	<b>7,841,416</b>	<b>9,211,192</b>	<b>7,843,468</b>	<b>9,211,192</b>
<b>29 Underwriting and Policy Acquisition Costs</b>				
Increase/(Decrease) in				
Deferred Acquisition Expenses	1,140,849	1,117,385	1,140,849	1,117,385
Reinsurance Commission Received	(300,025)	(414,627)	(300,025)	(414,627)
	840,824	702,758	840,824	702,758
<b>30 Income from Investments</b>				
Dividend Income	1,052,637	829,844	1,052,637	829,844
Interest Income	5,898,153	5,390,956	5,898,153	5,390,956
Net Realised Capital Gains and Losses	15,586,337	1,552,921	15,586,337	1,552,921
	22,537,127	7,773,721	22,537,127	7,773,721
<b>31 Other Income</b>				
Reversal of Provision for fall in Value of Investments	-	443,965	-	443,965
Rent Income	90,960	98,165	90,960	98,165
Gain on Foreign Exchange Transactions	-	148,482	-	148,482
Interest on Policyholders and Other Loans	236,491	279,677	236,491	279,677
Amortisation of Government Grants	221	664	-	-
Sundry Income	168,020	423,510	166,962	423,120
Gain on disposal of Property, Plant and Equipment	1,079	-	-	-
	496,771	1,394,463	494,413	1,393,409

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>32 Other Operating, Investment Related and Administration Expenses</b>				
Staff Expenses (Note 32.1)	1,278,189	857,271	680,254	517,131
Provision for fall in Value of Investments Administration & Establishment Expenses	5,473	-	5,473	-
Selling Expenses	624,773	579,180	443,428	579,180
Government Levies	337,125	150,412	311,648	150,412
Provision for Assessment on Value Added Tax	82,070	57,490	82,070	57,490
Corporate Social Responsibility Assets write off	-	345,000	-	345,000
Assets Management Fees	-	46	-	46
Depreciation on property plant and equipment	-	81,803	-	81,803
Re Branding Expenses	187	16,889	187	16,889
Other Operating expenses	205,875	193,483	102,267	115,608
Bank Balance Written Back	-	28,996	-	-
	651,615	465,842	178,324	153,715
	-	(396)	-	(396)
	<b>3,185,308</b>	<b>2,776,016</b>	<b>1,803,651</b>	<b>2,016,878</b>
<b>32.1 Staff Expenses</b>				
Wages and Salaries	972,777	668,193	426,660	359,171
Defined Benefit Plan Cost				
-Retiring Gratuity	70,953	15,576	65,676	11,016
Defined Contribution Plan Cost-EPF/ETF	113,075	65,077	68,923	38,520
Bonus	31,593	40,208	31,593	40,208
Voluntary Retirement Scheme (VRS)	-	4,162	-	4,162
Other Expenses	89,791	64,054	87,402	64,054
	<b>1,278,189</b>	<b>857,271</b>	<b>680,254</b>	<b>517,131</b>
<b>33 Profit from Operations</b>				
Auditors' Remuneration				
Statutory Audit	4,593	3,005	2,975	2,575
Audit related Services	550	1,575	550	1,575
Non Audit Services	-	208	-	-
Legal Fees	24,783	34,694	24,783	31,471
Fund Management Fees	187	75,469	187	75,469
Depreciation on Property, Plant and Equipment	451,831	163,825	189,429	163,825
(Reserval of)/Provision for Doubtful Debts	(58,699)	34,048	(55,866)	34,048
Loss on Disposal of Property, Plant & Equipment	19,683	-	19,683	-
(Reserval of)/Provision for Inventories	(3,387)	1,345	-	-
Amortisation of Advanced Leased Premium	4,683	1,436	-	-
Donation	10,765	1,266	10,765	1,266

## Notes to the Financial Statements *Contd.*

	Consolidated		Company	
	2010 Rs.'000	2009 Rs.'000	2010 Rs.'000	2009 Rs.'000
<b>34 Income Tax Expense</b>				
<b>Current Tax Expense</b>				
Taxation on Current Year Profit	2,022,625	1,241,247	2,052,324	1,236,797
Under/(Over) Provision in respect of previous years	63,649	59,733	63,649	59,733
	2,086,274	1,300,980	2,115,973	1,296,530
<b>Deferred Tax Expense</b>				
Origination and reversal of Temporary Differences	(225,713)	21,913	(121,058)	12,450
	1,860,560	1,322,893	1,994,915	1,308,980

### Parent Company

SLICL is liable to income tax of 35% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto (from 2011 applicable rate is 28%). Current year tax charge consists of income tax charge on General Insurance and investment income in Life Insurance.

### Subsidiaries

#### The Lanka Hospitals Corporation PLC

In accordance with the power conferred on the Board of Investment of Sri Lanka, under Section 170 of the BOI law No. 4 of 1978, the operating profits and income accruing to the Company is exempt from tax for period of 12 years. However, income tax has been provided at 35% on non-trading income.

#### Litro Gas Terminal Lanka (Pvt) Ltd

In accordance with the subject to the power conferred on the Board of Investment of Sri Lanka, under Section 170 of the BOI law No. 4 of 1978, the operating profits and income accruing to the Company is exempt from tax for period of 15 years commencing from 1996.

However, income tax has been provided at 35% for interest income.

### 35 Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

	Consolidated		Company	
	2010	2009	2010	2009
<b>Amounts Used as the Numerators</b>				
Net Profit Attributable to Ordinary Shareholders (Rs.'000)	13,220,925	1,525,248	13,039,203	1,521,291
<b>Numbers of Ordinary Shares Used as Denominators</b>				
Weighted Average Number of Ordinary Shares in Issue ('000)	600,000	600,000	600,000	600,000
Basic Earnings per Share (Rs.)	22.03	2.54	21.73	2.54



### 36 Dividend Per Share

Dividend Per Share is calculated by dividing total dividend by the number of ordinary shares in issue as at the year end.

	Consolidated		Company	
	2010	2009	2010	2009
<b>Dividend paid &amp; proposed</b>				
Interim Dividend Paid (Rs.'000)	6,720,366	-	6,720,366	-
Weighted Average Number of Ordinary Shares in Issue ('000)	600,000	600,000	600,000	600,000
Dividend per share (Rs.)	11.20	-	11.20	-

### 37 Commitments and Contingencies & Guarantees

#### 37.1 Capital Commitments

The Company does not have significant capital commitments as at the reporting date.

#### 37.2 Contingent Liabilities & Guarantees

There were no significant Contingent Liabilities & Guarantees for which no provision has been made in the financial statements or approved by the Board but not contracted as at the balance sheet date that would require adjustments to or disclosure in the Financial Statements, other than described below.

#### 37.3 Contingent Liabilities & Guarantees

##### a) Contingent Liabilities

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

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

The Company filed valid appeals against these assessments. The Board of Review by letter dated 21st July 2010 determined that the assessments are valid. The Company made an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the liability of Rs.345 million pending the decision of the Court of Appeal. In the event, the decision of the Court of Appeal is unfavourable to the Company, an additional liability of Rs.690 million for the year 2007 may arise.

##### b) Guarantees

Company		2010 Rs.'000	2,009 Rs.'000
	Nature of Transaction		
Shell Brands International AG	Guarantee in favour of Litro Gas Limited. (US\$1,000,000)	112,500	-
Ace Power Embilipitiya (Pvt) Ltd	Letter of Credit in favour of Ceylon Petroleum Corporation	-	45465

## Notes to the Financial Statements *Contd.*

### Subsidiaries

#### The Lanka Hospitals Corporation PLC

The Company was party to legal proceedings incidental to its business. Five cases had been filed in the District Court of Colombo claiming an aggregate of Rs.131.35 million as damages from the Company. In addition, an application has been filed in the Labour Tribunal claiming a sum of Rs.5 million against the Company. The cases had been taken for trial and the management is vigorously contesting in each case. The Company had made provision of Rs.11.324 million in two cases where judgement was awarded against the Company and appeal pending in the High Court Civil Appeal. Based on the available information and current status of the cases pending judgement, the Company is not in a position to quantify the potential financial impact, as at the reporting date other than for one case where an additional provision of Rs.5 million was made.

### Commitment on Land Lease

#### Subsidiaries

#### The Lanka Hospitals Corporation PLC

The Company had entered into a 99-year lease agreement with the Urban Development Authority. In terms of this agreement annual lease premiums payable are as follows.

Year	Annual Lease Premiums	Rs.
1999 to 2003	9,273,274	(Excluding taxes)
2004 to 2025	18,546,548	(Excluding taxes)
2026	9,273,274	(Excluding taxes)

Premiums paid on each installment is carried forward and amortised over the 99-year period, in accordance with the said agreement.

From the year 2027 Rs.7,000/- per annum is payable as nominal ground rent for 5 years. Thereafter the said ground rent will be revised every 5 years on the basis of an annual increase no greater than the average weighted deposit rate published by the Central Bank of Sri Lanka prevailing at the end of each year or 10% per annum whichever is lower.

#### Litro Gas Terminal Lanka (Pvt) Ltd

The Company has an annual commitment to pay Rs.18.865 million as lease rental for the use of land.

### 38 Events after the Balance Sheet date

There were no significant events after the Balance Sheet date.

### 39 Related Party Disclosures

#### 39.1 Transactions with Key Management Personnel

The Key Management Personnel of the Company are the Members of its Board of Directors. The following directors who held office at the beginning of the year resigned on 06th May 2010.

Mr.P. Kariyawasam  
Dr. Nalaka Godahewa  
Mr. A. Maddegoda  
Mr. R.A. Jayatissa  
Mr. C. Amarathunga  
Mr. R. Abeyesuriya  
Mr. A.P. Lekamge

The Secretary to the Treasury reconstituted the Board by appointing the following Directors on 14th May 2010.

Mr. G.S. Senarath  
Mr. Mohan De Alwis  
Mr. Piyadasa Kudabalage  
Mr. K.A.D.D. Perera  
Mr. C.N.V. Selvanayagam  
Mr. R.A. Jayatissa

\*Dr. B.M.S. Batagoda was appointed to the Board with effect from 17th December 2010.

**(a) Key Management Personnel compensation**

Emoluments and compensation paid to Key Management Personnel are as follows.

	Nature of Transaction	
	2010 Rs.'000	2009 Rs.'000
Short term employee benefits	10,275	10,191
<b>Other Transactions</b>		
Sale of Goods and Services to Key Management Personnel	-	390

**(b) No loans have been granted to Key Management Personnel during the year**

Details of Significant related party disclosures are as follows.

**39.2 Transactions with related companies**

**Name of the Company**

Management Services Rakshana (Pvt) Ltd.  
The Lanka Hospitals Corporation PLC  
Litro Gas Lanka Ltd  
Litro Gas Terminal Lanka (Pvt) Ltd  
Seylan Bank PLC  
E Channeling PLC  
Ceybank Unit Trust  
Ceylon Asset Management

Nature of the Transaction	2010	2009
	Rs.'000	Rs.'000
Insurance Premium received	24,070	-
Claims paid	10,042	209
Investment in equity shares	11,157,401	2,925,566
Loans Granted to Management		
Service Rakshana (Pvt) Ltd Staff	34,385	10,325
Loans outstanding as at 31 December (MSRL) - Staff	31,751	54,290
Advances Given	7,799	7,799
Other Receivables as at 31 December	7,067	8,062
Payment of Emoluments	273,793	127,303
Payment of Expenses	2,422	376
Other Payables	15,167	31,000
Investment in Unit Trusts	739,811	-

**40 Acquisition of subsidiaries**

The acquisition had the following effect on the group's assets and liabilities;

	Litro Gas Terminal Lanka ( Pvt ) Limited Rs. '000	Litro Gas Lanka Limited Rs. '000
Property, Plant and Equipment	5,448,571	3,124,496
Capital Work in Progress	12,402	4,965
Inventories	515	710,334
Trade and Other Receivables	73,658	219,351
Deferred Income Tax	(1,186,945)	(281,971)
Customer Deposit Payable	-	(3,459,160)
Retirement Benefit Obligations	(3,365)	(57,159)
Income Tax Payable	(20,779)	(64,259)
Trade and Other Payables	(50,426)	(803,726)
Net Identifiable Assets and Liabilities	4,273,631	(607,129)
Minority Shareholders' Interest	-	(884,286)
Goodwill on Acquisition	574,478	839,683
	<u>4,848,109</u>	<u>(651,732)</u>
<b>Satisfied by</b>		
Cash Consideration	4,848,109	(651,732)
Analysis of Cash and Cash Equivalents on Acquisition of Subsidiaries		
Cash Consideration	(5,280,188)	(1,760,062)
Cash at Bank and in Hand Acquired	432,079	2,411,796
Net Cash (Outflow)/Inflow	<u>(4,848,109)</u>	<u>651,732</u>

During the 4th quarter SLIC acquired 158.7 mn Shares (100% Holding) of Litro Gas Terminal Lanka (Private) Limited and 18.3 million Shares of Litro Gas Lanka Limited (51% Holding).

# Ten Year Summary

## STATEMENT OF INCOME

For the Year ended 31st December	Restated			
	2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>NON- LIFE</b>				
Gross Written Premium	9,266,637	8,764,540	9,140,844	8,845,352
Net Earned Premiums	6,034,185	6,592,541	6,478,099	5,262,586
Net Claims Incurred	(2,885,793)	(5,379,207)	(4,819,146)	(3,866,706)
Operating & administration Expenses	(1,917,779)	(2,186,107)	(2,006,750)	(2,217,357)
Investment and Other Income	10,112,693	1,940,038	1,202,306	974,643
Interest Expense	(98)	(1,935)	(16,225)	-
Profit before Taxation	11,343,207	965,330	838,283	153,167
Taxation	(843,740)	(233,096)	(254,598)	83,336
Profit after Taxation	10,499,467	732,234	583,685	236,503
<b>LONG TERM</b>				
Gross Written Premium	6,009,859	4,819,860	4,497,919	4,477,632
Net Written Premium	5,945,561	4,769,590	4,381,490	4,356,180
Investment and Other Income	13,026,350	7,227,092	5,398,818	4,480,740
Claims Incurred	(4,957,675)	(3,831,985)	(3,289,846)	(2,502,466)
Commission Expenses	(648,033)	(547,848)	(552,689)	(492,431)
Management Expenses	(1,483,218)	(1,317,279)	(2,037,946)	(1,679,168)
Increase in Life Fund before Taxation	11,882,985	6,299,570	3,899,827	4,162,855
Taxation	(1,151,175)	(1,075,883)	(793,213)	(634,884)
Increase in Life Fund	10,731,810	5,223,687	3,106,614	3,527,971
<b>TOTAL BUSINESS</b>				
Revenue	40,480,743	22,306,633	17,460,713	15,074,148
Gross Written Premium	15,239,001	13,584,399	13,638,763	13,322,984
Net Earned Premiums	11,942,251	11,362,130	10,859,589	9,618,766
Benefits, losses and expenses	(22,203,564)	(16,673,008)	(13,450,368)	(12,537,143)
Investment and Other Income	28,538,494	10,945,554	6,601,124	5,455,383
Interest Expense	38,522	(7,231)	(130,184)	
Operating & administrative expenses	(3,185,308)	(2,776,014)	(2,248,664)	(1,748,956)
Profit before Taxation	15,130,395	2,851,429	1,631,497	788,051
Taxation	(1,860,560)	(1,322,893)	(1,047,811)	(551,548)
Profit after Taxation	13,269,835	1,528,536	583,685	236,503

2006 Rs.'000	2005 Rs.'000	2004 Rs.'000	2003 Rs.'000	2002 Rs.'000	2001 Rs.'000
6,643,634	6,621,006	5,351,162	5,267,734	5,063,418	4,055,981
4,031,808	4,280,599	3,386,583	3,183,531	3,203,062	3,026,554
(3,509,847)	(2,313,991)	(2,642,581)	(2,340,909)	(2,512,037)	(2,078,811)
(1,443,369)	(1,467,795)	(1,207,624)	(1,140,748)	(1,911,495)	(1,177,798)
1,475,458	715,804	1,182,605	1,890,673	800,613	1,797,205
-	-	-	-	-	-
554,051	1,214,617	718,983	1,592,551	(419,857)	1,567,150
5,652	(134,189)	(87,211)	(59,149)	1,829	(405,286)
559,703	1,080,428	631,772	1,533,402	(418,028)	1,161,864
3,923,374	3,550,511	3,245,456	3,212,343	2,788,623	2,526,814
3,848,363	3,438,723	3,180,326	3,133,151	2,729,907	2,477,176
3,908,694	3,267,900	2,638,266	2,871,676	2,899,516	2,755,439
(2,188,818)	(2,064,039)	(1,382,438)	(1,412,155)	(1,074,457)	(1,125,407)
(395,926)	(346,135)	(359,917)	(372,305)	(358,068)	(352,143)
(1,294,991)	(1,033,132)	(1,494,255)	(640,455)	(660,022)	(634,431)
3,877,322	3,263,316	(2,581,983)	(3,579,911)	(3,536,876)	(3,120,634)
(556,641)	(312,587)	178,552	(325,969)	(428,066)	(646,017)
3,320,681	2,950,729	(2,760,535)	(3,253,942)	(3,235,684)	(2,353,983)
13,264,324	11,703,025	10,387,780	11,079,032	9,633,098	10,056,374
10,567,008	10,171,517	8,596,618	8,480,077	7,852,041	6,582,795
7,880,171	7,719,321	6,566,909	6,316,682	5,932,969	5,503,730
(10,683,110)	(8,867,951)	(8,170,413)	(8,441,955)	(9,091,741)	(7,088,142)
5,384,152	3,983,705	3,820,871	4,762,349	3,700,129	4,552,644
(1,470,521)	(1,307,872)	(1,676,936)	(718,555)	(660,022)	(634,431)
1,110,692	1,527,203	540,431	1,918,521	(118,665)	2,333,801
(550,989)	(446,776)	91,341	(385,119)	(426,237)	(1,051,303)
559,703	1,080,427	631,772	1,533,402	(418,028)	1,161,864

## Ten Year Summary *Contd.*

### BALANCE SHEET

As at 31st December	Restated			
	2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000
<b>ASSETS</b>				
Property, Plant and Equipment	15,955,576	6,926,428	4,748,020	3,785,584
Investments	56,889,252	56,626,575	43,191,685	40,303,650
Other Assets	26,435,772	11,545,918	16,818,869	14,008,393
<b>Total Assets</b>	<b>99,280,600</b>	<b>75,098,921</b>	<b>64,758,574</b>	<b>58,097,627</b>
<b>EQUITY AND LIABILITIES</b>				
Stated Capital	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	1,566,107	1,457,510	1,448,135	536,339
General Reserve	643,442	643,442	601,342	601,342
Retained Earnings	9,989,692	3,481,934	1,487,222	1,095,375
Minority Interest	2,041,105	911,245	-	-
<b>Total Capital and Reserves</b>	<b>20,240,339</b>	<b>12,494,130</b>	<b>9,536,699</b>	<b>8,233,056</b>
<b>LIABILITIES</b>				
Insurance Provision-Life	52,573,602	43,956,012	39,470,887	35,654,300
Insurance Provision-Non -Life	12,359,448	11,804,983	10,636,192	9,887,724
Other Liabilities	14,107,213	6,843,796	5,114,796	4,322,547
<b>Total Liabilities</b>	<b>79,040,264</b>	<b>62,604,792</b>	<b>55,221,875</b>	<b>49,864,571</b>
<b>Total Equity and Liabilities</b>	<b>99,280,600</b>	<b>75,098,921</b>	<b>64,758,574</b>	<b>58,097,627</b>
<b>LONG TERM-Supplemental ASSETS</b>				
Property, Plant and Equipment	53,343	63,305	107,748	134,488
Investments	45,983,617	42,219,092	30,815,851	28,201,706
Other Assets	13,344,239	6,216,560	11,054,551	9,079,332
<b>Total Assets</b>	<b>59,381,200</b>	<b>48,498,957</b>	<b>41,978,150</b>	<b>37,415,526</b>
<b>EQUITY AND LIABILITIES</b>				
<b>LIABILITIES</b>				
Life Insurance Funds	52,573,602	43,956,012	39,470,892	35,654,300
Other Liabilities	2,589,099	2,978,417	2,516,258	1,761,226
<b>Equity Attributable to Shareholders</b>				
Capital Reserve	16,106	9,372	-	-
Revenue Reserve	4,202,394	1,555,156	-	-
<b>Total Equity and Liabilities</b>	<b>59,381,200</b>	<b>48,498,957</b>	<b>41,987,150</b>	<b>37,415,526</b>



2006 Rs.'000	2005 Rs.'000	2004 Rs.'000	2003 Rs.'000	2002 Rs.'000	2001 Rs.'000
3,826,497	3,118,738	3,036,336	2,273,421	2,250,574	329,261
32,919,361	21,532,711	22,876,599	27,214,758	22,616,746	21,400,130
15,813,698	21,905,509	17,558,524	6,611,681	6,430,546	6,166,732
52,559,556	46,556,958	43,471,459	36,099,860	31,297,866	27,896,123
6,000,000	6,000,000	500,000	500,000	500,000	500,000
536,339					
601,342	601,342	6,101,342	4,670,361	4,086,993	2,501,871
1,258,871	1,099,169	9,706	7,821	(405,361)	12,667
-	-	-	-	-	-
8,396,552	7,700,511	6,611,048	5,178,182	4,181,632	3,014,538
31,947,127	28,496,288	25,926,748	23,279,431	19,476,883	16,241,199
8,342,175	6,255,057	7,657,600	4,368,248	3,709,027	3,548,865
35,820,829	3,912,201	3,276,063	3,273,897	3,930,324	5,091,521
44,163,004	38,856,447	36,860,411	30,921,576	27,116,234	24,881,585
52,559,556	46,556,958	43,471,459	36,099,760	31,297,866	27,896,123
140,960	151,205	107,400	70,085	52,951	54,360
21,325,082	18,113,080	16,636,161	12,975,187	19,129,592	16,309,738
11,993,334	11,876,465	10,629,713	11,554,118	2,096,729	2,105,652
33,459,376	30,140,750	27,373,274	24,599,390	21,279,272	18,469,750
31,947,127	28,496,288	25,926,748	23,329,362	19,476,883	16,241,199
1,512,249	1,644,462	1,446,526	1,270,028	1,802,389	2,228,551
-	-	-	-	-	-
-	-	-	-	-	-
33,459,376	30,140,750	27,373,274	24,599,390	21,279,272	18,469,750

## Value Added Statement

	2010 Rs.Mn	2009 Rs.Mn
Net Earned Premium	11,979	11,362
Investment and Other Income	23,031	9,166
	35,010	20,528
Less		
Net Claims and Benefits	7,843	9,211
Cost to External Services	1,024	1,387
<b>Value Addition</b>	<b>26,143</b>	<b>9,930</b>
<b>Distribution of Value Added</b>		
<b>To Employees</b>		
Salaries and Other Benefits	1,369	999
<b>To Intermediaries</b>		
Acquisition Cost	1,468	1,464
<b>To Government</b>		
Income Tax	1,994	1,308
<b>To Life Policyholders</b>		
Increase in Life Insurance Fund	8,084	4,434
<b>To Shareholders</b>		
Dividend Paid	6,720	-
<b>To Expansion and Growth</b>		
Retained as Depreciation	189	200
Retained as Reserves	6,319	1,521
	<b>26,143</b>	<b>9,930</b>



## Glossary

This Glossary was developed basically based on the definition given in the Statement of Recommended Practice for Insurance Contracts issued by the Institute of Chartered Accountants of Sri Lanka.

### Actuary

Actuary is a person who provides solutions to insurance related problems using mathematics, statistics, and financial theory. The actuary will study significant data such as mortality, sickness, injury and disability rates and use that information to assist those involved with insurance.

### Acquisition expenses

All expenses mainly incurred in acquiring new business premiums and conservation of renewal business. Broad in scope, it includes cost of soliciting business, issuance of policies, collection of premiums, agents' compensation, field supervision, advertising, and any other expenses reasonably attributable to acquisition and conservation of written premiums.

### Admissible assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rule made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

### Approved assets

Assets that represent the technical reserves and the Long-term insurance fund as per the Determination made under the Regulation of Insurance Industry Act No. 43 of 2000.

### Bancassurance

A partnership between a bank and an insurance Company whereby the insurance Company uses the bank sales channel to sell its insurance products.

### Beneficiary

In life insurance business, the person named in the policy by the policyholder (insured) to whom the insurance money is paid at the death of the insured.

## Cash surrender value

The amount an insurance Company will pay to the policyholder or annuity holder in the event his or her policy is willingly terminated before its maturity or the insured event occurs. This cash value is the savings component of most permanent life insurance policies, mainly whole life insurance policies.

## Claim

The amount payable under a contract of insurance arising from the concurrence of an insured event.

## Claims Incurred

A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

## Claims Incurred But Not Reported

Claims arising out of events which have occurred by the balance sheet date but have not reported to the insurer at that date.

## Claims Outstanding-Non Life Insurance Business

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date including IBNR claims and claims handling expenses, less amounts already paid in respect of those claims.

## Claims Outstanding-Life Insurance Business

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the balance sheet date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

## Co-insurance

An arrangement whereby two or more insurance undertakings enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

## Commissions

A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

### **Deferred Acquisition Costs-Non Life Insurance Business**

Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.

### **Deferred Acquisition Costs- Life Insurance Business**

Acquisition costs relating to contracts in-force at the balance sheet date which are carried forward from one accounting period at subsequent accounting periods in the expectation that they will be recoverable out of future margins within insurance contracts after providing for contractual liabilities.

### **Reinsurance**

Reinsurance is a mean by which an insurance Company (called the reinsured, ceding Company or cedant) transfers all or part of the risks to another insurance Company (called the re-insurer).

### **Reinsurance Commission**

The commission paid by the reinsurer to the ceding Company (primary insurer) on reinsurance agreements as compensation to place the business with the reinsurer and to cover the ceding Company's acquisition expenses.

### **Solvency Margin**

Insurers are required to maintain sound solvency margins for both Life and Non-Life businesses. Solvency margin is Value of admissible assets less value of liabilities. For General Insurance Business, solvency margin is defined in Solvency Margin (General Insurance) Rules, 2004 made under section 26 of the Regulation of Insurance Industry Act, No. 43 of 2000 as amended. For Life Insurance Business, solvency margin is defined in Solvency Margin (Life Insurance) Rules, 2002 made under section 26 of the Regulation of Insurance Industry Act, No. 43 of 2000 as amended.

## Branch Offices

### Akuressa

40 2/1, Matara Road  
Tel. 041-2283590

### Ambalangoda

229/1,  
Wickramasuriya Road,  
Tel. 091-2258339

### Ambalantota

156/8, Tissa Road,  
Tel. 047-2223235

### Ampara

03, D.S. Senanayaka Street,  
New City Building,  
Tel. 063-2222073

### Anamaduwā

70, Puttalam Road,  
Tel. 032-2263033

### Anuradhapura

61, 2nd Lane,  
Main Street  
Tel. 025-2235258

### Avissawella

89/1/1, Ratnapura Road,  
Tel. 036-2222311

### Baddegama

Kumme, Galle Road  
Tel. 091-5624502

### Badulla

14, Bailey Street,  
Tel. 055-2230972

### Balangoda

60/1/1,  
Barns Ratwatte Mawatha  
Tel. 045-2287670

### Bambalapitiya

316, Galle Road,  
Tel. 011-5632790

### Bandaragama

72, Jayakody Building,  
Horana Road  
Tel. 038-2293940

### Bandarawela

250/1/A,  
Badulla Road  
Tel. 057-2223526

### Batticaloa

30, Pioneer Road,  
Tel. 065-2224470

### Battaramulla

90/1/1, Pannipitiya Road,  
Tel. 011-2866357

### Beliatta

74, Tangalle Road,  
Tel. 047-2243211

### Beruwala

167/1, Galle Road,  
Tel. 034-2276409

### Bibile

Opposite AGA's. Office,  
Badulla Road  
Tel. 055-5675673

### Chilaw

431/1, Kurunegala Road,  
Tel. 032-2222371

### City Circle Branch

288, Union Place,  
Colombo 02  
Tel. 011-5653619

### City Office

288, Union Place,  
Colombo 02  
Tel. 011-2357562

### Dambulla

642, Anuradhapura Road,  
Tel. 066-2284616

### Dehiwala

121 1/1, Ramanayaka  
Auto Mobile (Pvt) Ltd.  
Galle Road,  
Tel. 011-2713702

### Deniyaya

122, Rathna Mahal,  
Main Street  
Tel. 041-2273565

### Dikwella

95, Matara Road,  
Tel. 041-2255630

### Digana

42, Gonawala Road,  
Tel. 081-5630744

### Divulapitiya

56, Kurunegala Road,  
Tel : 031-5674774

## Branch Offices *Contd.*

### Eheliyagoda

Fancy Mahal Building,  
Main Street  
Tel: 036-2259014

### Elpitiya

1st Floor, Royal Beauty  
Salon Building,  
Ambalangoda Road,  
Tel: 091-2291365

### Embilipitiya

150/A, Parakum  
Agricultural  
Service Bldg. Pallegama  
Tel: 047-2230389

### Fort

96/1- 6B, Front Street,  
Consistory Building,  
1st Floor.  
Colombo 11  
Tel: 011-5741820

### Galewela

59-A, Kurunegala Road  
Tel: 066-2289285

### Galgamuwa

47/6, Anuradhapura Road,  
Tel: 037-2254141

### Galle

50A, Havelock Place  
Tel: 091-2234531

### Gampaha

14, Holy Cross Road  
Tel: 033-2224710

### Gampola

147, Kandy Road  
Tel: 081-2351709

### Ganemulla

232/1, Main Street,  
Kadawatha Road,  
Tel: 033-5621208

### Giriulla

90, Negombo Road  
Tel: 037-2288304

### Habaraduwa

10/1, Matara Road,  
Tel: 091-2282605

### Hakmana

Matara Road  
Tel: 041-5670600

### Hatton

10-11, Dikoya Road  
Tel: 051-2222196

### Hikkaduwa

231, Galle Road  
Tel: 091-2277124

### Hingurakgoda

59A, 3rd Cross Street,  
Tel: 027-2246345

### Homagama

65, High Level Road,  
Tel: 011-2893426

### Horana

50/09/C,  
Graceland Circular Road,  
Tel: 034-2261351

### Imaduwa

New Shopping Complex,  
Main Street  
Tel: 091-5783790

### Ja-Ela

142, Negombo Road  
Tel: 011-2233169

### Jaffna

571, Hospital Road,  
Tel: 021-2222023

### Kadawatha

151/5, Kandy Road  
Tel: 011-2921567

### Kaduruwela

399, Main Street  
Tel: 027-2222954

### Kaduwela

482/8, Colombo Road  
Tel: 011-2579976

### Kahawatta

46/1A, Walauwatta Road  
Tel: 045-2270160

### Kalawana

56,  
Sampath Bank Building,  
Matugama Road, Manana  
Tel: 045-2255930



**Kalmunai**

102/1, Police Station Road  
Tel: 067-2229912

**Kalutara**

55 1/1, Paranagama  
Building,  
Galle Road  
Tel: 034-2222474

**Kamburupitiya**

Jayasena Building  
Makandura Road  
Tel: 041-5670291

**Kandana**

54, Neombo Road  
Tel: 011-2228848

**Kandy**

25, Hill Street  
Tel: 081-2234954

**Kandy – FBD**

202/3, Katugastota Road  
Tel: 081-5627274

**Kandy – 02**

06, Wadugodapitiya Street  
Tel: 081-2224246

**Kantale**

62/U, Agrabodhi Mawatha  
Tel: 026-2234043

**Karapitiya**

572/M, Hirimbura Road  
Tel: 091-5624190

**Kegalle**

389, Main Street  
Tel: 035-2231242

**Kekirawa**

81, Thalawa Road  
Tel: 025-2264573

**Kilinochchi**

31, Karady Doke Junction,  
A-9 Road  
021-2280031

**Kiribathgoda**

101/1 A, Gala Junction,  
Kandy Road  
Tel: 011-5554485

**Kirindiwela**

27/8/1, Colombo Road,  
Tel: 033-5621192

**Kirulapone**

88, 1/1, 1st Floor, High  
Level Road  
Tel: 011-2514348

**Kochchikade**

96, Chilaw Road  
Tel: 031-2274626

**Kotahena**

174, Belcom Building,  
1st Floor, George R. De  
Silva Mawatha  
Tel: 011-5673345

**Kuliyapitiya**

74/A, Hettipola Road  
Tel: 037-2281304

**Kurunegala**

16/1, Dambulla Road  
Tel: 037-2222376

**Kurunegala City**

65, Rajapihilla Road  
Tel: 037-2234176

**Maharagama**

L 2/2, Amity Building,  
123, High Level Road  
Tel: 011-2843563

**Mahiyanganaya**

14, 1st floor,  
Samanala Building,  
Kandy Road  
Tel: 055-2257179

**Malabe**

821/3C, New Kandy Road  
Tel: 011-2762312

**Maldives**

Sub Agents for Lloyds,  
Agents for Websters  
H. Fenmuli, Sikka Goalhi,  
Male, Republic of Maldives  
Tel: 3322429, 3342600

**Marawila**

59, Negombo Road  
Tel: 032-2254297

**Matale**

134, Dharmapala Mawatha  
Tel: 066-2233989

## Branch Offices *Contd.*

### Matara

5A, Hakmana Road,  
Tel: 041-2227962

### Matara – FBD

61, Dharmapala Road  
Tel: 041-2222227

### Matugama

79/1/1, Kalutara Road  
Tel : 034-2247510

### Mawanella

2nd Floor, Co-operative  
Building  
Tel: 035-2249335

### Medirigiriya

Main Street  
Tel: 071-8600247

### Melsiripura

Nanda Building,  
Dambulla Road,  
Tel: 037-2250459

### Middeniya

Walasmulla Road,  
Tel: 047-5670437

### Minuwangoda

21/B, M.P. De Z.  
Siriwardhana Mawatha  
Tel: 011-2280870

### Mirigama

Opposite Police Station  
Tel: 033-2273441

### Monaragala

114/1, Wellawaya Road  
Tel: 055-2276145

### Moratuwa

710, Idama,  
Galle Road  
Tel: 011-5554451

### Narahenpita

Department of Motor Traffic,  
P.O. Box 533,  
Elvitigala Mawatha

### Narammala

159/A, U.B. Wijekoon  
Mawatha  
Tel: 037-2248920

### Nawalapitiya

79, Kothmale Road  
Tel: 054-2222019

### Negombo

20, Rajapaksha Broadway  
Tel: 031-2231374

### Nelliadi

Main Street  
Opposite People's Bank,  
Tel: 021-2264686

### Nikaweratiya

169, Puttalam Road  
Tel: 037-2260279

### Nittambuwa

New Super Market  
Complex  
Tel: 033-2289709

### Nugegoda

Sausiri Building, 4th Floor,  
High Level Road  
Tel: 011-2817739

### Nuwara Eliya

60/1, Park Street  
Tel: 052-2222759

### Panadura

474A 1/1, Arther V. Dias  
Mawatha  
Tel: 038-2234736

### Pilimathalawa

211/C, Colombo Road  
Tel: 081-5630070

### Piliyandala

24/2, Park Lane,  
Tel: 011-2613976

### Pitakotte

463, Kotte Road  
Tel : 011-2866755

### Pugoda

40/1, Kospitiyana  
Tel: 033-5621223

### Puttalam

80, Kurunegala Road  
Tel: 032-2265324

### Ratmalana

101/1/A, Galle Road,  
Mt. Lavinia  
Tel: 011-2715992

**Ratnapura**

258, Main Street  
Tel: 045- 2222433

**Rikillagaskada**

68, Sagala Road  
Tel: 081-2365279

**Talgaswala**

New Town  
Tel: 091-5676789

**Thambuttegama**

137, Kurunegala Road  
Tel: 025-2275088

**Tangalle**

12, Indipokunagoda Road  
Tel: 047-5676144

**Thanipolgaha**

8A, Azmi Harmard  
Shopping Complex,  
Galle Road  
Tel: 091-2227041

**Tissamaharama**

134, Main Street  
Tel: 047-2237152

**Trincomalee**

46, Main Street  
Tel: 026-2222434

**Udugama**

Pasans New Building,  
Mavi Dola, Bar Junction  
Tel: 091-5674987

**Urubokka**

New Market Complex,  
Main Street  
Tel: 041-5670420

**Vavuniya**

119/1, Kandy Road  
Tel: 024-2222380

**Veyangoda**

166, Main Street  
Tel: 033-2288027

**Warakapola**

459, Main Street  
Tel: 035-2267747

**Wariyapola**

Adhikari Mawatha  
Tel: 037-2267451

**Wattala**

396, Negombo Road  
Tel: 011-5355531

**Weligama**

353/2,  
Galle Matara Middle Road  
Tel: 041-2250647

**Welimada**

15 2/2, New Shopping  
Complex,  
Badulla Road,  
Tel: 057-2245174

**Wellawaya**

25, Haputale Road  
Tel: 055-2274874

**Wennappuwa**

Chilaw Road  
Tel: 031-2253319

## 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 13th June 2011, at 10.00 a.m. for the following purposes:

- 1) To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st December 2010 and the Report of the Auditors thereon.
- 2) To re-elect Mr. K.A.D.Dhammika Perera, who retires in terms of Article 92 of the Articles of Association of the Company.
- 3) To reappoint Messrs KPMG Ford, Rhodes, Thornton & Co., the retiring Auditors and to authorise the Directors to determine their remuneration.
- 4) To authorise the Directors to determine donations for the year 2011 and upto the date of the next Annual General Meeting.
- 5) Any other business of which due notice has been given.

By Order of the Board,



**VARNERS INTERNATIONAL (PRIVATE) LIMITED**

Level 14, West Tower,  
World Trade Center,  
Colombo 01.

*29th April 2011*

*Colombo*

## Form of Proxy

I/We\* .....  
 Of .....  
 being a member /members\* of Sri Lanka Insurance Corporation Ltd. hereby appoint:  
 ..... of  
 .....of failing him/her\*

Mr. Gamini S. Senarath	of Colombo or failing him
Mr. Mohan De Alwis	of Colombo or failing him
Mr. R. A. Jayatissa	of Colombo or failing him
Mr. Dhammika Perera	of Colombo or failing him
Mr. Noel Selvanayagam	of Colombo or failing him
Mr. Piyadasa Kudabalage	of Colombo or failing him
Dr. B.M.S. Batagoda	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 Thirty-Eighth Annual General Meeting of the Company to be held on 13th June 2011 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

### RESOLUTIONS

	FOR	AGAINST
1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st December 2010 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director Mr. K.A.D.Dhammika Perera, who retires in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Messrs KPMG Ford, Rhodes, Thornton & Co., the retiring Auditors and to authorise the directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise the Directors to determine donations for the year 2011 and upto the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of.....2011

Signature of Shareholder/s

\*Please delete the inappropriate words.

## Instructions as to Completion:

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company at No. 21, Vauxhall Street, Colombo 02, at least 48 hours before the time appointed for the meeting.
2. In perfecting this Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman or the Directors of the Company as your proxy, please insert the relevant details at (1) above and initial against this entry.
4. Please indicate clearly how your proxy is to vote on the resolutions. If no indication is given the proxy in his discretion may vote as he/she thinks fit.
5. In the case of a Company/ Corporation, the Proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the Original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with this Proxy form.
7. A shareholder appointing a proxy (other than a Director of the Company) to attend the meeting should indicate the proxyholder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxyholder to bring his/her National Identity Card to the meeting

*Please provide the following information*

Shareholder's NIC No. : .....

Share Certificate No. : .....

No of shares held : .....

Proxyholder's NIC No. : .....

*(If not a Director of the Company)*

# Corporate Information

**Name of the Company & Registered Office**  
Sri Lanka Insurance Corporation Ltd.  
No. 21, Vauxhall Street, Colombo 2.

Tel : +94 11 2357457  
Fax : +94 11 2447742  
Web : www.srilankainsurance.com

## Registered Number

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

## Board of Directors

Subsequent to the Supreme Court Order on 04th June 2009, the Secretary to the Treasury having obtained the approval of the Court, the following members were appointed to the Board, by the Ministry of Finance and Planning.

Mr. P. Kariyawasam - Chairman  
Dr. N. Godahewa - Managing Director  
Mr. A. Meddegoda  
Mr. R.A. Jayatissa  
Mr. C.Amaratunga  
Mr. R. Abeysuriya  
Mr. A.P. Lekamge

The following Board members were appointed w.e.f 14th May 2010:

Mr. G. S. Senarath - Chairman  
Mr. A. M. M. De Alwis - Managing Director /CEO  
Mr. P. Kudabalage  
Mr. K.A.D.D. Perera  
Mr. C.N.V. Selvanayagam  
Mr. R.A. Jayatissa

\*Dr. B.M.S Batagoda was appointed to the Board with effect from 17th December 2010.

## Legal Form

Sri Lanka Insurance Corporation was established under the provisions of Insurance Corporation Act No. 2 of 1961 as a State Owned Corporation. In 1993, the Corporation was converted to a fully government-owned limited liability company of which the sole shareholder of 100% shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government owned Business

Under-takings into Public Companies Act, No. 23 of 1987. Under the privatisation programme of the Government, the company was privatised in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the Companies Act No. 7 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatisation, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

## Tax Payer Identification Number (TIN)

294001590

## VAT Registration Number

294001590-7000

## Company Secretaries

Varners International (Pvt) Ltd.  
Level 14, West Tower, World Trade Center,  
Echelon Square, Colombo 01.

## Subsidiaries

Management Services Rakshana (Pvt) Ltd.  
The Lanka Hospitals Corporation PLC  
Litro Gas Lanka Ltd  
Litro Gas Terminal Lanka (Pvt) Limited  
Sri Lanka Insurance Resorts and Spas (Pvt) Ltd.

## Auditors

KPMG Ford, Rhodes, Thornton & Co,  
32A, Sir Mohamed Macan Marker Mw,  
Colombo 03.

## Bankers

Bank of Ceylon  
People's Bank  
Commercial Bank of Ceylon Ltd  
Hatton National Bank Ltd  
Standard Chartered Bank  
Citi Bank  
Deutsche Bank  
Nations Trust Bank  
Sampath Bank  
Hongkong and Shanghai Banking Corporation Limited  
National Development Bank  
Development Finance Corporation of Ceylon

## Actuary

drs. J.S.A. Plugge, AAG  
Member of the Dutch Actuarial Society (AAG)

As partners with Sri Lanka Insurance Corporation Limited since their formation in 1962, Finlays as one of the oldest insurance intermediaries operating in our market, is pleased to continue and strengthen the association.

Both organisations whilst being enriched by their past are focused on transforming the future, creating value and relevance for all stakeholders. We at Finlays look forward to growing the relationship in the decades ahead.

**Joachim Caspersz – Director  
Finlay Insurance Brokers (Pvt) Ltd.**

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SLICL has observant and unique demands of the industry which is essential in order to create an effective corporate clientele and has a history of working across entire insurance portfolio with us. I wish SLICL all success for this financial year and many years ahead.

**Uditha Jayalath – Finance Manager  
Ceylon Petroleum Storage Terminal Ltd.**

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It is a great pleasure to work with SLICL and must say that, SLICL has the right blend of talents and self motivated team to enlighten their name and pride in the insurance industry in Sri Lanka. I have no hesitations in recommending your services to others and we will be contacting you again. I wish all the very best in SLICL's future endeavours.

**Haresh Manshani – Senior Vice President  
Lanka IOC PLC**

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Colombo Dockyard PLC is very pleased to be associated with Sri Lanka Insurance Corporation Limited, who is also a significant shareholder of ours!

We are extremely pleased with the professional and prompt service they provide, with personal attention and consider them a partner in our progress. We wish them all success in their endeavours.

**Mangala P. B. Yapa - Managing Director/CEO  
Colombo Dockyard PLC**

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Being on par in terms of price and quality gets you into the game. I certainly appreciate the great client service you offer and wish SLICL best of luck in future endeavours.

**Arthur Senanayake - Chairman  
Sampath Bank Ltd.**

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Sri Lanka Insurance Corporation Limited is on top of my mind for any insurance needs for 3 key reasons; stability, great people and speed. I became a customer of Sri Lanka Insurance Corporation Limited 20 years ago and since then been a very loyal customer. Achintha Jayawardena who helps me and my company with a very personal touch is a wonderful professional with an unbelievable speed. I must say that Achintha has delighted me a few times proving that the philosophy of customer delight is real.

**Kishu Gomes – Managing Director/CEO  
Chevron Lubricants Lanka Ltd.**

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**Sri Lanka Insurance Corporation Limited**  
Rakshana Mandiraya, 21 Vauxhall Street, Colombo 2, Sri Lanka.  
[www.srilankainsurance.com](http://www.srilankainsurance.com)