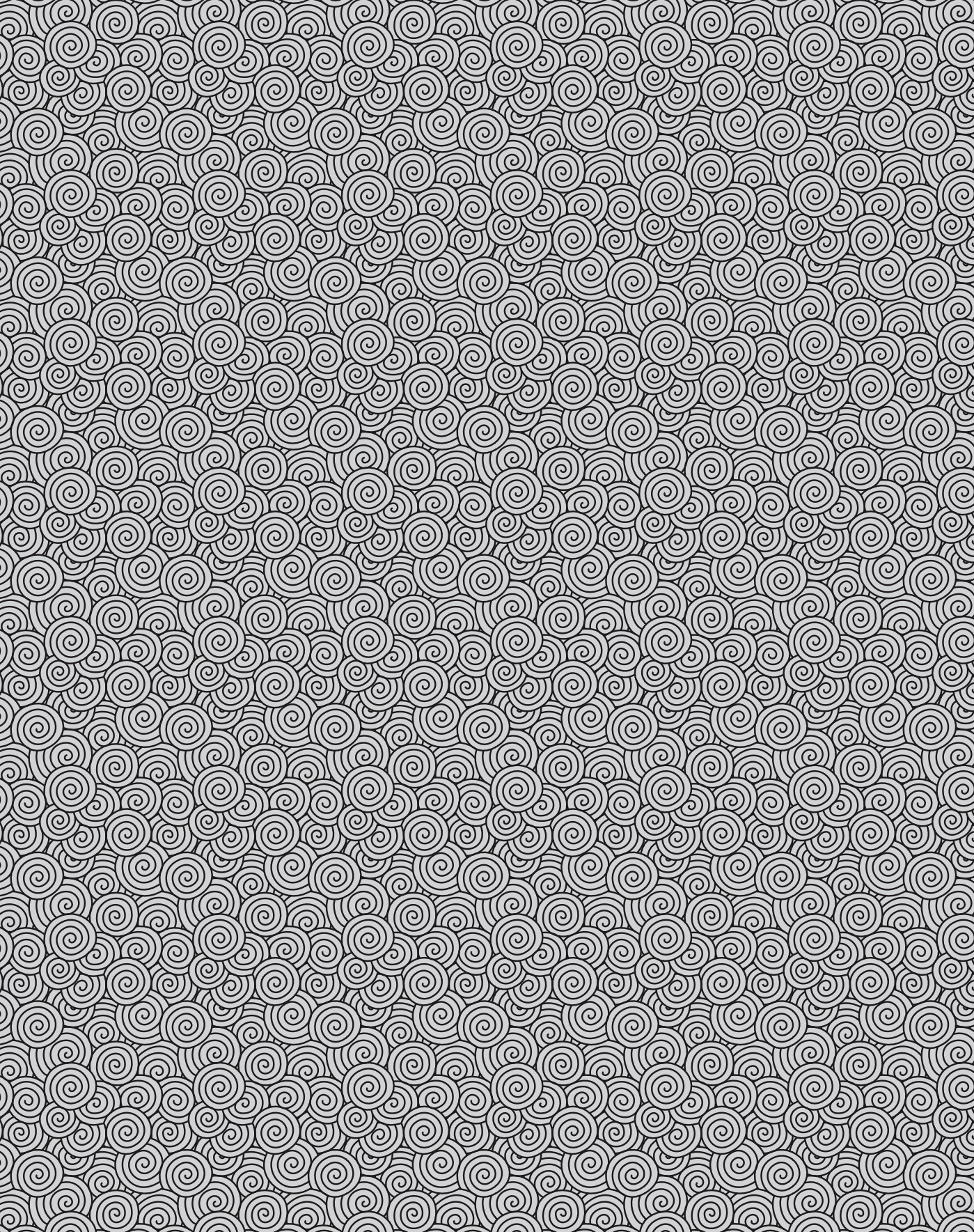


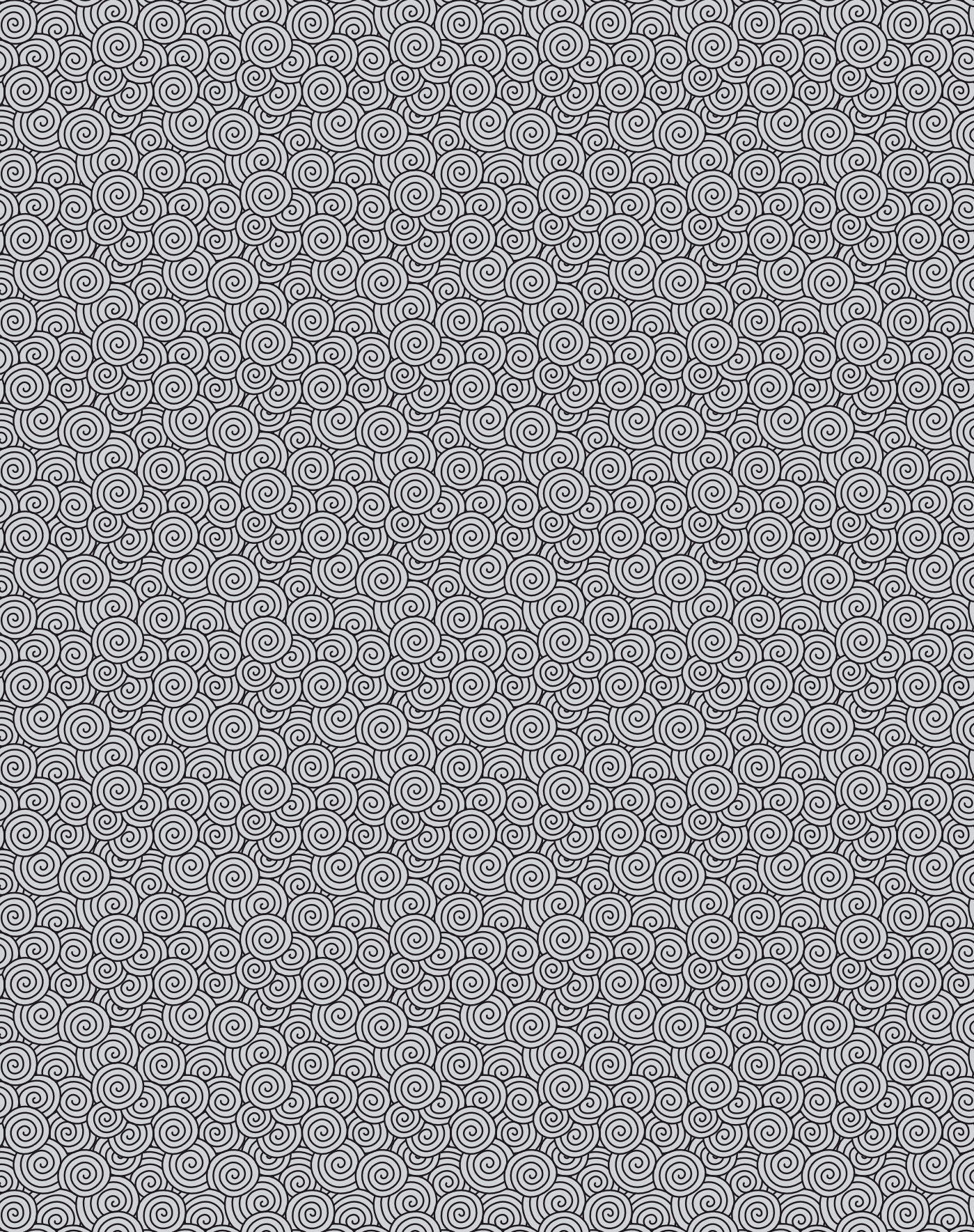
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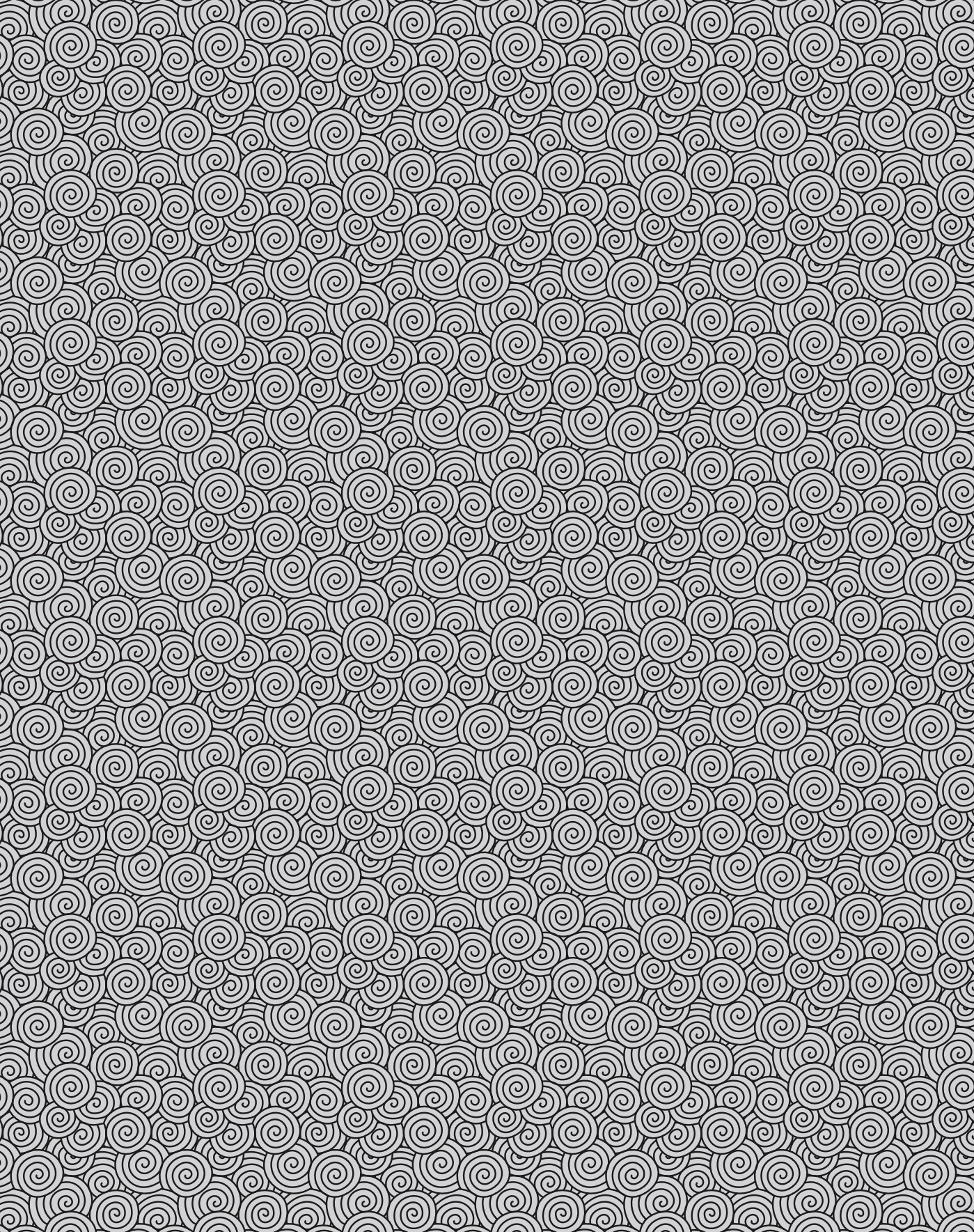


Sri Lanka Insurance
Corporation Ltd

ANNUAL REPORT 2012







BUILDING

ON THE STRONG FOUNDATION



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BUILDING

ON THE STRONG FOUNDATION

Having laid our foundation in 1962, we have been steadily building our 'Edifice of Insurance' through commitment to trust, integrity, quality and innovation. We are on the cusp of entering a new era of growth



Vision

To be the trusted insurer to the nation.

Mission

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

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Management Reports 1.0.0

1.1.0 Chairman's Message

Year 2012 was one in which Sri Lanka Insurance Corporation Ltd. (SLICL) consolidated its leadership position built on strong foundations going back over half a century to post solid performance in all key aspects of business.

In this brief message I will address only the main points, as a deeper discussion on performance and context is found elsewhere in the pages that follow.

1.1.1 Performance

Reporting under the new Sri Lanka Financial Reporting Standards (SLFRS) for the first time, with due prior year restatements, SLICL's profit after tax for the combined general and life insurance businesses grew marginally from Rs. 4,214 million in 2011 to Rs. 4,235 million in 2012, while the solvency ratios improved further for both general and life from 1.94% to 3.42% and 10.05% to 11.01% respectively.

Gross Written Premium (GWP) grew to Rs 7.36 billion for life and Rs. 12.80 billion for general. The combined GWP grew by 10.7%. The market leadership position in non-life insurance that we regained in 2010 was further strengthened in the year under review. SLICL is the market leader in motor insurance with a market share of 24.5% as per the figures shared by the insurance players in the industry. Whilst the industry accounts for a motor ratio (ratio of motor business to the total non-life insurance business) of 73%, ours stands at a healthy 57%. We have made continued progress in strengthening our life insurance business as well.



“Gross Written Premium (GWP) grew to Rs. 7.36 billion for life and Rs. 12.80 billion for general. The combined GWP grew by 10.7%. The market leadership position in non-life insurance that we regained in 2010 was further strengthened in the year under review.”

1.1.2 Recognition

The Company won ‘The Best Insurance Company in Sri Lanka’ title at the World Finance Insurance Awards 2012. We were also able to win a Merit Award at the National Best Quality ICT Awards (NBQSA) 2012 and were the only Government Organisation to win an award at this event. Two prestigious awards were also won at the 2011 Vision Awards, organised by the League of American Communications Professionals (LACP). The awards - a Gold Award in the Insurance Category and a Bronze Award for the Most Improved Annual report in the Asia Pacific region are especially significant as the Annual Report was conceptualised and designed to mark Sri Lanka Insurance Corporation’s 50th anniversary. Also, SLICL was awarded ‘World Quality Commitment Award’ at the ‘BID’ International Quality Convention in New York in 2012.

1.1.3 Outlook

The insurance density in Sri Lanka has increased steadily from Rs. 2,877 to Rs. 3,760 in premium per person during the period 2008 - 2011. This was achieved despite a relatively static population that grew from 20.1 million to 20.8 million in the same period. As Sri Lanka moves forward with the ongoing economic development programmes along with the target of increasing the per capita income to US\$ 4,000 by 2016, we see immense opportunities to develop and augment insurance penetration in the country.

1.1.4 Appreciation

In conclusion, I convey my appreciation to Mr. R.A. Jayatissa who served as Chairman during the year under review and thank all my colleagues on the Board, Managing Director/Chief Executive Officer and his staff, field sales personnel, strategic sales partners, insurance brokers and all other stakeholders for their unstinted support that made 2012 another very successful year.



H.K. Upali Dharmadasa
Chairman

29th May 2013

1.2.0 Managing Director/ Chief Executive Officer's Review

Year 2012 was a period of challenge, with intense competition from existing players as well as foreign investment in the industry that saw new entrants and alliances. It was also a period of transition, with several changes taking place in the regulatory and financial reporting environment. Overall, it was a period of opportunities, with growing public awareness, rise in per capita income and economic development taking place across the country. In short, it was an eventful year for Sri Lanka's insurance industry.

Given that backdrop, I am pleased to present to you the Annual Report 2012 of Sri Lanka Insurance Corporation Ltd. (SLICL) that chronicles our business approach and results as we continue to march forward as the leader in insurance in the country.

1.2.1 Regulatory Changes

SLICL is well on course in its repositioning exercise to align itself fully with all regulatory requirements that will come into force shortly; in particular, the segregation of Life and General Insurance Businesses by 2015, and obtaining a listing on the Colombo Stock Exchange by 2016. Regarding reinsurance placements, we are compliant with the new terms and conditions that became effective from 2013.

On the reporting side, 2012 saw the implementation of the Sri Lanka Financial Reporting Standards (SLFRS), which is aligned with the International Financial Reporting Standards (IFRS). This realignment required substantial changes in the measurement, recognition and disclosures on investments in financial instruments and the need to restate prior year performance to enable comparison.



1.2.2 Operations

As will be seen in the sections that follow, the overall results were good with all key performance indicators, including profitability and stability, posting improvements over 2011 performance indicators.

SLICL reported a 10.7% growth in insurance premium during the year under review compared to 19.2% in 2011. This is mainly due to the intense competition and entrance of new rivals to the market. Further, General Insurance Business grew by 11.5% compared to 28.8% growth in 2011. 9.8% growth was experienced by the Company for Life Insurance compared to 12.2% in 2011. Life Insurance contributed 36.5% towards total GWP (Gross Written Premium) and 63.5% contributed by Non-Life Insurance.

Also I am proud to announce that your Company holds the largest Life Insurance Fund amounting to Rs. 60 billion and we have declared Rs. 4.2 billion worth of Revisionary Bonuses to our life policyholders.

Your Company holds Rs. 132.1 billion worth of assets and this demonstrates our strength to all our stakeholders. Our prudential long-term investments namely Litro Gas Lanka Ltd., Litro Gas Terminal (Pvt) Lanka Ltd., Canwill Holdings (Pvt) Ltd. and Canowin Hotels & Spas (Pvt) Ltd. too, strengthen our values to our stakeholders by all means.

While serving our valued customers, to our owner the Government, we pay a substantial amount of taxes resulting from the value additions made by the Company and from its earned profits. During the year under review, the Company paid Rs. 2,720 million by way of taxes to the Government, in turn contributing to the well-being of the society. During the year, a sum of Rs. 1,002 million was paid as dividends to the shareholders.

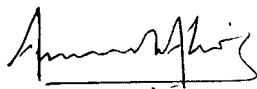
Your Company has maintained the required solvency margins at all times throughout the year under review. Accordingly, the Life Insurance Business has maintained a solvency ratio of 11.01 as compared to 10.05 in 2011 and the Non-Life Insurance Business has maintained a solvency ratio of 3.42 compared to 1.94 in 2011.

The Life Insurance Business reported profit attributable to shareholders of Rs. 2,307 million while, Non-Life Insurance recorded Rs. 1,928 million.

Going forward, with the intention of maintaining the benchmark for effective management and service excellence in the insurance industry, we will continue to pursue strategic partnerships with both state-owned and privately-owned entities.

1.2.3 Acknowledgments

Our success is a reflection of the excellent support we have received from our key stakeholders. In particular, I wish to thank the Ministry of Finance, SLICL Chairman and the Board of Directors, our valued customers, employees, field sales personnel, strategic sales partners and insurance brokers. I look forward to their continued counsel, support and patronage as we face the challenges of the future.



Mohan De Alwis
Managing Director/CEO

29th May 2013

1.3.0 Executive Director's Statement

Businesses around the globe realise that a sustainable operation goes hand in hand with an understanding of the environmental, social and governance aspects of enterprise. The insurance industry is no different.

Our business case is aligned on similar lines, and we are including in this Annual Report our performance on sustainability for the third consecutive year based on the Global Reporting Initiative GRI G3.1 framework. Like the year before, we are reporting at a self-declared Application Level B. But that's not all.

Times change, and we with them.

With the regulatory changes sweeping across the local insurance industry, we too have adapted ourselves to stay well ahead of the pack. As detailed elsewhere, they include segregation of the life and general insurance businesses, adapting to a new risk-based regulatory regime, and the financial reporting under the new SLFRS.

But we are not always mere followers.

We see the immense prospects in Sri Lanka's emerging economy. The dark clouds are gone, and we are playing an important role in major infrastructure development projects in the country. For example, in support of Sri Lanka's tourism drive, SLICL is the main funder of the landmark Rs. 20 billion Hyatt venture. It will see a 45-storey development that will include a hotel and luxury residential suites in a prime location in Colombo. Opening will be staggered over 2013-14.

These are indeed exciting times, as we witness a resurgent Sri Lanka.

SLICL too will go hand in hand.



Piyadasa Kudabalage
Executive Director

29th May 2013



1.4.0 Management Discussion and Analysis

1.4.1 Macro Economic Landscape

1.4.1.1 Global Economic Scenario

The global economy is yet to shake off the fall out from the crisis of 2008-09. Mature economies are still healing the scars of this crisis. But unlike in 2010 and 2011, emerging markets did not pick-up the slack in 2012 and is unlikely to do so in 2013. It is estimated that global economy would have grown by 4% in 2012. As the debt crisis in the Euro area worsened and decision-making in major advanced economies becoming more uncertain, the world economy prospects seemed less optimistic. As the year drew to a close, the recovery in many advanced economies was at a standstill, with some investors exploring the implications of a potential breakup of the Euro zone. Uncertainty across the regions will continue to have global impacts in sluggish trade and tepid foreign direct investment.

Across the advanced economies, the outlook predicts 1.2% growth in 2013, compared to 1.1% in 2012. The slight uptick is largely due to Europe, which is expected to return to very slow growth of 0.5% after the 0.2% contraction in 2012. US growth is expected to fall from 2.2% in 2012 to 1.6% in 2013.

In the medium-term, the outlook expects the US and other advanced economies to go some ways toward closing large output gaps - that is, the difference between current output and the level of output an economy can produce in a non-inflationary way, given the size of its labour force and its potential to invest in and create technological progress. The current output gap is a result of weak demand due to the 2008-09 crisis. This development should allow the US to average 2.3% annual growth during 2013-2018. In the same period, Japan is expected to grow at 0.9% per annum.

A more significant slowdown is expected for less mature economies over the next year - and beyond. Overall, growth in developing and emerging economies is projected to drop from 5.5% in 2012 to 5.0% in 2013, with growth falling in China from 7.8% to 7.5% and in India from 5.5% to 4.7%.

1.4.1.2 Sri Lanka Economic Synopsis

Some of the global economic effects cascaded to make an impact on the Sri Lankan economy. Price stability is a cornerstone for economic growth. A fair degree of price stability was achieved last year despite the depreciation of the currency and import taxes on basic commodities and the drought.

However, proving much optimism, the trade balance - the difference between exports and imports of Sri Lanka - contracted by as much as 4.1% to end the year with US\$ 9.3 billion. This is against US\$ 9.7 billion balance of trade reported in 2011. It was also quite notable that the trade balance contracted sharply by as much as 32% Year on Year (YoY) in the month of December, due to imports dropping at a faster pace by 19.4% to US\$ 1.5 billion, than the fall in exports, which dropped by 6.7% YoY to US\$ 871 million. In the month of December, the expenditure on consumer goods saw its import expenditure declining by as much as 26%, whereas the total expenditure under this category came down by 18% for the whole of 2012 to end the year with US\$ 2,995.2 million.

In 2012, earnings from tourism and remittances reached a record high of US\$ 1,039 million and US\$ 5,985.3 million respectively reducing the current account deficit of the Balance of Payment (BoP) substantially, according to the data released by the Central Bank of Sri Lanka. Since the end of the armed conflict in May 2009, the tourism earnings have been continuously improving and in 2011 it peaked US\$ 830.3 million. Despite the global slowdown, the country has continued to benefit from workers' remittances and increased tourist earnings. Workers' remittances have continued their increasing trend even though there has been a slight deceleration in them. In 2012, remittances increased by about 17% from those of 2011 and are likely to bring in about US\$ 6 billion. Remittances are likely to rise by about 15% this year to about US\$ 7 billion.

Export earnings declined last year. Agricultural export earnings fell owing to the disruption of traditional markets for tea in the Middle East due to the political turmoil in the region and the US ban on trade with Iran - the second largest tea export market for Sri Lanka. Drought conditions too affected tea production in the early part of the year. In as far as agricultural exports were concerned the loss of earnings was beyond the country's control. There should be a larger exportable surplus this year as tea production has been rising in the last three months. In an encouraging development, tea sales in November and December 2012 have reflected some positive indicators that 2013 would be good for this key export commodity.

According to the World Bank, the weakened economic growth in the South Asian region in 2012 is expected to pick up in 2013 with the Sri Lankan economy poised to grow at 6.8%, thus, reflecting a rebound from an estimated 6.1% improvement in 2012. The Central Bank forecasts a 7.5% growth.

1.4.1.3 Economic Growth

The Department of Census and Statistics has put Gross Domestic Product (GDP) growth in 2012 at 6.4%, aided by a rebound in the final quarter.

The 2012 growth however was below 8.3% achieved in 2011 and 8% in 2010. The economy in fourth quarter grew by 6.3% over the same period the previous year, picking up from a three-year low of 4.8% in the third quarter.

For the full year, industrial, agriculture and services sectors grew by 10.3%, 5.8% and 4.6% respectively. Contrary to the downward trend in the global economy, the 2012 growth, albeit slower than 2011, was commendable and indicative of the country's resilience in an environment of globally heightened risk.

In the fourth quarter, the agriculture sector (9% of total GDP) declined 0.1% (vs. a growth of 2.4% in fourth quarter 2011), largely due to the 40% decline in paddy segment, amidst the sector being affected by floods. The industry sector (32% of total GDP) rose 13.4% in fourth quarter 2012 (vs. 10.0% in fourth quarter 2011) driven by the 34% growth in the construction segment (9.0% of total GDP).

Meanwhile, the services sector (59% of total GDP) growth slowed to 3.7% in fourth quarter 2012 (from 8.5% in fourth quarter 2011) mainly due to the import trade segment (8.8% of total GDP) declining 2.0% (vs. a strong growth of 13.6% in fourth quarter 2011).

Sri Lankan Insurance Industry is witnessing a strong growth since past few years. Dominated by general insurance segment, the total Gross Written Premium (GWP) in the country increased by 18.4% in 2011 compared to the previous year. In the coming years, the industry is further expected to touch the pinnacle of success with ever-growing life insurance penetration, emergence of online insurance services, and rising foreign investment in the industry. Taking into account all these favourable factors, the GWP of insurance companies in Sri Lanka is expected to grow at a Compound Annual Growth Rate (CAGR) of around 21% during 2012-2015.

1.4.1.4 Investment and Savings

The total investment income of insurance companies increased by 15% to Rs. 26 billion in 2012, in contrast to the decline of 37% in 2011. However, the lacklustre performance of the stock market and the re-pricing losses from investments in Government Securities due to increase in yield rates, affected the investment income of the insurance sector.

The total income (investment income plus premium income) of insurance companies increased by 12% to Rs. 115 billion in 2012, whereas in 2011, total income of insurance companies declined marginally. The aggregate profit before tax of the insurance sector increased by 8.4% to Rs. 13.4 billion in 2012 from Rs. 12.3 billion in 2011. This was mainly due to the higher profits generated by the general insurance sector.

1.4.1.5 Inflation Rate

Inflation, as measured by the Colombo Consumers' Price Index (CCPI) (2006-07 - 100) computed by the Department of Census and Statistics was 9.2% in December 2012.

Rate of inflation has consequences for the insurance industry. In a climate of rising inflation, people's purchasing power is reduced. Life insurance will figure less prominently in the hierarchy of needs and as a result, will be less attractive. This will reduce the income earned from new business and also erode the customer base.

1.4.1.6 Unemployment Rate

Unemployment rate in Sri Lanka decreased to 3.90% in the fourth quarter of 2012 from 4.10% in the third quarter of 2012. Historically, from 1996 until 2012, Sri Lanka's unemployment rate averaged 5.95% reaching an all time high of 11.30% in December 1996 and a record low of 3.90% in September 2011. In Sri Lanka, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force.

1.4.1.7 External Trade and the Balance of Payment

Sri Lankan export earnings ended the year 2012 with a negative 7.4% growth, with a total export earnings income of US\$ 9.7 billion.

However, proving much optimism, the trade balance - the difference between exports and imports of Sri Lanka - contracted by as much as 4.1% to end the year with US\$ 9.3 billion. This is against US\$ 9.7 billion balance of trade reported in 2011.

It was also quite notable that the trade balance contracted sharply by as much as 32% YoY in the month of December, due to imports dropping at a faster pace by 19.4% to US\$ 1.5 billion, than the fall in exports, which dropped by 6.7% YoY to US\$ 871 million.

The subcategory, textiles and garments, recorded a YoY drop of 6.4% in the month of December, while losing 4.8% earnings for the 12 months to end the year with US\$ 3,991.1 million, as if the sector had begun to feel the brunt of losing GSP+. Despite the agriculture export earnings showing some resilience in the month of December, which grew by 2.9% YoY, the sector suffered a negative growth of 7.8% for the entire year. Tea, the dominant export commodity, could fetch only US\$ 1.4 billion, down by 5.3% for the full year. Nevertheless, the industry fared better in Rupee terms, predominantly supported by the currency devaluation.

Under exports, most notable was the earnings from mineral products, which soared by as much as 383.3% YoY in the month of December, while recording a growth of 86.4% for the entire year to end with US\$ 61.3 million.

On the import front, the expenditure declined by 20% YoY in December, whilst the year ended with a total expenditure of US\$ 19 billion with a drop of 5.8%, predominantly due to lower import expenditure in respect of vehicles.

In the month of December, the expenditure on consumer goods saw its import expenditure declining by as much as 26%, whereas the total expenditure under this category came down by 18% for the whole of 2012 to end the year with US\$ 2,995.2 million.

In December 2012, expenditure on intermediate goods imports also declined on a YoY basis by 25%. This decline was driven by lower import expenditure of US\$ 366.1 million in relation to petroleum, as a result of the rains received to catchment areas in the last quarter. This was further supported by lower import expenditure by diamonds, precious and semi-precious stones and mineral products. Nevertheless, the total fuel import bill rose by 5.1% in 2012 to just over US\$ 5 billion, which is approximately one quarter of the country's total import bill.

At present, in Sri Lanka, the imports as a percentage of the GDP stand at 31.5%, while the exports as a percentage of the GDP is at 16.5%.

1.4.1.8 Economic and Insurance Industry Outlook - 2013

The World Bank is forecasting Sri Lanka's economy to grow by 6.8% in the year 2013, reflecting a rebound from 6.4% in 2012.

The multilateral donor agency also expects Lanka's growth to accelerate further to 7.2% by 2015, a relatively weaker pace compared to over 8% growth in 2010 and 2011.

The World Bank projects South Asia's GDP growth to rise to 5.7% in the 2013 calendar year from 5.4% in 2012. Commenting further on Sri Lanka, the World Bank stated that the GDP growth in 2012 slowed in part from policy efforts designed to limit excessive credit growth and contain overheating, exacerbated by weakening demand for exports and the drought.

Sri Lanka's imports also slowed due to weaker domestic demand, policy measures to curb imports and currency depreciation. Electricity cuts resulting from the effect of drought on hydro-power generation capacity also adversely affected economic activity. Although, policy reforms in Sri Lanka acted as a drag on growth in 2012, they are also likely to boost growth out-turns during the forecast horizon. It also anticipates a pick up of tourism during the forecast horizon contributing to economic activity in the country.

Fiscal Policies

In the Budget for 2013, certain changes were imposed on the insurance industry. According to these amendments, a 1% levy was imposed on insurance companies and this is to be paid to the National Insurance Fund, for the maintenance of the Crop Insurance Industry. The Budget also increased the reinsurance portion to 30% from 20% to National Insurance Trust Fund.

Taxation Policies

In Life Insurance Business, investment income is liable for income tax at 28%. Tax rates are subject to revision in Sri Lanka and will have an impact on the policy holders' return. Any upward revision of income tax rates will have a moderate impact on the life insurance industry.

Interest rates have experienced an increase from 9.21% in 2011 to 12.45% in 2012. Interest rates are subject to fluctuation in the Sri Lankan economy. In a climate of increasing interest rates, customers will evaluate alternate investment opportunities against insurance products, before investing their funds to maximise their returns. In this situation, insurance companies may be able to increase their earnings by investing their existing funds on products offering higher returns, but the flip side of the coin is they will find it difficult to attract premiums on new policies as customers have options of obtaining a higher income than in investing in insurance policies. In this paradoxical situation, insurance companies will have to use all their ingenuity to adopt the right strategy to maximise their bottom line and maintain sustainability.

Exchange Rates

From year-end 2011 to January 2013, Sri Lankan Rupee depreciated against the US\$ by approximately 11%. This has implications for both insurance and reinsurance business. The impact of exchange fluctuations was marginal as they result in losses as well as gains.

Time Value of Money

With various investment options available, time value of money plays a dominant role in making this decision. Value of money decreases as time goes on. When the short-term returns are higher, people will be averse to buy long-term insurance products.

Natural Disasters

Natural disasters have a negative impact on people and the business community. In such a scenario the inclination of people to invest in long-term insurance policies will be less.

Social and Cultural Factors

	2008	2009	2010	2011
Total Premium Income (Industry) (Rs. million)	58,171	57,553	66,255	78,512
Population (million)	20.217	20.450	20.653	20.869
Insurance Density (Rs. per Person)	2,877	2,814	3,208	3,762

Source: IBSL Annual Report 2011

Sri Lankan population growth over the past few years has been marginal. However the insurance density has been increasing, showing that the insurance business has been independent of population growth.

With the aging population growing fast, the 60+ age group is expected to double to 24.80% in 2041 from 12.50% at present. The working population is expected to support 40% of the 60+ age group in 2041, compared to 10% at present. This should in the future, increase demand for pension products as 24% of Sri Lankan population are adults.

Income Distribution

Poverty alleviation and inclusive growth have been given high priority, while socio-economic factors have been consistently improving. This may be an impetus for people to think beyond their basic needs and purchase life insurance products.

Social Mobility

All sub-indices have recorded improvement. It is most visible in socioeconomic infrastructure sub-index. With the consistent growth in socioeconomic infrastructure from 2009, it can be expected that people will opt for life insurance policies.

Technological Environment

The insurance industry in Sri Lanka has made remarkable progress in terms of technological capabilities as evident from such developments as migrations to advanced hardware platforms, new software systems, tele-underwriting, use of mobile payments and tab solutions etc.

With the improvement in technology, the gap between the customer and the insurance company is greatly bridged. Because of improved technological infrastructure in the insurance industry, competition between companies has intensified. Other consequent advantages are improved efficiency, better customer service, better marketing and other secondary activities. Many IT solution providers have specialised in insurance industry and many new programmes have been developed to suit the needs of the companies.

Due to technological advancement, insurance companies save much time in their operations. In employing modern technology, companies have to make substantial investments. The advent of technological advancement has brought in its wake many opportunities and benefits, both to insurance companies and customers.

Referring to the technological advancements that are sweeping the world today and speaking at the ‘Future of Insurance in Sri Lanka’ forum on 14th May 2013, Central Bank Governor, Mr. Nivard Cabraal advised the industry to move with the trends. He mentioned that the end consumers are now in a position to assess the products with the competition and this constantly evolving platform will give us much to think about when developing strategies to move forward.

1.4.1.9 Social Responsibility

We being a responsible organisation need to be a sustainable business. Whilst being profitable to ensure future growth, we are very much aware of our responsibility towards social upliftment and environmental protection and the well-being of all our stakeholders.

1.4.2 Insurance Industry Review

1.4.2.1 Insurance Industry in Sri Lanka

In the year under review, 21 insurance companies registered with the IBSL were in operation. Of this, 12 companies were engaged in composite insurance, carrying on both long-term and general insurance business, while three companies conducted only long-term insurance business and six companies were solely engaged in general insurance. Seven insurance companies were listed on the Colombo Stock Exchange, which means 33% of the total numbers of registered/operative insurance companies are listed. According to the IBSL Report for 2011, insurance industry recorded a Gross Written Premium (GWP) of Rs. 78.31 billion and total assets of Rs. 261.78 billion. As at 31st December 2011, insurance penetration as a percentage of GDP was 1.20 and insurance density was Rs. 3,762.14. The total number of active life policies was reported to be 2,408,202 as at 31st December 2011. During the same year, insurers have issued 587,916 new life policies, which was an increase of 13.9% over 2010, in which 516,139 new policies were issued.

Sri Lankan Insurance industry is witnessing a strong growth inclination over the past few years on the back of growing insurance awareness, rise in per capita income and economic growth. Moreover, the industry is expected to touch the pinnacle of success in coming years with ever-growing life insurance penetration, emergence of online insurance services and rising foreign investment in the industry.

1.4.2.2 Premium Income

The total Gross Written Premium (GWP) of insurance companies rose by 11% to Rs. 89 billion in 2012 whereas in 2011 the total GWP increased at a much higher rate of 17%. Nevertheless, the growth momentum in the insurance sector continued, given the continued expansion of economic activity. The imposition of higher excise duty rates on motor vehicles imported had only a marginal effect on motor vehicle insurance.

Hence, the general insurance sector continued to be the primary driver of growth, while the long-term insurance sector also expanded. The GWP in the general insurance sector increased by 14% to Rs. 52 billion in 2012, whereas in 2011 the GWP in the general insurance sector recorded a higher increase of 21%. The GWP for long-term insurance, which accounted for 42% of the total GWP, grew by 7% to Rs. 37 billion in 2012. In comparison, the GWP for long-term insurance increased by 13% in 2011.

1.4.2.3 Regulatory Environment

By the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 (RII 2011), it has been made mandatory for the existing insurers to segregate their long-term (LTIB) and general insurance (GIB) into two separate companies within four years from 2011 and accordingly to be listed within five years from 2011. Accordingly, RII 2011 obligates composite insurers to demerge their business into life and general. The industry is also keenly awaiting the finalisation of rules pertaining to appointment of institutional agents and loss adjustors, as stipulated in RII 2011.

The IBSL has shifted from compliance-based supervision to a new model of risk-based supervision, which is extensively used globally. With the assistance of the World Bank and as the first initiative, the IBSL plans to augment its supervisory capabilities and facilitate market participants to efficiently manage their business risks by providing a Risk-Based Capital (RBC) framework to

maintain the minimum capital regime for insurance sector in Sri Lanka. RBC is a method developed by the National Association of Insurance Commissioners (NAIC) to determine the minimum amount of capital required of an insurer to support its operations and write coverage. RBC is one of the most important regulatory regimes to affect insurance companies. The Implementation Road Map consists of three phases, namely; Phase 1 - Insurers to encourage voluntary adoption, Phase II - Adoption of proposed framework by new entrants and Phase III - Uniform implementation of the proposed framework.

Further, in line with the global tendency in adopting a common language for financial reporting process, 2012 saw the implementation of Sri Lanka Financial Reporting Standards (SLFRSs) in line with International Financial Reporting Standards (IFRSs). IFRS brought substantial changes on measurement, recognition and disclosure requirements on Financial Statements.

Further, the IBSL introduced new terms and conditions in relation to all transactions involving reinsurance placements in terms of Section 31(1) of the RII Act to be adhered by insurance companies pertaining to all insurance placements effected from year 2013 onwards.

1.4.3 Financial Performance

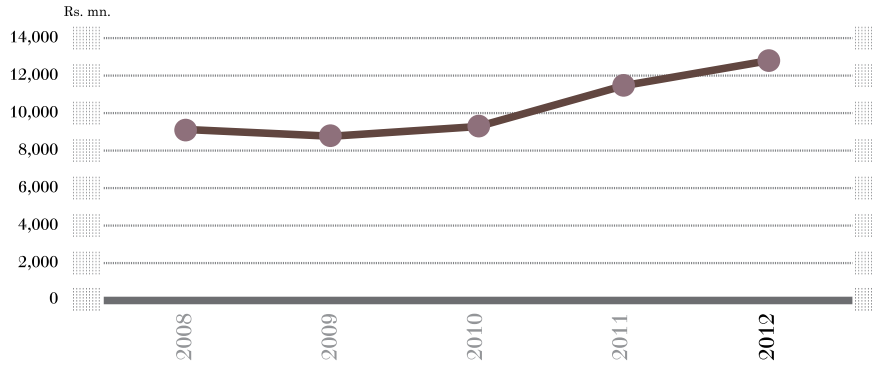
Profitability of General Insurance Business

	SLFRS			SLAS		
	2012 Rs. '000	Restated 2011 Rs. '000	2010 Rs. '000	Restated 2009 Rs. '000	2008 Rs. '000	2007 Rs. '000
Gross Written Premium	12,803,491	11,477,600	9,266,637	8,764,542	9,140,844	8,845,352
Net Earned Premium	9,487,217	7,828,645	6,034,185	6,592,541	6,478,099	5,262,586
Net Claims Incurred	(6,194,011)	(4,970,962)	(2,885,793)	(5,379,207)	(4,819,146)	(3,866,706)
Operating and Administration Expenses	(2,528,520)	(2,453,660)	(1,917,779)	(2,186,107)	(2,006,750)	(2,217,357)
Investment and Other Income	2,064,835	(245,498)	10,112,693	1,940,038	1,202,306	974,643
Interest Expense	(110)	(12)	(98)	(1,935)	(16,225)	–
Profit before Taxation	2,829,411	158,513	11,343,207	965,330	838,283	153,167
Taxation	(900,971)	(407,432)	(843,740)	(233,096)	(254,598)	83,336
Profit after Taxation	1,928,440	(248,919)	10,499,467	732,232	583,685	236,503

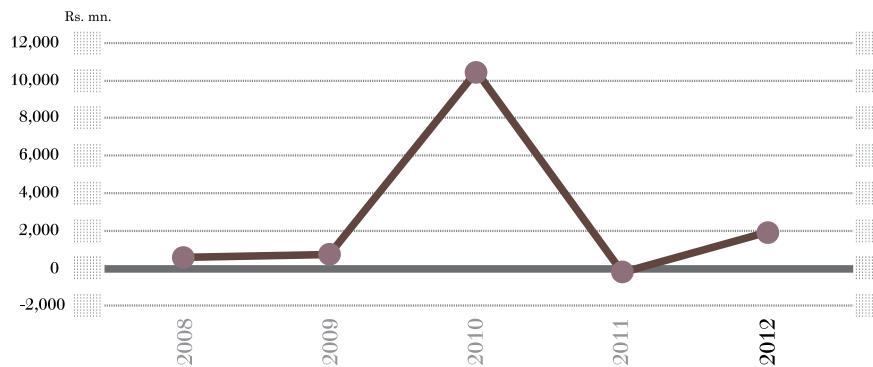
Profit after taxation recorded Rs. 1.928 million and negative 248 million for the year 2012 and 2011 respectively. The reasons to record such reduced amount of profit after taxation is due to the decrease in investment income because of market value adjustments under SLFRS/LKAS.

The General Insurance Business recorded 11.55% growth in terms of gross written premium in the year 2012 as against the 23.86% growth in the last year. The Company maintained the highest market share among the industry players in General Insurance Business which is 24.5% during the year 2012. SLICL has been successful in maintaining the market leadership for the 3rd consecutive year since 2010. Accordingly, Company has achieved Rs. 12,803 million premium in the year 2012 compared to the premium income of Rs. 11,478 million recorded in the year 2011.

Gross Written Premium - General Insurance



Profit After Tax - General Insurance



Profitability of Life Insurance Business

	SLFRS			SLAS	
	2012 Rs. '000	Restated 2011 Rs. '000	2010 Rs. '000	Restated 2009 Rs. '000	2008 Rs. '000
Gross Written Premium	7,569,029	6,743,073	6,009,859	4,819,860	4,497,919
Net Written Premium	7,281,225	6,593,457	5,945,561	4,769,590	4,381,490
Investment and Other Income	6,811,040	3,051,325	13,026,350	7,227,092	5,398,818
Claims Incurred	(4,089,231)	(3,592,818)	(4,957,675)	(3,831,985)	(3,289,846)
Commission Expenses	(1,088,644)	(933,627)	(648,033)	(547,848)	(552,689)
Management Expenses	(2,147,076)	(1,924,534)	(1,483,218)	(1,317,279)	(2,037,946)
Increase in Life Fund before Taxation	6,767,314	3,173,803	11,882,985	6,299,570	3,899,827
Taxation	(726,442)	(813,114)	(1,151,175)	(1,075,883)	(793,213)
Increase in Life Fund	6,040,872	2,360,689	10,731,810	5,223,687	3,106,614

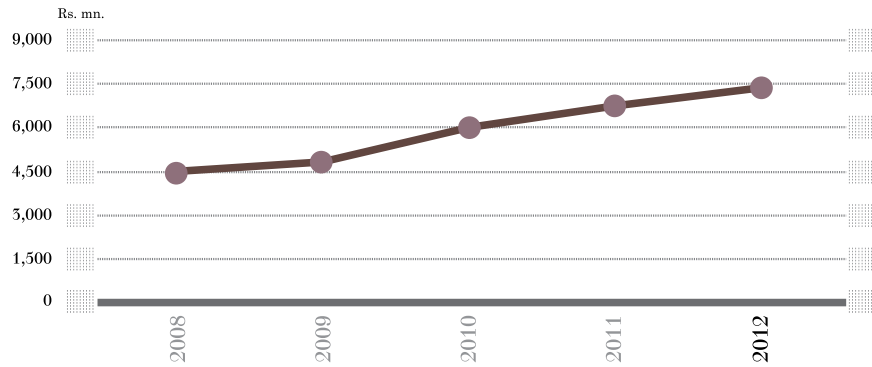
Increase in life fund is calculated before transferring the amount attributable to policyholders.

The Life Insurance Business recorded the gross written premium amounting to Rs. 7,569 million for the year 2012 and Rs. 6,743 million for the year 2011. Accordingly, Life Insurance Division achieved 9.28% growth in terms of the premium compared to the last year's growth of 12.22%.

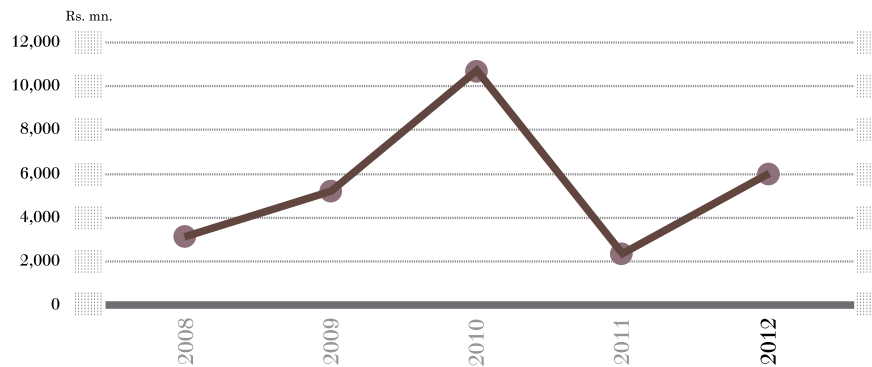
Profitability of the Life Insurance Business is Rs. 6,040 million for the year 2012 and the comparative figure recorded for the previous year amounted to Rs. 2,360 million. The adoption of the Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards had implications on the Financial Statements of Life Insurance business too.

The Life Insurance Business profitability growth is 155% compared to the last year. The improvement is mainly attributed due to appreciation of the market values of investments compared to last year.

Gross Written Premium - Life Insurance Business



Long-Term Insurance - Profitability



Combined Performance

Combined Profitability of Life Insurance and General Insurance

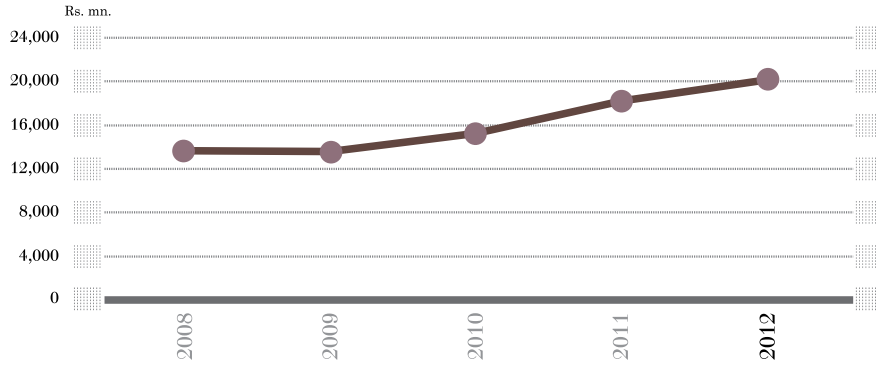
	SLFRS Related		SLAS Restated		
	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Revenue	25,644,516	17,207,927	35,011,286	20,529,262	17,460,713
Gross Written Premium	20,172,623	18,220,672	15,276,496	13,584,399	13,638,763
Net Earned Premiums	16,768,441	14,422,100	11,979,746	11,367,130	10,859,589
Benefits, Losses and Expenses	(15,625,259)	(7,718,624)	(18,173,307)	(15,678,414)	(13,450,368)
Investment and Other Income	8,875,872	2,785,827	23,031,540	9,167,130	6,601,124
Interest Expense	(223)	(37)	(210)	(3,697)	(130,184)
Operating and Administrative Expenses	(4,155,575)	(4,054,181)	(1,803,651)	(2,016,878)	(2,248,664)
Profit before Taxation	5,863,255	5,435,086	15,034,118	2,830,271	1,631,497
Taxation	(1,627,413)	(1,220,547)	(1,994,915)	(1,308,980)	(1,047,811)
Profit after Taxation	4,235,842	4,214,539	13,039,203	1,521,291	583,685

The growth of combined gross written premium is 10.71% for the year 2012. The gross written premiums of Rs. 20,172 million and Rs. 18,220 million has been recorded for the years 2012 and 2011 respectively.

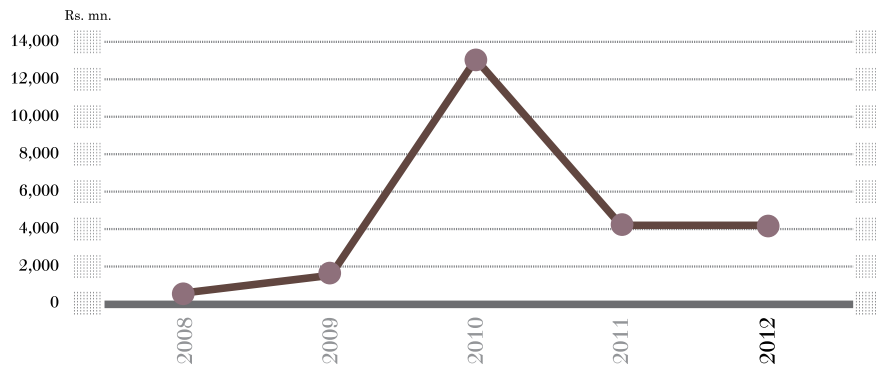
The profit after tax recorded Rs. 4,235 million for the year 2012 compared to the profit after tax of Rs. 4,214 million in the year 2011.

The investment income and other income rose substantially in 2012 to Rs. 8,875 million compared to Rs. 2,786 million recorded in 2011.

Gross Written Premium - Combined



Profit After Tax - Combined



1.4.4 Investments

1.4.4.1 Investment Strategy

Our investment strategy is focused on achieving the appropriate balance among safety, income and asset growth 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.

1.4.4.2 Investment Committee

The Investment Committee, which comprises the following personnel, is responsible for the management of the investment portfolio and reviewing and monitoring of the SLICL's strategic asset allocation, tactical opportunities and asset/liability exposure. The Committee adheres to the CFA Institute Asset Managers' Code.

Board Members:

- Mr. P. Kudabalage (Chairman)
- Mr. A.M. Mohan De Alwis

Investment Managers:

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

Other Members:

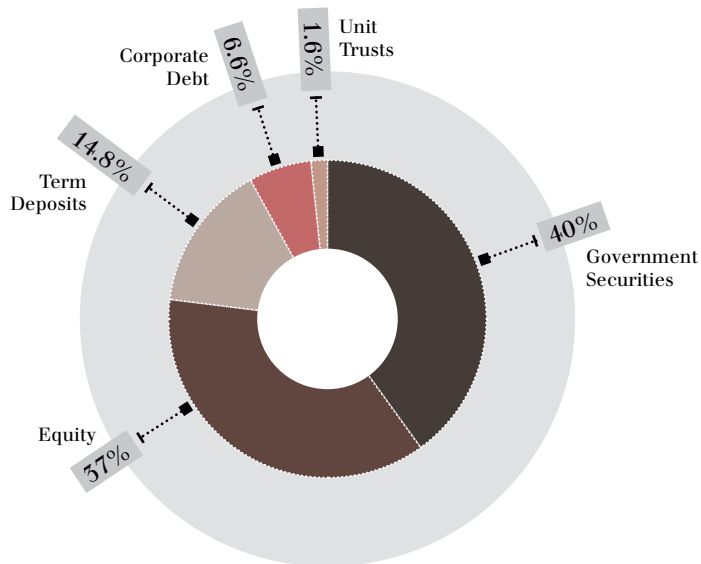
- Mr. M.S.P.R. Perera (Senior Deputy General Manager - Finance)
- Mr. Chaminda Gunasinghe (Assistant General Manager - Finance)
- Mr. Jaap Plugge - On invitation (Actuary)
- Mr. Nalin Subasinghe - On invitation
(Assistant General Manager - Actuarial)

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

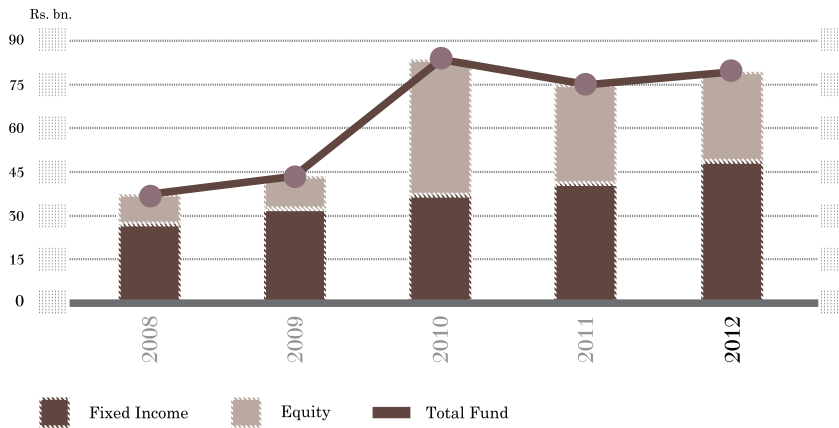
1.4.4.3 Asset Allocation

Life Fund

Life Fund - Composition of the Fund



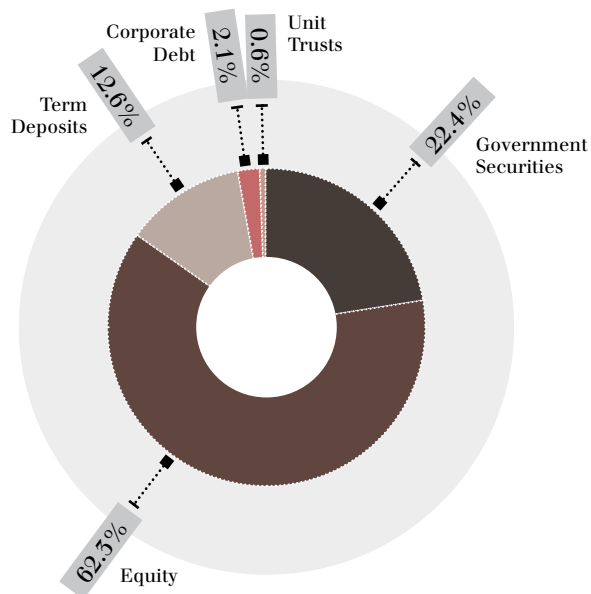
Growth of Investable Assets - Life Fund



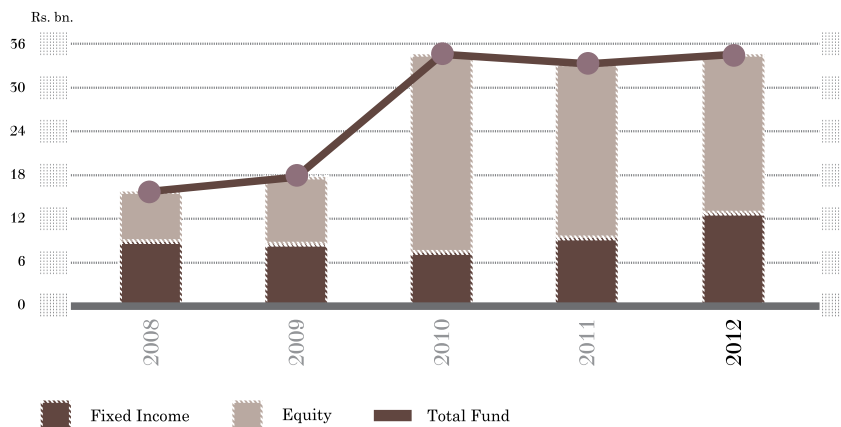
Restated figures in 2010 and 2011 based on SLFRS.

General Fund

General Fund - Composition of the Fund



Growth of Investable Assets - Non-Life Fund



Restated figures in 2010 and 2011 based on SLFRS.

1.4.4.4 Asset - Liability Matching

Life Fund: Owing to its relatively less-developed fixed income securities market, maturity matching in the life funds is a challenging task. However, with the removal of income tax and withholding tax on listed debentures, it is expected that corporates will be encouraged to issue more listed debentures and will therefore, provide much needed attractive long-term instruments.

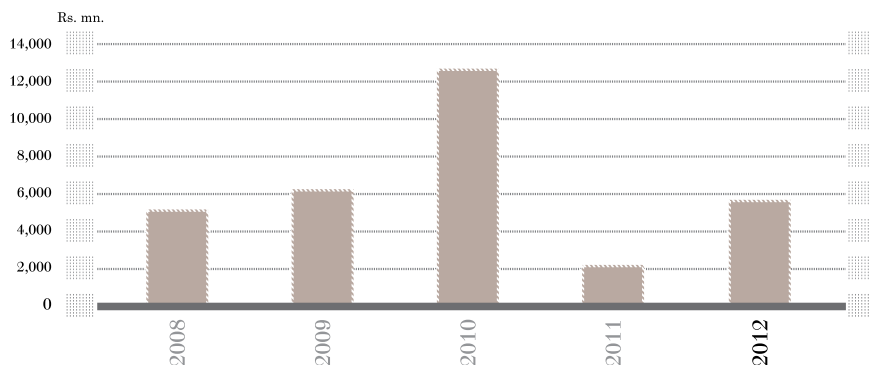
General Fund: Unlike the life fund assets, obligations of the general fund are shorter in term and hence major part of the fund was invested in short-term assets.

1.4.4.5 Investment Performance

The Company achieved healthy returns during 2012 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 equity market was not performing up to expectations.

The Company recorded a total investment income of Rs. 7.3 billion during the year.

Investment Income - Life Fund

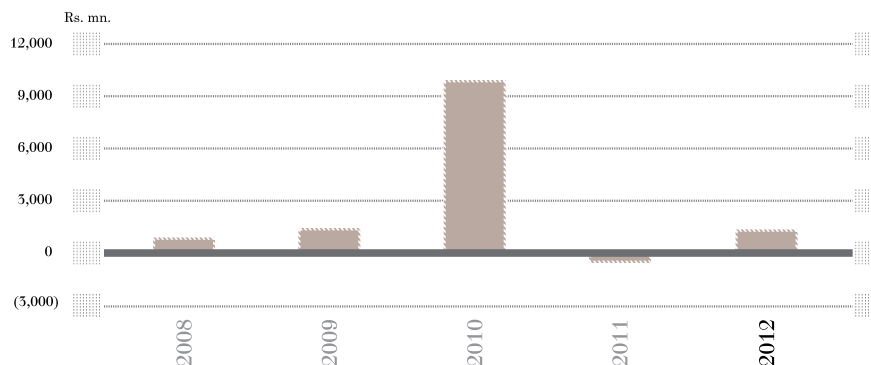


Restated figures in 2011 based on SLFRS.

The life fund recorded a healthy investment income of Rs. 5.7 billion which is a staggering 153.9% increase compared to the previous year.

Gains of this magnitude are unlikely to recur in 2013, although the potential remains for investment returns higher than the historical average, in light of the positive growth prospects for the country.

Investment Income - General Fund



Restated figures in 2011 based on SLFRS.

The general fund recorded an investment income of Rs. 1.4 billion which is a significant achievement comparing the negative restated return in 2011.

1.4.4.6 Adoption of IFRS

The Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards have been first time adopted in the year 2012 and resulted in many deviations from the previous application of SLAS. Accordingly the Company has restated the Statement of Comprehensive Income for the year 2011 and Statement of Financial Position for the last two years.

1.4.4.7 New Solvency and Determination I Rules

Rules on investment composition of insurance funds and admissible assets for solvency computations were revised during 2011, with a more comprehensive list provided for in both cases. Asset risk has been given greater emphasis, with credit ratings included as guidelines for investments in debt securities and bank and finance company deposits. These revisions could support an improvement in the risk-based capital position of the Company. The regulator has also indicated its plans to move towards a risk-based capital model in the future.

1.4.5 Statement of Solvency

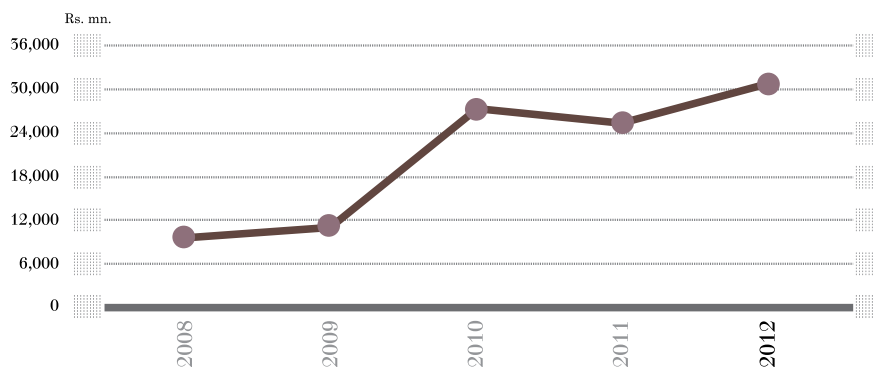
As per Section 26 (1) of the RII Act, insurers are required to maintain sound solvency for both life and non-life insurance business and we have maintained sound solvency margins for both life and non-life over the period as depicted below:

Stability of General Insurance Business

	SLFRS		SLAS		
	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Net Assets Value	50,748,097	25,298,629	27,525,020	10,954,409	9,536,699
Solvency Ratio	3.42	1.94	2.11	3.93	4.90

The General Insurance Business has increased its solvency ratio from 1.94 times to 3.42 times in the year 2012. The Company has increased its stability during the year 2012 in terms of the solvency of the business.

Net Assets Value - General Insurance

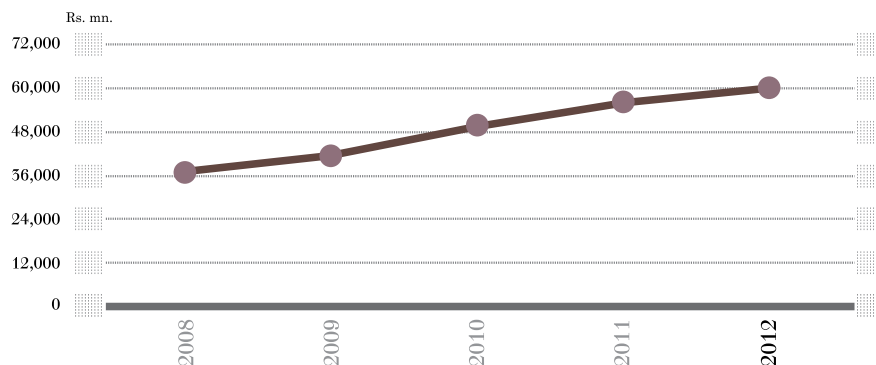


Stability of Life Insurance Business

	SLFRS			SLAS	
	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Life Fund	60,084,899	55,860,476	49,569,355	41,484,784	37,050,153
Net Assets Value	17,547,244	16,627,365	31,295,966	1,564,528	723,998
Solvency Ratio	11.01	10.05	6.11	6.75	5.46

The Life Insurance Business recorded the solvency ratio of 11.01 for the year 2012 and comparative figure is 10.05 times. The solvency ratio for the Life Insurance Business remains the level of two digit figure and show the highest level of stability of the business in terms of solvency.

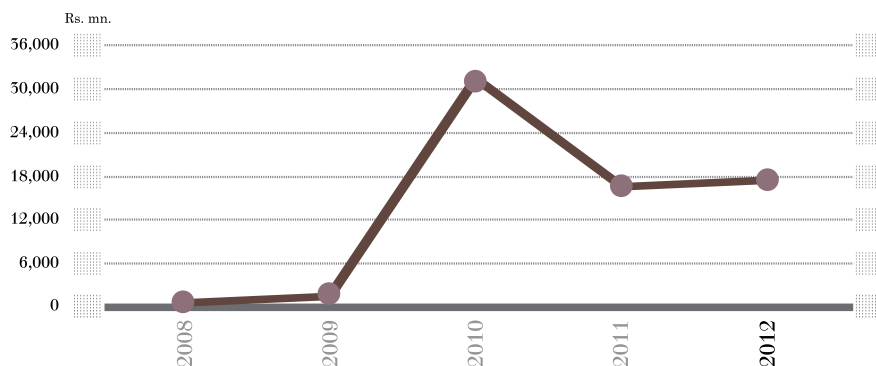
Increase in Life Fund



The Company recorded the highest life fund value in the industry of Rs. 60,085 million in the year 2012 and Rs. 55,860 million for the year 2011.

Net asset value of the Life Insurance has recorded highest values from the year 2010 according to the restated figures under the Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards adopted in the year 2012. Accordingly, reserves generated from converting the investments assets into market values are recognised under the reserves and resulted in an increase in net assets value as at the date of the financial position.

Net Assets - Long-Term Insurance



1.4.6 Approved Assets

Approved assets have been derived as per Section 25 (1) of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent determinations made by the Insurance Board of Sri Lanka in terms of the said Act.

	2012 Rs. million	2011 Rs. million	2010 Rs. million	2009 Rs. million	2008 Rs. million
Approved Assets - Life Insurance Business					
Approved Assets for Life Fund	61,428	57,911	52,247	44,918	38,453
Life Fund Values	60,085	55,860	49,569	41,484	37,050
Approved Assets in Excess Life Fund	1,343	2,051	2,678	3,434	1,403
Approved Assets - General Insurance Business					
Approved Assets for Technical Reserves	20,720	17,983	15,030	10,956	9,973
Technical Reserve Values	12,570	11,740	10,241	10,862	9,590
Approved Assets in Excess Technical Reserves	8,150	6,243	4,789	94	383

1.4.7 Ratings

Our financial stability is endorsed by Fitch Ratings and RAM Ratings as depicted below:

Credit Rating	Rating Given by	Date of Rating	Criteria for Rating
AA(Ika)	Fitch Ratings	2012 June	- National Long-Term Rating - Outlook: Stable
AA(Ika)	Fitch Ratings	2012 June	- Insurer Financial Strength Rating - Outlook: Stable
AAA	RAM Ratings	2012 September	- Long-Term Claims Paying Ability - Outlook: Stable
P1	RAM Ratings	2012 September	- Short-Term Claims Paying Ability

AA(Ika) - This indicates very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

AAA - This is the highest long-term CPA assigned by RAM Ratings.

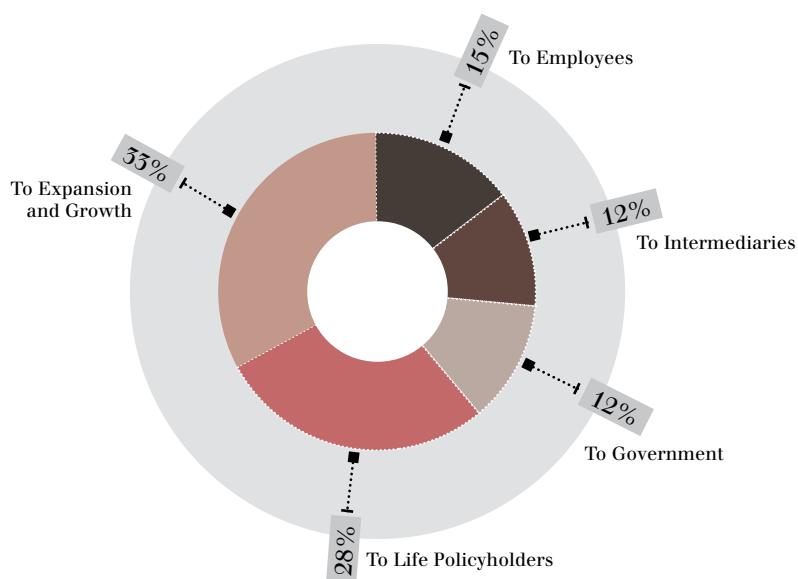
P1 - This is the highest short-term CPA assigned by RAM Ratings.

1.4.8 Value Added Statement - Company

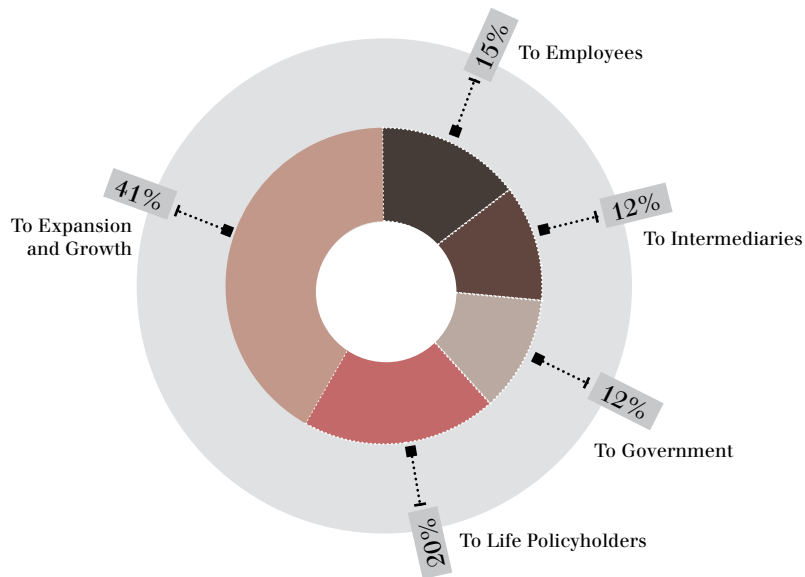
	2012 Rs. million	2011 Rs. million
Net Earned Premium	16,768	14,422
Investment and Other Income	8,875	2,785
	25,643	17,207
Less		
Net claims and Benefit	10,285	8,563
Cost to External Services	2,005	2,271
Value Addition	13,355	6,374

	2012 Rs. million	2011 Rs. million
Distribution of Value Added		
To Employees		
Salaries and Other Benefits	1,957	1,562
To Intermediaries		
Acquisition Cost	1,608	1,258
To Government		
Income Tax	1,627	1,220
To Life Policyholders		
Increase in Life Insurance Fund	3,733	(2,102)
To Shareholders		
Dividend Paid	—	—
To Expansion and Growth		
Retained as Depreciation	193	221
Retained as Reserves	4,235	4,214
	13,355	6,374

Distribution of Income - 2012



Distribution of Income - 2011



According to the Company's Value Added Statement above, it is shown how the value addition is distributed among the Employees, Intermediaries, Government, Life Policyholders and Expansion and Growth. The Company has increased its value addition from Rs. 6,374 million to 13,355 million in the year 2012.

Sustainability Report 2.0.0

2.1.0 We're Committed to Doing Things Today to Build a Better Tomorrow

Our Company's long-term non-financial goals support efforts to maximise positive social impact by attracting and retaining employees and effectively managing resources to minimise environmental impacts.

Our values are important to our business. Our values are the things that we believe in, they're the foundation and cornerstone of our business. They give us direction and guide our behaviour and choices. When we are true to our values, we know the right thing to do and our employees, partners, suppliers and customers know what to expect from us.

In this, our third Sustainability Report, we reaffirm our commitment to customers, employees, our communities and the environment. You will learn about our sustainability goals and about our current practices in such areas as resource efficiency, paper use reduction, procurement and carbon footprint.

2.2.0 Customers

Clients' appreciation is vital in our strategic vision, as it can consolidate and increase the success achieved over time. The Company attaches the greatest importance to maximum client satisfaction through the adoption of high quality standards for the products and services provided and their constant adaptation to new needs.

The Company is continuously committed to improving the quality of its services and places particular emphasis on dialogue with clients and analysing the results emerging from the numerous surveys it conducts on a regular basis. Findings regarding brand perception and client satisfaction with regard to general products and services, as well as surveys on client expectations and the reasons behind their decisions are the starting point for developing and completing the product range, the internal organisational processes and communication. Our efforts to satisfy the customers' needs are briefly described below.

2.2.1 Sri Lanka Insurance Corporation Speeds Up Medical Claim Settlements Through TAB Solutions

Sri Lanka Insurance Corporation extended its TAB solutions to its Medical Technical Officers to speed up and fine-tune the medical claim settlement process, to enhance customer convenience at the time of a claim. The software was developed by the Company's own IT Division.

The Technical Officer now has the ability to receive the claim intimation from the call centre via SMS while on site filling of claim forms, checking policy information and uploading approval documents will be possible through the TAB machine, which would be sent to a claims underwriting officer at the claim authorisation centre on real time basis. The claim will be assessed and authorised immediately and would be passed on to the payment section to process the settlement.

This on time inspection system, which enables the co-ordinator to immediately share the claim details with the claims processing officers located at head office, will no doubt make the claim process a pleasant experience for the customers, with less forms to fill and less places to visit.

Sri Lanka Insurance Corporation as always has pioneered the vision of a paperless, efficient and a hassle free claim settlement experience to its customers, which will be the future of claim settlement in the Sri Lankan Insurance Industry.

2.2.2 Opening of Sri Lanka Insurance Corporation State-of-the-Art Customer Service Centre

The Company declared open its newly refurbished Vauxhall Street ground floor office complex for business. The new office complex has been designed with main emphasis given to customer convenience and latest IT systems. The state-of-the-art atmosphere benchmarks the office complex against any world class office complex in the country.

2.2.3 Sri Lanka Insurance Corporation to Issue a ‘Drivers’ Protection Insurance Cover’ for Every Vehicle Driver From 2013

The Company in collaboration with the Department of Motor Traffic launched a benevolent Insurance scheme “Drivers’ Protection Insurance Cover” for the benefit of drivers in the age group of 18-70 years in Sri Lanka.

The Drivers’ Protection Insurance Cover will extend a Rs. 250,000/- Personal Accident Cover for all light vehicle drivers for a nominal premium of Rs. 500/- for eight years and Rs. 250,000/- cover for all heavy vehicle drivers for a nominal premium of Rs. 250/- for a period of four years. In the event of a death or a total permanent disability the sum insured will be paid to the beneficiary. This unique insurance cover has many more features that benefit vehicle drivers of Sri Lanka.

2.2.4 Sri Lanka Insurance Corporation Battaramulla Branch Relocated for Better Customer Convenience

Sri Lanka Insurance Corporation Battaramulla Branch was relocated to cater to the needs of the people in the area offering customer convenience through its modern atmosphere and enhanced IT systems.

2.2.5 Quality Assurance

As the premier insurance service provider we have been awarded the prestigious ISO 9001:2008 Quality Management System certification covering our 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 Company's Head Office and its branches.

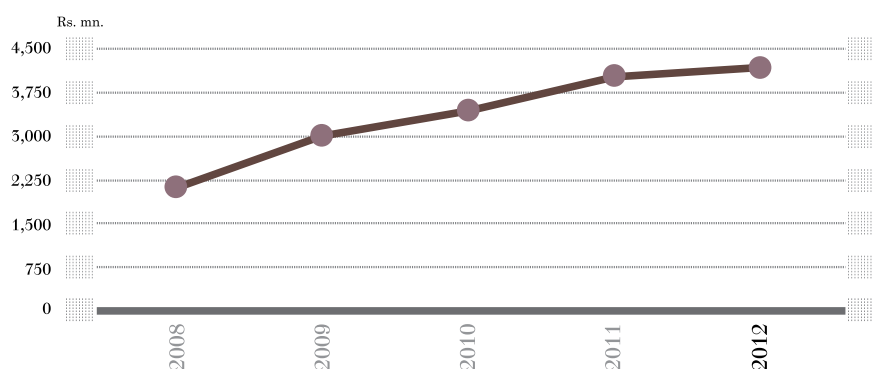
The International Standards Certification takes into consideration five aspects of process perfection when awarding ISO 9001:2008 - the criteria are Quality Management Systems, Management Responsibility, Resource Management, Product Realisation, Measurement, Analysis and Improvement. ISO certification is an endorsement of the fulfilment of the above criteria by SLICL and formulation and maintenance of a quality management system in the Company, in compliance with the required standards. Also, SLICL was awarded 'World Quality Commitment Award' at the 'BID' International Quality Convention in New York, in 2012.

2.2.6 Bonus to Policy Holders

As seen below, SLICL has consistently increased the bonus stream declared to our policyholders, with Rs. 4.2 billion paid in 2012.

Year	Face Value of Bonus Rs. million
2008	2,117
2009	3,000
2010	3,438
2011	4,014
2012	4,183

Face Value of Bonus



2.3.0 Employees

Our ability to attract, select, motivate and develop the best people is key to the success of the Company. We need talented individuals who are given the right opportunities and support, to deliver to the full extent of their potential in both current and future roles. Operating in an increasingly competitive business means that a pipeline of talent for future business leadership is essential. Developing our people is critical for meeting our growth ambitions. Creating conditions in which talented individuals can thrive and develop into being leaders of the future is a major challenge for all organisations. We recognise that an important part of sustaining performance comes from effectively engaging and communicating with employees.

Categories of Employment

Employee Category	No. of Employees	
	2012	2011
Senior Managerial	72	57
Managerial and Executive	747	671
Non-Executive	1375	1479
Other	227	256
Total	2,421	2,465

Gender

Gender Category	No. of Employees	
	2012	2011
Male	1,274	1,292
Female	1,147	1,171

People management at SLICL is driven by best practices when achieving its corporate objectives.

2.3.1 Driving Change

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

2.3.2 Knowledge Sharing and Learning Culture

Knowledge sharing and learning culture as part of people development focuses on recreating human capital to add value to business processes. We invest in our human capital by moving from 'survival learning' to 'generalised learning' to generate innovative thinking and creativity to energise synergy. The learning process begins at the time of placement through a comprehensive induction process which would then be widespread with technical and soft skills enhancement.

2.3.3 Investment in Human Capital to Develop and Retain Best Talent

Human capital is the building block for any organisation. However, its strength 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 them to be future leaders of the organisation in different functional expertise depending on their core competencies.

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

Investment in Training and Development

	2012 Rs.	2011 Rs.
In-house Training	1,315,854	689,776
External Training	2,915,461	167,547
Conferences	562,080	205,650
Overseas Training	7,533,385	2,730,861
Insurance and Professional Education	3,708,331	1,285,260
Professional Memberships	747,722	571,105

Training Programmes

	2012 Rs.	2011 Rs.
Number of Programmes	119	111
Number of Hours	994.5 Hours	779 Hours

2.3.4 People Engagement

We make people drive the organisation towards success through their high levels of commitment and involvement. We believe the ‘success story’ of SLICL is its people.

2.3.5 Key Initiatives

- **Policies and Procedures on HR Practices**

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

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

- **Staff Promotions**

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

- **Staff Transfers**

Annual staff transfer procedures to mobilise employees in a most effective manner that supports business growth. Further, the policy focuses on identifying employee grievances and solving those in a way that maintains industrial harmony while benefiting both, the organisation and its employees.

- **Personal Loans**

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

- **Overtime**

Revision of previous overtime policy to implement an overtime procedure that is cost effective to the organisation and most beneficial to employees.

- **Grievance Handling**

Grievance handling policy is implemented with the objective of solving employee grievances in a just and fair manner.

- **Medical Scheme**

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

2.3.6 People Development

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

2.3.6.1 Management Development Programmes

Developing a next level of competent junior management is vital for sustainability and growth of business. A series of management development programmes were developed by liaising with leading educational institutions to develop skills and competencies of our junior management.

2.3.6.2 International Exposure

Employees are given foreign exposure with the objective of developing them to achieve higher standards when competing with our rivals. Further such learning opportunities are given to identify competent staff that can be groomed to take future leadership of the organisation.

Overseas Exposure

	2012	2011
Technical	9	7
Sales and Marketing	2	1
ICT	3	1
Finance	1	1
Other	4	0

2.3.6.3 Developing Credible Successors

Operating in an increasingly competitive business world means that a pipeline of talent for future business leadership is essential. We believe that retention of best talent within the organisation is one of the key success factors for SLICL to be the market leader in insurance. Thus career paths have been developed for employees working in different functionalities as part of the Company's promotion policy. Since we work with a diversified workforce of different generations, career management has taken into account the requirements of all groups.

Induction Programmes

	2012	2011
Number of Programmes	23	19
Number of Hours	80.5	77

2.3.6.4 Language Development

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

2.3.7 Employee Recognition

‘Harasara-Pranama’

Every employee is an asset. Therefore they 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 honoured by our people. Employees who completed 25/35 years were awarded with commemorative gold coins for their devoted services.

2.3.8 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 of our employees. With such an objective in mind we conduct the following programmes annually:

- Wesak/Christmas programmes;
- Annual sports festivals/new year programmes;
- Educational sessions with popular artists to improve artistic knowledge;
- Relief schemes to provide a helping hand in natural disasters; and
- Scholarship programmes for employees’ children.

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

Staff Retention Rate

	2008 Rs. '000	2009 Rs. '000	2010 Rs. '000	2011 Rs. '000	2012 Rs. '000
No. of Staff	2,234	2,063	2,281	2,476	2,421
Staff Retention Rate (%)	84.29	91.70	95.50	91.50	92.3

2.4.0 Business Partners

2.4.1 Reinsurers

Reinsurance is placed with reputed reinsurance/insurance companies which possess the required ratings from rating agencies as required by the terms and conditions to be complied with by insurance companies under Section 31 (1) of the RII Act.

2.4.2 Sales Force

SLICL Produces Largest Contingent to Attend Million Dollar Round Table Conference in California, USA

SLICL set yet another benchmark with thirty of its top achievers qualifying for the elite Million Dollar Round Table in 2012, the highest ever number of delegates produced by the Company. Participation at the Million Dollar Round Table is a seal of excellence for the public to trust that they are working with the best in the business for their life insurance and financial needs.

SLICL Awards Night Honours the Best of The Best

The Company's Awards Night felicitated two key categories of excellence, the best of the best achievers in sales and long-standing service personnel. The event was held on 21st August 2012 at The Bandaranaike Exhibition Hall with the distinguished participation of the Board of Directors and the top management of the Company. The Felicitation Ceremony comprised SLICL Star Awards for recognising sales excellence and SLICL *Harasara* for recognising long-standing service and loyalty.

2.5.0 Government

The Secretary to the Treasury on behalf of the Government of Sri Lanka is the holder of 99.99% shares of the Company pursuant to the Supreme Court judgment on 4th June 2009, annulling the privatisation. We enjoy a very strong relationship with the Government and can count on its support for various initiatives. We in turn provide superior returns to the Government in the form of dividends and growth in net assets.

Apart from the total shareholder return, we pay substantial amounts of taxes as shown below:

	2008 Rs.	2009 Rs.	2010 Rs.	2011 Rs.	2012 Rs.
VAT	882,852,460	766,018,147	816,030,873	1,074,671,248	1,121,183,440
NBT	–	173,490,383	261,316,639	299,706,643	258,913,697
WHT	12,612,704	20,613,451	44,636,968	17,089,095	–
RSF	5,851,887	5,867,690	6,374,027	8,878,986	10,095,226
ESC	60,000,000	120,000,000	120,000,000	120,000,000	–
ST	5,630,177	5,416,616	5,561,959	7,986,501	8,174,927
IT	1,047,811,000	1,308,980,000	1,994,915,000	1,220,547,000	1,321,860,000
SRL	2,695,097	25,309,019	18,186,814	4,802,909	–
TOTAL	2,017,453,325	2,425,695,306	3,267,022,280	2,753,682,382	2,720,227,290

Abbreviations:

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

The Company has contributed Rs. 2,720 million as taxes to the Government in the year 2012 as part of its contribution to society.

2.6.0 Economy and the Community

Over the past 50 years, Sri Lanka Insurance Corporation Ltd. has always promoted and established harmonious relations with the local communities. Indeed, it has always been a top priority of our Company. The Company recognises in principle its moral responsibility to contribute to improving the communities. SLICL wishes to be a key point of reference for cultural, sporting and environmental issues which are supported through allocation of funds or other forms. The Company favours initiatives that maximise the resources allocated so as to provide concrete and direct benefits for the communities.

Sri Lanka Insurance Corporation Ltd., a pioneering partner for ‘*Abimansala*’ - a project that gives love and life with the building of a series of care homes for the disabled war heroes of our country:

‘*Abimansala*’, a truly heart-warming project, laid its inaugural foundation on the banks of the Nuwara Wewa tank in Anuradhapura as a wellness resort for dependent war heroes and is now home for 52 persons. The next, *Abimansala* - 2 was built in the South at Wilpitaawatta, Udumulla under the Athuraliya Divisional Secretariat providing life-long care to 48 war heroes in the South. The next in the series, *Abimansala* - 3 is scheduled to be set up in Kurunegala and *Abimansala* - 4 in the Northern Province.

The *Abimansala* project is a brainchild of HE the President Mahinda Rajapakse who in his ‘*Mahinda Chinthana*’ had envisaged the establishment of separate protective homes for all differently-abled soldiers throughout their life span. The project is spearheaded and guided by the Secretary of Defence and Urban Development Mr. Gotabhaya Rajapakse and the construction is carried out by the Sri Lanka Army.

2.6.1 SLICL Kicks off the ‘Carlton Super Sevens Rugby Tournament 2012’ Promotional Campaign

Sri Lanka Insurance Corporation Ltd. stepped forward yet again to power a spectacular sporting event in the country. ‘Carlton Super Sevens Rugby Tournament 2012’ which aims at inculcating the habit of sport among Sri Lankan youth and to elevate Sri Lankan Rugby beyond the local shores.

SLICL strives to uplift and enhance the environment within which it operates and strongly believes in its contribution towards developing a future generation of holistic individuals with sound personalities. As such, it acknowledges that sport plays an important role in developing a child physically, mentally and emotionally to become healthy well rounded adults. Carlton 7's project will instil in children's minds the right values while encouraging teamwork and a positive outlook.

2.6.2 Promoting Tourism and Leisure Industry

The long-awaited Rs. 20 billion Hyatt management venture recommenced in what aims to be the Colombo's biggest hotel and tallest building in Sri Lanka.

The 45-storey venture will have 458 rooms and 76 luxury residential suites. Hyatt International will be managing the hotel on behalf of the owning Company. Given the increase in the tourism industry, the establishment of a five-star hotel with international management will be a definite boost to Sri Lanka. SLICL and its subsidiary Litro Gas Lanka Ltd. are the major shareholder of the hotel and the building site has been leased by the Urban Development Authority for 99 years.

2.6.3 Sponsoring Cultural Pageants

Sri Lanka Insurance Corporation Ltd. took upon itself the responsibility to nurture and protect the rich heritage and rituals of the Sri Lankan people to be handed down to the future generations. As such SLICL once again provided special service for the benefit of pilgrims who visited Kandy, Gangaramaya and Katharagama during the *Perahera* season by extending the '*Ira Handa Pavathina Thuru*' personal accident cover amounting to Rs. 50,000/- for all pilgrims who gathered to witness the *Perahera*. In addition Sri Lanka Insurance Corporation Motor Plus vehicle breakdown assistance and recovery service too was geared up in Kandy and Katharagamatoprovideassistancetoallpilgrimswhofaceddifficultiesduetovehicle breakdown. This service was offered to all vehicle users and was not limited only to Sri Lanka Insurance Corporation Motor Plus policyholders, as a Corporate Social Responsibility initiative.

2.7.0 Environment

Protecting the environment as a primary asset is one of the Company's guiding values. The Company has made a commitment to direct its own decisions towards ensuring compatibility between economic and environmental factors. Our primary aim is to manage all significant environmental aspects of business operations to ensure compatibility between economic initiative and environmental requirements. In particular, we always strive to guide the Company's choices and actions in order to positively contribute to a sustainable development. The objectives relate to both the environmental impacts directly attributable to the insurance and financial activities of the Company and the indirect impacts associated with the procurement of goods and services.

At SLICL, we have taken the following actions to contribute to the environmental sustainability: all the activities of the Company and the indirect impacts associated with the procurement of goods and services.

1. Leveraged technology to reduce paper usage and the Company intranet system avoids the generation of paper based memos.
2. Duplexed printing to reduce paper waste.
3. Use of LCD monitors for energy conservation.
4. Central air conditioners are switched off at 5.00 p.m.
5. Regular maintenance and service of the Company's vehicle fleet to reduce gas emissions.
6. Producing a Carbon Neutral Annual Report.

2.8.0 Awards and Accolades

Sri Lanka Insurance Corporation Ltd. Awarded ‘The Best Insurance Company in Sri Lanka’ Title at the World Finance Insurance Awards 2012

Sri Lanka Insurance Corporation Ltd. once again shone at the recently held World Finance Insurance Awards when the Company bagged the most prestigious and coveted award for the Best Insurance Company in Sri Lanka.

The World Finance Awards is organised by the World Finance Magazine, a leading financial magazine published by the World News Media operating from its headquarters in London, which reports on capital markets, risk management, trading, technology, corporate governance issues and regional markets including Asia, Latin America and EMEA.

The World Finance Awards identify industry leaders, individuals, teams and organisations that benchmarks achievement and best practices in the financial and business world. The World Finance Awards panel scrutinises the nominees under stringent criteria which include a company’s constant skill for innovation, originality and quality of product, as well as proof of market development and excellence in client representation.

National Best Quality ICT Awards 2012

SLICL won a Merit Award at the National Best Quality ICT Awards (NBQSA) 2012 competition held on 19th October 2012. Further, SLICL was the only Government organisation to win an award at this event. SLICL’s internally developed ‘Health Plus’ Software won this award under ‘In-House Application Category’. It is a TAB application developed using latest technologies to cater to expedite Surgical and Hospitalisation Expenses (SHE) claim settlement process.

SLICL Wins at LACP Vision Awards 2011

Sri Lanka Insurance Corporation Ltd's. 2011 Annual Report won two prestigious awards at the 2011 Vision Awards in New York. The awards - a Gold Award in the Insurance Category and a Bronze Award for the most improved Annual Report in the Asia Pacific region. These are especially significant as the Annual Report was conceptualised and designed to mark Sri Lanka Insurance Corporation's 50th Anniversary. The Vision Awards is organised by the League of American Communications Professionals (LACP) and is seen as one of the premier annual report competitions in the world.

2.9.0 Events 2012

1. The Company invested in Hyatt Regency Colombo Hotel being built by Sino Lanka Hotels & Spa (Pvt) Ltd.
2. Sri Lanka Insurance Corporation Ltd. Awards Night felicitated two key categories of excellence, namely the Best of the best achievers in sales, and long standing service personnel. The event was held on 21st August 2012 at The Bandaranaike Exhibition Hall, with the distinguished participation of the Board of Directors and the top management of Sri Lanka Insurance Corporation. Secretary to the Finance Ministry and Head of Treasury Dr. P.B. Jayasundera graced the occasion as the Chief Guest. Over 700 persons attended this year's ceremony. The day belonged to the sales people who had outperformed and outshone the rest, to the men and women who had proved their mettle through sheer dedication, hard work and clear pursuit of their goals, the best in the insurance industry. The event also belonged to staff who had toiled with loyalty for over 25 years contributing their best to build the Company to what it is today. The night was celebrated on a star studded theme with much glamour and grandeur, featuring many unique and entertaining acts that kept the audience spell bound. The Star Awards Night saw 398 insurance advisors and team leaders being rewarded for their excellence in sales performances. 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 magnificent evening to

applaud the achievements of their colleagues. 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 were presented with an attractive plaque in addition to the cash awards and certificates. 'The Harasara Award' was awarded to five staff members for completing 35 years of service and 25 years of service. A very special award was presented to three outstanding sales personnel completing 50 years of service. The three distinguished sales advisors walked up to receive the awards amidst a standing ovation. All awardees were presented with a personalised plaque, certificate and gold coins as a tribute towards their allegiance to Sri Lanka Insurance Corporation.

3. SLICL held its 'Life Insurance Congress' at Ahungalle recently felicitating over 200 service personnel in life insurance sales. The achievers were invited to the Congress and awarded based on a three month competition held commencing February 2012. The two day Residential Congress was structured to give the participants a wealth of knowledge in relation to Life Insurance Sales within the Asian Region. Mr. Rajesh Rathosh, the MDRT Country Chair of India was invited to deliver the Keynote speech at the Congress which was the highlight of the event. The event also provided the participants with exercises to cultivate team spirit through entertaining games and activities.

4. The Company celebrated its Golden Anniversary at a spectacular ceremony held at the Sugathadasa Indoor Stadium on 31st October 2012, in the presence of His Excellency Mahinda Rajapakse the President of the Democratic Socialist Republic of Sri Lanka and many other government and private sector dignitaries. The event was witnessed by over 4000 staff and sales officers. The event comprised two main segments, official segments where all formalities were conducted and a show that followed thereafter unveiling the five golden decades of service in a stunning ballet performed by maestros Ravibandu Vidyapathy and Channa Wijewardene to the music of Nawaratne Gamage. Veteran artistes in the country who performed at the event included the renowned Pundit W.D. Amaradewa, Victor Ratnayake, Sunil Edirisinghe, Amarasiri Peiris, T.M. Jayaratne, Wijeratne Warakagoda and the

upcoming star Pubudu Chathuranga. The event opened with the solemn official ceremony that launched the 50th Anniversary commemorative stamp of Sri Lanka Insurance Corporation which was ceremoniously presented by Mr. Mohan De Alwis, Managing Director/CEO to His Excellency the President, in the presence of Hon. Minister of Postal Services Mr. Jeewan Kumaranatuge, Postmaster General D.P.L.R. Abayaratne and other officials of the Philatelic Bureau. The Coffee Table book of Sri Lanka Insurance Corporation titled “A Triumph of National Trust” encompassing details and memories of fifty golden years was launched at the event. The book is a complete synopsis of the journey of SLICL that is entwined with the Sri Lankan history and its people. The book was presented by Mr. Piyadasa Kudabalage, Executive Director SLICL to His Excellency the President.

5. A new state-of-the art customer service centre was opened in 2012. The new office complex has been designed with main emphasis given to customer convenience and the latest IT systems. The state-of-the-art atmosphere benchmarks the office complex against any world class office complex in the country.
6. Sri Lanka Insurance Corporation held its first ever General Insurance Summit, a two day residential conference for its top achievers in General Insurance Sales at Chaya Tranz, Hikkaduwa with over 250 participants and the senior management of Sri Lanka Insurance Corporation. General Insurance Summit - the two day residential programme was held to reward excellence, educate, recognise & motivate Sales Force and Staff Members of General Insurance Category while the 2012 summit was structured on the theme ‘Competencies, Ethics & Leadership’, an apt discussion in the current insurance sales context. Sri Lanka Insurance Corporation’s General Insurance Summit saw, some key personalities of the country, participating as key note speakers, Dr. Priyath Bandu Wickrama - Chairman Ports Authority touching on how to be successful in corporate culture through an achievement driven attitude and Rear Admiral Dr. Sarath Weerasekera speaking on how aesthetic values and patriotism could create a good leader. The Panel discussion was led by an elite panel of acclaimed academics of the Wayamba University comprising of Mr. Aminda Methsila, Senior Lecturer, Mr. W. Sampath Sanjeewa, Lecturer and Professor Udith K. Jayasinghe Mudalige Professor (Chair) of Department of Agribusiness Management.

7. The Senior Management including Managing Director/CEO Mr. Mohan De Alwis, Chief Officer - General Insurance Mr. Ainsley Alles and the senior management of Sri Lanka Insurance Corporation were also present at the event. SLICL has maintained a steady market leadership in General Insurance and stands as the largest and strongest insurer in the country with the largest asset base in the industry amounting to Rs. 132 billion, the largest life insurance fund of Rs. 60 billion and a strong capitalisation of Rs. 6 billion. The Company's financial stability and strong re-insurance arrangements, coupled with a successful viable business model aligned to private sector flexibility and public sector governance and ethics, has seen it achieve new heights both qualitatively and quantitatively during this period of achievements.

2.10.0 Global Reporting Initiative (GRI) G3 Index

GRI Indicator	Report Section	Page
1. Strategy and Analysis		
1.1 Statements of Chairman and the MD/CEO	Chairman's Message	1-5
	MD/CEO's Review	6-9
1.2 Description of key impacts, risks and opportunities	Chairman's Message	1-5
	MD/CEO's Review	6-9
	Management Discussion and Analysis	12-43
	Risk Management	
2. Organisational Profile		
2.1 Name of the organisation	Sri Lanka Insurance Corporation Ltd.	
2.2 Primary brands, products and/or services	Life and Non-life Insurance	
2.3 Operational structure of the organisation	Corporate Governance Report	78-93

GRI Indicator	Report Section	Page
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	SLICL was established under the provisions of Insurance Corporation Act No. 2 of 1961 as a State-Owned Corporation. In 1993, the Corporation was converted to a fully Government-owned limited liability company of which the sole shareholder of 100% shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government-owned Business Under-takings into Public Companies Act, No. 23 of 1987. Under the privatisation programme of the Government, the Company was privatised in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the Companies Act No. 07 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatisation, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka and the balance shares are held by the employees and ex-employees.	
2.7 Markets served	Management Discussion and Analysis	12-43
2.8 Scale of the reporting organistaion	Number of employees - 2,421 Twenty largest shareholders - 99.99% of the Ordinary shares in issued and fully paid up as at 31st December 2012 are held by the Secretary to the Treasury and the balance shares are held by employees and ex-employees of the Company. Total Assets - Rs. 132.1 billion.	
2.9 Significant changes during the reporting period	Nil	

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

GRI Indicator	Report Section	Page
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	Financial Reports.	117-287
3.9 Data measurement techniques	Not applicable.	
3.10 Explanation of the effect of any re-statement	No re-statement.	
3.11 Significant changes	None.	
Report Parameters - GRI Content Index		
3.12 Location of the standard disclosures in the report	Global Reporting Initiative (GRI) G3 Index.	77
3.13 External assurance for the report	No External Assurance Report was obtained.	
4. Governance and Commitments		
4.1 Governance structure of the organisation	Corporate Governance Report.	78-93
4.2 Indicate whether the Chairman of the Board is also the Chief Executive Officer	Role of the Chairman and Chief Executive Officer is clearly separated.	

GRI Indicator	Report Section	Page
4.3 Independent and/or Non-Executive Directors	Corporate Governance Report.	78-93
4.4 Mechanisms for shareholders and employees to provide recommendations or directions to the Board	There is a mechanism for employees to provide recommendations to the Board by way of Employee Forums. Employees can forward their views, opinions, suggestions and grievances etc., to HR Division and the same would reach the top management or the Board as per the standard protocol of the Company, according to their importance and priority .	
4.5 Linkage between compensation for members of the Board, Senior Managers and Executives, and the organisation's performance.	Board members are appointed by His Excellency the President Mahinda Rajapakse in his capacity as the Minister of Finance and one Director represents the Secretary to the Treasury as the majority shareholder of the Company and as such no Remuneration Committee is appointed to make recommendations to the Board on the Company's framework of Executive Directors' remuneration. However, the Board has appointed a HR Subcommittee and the Committee met eight times during 2012.	
4.6 Processes in place for the Board to ensure conflicts of interest are avoided	Annually obtained.	
4.7 Process for determining the qualifications and expertise of the members of the Board for guiding the organisation's strategy	His Excellency the President Mahinda Rajapakse appointed the Board Members in his capacity as the Minister of Finance and the Board Members possess requisite educational and professional qualifications along with the relevant experience.	
4.8 Statement of mission or values	Mission and Vision Statements.	v
4.9 Review of performance by the Board	Corporate Governance Report.	78-93
4.10 Evaluating Board performance	Corporate Governance Report.	78-93

GRI Indicator	Report Section	Page
4.11 Precautionary approach	The Board of Directors bestows the overall strategic direction and risk appetite for the Company including financial objectives. The general management carves out the strategic plan in achieving these slated goals and objectives including measuring the organisation's progress towards achieving its mission. Board of Directors is mainly responsible for establishing the risk management process and evaluating and monitoring the activities of the Company. The Board of Directors gives significant oversight to risk management and is conscious of and concurs with the Company's risk appetite. Audit and Compliance Committee, 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 risk management by establishing the correct environment or tone-at-the-top. The main role of the Internal Audit Department regarding risk management is to provide objective assurance to the Board of Directors of the effectiveness of the Company's risk management activities thereby to ensure that the key business risks are being managed properly and that the system of internal control is working efficiently. Investment Committee oversees the investment risk including concentration risk, credit risk, liquidity risk, market risk and interest risk. In addition, Messrs KPMG, the External Auditor for the Company who is reporting to shareholders also plays an essential role in the risk management process of the Company.	

GRI Indicator	Report Section	Page
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, Employers' Federation of Ceylon (EFC), Sri Lanka Insurance Institute and the British Council Library.	
Stakeholder Engagement		
4.14 List of stakeholder groups engaged by the organisation	Sustainability Report.	44-77
4.15 Basis for identification and selection of stakeholders	Sustainability Report.	44-77
4.16 Approaches to stakeholder engagement	Sustainability Report.	44-77
4.17 Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report.	44-77
5. Management Approach and Performance per Category Economic Performance Indicators		
EC1 Economic value generated and distributed	Value Added Statement.	41-43
EC3 Company's defined benefit plan obligations	Notes to the Financial Statements.	175-287
EC4 Significant financial assistance received from Government	Did not receive any significant financial assistance from the government.	

	GRI Indicator	Report Section	Page
EC5	Standard entry level wage compared to local minimum wage	Wages are competitive with the market rates. Wages Boards have been established for over 43 trades such as manufacturers of tea, rubber, garments etc., and the minimum wages payable and conditions of employment applicable to those trades are published in the Gazette. A minimum salary is not applicable to employees covered under the Shop and Office Act and therefore can be decided by the employer and employee.	
EC9	Significant indirect economic impact (additional)	Island-wide insurance solutions, taxes to the Government exchequer and fees to the IBSL.	
Environmental Performance Indicators			
EN7	Initiatives to reduce indirect energy consumption and reduction achieved (additional)	Sustainability Report.	44-77
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No non-compliances during the year.	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operation, and transporting members of the work force	None.	

GRI Indicator	Report Section	Page
Social Performance Indicators - Labour Practices and Decent Work		
LA1	Breakdown of total workforce	Sustainability Report. 44-77
LA2	Employee turnover	Sustainability Report. 44-77
LA6	Percentage of total workforce represented in Worker Health and Safety Committee	Since 2007, the Health and Safety Committee of the Company held many meetings specially identifying the requirements under the OHSAS 18001 which is the internationally recognized assessment specification for occupational health and safety management systems. As part of this many awareness programmes were conducted on health and safety.
LA7	Rates of occupational diseases	None.
LA8	Training in occupational diseases	None.
LA10	Employee training	Sustainability Report. 44-77
LA11	Programmes for skill management and lifelong learning	Sustainability Report. 44-77
LA12	Employee receiving regular performance and career development reviews	Sustainability Report. 44-77
LA13	Employees according to diversity	Sustainability Report. 44-77
LA14	Basic salary of men and women	No gender differentials at SLICL.

	GRI Indicator	Report Section	Page
	Society Performance Indicators		
HR4	Total number of incidents of discrimination and actions taken	None reported during the year.	
HR6	Operations identified as having significant risk for incidents of child labour	Strictly no child labour at SLICL.	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	Strictly no forced labour at SLICL.	
SO4	Actions taken in response to incidents corruption	None reported during the year.	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	No contributions to political parties during the year.	
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	None reported during the year.	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None reported during the year.	

GRI Indicator	Report Section	Page
Product Responsibility Performance Indicators		
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	None reported during the year.	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report.	44-77
PR6 Programmes for adherence to laws, standards, and voluntary codes related to marketing, communications, including advertising, promotion, and sponsorship	The compliance framework has identified anti-competitive laws and assigned responsibilities accordingly to mitigate such risk. The Compliance Department is currently working on familiarising with the revisions of the existing 40+9 Recommendations of the Financial Action Task Force on anti-money laundering.	
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning market communications, including advertising, promotion, and sponsorship by type of outcomes	None reported during the year. SLICL has complied with Directive No. 01 dated 14th October 2004 and Circular 01 dated 6th August 2001 and other rules and regulations as amended, issued by the IBSL.	

GRI Indicator		Report Section	Page					
PR8	Substantial complaints regarding breaches of customer privacy	None reported during the year.						
PR9	Total number of substantial complaints regarding breaches of customer privacy and losses of customer data.	None reported during the year.						
			C	C+	B	B+	A	A+
Mandatory	Self-Declared				X			
Optional	Third Party Checked							
	GRI Checked							

Corporate Governance - Board at the Helm of Stewardship

3.0.0

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

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

In discharging its duties, the Board has approved an effective business strategy and is driving and monitoring its implementation. A CEO and a management team (as detailed on pages 88-91) with the required experience and knowledge to implement the strategy have been appointed. A formal succession plan too is in place. Risk management function was further streamlined during the year (Refer pages 94-111). As detailed in the report of the Audit and Compliance Committee on pages 112-116, SLICL has an effective system of internal controls. Compliance function ensures compliance with all applicable laws, rules, regulations and ethical standards. Periodic actuarial valuations are undertaken of the life fund and also to determine the policyholders' and shareholders' portion of the surplus. Board ensures adoption of appropriate accounting policies and comprehensive disclosure of financial information.

The number of Board Meetings held during 2012 and the details of attendance of each Director at these meetings are given below:

Name of Director	Total BMs	
	No. of Meetings Held	Attended
Mr. R.A. Jayatissa Chairman (Non-Executive)	11	7
Mr. A.M.M. De Alwis Managing Director/CEO	11	11
Mr. P. Kudabalage Executive Director	11	11
Mr. Dhammika Perera Non-Executive Director	11	0
Mr. Noel Selvanayagam Non-Executive Director	11	5
Dr. B.M.S. Batagoda Non-Executive Director	11	11

Mr. R.A. Jayatissa resigned w.e.f. 15th July 2012. With the reconstitution of the board Mr. K.A.D.D. Perera, Mr. C.N.V. Selvanayagam and Dr. B.M.S. Batagoda ceased to be directors w.e.f. 21st May 2013. Mr. Upali Dharmadasa, Mr. Isuru Balapatabendi, Mr. S.V.R. Samarasinhe and Mr. Nayana D.P. Dehigama were appointed to the Board w.e.f. 21st May 2013. Ms. I.T.K. Illangamudali was appointed to the board w.e.f. 4th June 2013.

3.1.0 Board of Directors

Director		Executive/Non-Executive Status	Independence/Non-Independence*
Mr. H.K. Upali Dharmadasa Chairman		Non-Executive	Independent
Mr. Mohan De Alwis Managing Director/CEO		Executive	Non-Independent

Profile

Mr. Upali Dharmadasa is a high-profile industrialist, with strong leadership qualities, proven strategic abilities and an inherent and abiding interest in all matters concerning business and cricket. He counts over 31 years of experience in higher management.

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

He holds the position of the Chairman, Sri Lanka Timber Merchant Association.

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

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

Mr. Mohan De Alwis, the Managing Director and Chief Executive Officer of Sri Lanka Insurance Corporation Ltd. and Management Services Rakshana (Pvt) Ltd. has wide and diversified managerial experience in leading corporate institutions both in Sri Lanka and overseas including Coopers & Lybrand, Hayleys PLC, Star Garments Ltd. and Smart Shirts Ltd. He has well over 30 years experience in the mercantile sector.

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 is a product of St. Joseph's College, Colombo 10.

He is also the Chairman of Ceylon Asset Management Co. Ltd. and also the Director of Lanka Hospitals Corporation PLC, Seylan Bank PLC, Ceybank Asset Management Ltd., Canowin Hotels and Spas (Pvt) Ltd., Taprobane Hotels & Spa (Pvt) Ltd., Helanco Hotels & Spa (Pvt) Ltd., Sinolanka Hotels & Spa (Pvt) Ltd., Canwill Holdings (Pvt) Ltd., Sri Lanka Insurance Corporation Private Ltd., and Executive Director of Litro Gas Lanka Ltd. and Litro Gas Terminal Lanka (Pvt) Ltd.

Director		Executive/Non-Executive Status	Independence/Non-Independence*
Mr. Piyadasa Kudabalage Executive Director		Executive	Non-Independent
Mr. Himashe Isuru Balapatabendi		Non-Executive	Independent
Mr. Sanjay V.R. Samarasinhe		Non-Executive	Independent

Profile

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., Litro Gas Terminal Lanka (Pvt) Ltd., Taprobane Hotels & Spa (Pvt) Ltd., Helanco Hotels & Spa (Pvt) Ltd., Sinolanka Hotels & Spa (Pvt) Ltd., Canowin Hotels and Spas (Pvt) Ltd. and Canwill Holdings (Pvt) Ltd. He is on the Board of People's Bank, Sri Lanka Insurance Corporation Private Ltd., Colombo Dockyard PLC and Management Services Rakshana (Pvt) Ltd. and a Senior Partner of Messrs P. Kudabalage & Company, Chartered Accountants. He has well over 27 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 directorate in Malwatte Valley Plantation Ltd.

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

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

Director		Executive/Non-Executive Status	Independence/Non-Independence*
Mr. Nayana D.P. Dehigama		Non-Executive	Independent

Ms. I.T.K. Illangamudali		Non-Executive	Independent

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

Profile

Mr. Dehigama is a well-known entrepreneur and the Founder Chairman/Managing Director of Epic Lanka Group of Companies, the renowned technology group with a proven track record of 15 years. Mr. Dehigama possesses over 20 years of managerial experience in the ICT industry in Sri Lanka and has managed many large IT projects in the country.

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

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

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

Two Board sub-committees; namely, Audit and Compliance Committee (ACCM) and the Human Resources Committee (HRC) also met regularly during the year 2012 as depicted below:

Name of Director	Total ACCMs No. of Meetings	
	Held	Attended
Mr. R.A. Jayatissa	5	3
Mr. A.M.M. De Alwis	5	3
Mr. P. Kudabalage	5	5
Dr. B.M.S. Batagoda	5	4

Mr. R.A. Jayatissa resigned from the Board w.e.f. 15th July 2012 and Dr. B.M.S. Batagoda ceased to be a Director w.e.f. 21st May 2013.

Name of Director	Total HRCs No. of Meetings	
	Held	Attended
Mr. R.A. Jayatissa	8	5
Mr. A.M.M. De Alwis	8	6
Mr. P. Kudabalage	8	4
Dr. B.M.S. Batagoda	8	8

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

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

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

Mr. Upali Dharmadasa, Mr. Isuru Balapatabendi, Mr. S.V.R. Samarasinhe, Mr. Nayana D.P. Dehigama, and Ms. I.T.K. Illangamudali, Directors retire in terms of Article 98 of the Articles of Association of the Company at the forthcoming AGM and being eligible, offer themselves for election.

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

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

3.2.0 Senior Management Team



Mohan De Alwis
Managing Director,
Chief Executive Officer
BCom, MBA, CMA (Aus)



P. Kudabalage
Executive Director
BCom, FCA, FCMA, FCPM



Viyani Gunathilaka
Chief Officer -
Administration
SLAS Class - I, BSc.
(Bus. Admin.), MPA (Aus.)



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



Ainsley J. Alles
Chief Officer - General
FCII and Chartered Insurer,
FIII, ANZIIF (Fellow),
MBA, EDBA, FCPM



C.C. Jayasuriya
(Retired w.e.f. 30th September
2012)
Consultant - General
Insurance



R.H.G. Lewis
(Retired w.e.f. 30th September
2012)
Consultant -
Marine Insurance



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



Renuka Ekanayake
(Retired w.e.f. 21st Feb. 2015)
DGM - Motor
BA (Hons)-Banking and
Insurance, AIII, MBA



Siri Gunawardena
(Retired w.e.f. 2nd Nov. 2012)
DGM - Training &
Development
ACII, Chartered Insurer,
BA (Hons)



Pushpa Siriwardena
(Retired w.e.f. 30th Sep. 2012)
DGM - General Accident
ACII (London), Chartered
Insurer, BA (Hons)



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



Ajith Wijayasundara
DGM - ICT
BSc (Eng), MBA



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



Pubudu Wimalaratne
AGM - National Sales
(General)
ACII, AIII, Chartered Insurer



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



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



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



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



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



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



Tharaka Balasuriya
(Resigned w.e.f. 16th July
2012)
AGM - Corporate Sales
BA (Econ, Maths)



Prabath Pussadeniya
AGM - HRD
BSc, PGC (PIM), NDTD
(SLITAD), AM (SLITAD)



Parakrama Ambanpola
AGM - Branch
Administration



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



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



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



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



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



Rodney Wanigasekara
AGM - Internal Audit
BSc. Bus. Admin., ACA
(SL), Certified Public
Accountant (USA), MIPA(Aus)



Jeewani Gunawardena
AGM - Internal Audit
ACA, MBA



Namalee A. Silva
AGM - Marketing
and Corporate
Communications
MCIM (UK), ACIB (UK),
Chartered Marketer



Lalith De Silva
(Appointed w.e.f. 1st July 2012)
AGM - Branch
Administration
Post Graduate Dip. In Finance
and Bus. Administration, MBA



Malaka M. Bandara
(Appointed w.e.f. 1st July 2012)
AGM - Management
Accounting & Budgetary
Control
BSc. - Accountancy (Sp.), ACA

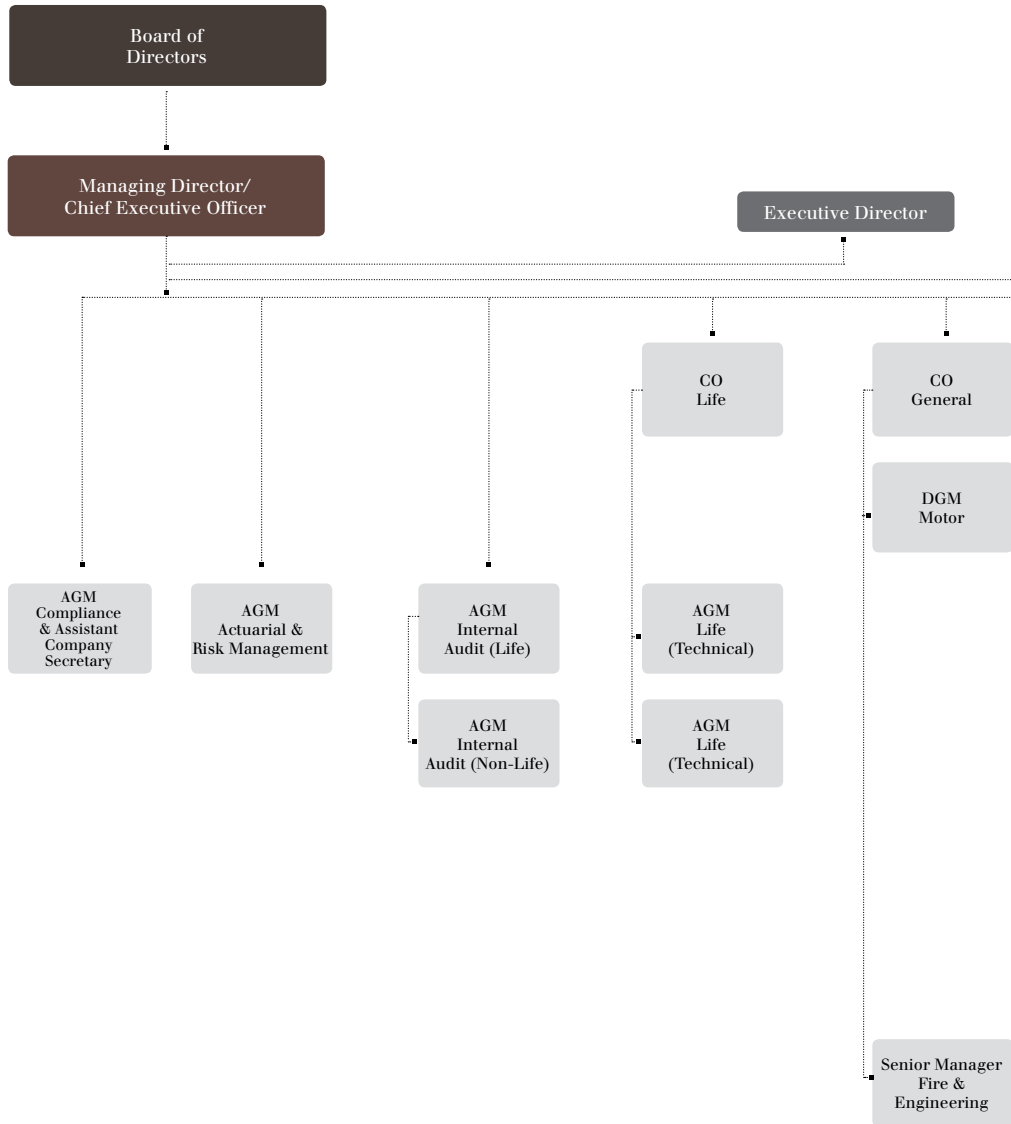


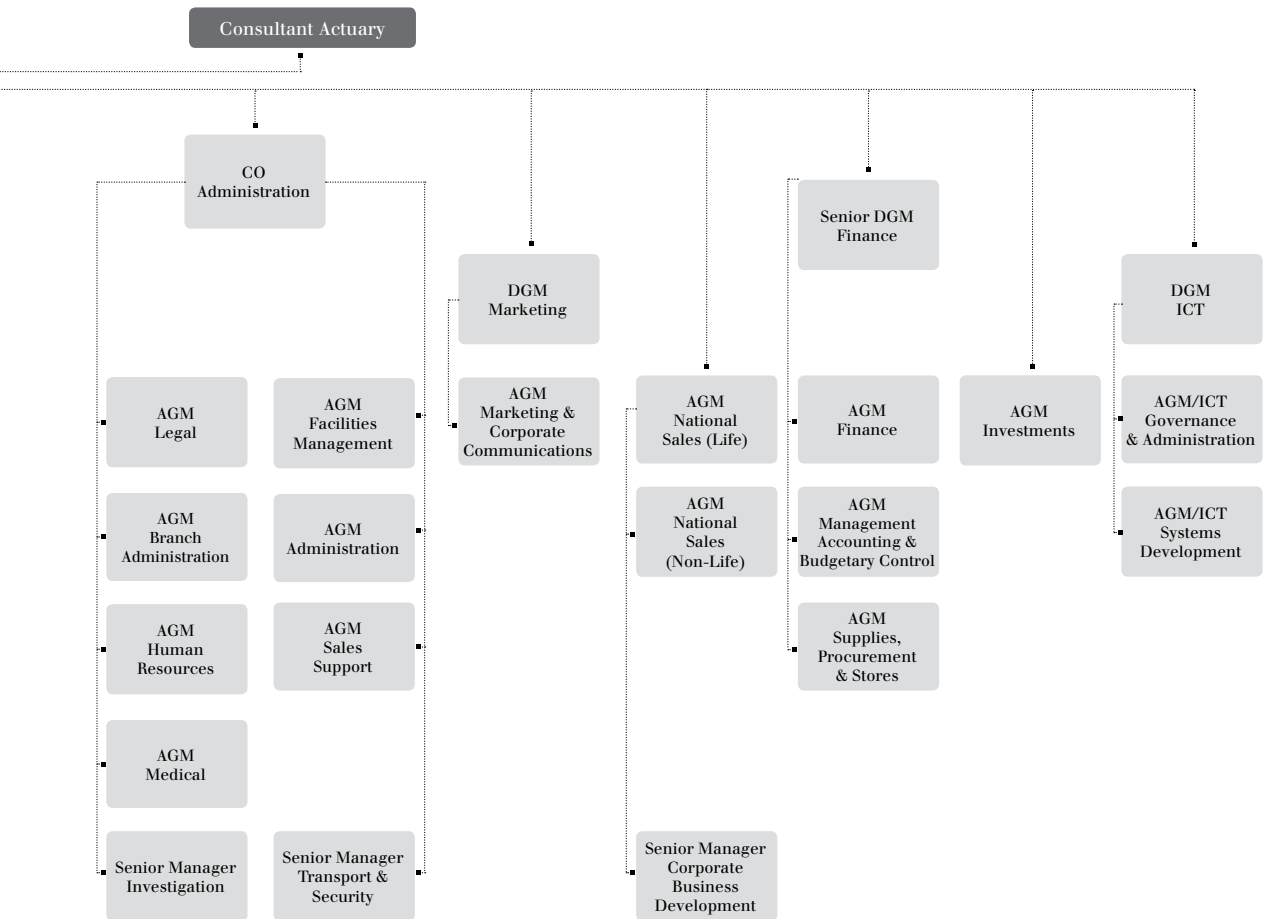
Anil Fernando
(Appointed w.e.f. 1st July 2012)
AGM - Supplies,
Procurement & Stores
FCA, ACMA, BSc. -
Accountancy (Sp.)



**Ruwani
Dharmawardana**
(Appointed w.e.f. 1st December
2012)
AGM - Compliance
and Assistant Company
Secretary
LLB (Hons), Attorney-at-Law,
PG.Dip. in Bus. Mgt. (ICFAI),
Dip. in Mgt. (CMA), Dip. in
HRM (UK)

3.3.0 Organisational Structure





Enterprise Risk Management

4.0.0

All business enterprises, irrespective of their nature, size, and ownership structure etc. face risks of varying sizes and magnitudes.

Recently, risk management practices have become broadly accepted as a defensive approach to protecting and building trust; for example, holding on to trust and loyalty we already have and building on it further. Risk management practices help businesses minimize losses as well as exploit opportunities. We have in place both defensive and complementary offensive (strategies) tools to protect and create trust accordingly.

Insurance being the business of risk assumption, the Board of Directors understands that effective risk management is a sine qua non of its stewardship role and that it enhances trust and the prospects of achieving the Company objectives. Therefore, risk management is not seen merely as a regulatory imperative. Board has a comprehensive understanding of the risks the Company is exposed to and instituted an effective risk management system.

Apart from the very nature of business, heavy reliance on estimates and forecasts, volatile market conditions and resulting impact on the investment strategy, changing demographic variables, climatic change, increasing frequency and magnitude of natural disasters, impending regulatory changes etc., have made risk management all the more important and relevant today for the insurance industry.

Accordingly, we have made risk management an integral part of our day-to-day business enterprise-wide. Effective systems and procedures are in place for the identification, measurement and management of risks at SLICL. Risk appetite has been defined in risk policies and procedure manuals with tolerance levels clearly identified for action and/or escalation of issues to senior management.

We have also developed an IT platform for the capture, storage, analysis and communication of risk information.

Insurance is one of the heavily-regulated industries world over. As the supervisory body, the IBSL is monitoring the insurance companies in Sri Lanka in terms of rules, regulations, determinations, Gazette Notifications and Circulars issued under the Regulation of Insurance Industry Act No. 43 of 2000 as amended.

4.1.0 Regulatory Risk

Regulatory risk brings in certain costs and risks including the risk of non-compliance and the risk of introduction of new laws 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.

In the insurance industry, it has been mandatory by the Regulation of Insurance Industry (Amendment) Act, No. 3 of 2011 (RII 2011) for existing Insurers to segregate their long term (LTIB) and general insurance (GIB) into two separate companies within 4 years from 2011 and accordingly to be listed within 5 years from 2011. In other words, the RII 2011 obliges composite insurers to demerge its business into life and general. The industry is also enthusiastic to see the finalization of rules pertaining to appointment of institutional agents and loss adjusters as stipulated in the RII 2011.

The IBSL has shifted from compliance-based supervision to a new model of risk-based supervision, which is extensively used globally. With the assistance of the World Bank and the FIRST initiative, the IBSL plans to augment its supervisory abilities and facilitate market participants to efficiently manage their business risks by providing a ‘risk-based capital (RBC)’ framework to maintain the minimum capital regime for the insurance sector in Sri Lanka. RBC is a method developed by the National Association of Insurance Commissioners (NAIC) to determine the minimum amount of capital required of an insurer to support its operations and write coverage. RBC is one of the most important regulatory regimes to affect insurance companies. The Implementation Road Map consists of three phases; namely, Phase I–Insurers to encourage voluntary adoption, Phase II–Adoption of proposed framework to new entrants and Phase III–Uniform implementation of the proposed framework.

In addition, in line with the global tendency in enabling a common language for financial reporting process, the year 2012 saw the implementation of Sri Lanka Financial Reporting Standards (SLFRS) in line with International Financial Reporting Standards (IFRS).

Further, the IBSL introduced new terms and conditions in relation to all transactions involving reinsurance placements in terms of section 31(1) of the RII Act, to be adhered to by insurance companies, pertaining to all insurance placements effected year 2013 onwards.

SLICL is equipped with a comprehensive compliance framework. ‘Compliance programme’ designed for the use of the staff and management is available in the ‘compliance web page’ on the Company intranet for which internal staff has access from their individual computers. The main objectives of the ‘compliance web page’ are ‘identification, documentation and communication (basically through company intranet and lotus notes) of up-to-date information about the relevant statutory, regulatory compliance obligations’ to the staff and management. As a proactive measure, the Compliance Department guides the management on anticipated regulations of the future, since a proactive business process management solution will provide the Company with the necessary tools to address new regulations cost- effectively.

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

4.2.0 Underwriting Risk

4.2.1 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:

1. Physical Risk-health condition, occupation, age and habits.
2. Moral Hazard Risk-intention.

The Life Underwriting Process involves the following:

1. Completing a proposal form.
2. Evaluation of all applications for risk cover in excess of specified limits by experienced underwriters against established standards.
3. Conducting medical tests for individual risks in excess of certain exposures.
4. Analysing underwriting results.
5. Accept or reject the risk.

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

1. Reinsurance.
2. Claims Review meetings.
3. Actuarial Division reviews mortality and morbidity experience.

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

4.2.2 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 claim process is monitored by effective internal audit process. Any claim in excess of certain criteria or amount is presented to the Divisional Claim Panel and/or the Central Claims Panel based on the severity of the loss. The panel consists of experts in their respective field 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.

4.3.0 Investment Risk Management

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

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

4.3.1 Interest Rate Risk and Credit Spread Risk

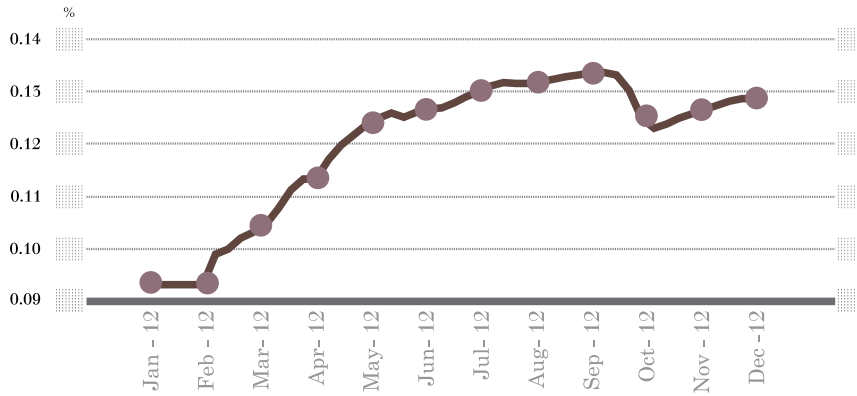
Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves while credit spread risk describes the sensitivity of the values of assets and liabilities due to the changes in the level or the volatility of credit spreads over the risk-free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

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

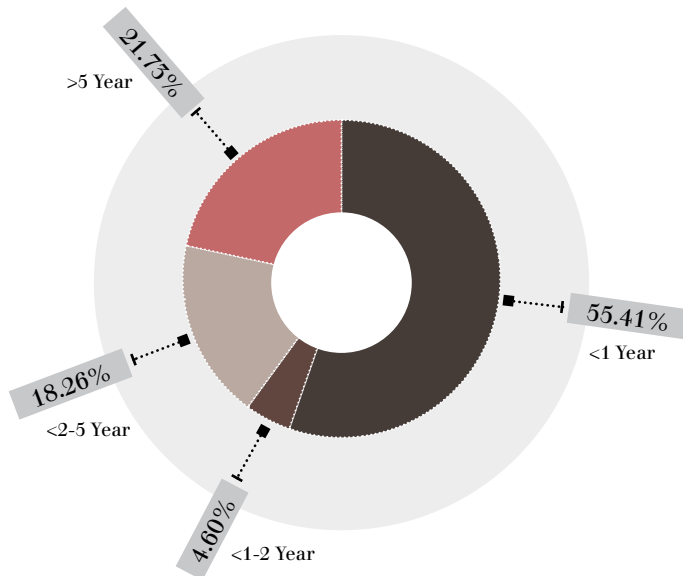
Key policy rates, i.e. Reverse Repo rate and Repo rate were changed 3 times during the year and remained at 9.50% and 7.50% respectively at the end of 2012 showing the intention of Central Bank to keep it low. However, Treasury Bill rate saw a steep increase till the end of 3rd quarter with the benchmark 364-day rate rising from 9.31% to 13.36% and then declined to 11.69% at the end of the year. Further, strong foreign inflows resulted in appreciation of Rupee during the latter part of 2012. Interest rates may decrease further in the short term, depending on the foreign inflows.

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. However, having analysed the situation, the Investment Committee proactively managed the Fixed Income portfolio by strategically shifting from low-yielding investments to relatively high-yielding ones, mitigating the pressure on interest income while closely monitoring the Duration mismatches.

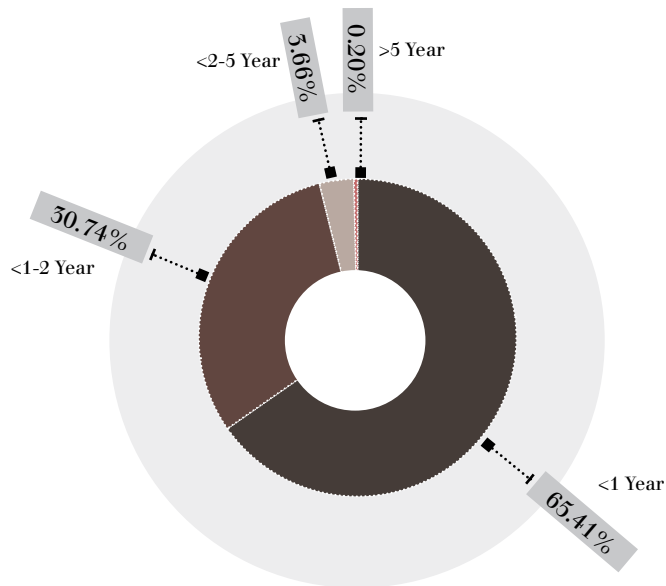
1 Year Treasury Bill Rate



Maturity Profile - Life Fund



Maturity Profile - General Fund



4.3.2 Market Risk

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

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

The rapid decline of the equity market experienced in 2011 eased out in 2012 and closed the year down by 7%, lower than the 8.5% negative return in 2011.

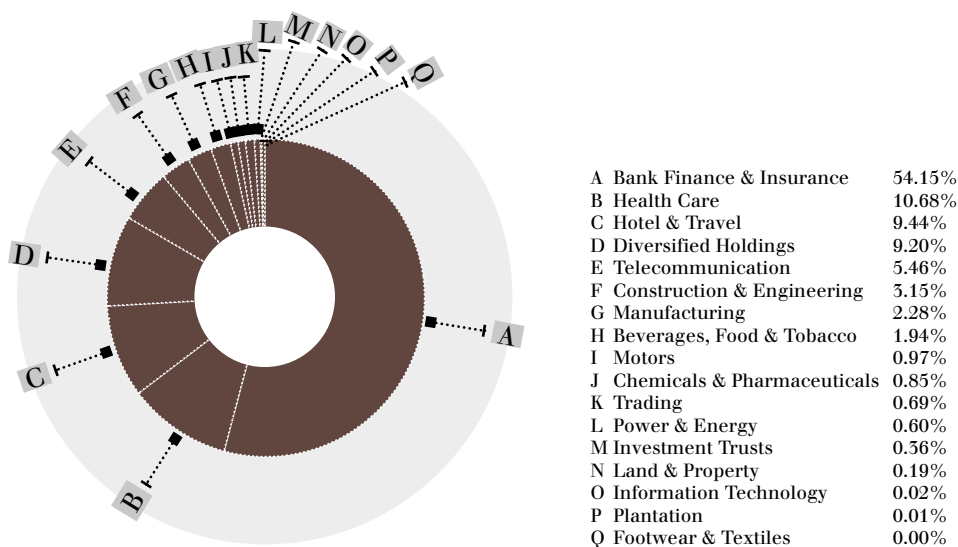
All Share Price Index



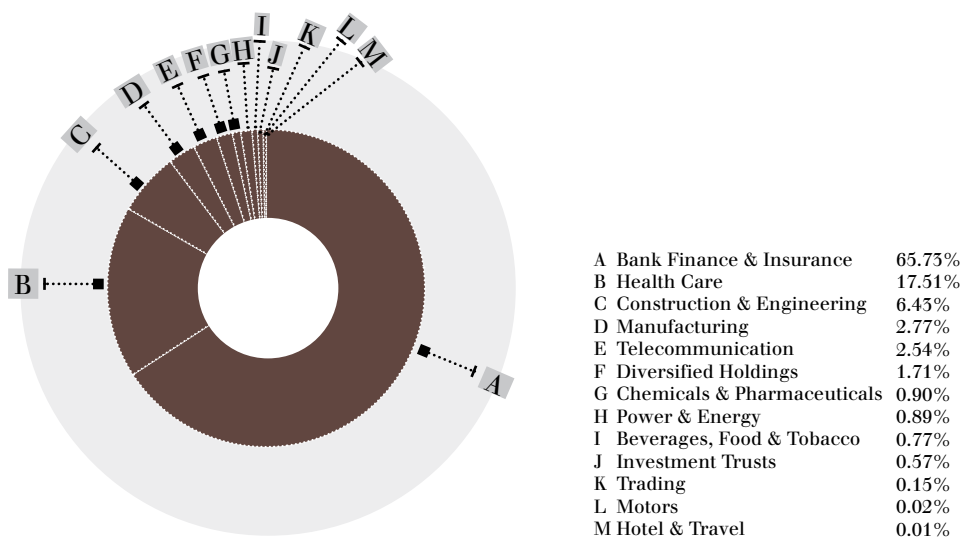
While the valuations were getting attractive, net foreign inflows of close to Rs. 39 billion in 2012, became the highest ever recorded in the country's stock market history. Interest in fundamentally strong counters, particularly blue-chips, has remained buoyant as foreign investments have flowed steadily into these counters. Market P/E Ratios meanwhile have steadily declined downward and are now in line not only with Frontier market counterparts, but also with emerging market peers.

We expect 2013 would see an improvement in stock market due to attractive valuations in fundamentally strong stocks & lower interest rates and lead us to profit opportunities.

Sector Allocation - Listed Equity - Life Fund



Sector Allocation - Listed Equity - General Fund



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

4.3.3 Credit Risk and Concentration Risk

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

Credit risks is monitored and managed at each borrower's level, as well as at the portfolio level in order to ensure a well balanced portfolio, with a view to limiting concentrations in terms of risk quality, industry, maturity and large exposure.

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

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

4.3.4 Liquidity Risk

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

4.3.4.1 Life Fund

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

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

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

4.3.4.2 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.

4.4.0 Operational Risk

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

In order to mitigate the risks associated with maintaining data in spreadsheets, the SLICL invested in an Integrated Asset Management Software Solution (cited as SAP) and successful commissioning was made in September 2011. The implementation of SAP brought the following benefits to the SLICL.

1. Real time management information availability
2. High level of Data accuracy and reliability
3. Single point data entry could save time and resources
4. Built-in International best practices
5. Ability manage Policyholders' funds & Shareholders' funds separately
6. 'Straight through processing' enabling every transaction to be drilled down to the source
7. Facility to segregate the Funds into different portfolios and apply different accounting treatments as required by the International Financial Reporting Standards (IFRS)
8. Improved cash management
9. Better Controls
10. Elimination of non-value-added activities

4.5.0 Reinsurance Risk

4.5.1 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 Statement of Financial Position 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 Statement of Financial Position from undue risks and fluctuations. Our reinsurance program is carefully designed to meet our current and future needs of SLICL and its growing clientele.

4.5.2 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-) and Moody's (Aa3) has been selected as the sole reinsurer by the Company and the relationship goes back to 1988.
- The Company maintains 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 timely manner to mitigate reinsurance risks.

4.6.0 Claim Reserving Risk

SLICL is the only insurer in the country to have 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 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 is complying with the section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Long Term 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 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 to that, 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.

4.7.0 Human Resources Risk

Risk caused in Human Resources is a common crisis to the Insurance Industry as the sustainability of HR is a vital factor to any organisation where talent supply and talent retention is a huge challenge. Therefore, we have identified the retention of the staff will be an investment rather than hiring new staff.

In this context we were able to create:

1. Ground works for knowledge sharing culture.
2. Solutions for salary anomalies.
3. Department Structuring and Restructuring projects.
4. Streamlining of Exit Interview procedure.

In order to sustain our Human Resource, the key performers whom were identified through an effective performance evaluation criteria from different sections of SLICL, would be further trained with cutting edge training modules as per our development plan.

Considering staff behavioral patterns, age analysis etc. we wanted to create a knowledge sharing culture although it was a huge challenge to us. In this context we have added tailor-made training modules which are included in 'Total Customer Care'.

Handling of staff's grievances was a massive challenge to the HR department. Therefore the Management focused on their grievances by appointing a grievance committee, which was represented by HR Management and few senior Management positions.

This was a consolation to staff. As a result of that we were able to increase staff salaries compatible with Industry benchmarks. This was not a single side decision where it has become an open policy to all, which brought them to express, suggest, comment their views and concerns.

Simultaneously, we launched Departments Restructure Process as it became an essential tool to the human resources sustainability. Finally it was used to minimise HR Risk in the Company.

In addition to the above, we have streamlined exit interview procedure which supported to identify key burning issues within the staff. Hence, it has provided a feedback to us with regard to the sustainability of the man power.

4.8.0 Business Continuity Risk

The Company has identified the importance of having a Business Continuity Plan and has educated the Board on 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.

4.9.0 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 and 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.

4.10.0 Infrastructure Risk

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

4.11.0 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 organizations 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 in 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 specially 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.

As part of mitigating the safety risk, a fire drill with the Sri Lanka Air Force was conducted in 2011. 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.

4.12.0 Information Communication Technology (ICT) Risk

Information Communication Technology related risk profile was built in year 2010 and currently in the process of addressing of all identified ICT risks. Special attention was 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 2012. In addition to the above, major focus is given to mitigate many network and perimeter level related risks.

4.13.0 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 as part of the ERM process.

Audit and Compliance Committee Report

5.0.0

The Audit and Compliance Committee (ACC) comprised of three Non-Executive Directors: Mr. R.A. Jayatissa, Dr. B.M.S. Batagoda and Mr. Noel Selvanayagam. Executive Director, Managing Director/CEO, Senior DGM - Finance and AGMs - Internal Audit also attend the meetings of the Audit Committee by invitation. The Chief Actuary and Senior Consultant and AGM - Compliance and other senior officials too participate in the meetings when called upon by the Committee. The Engagement Partner and the Audit Team Manager of the Company's External Auditors, Messrs KPMG, too attend the meetings on the invitation of the Committee. The Company Secretaries Messrs Varners International (Pvt) Ltd. 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 the ACC duties effectively.

5.1.0 Terms of Reference

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

5.2.0 Meetings of the Committee

During the financial year ended 31st December 2012, five meetings of the Committee were held. The proceedings of the Committee meetings are recorded with adequate details and are reported regularly to the Board of Directors. The attendance of the Committee members at the meeting is stated below. On the invitation of the Committee, the engagement partner of the Company's External Auditors Messrs KPMG, attended one Committee meeting during the year.

Name of Director	Total ACCM No. of Meetings	
	Held	Attended
Dr. B.M.S. Batagoda (Chairman, Member and Non-Executive Director) <i>(Ceased to be a Director with effect from 21st May 2013)</i>	5	4
Mr. R.A. Jayatissa (Member and Non-Executive Director) <i>(Resigned w.e.f. 15th July 2012)</i>	5	3
Mr. Noel Selvanayagam (Member and Non-Executive Director) <i>(Ceased to be a Director with effect from 21st May 2013)</i>	5	–
Mr. A.M.M. De Alwis (MD/CEO By invitation)	5	3
Mr. P. Kudabalage (Executive Director by Invitation)	5	5

5.3.0 Role of the Audit and Compliance Committee

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

1. Ensuring that a good financial reporting system is in place in order to give accurate, appropriate and timely information to the management, regulatory authorities and the shareholders in compliance with the Companies Act No. 07 of 2007, Sri Lanka Financial Reporting Standards and Lanka Accounting Standards (SLFRs/LKAs), 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 and monitor the Internal and External Audit Programmes, review the Internal and External Audit/Inspection Reports, follow-up their findings and recommendations.
3. Ensuring that the strategies, plans, manning and organisation for internal auditing and the methodologies promulgated as best practice are carried out.
4. Review the suitability and the quality of accounting policies and any changes in accounting policies and practices and their adherence to Statutory and Regulatory Compliance and Applicable Accounting Standards.
5. Carrying out appropriate investigations to mitigate the fraud risk.

5.4.0 Internal Audit

The company has its own Internal Audit Department. The internal audit programme was presented and approved by the ACC and the Committee regularly reviews and monitors the internal audit and the inspection function.

5.5.0 External Audit

The ACC reviews the audit and non-audit services provided by the External Auditors to ensure that such services do not impair the independence of the External Auditors. One meeting was held with the External Auditor of the Company.

The ACC has noted the declaration dated 20th May 2013 from Messrs KPMG, as required by the Companies Act No. 07 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka.

The Auditor's management letter together with the management's responses thereto and annual accounts were reviewed with the Auditors.

5.6.0 Non-Audit Services

Non-audit services amounting to Rs. 2,350,000/- were obtained from the External Auditors during the year under review.

5.7.0 Good Governance

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

5.8.0 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.



Dr. B.M.S. Batagoda

Chairman - Audit and Compliance Committee

20th May 2013

Financial Reports

6.0.0

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6.1.0 Annual Report of the Board of Directors of the Company

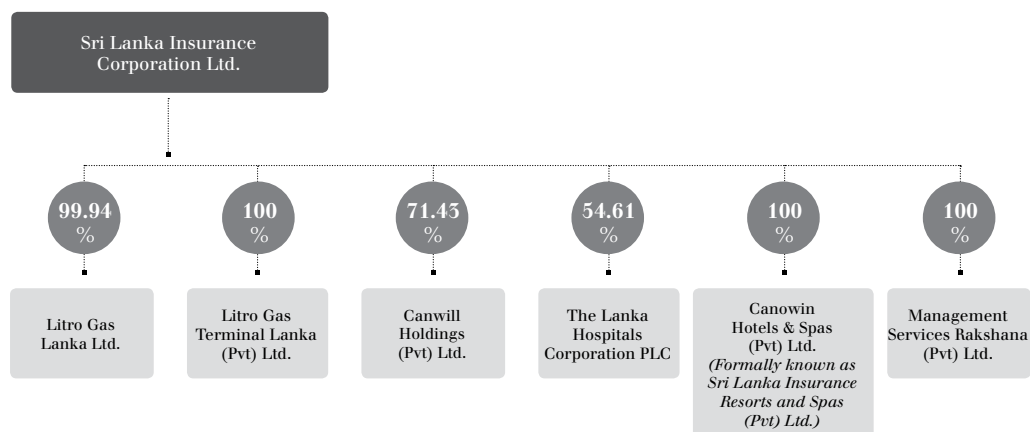
6.1.1 General

The Board of Directors of the Company has pleasure in presenting their Annual Report to the members together with the Audited Financial Statements for the year ended 31st December 2012 of the Company and the Group and the Auditors' Report on those Financial Statements therein confirming the requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 as amended and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments made thereon.

As at 31st December 2012, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Litro Gas Terminal Lanka (Pvt) Ltd., Canowin Hotels and Spas (Pvt) Ltd. [formally known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.], and Management Services Rakshana (Pvt) Ltd., are fully-owned subsidiaries of the Company. SLICL has 99.94% shareholding of Litro Gas Lanka Ltd., 54.61% shareholding of The Lanka Hospitals Corporation PLC and has 71.43% shareholding of Canwill Holding (Pvt) Ltd.

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



6.1.2 Principal Activities of the Company and the Group

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

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

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

Primary business of Canwill Holding (Pvt) Ltd. is investment promotion in relation to leisure sector and controlling and monitoring subsidiaries as a holding company. Canowin Hotels and Spas (Pvt) Ltd. [formally known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.] primarily owns and manages the outlets of Southern Express Way.

6.1.3 Directors' Responsibility for Financial Reporting

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

The Directors are of the view that Statement of Financial Position, Statement of Income, Statement of Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes thereto on pages 175 to 279 have been prepared in conformity with the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 as amended and the Companies Act No. 07 of 2007.

6.1.4 Financial Statements and Auditors' Report

The Financial Statements for the year ended 31st December 2012 are prepared based on the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. Since this year is the first time adoption of those Standards, the comparative figures have been restated according to the requirements of the presentation of the said Standards.

The Financial Statements of the Group and the Company signed by the Chief Financial Officer and the Directors are given on pages 158 to 279.

The Company's Financial Statements are audited by Messrs KPMG and Auditors' Report issued for the financial year 2012 are on pages 135 to 137 on this Annual Report. In accordance with the Companies Act No. 07 of 2007, a resolution relating to their reappointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

6.1.5 Fees on Audit and Other Related Services

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

	2012 Rs. '000	2011 Rs. '000
Statutory Audit Fees	3,250	3,250
Audit Related Services	1,480	1,000
Non-Audit Related Services	2,350	1,400

6.1.6 Accounting Policies

The significant accounting policies adopted in preparation of these Financial Statements are given on pages 175 to 206 of the Annual Report. The accounting policies resulting from convergence to Sri Lanka Financial Reporting Standards and Lanka Accounting Standards are provided for in the Notes to the Financial Statements from Page 263 to 279.

6.1.7 Risk and Internal Control

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

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

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

6.1.8 Going Concern

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

6.1.9 Turnover/Gross Written Premium (GWP)

The total turnover of the Company recorded Rs. 20,173 million for the year under review and Rs. 18,220 million for the comparative figure.

The total Gross Written Premium Rs. 20,173 million comprised of life insurance Gross Written Premium Rs. 7,369 million and non-life insurance Gross Written Premium Rs. 12,803 million for the year 2012. The reported value for total Gross Written

Premium in 2011 was Rs. 18,220 million out of which life insurance Gross Written Premium is Rs. 6,743 million and non-life insurance Gross Written Premium Rs. 11,478 million for the last year. A detailed analysis of the total Gross Written Premium achieved by the Company is given in Note 29 on page 254 of the Financial Statements.

6.1.10 Financial Results and Appropriations

	2012 Rs. million	2011 Rs. million
Profit Before Taxation (PBT)	5,863	5,435
Income Tax Expense	1,627	1,221
Profit After Taxation	4,236	4,214
Transfer from Life Insurance Surplus	500	1,952
Unappropriated Profit Brought Forward	12,889	11,185
Profits Available for Appropriation	17,625	17,351
Appropriations		
Dividend Paid	1,001	–
Transferred to Surplus from Life Insurance Business	2,307	4,463
Unappropriated Profit Carried Forward	14,316	12,889

6.1.11 Dividends

The Company declared a First and Final Dividend of Rs. 2/- per Share (Totalling a sum of Rs. 1,200,000,000/-) for the year ended 31st December, 2012 as recommended by the Directors. The dividend of Rs. 1.67 per share amounting to Rs. 1,001 million has been declared for the year 2011. The dividend are subject to 10% withholding tax.

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

6.1.12 Provision for Taxation

The tax position in the Company is disclosed in the Note 34 (Page 258) in the Financial Statements.

6.1.13 Reserves

The movement in reserves during the financial year is set out in the Statement of Changes in Equity on pages 146 to 147.

6.1.14 Insurance Liabilities and Provisions

The Directors have taken all reasonable steps to ensure adequate provisioning for unearned premiums and claims outstanding including provisions for Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) in non-life insurance. The Directors have also consulted an independent Actuary in the process of valuing IBNR and IBNER reserves and his report is given on page 134.

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

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

6.1.15 Investments

The amount of investments held by the Company as at 31st December 2012 amounted to Rs. 88,785 million (2011 - Rs. 93,335 million). A detailed breakup of the investments held is disclosed in Note 5 in the Financial Statements on page 207.

6.1.16 Property, Plant & Equipment

The details of Property, Plant & Equipment are shown in Note 7 on pages 221 to 226.

6.1.17 Market Value of Freehold Properties

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

6.1.18 Events Occurring After the Reporting Date

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

6.1.19 Related Party Transactions

The related party transactions as per the Sri Lanka Accounting Standard (LKAS) 24, - 'Related Party Disclosures', which is adopted in the preparation of the Financial Statements are given on page 261 of this Annual Report.

6.1.20 Directors' Interest in Contracts

The Directors' interests in contracts are disclosed in page 262 of the Financial Statements. These interests have been duly disclosed at the meeting of Directors. Directors do not hold any shareholding of the Company.

6.1.21 Directors' Remunerations

The Directors', fees and emoluments paid during the year is Rs. 23.09 million and the figure reported in the last year is Rs. 27.25 million.

6.1.22 Stated Capital

The stated capital stood at the Financial Statements is Rs. 6,000 million of the Company in compliance with the Companies Act No. 07 of 2007. As at 31st December 2012, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

6.1.23 Statutory Payments

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

6.1.24 Intangible Assets

Intangible assets as at 31st December 2012 have recorded in the Financial Statements of the Company on page 230.

6.1.25 Environment

The Company is concerned and operate with the relevant environmental laws and regulations and has not engaged in any harmful activities . The initiatives taken to preserve the environment are given in the sustainability report of this Annual Report.

6.1.26 Compliance with Laws and Regulations

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

6.1.27 The Approval of the Financial Statements

The Audited Financial Statements were approved by the Board of Directors on 29th May 2013.

6.1.28 Board of Directors

Mr. Upali Dharmadasa - Chairman (appointed w.e.f. 21st May 2013)

Mr. A.M.M. De Alwis - Managing Director/CEO

Mr. P. Kudabalage - Executive Director

Mr. Isuru Balapatabendi (appointed w.e.f. 21st May 2013)

Mr. S.V.R. Samarasinghe (appointed w.e.f. 21st May 2013)

Mr. Nayana D.P. Dehigama (appointed w.e.f. 21st May 2013)

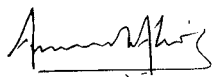
Mrs. I.T.K. Illangamudali (appointed w.e.f. 4th June 2013)

Mr. R.A. Jayatissa resigned w.e.f. 15th July 2012. With the reconstitution of the board Mr. K.A.D.D. Perera, Mr. C.N.V. Selvanayagam and Dr. B.M.S. Batagoda ceased to be Directors w.e.f. 21st May 2013.

6.1.29 Annual General Meeting

The Annual General Meeting will be held on Friday, 28th June 2013 at 9.00 a.m. at the auditorium of the Company at its Registered Office at No. 21, Vauxhall Street, Colombo 2.

Signed for and on behalf of the Board of Directors of the Company,



A.M. Mohan De Alwis
Managing Director/CEO



P. Kudabalage
Executive Director



Varners International (Pvt) Ltd.
Company Secretaries

29th May 2013

6.2.0 Statement of Directors' Responsibility

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Report of the Auditors on pages 135 to 137 of this Annual Report.

Directors are of the view that the Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards, Companies Act, No. 07 of 2007 and Regulation of Insurance Industry Act No. 43 of 2000 as amended.

These Financial Statements for the year ended 31st December 2012 are the first, the Company has prepared in accordance with SLFRSs/LKASs. For periods up to and including the year ended 31st December 2011, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLASs).

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, Claims Incurred But Not Enough Reported and Receivables.

Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company and all contributions and taxes payable on behalf of employees of the Company and all other known statutory dues, as at the Reporting 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 May 2013

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

The Financial Statements are prepared in accordance with Sri Lanka Financial Reporting Standards and 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 as amended.

These Financial Statements for the year ended 31st December 2012 are the first, the Company has prepared in accordance with SLFRSs/LKASs. For periods up to and including the year ended 31st December 2011, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLASs).

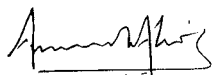
Accordingly the Company has prepared financial statements which comply with SLFRSs/LKASs and related interpretations applicable for the period ending 31st December 2012, together with the comparative period data as at and for the year ended 31st December 2011, as described in the accounting policies. In preparing these financial statements, the Company's Opening Statement of Financial Position was prepared as at 1st January 2011, the Company's date of transition to SLFRS.

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, 2012, fairly present in all material respects the financial position, financial performance 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. The 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.

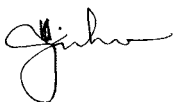
The ACC ensures that there are appropriate plans, internal controls and procedures in place in SLICL in support of smooth functioning of its business. Further, the ACC ensures that the strategies, plans, manning and organisation for internal auditing and the methodologies promulgated as best practice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

We confirm that the Company has complied with all applicable laws, regulations and guidelines and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting insurance business.



A.M.M. De Alwis

Managing Director/Chief Executive Officer



M.S.P.R. Perera

Senior Deputy General Manager (Finance)/Chief Financial Officer

29th May 2015

6.4.0 Certificate of Actuary of the Insurer



CERTIFICATE OF ACTUARY OF THE INSURER

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

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

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

- e. that in my opinion that the net liability so determined by me, in the Form H-LT - the valuation Statement of Financial Position, 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, The Netherlands

4. DATE: May 10th, 2013

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

6.5.0 Certification of Incurred but Not (Enough) Reported Claims



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 2012 is Rs. 2,116,058,505 net of reinsurance, which is an amount equal to 22.304% of the Net Earned Premium of Rs. 9,487,216,649 as at 31 December 2012. 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 2012, 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

Fellow member of the Dutch Actuarial Society (AAG)

Fellow member of Actuarial Association of Sri Lanka (AASL)

April 25th, 2013

6.6.0 Independent Auditors' Report


KPMG

(Chartered Accountants)

32A, Sir Mohamed Macan Markar Mawatha,

P. O. Box 186,

Colombo 00300,

Sri Lanka.

Tel : +94 - 11 542 6426

Fax : +94 - 11 244 5872

+94 - 11 244 6058

+94 - 11 254 1249

+94 - 11 230 7345

 Internet : www.lk.kpmg.com

TO THE MEMBERS OF SRI LANKA INSURANCE CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Sri Lanka Insurance Corporation Limited (“the Company”), and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statements of financial position as at December 31, 2012, the statements of income, other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 175 to 279 of the Annual Report.

Management’s Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy our selves as to the matters disclosed in the aforesaid paragraphs 1 and 2, so far as appears from our examination, the Company maintained proper accounting records for the year ended December 31, 2012 and the financial statements give a true and fair view of the financial position of the Company as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters disclosed in the aforesaid paragraphs 1 and 2, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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



Chartered Accountants
Colombo

29th May 2013

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

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms. M.P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

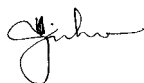
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

6.7.0 Statement of Financial Position

As at 31st December	Note	Consolidated			Company		
		2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
Assets							
Financial Investments	05	88,784,965	93,335,443	98,061,820	88,784,965	93,335,443	98,061,820
Investments in Subsidiaries	06	–	–	–	16,715,817	11,715,817	9,965,817
Property, Plant and Equipment	07	26,407,002	16,029,832	15,827,564	8,467,152	4,135,217	4,440,213
Investment Property	08	1,325,154	359,625	–	549,600	359,625	–
Leasehold Property	09	177,102	141,604	128,008	21,344	21,613	21,881
Intangible Assets	10	3,142,690	3,054,710	2,992,805	148,722	61,905	–
Loans to Policyholders	11	1,539,431	1,388,244	1,481,940	1,539,431	1,388,244	1,481,940
Reinsurance Receivable	12	1,825,182	1,401,780	1,561,279	1,825,182	1,401,780	1,561,279
Premium Receivable from Policyholders	13	1,071,800	1,093,281	1,139,556	1,071,800	1,144,234	1,139,556
Premium Receivable from Agents, Brokers and Intermediaries	13	1,339,565	429,584	379,852	1,339,565	429,584	379,852
Deferred Tax Assets	14	48,116	45,100	49,764	47,960	45,100	49,764
Other Assets	15	5,009,922	3,188,112	2,663,457	3,013,208	1,416,021	977,926
Insurance Contract - Deferred Expenses	16	221,436	223,568	173,995	221,436	223,568	173,995
Cash and Cash Equivalents	17	21,938,782	10,670,363	14,840,205	8,354,036	3,466,354	10,633,281
Total Assets		152,831,147	131,361,246	139,300,245	132,100,218	119,144,505	128,887,324
Liabilities and Shareholders' Equity							
Equity							
Stated Capital	18	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	19	9,161,368	4,638,021	5,359,282	5,632,161	1,336,691	1,336,691
Available-for-Sale Reserve		12,521,041	13,190,776	25,704,419	12,521,041	13,190,776	25,704,419

As at 31st December	Note	Consolidated			Company		
		2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
Revenue Reserves	20	25,665,605	19,690,186	21,653,449	24,054,633	21,291,023	25,470,375
Total Equity Attributable to Equity Holders of The Company		55,548,012	43,518,983	58,697,150	48,187,833	41,818,490	58,511,485
Non-Controlling Interest		1,647,284	1,522,687	2,041,104	–	–	–
Total Equity		54,995,296	45,041,670	60,738,254	48,187,833	41,818,490	58,511,485
Liabilities							
Insurance Contract Liabilities - Life	21	62,526,048	58,494,522	52,573,602	62,526,048	58,494,522	52,573,602
Insurance Contract Liabilities - Non-Life	22	14,297,803	13,132,830	11,772,953	14,297,803	13,132,830	11,772,953
Reinsurance Payable		1,091,327	721,204	576,278	1,091,327	721,204	576,278
Current Tax Liabilities	23	1,608,096	1,543,748	1,465,369	1,071,066	931,417	1,427,816
Deferred Tax Liabilities	24	2,575,674	2,018,586	2,308,496	988,746	293,583	399,560
Retirement Benefit Obligations	25	547,212	513,514	469,311	401,759	392,620	370,306
Other Liabilities	26	14,791,471	9,502,424	8,957,890	3,247,957	3,049,565	2,969,621
Financial Liabilities	27	598,220	392,748	458,092	287,677	310,274	285,703
Total Liabilities		97,855,851	86,519,576	78,561,991	85,912,383	77,326,015	70,375,839
Total Liabilities and Equity		152,831,147	131,561,246	139,300,245	132,100,218	119,144,505	128,887,324

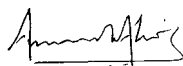
Notes to the Financial Statements as set out on Pages 175 to 279 form an integral part of these Financial Statements. It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No. 07 of 2007.



Chief Financial Officer

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

Signed for and on behalf of the Board by



Managing Director



Director

Colombo
29th May 2013

6.8.0 Statement of Income

For the Year ended 31st December	Note	Consolidated		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	28	55,601,754	41,939,859	25,644,316	17,207,927
Gross Written Premium	29	19,998,875	18,162,048	20,172,623	18,220,672
Premium Ceded to Reinsurers		(3,080,169)	(2,823,921)	(3,080,169)	(2,823,921)
Net Written Premium		16,918,704	15,338,127	17,092,454	15,396,751
Net Change in Reserve for Unearned Premium		(324,015)	(974,651)	(324,015)	(974,651)
Net Earned Premium		16,594,691	14,363,476	16,768,441	14,422,100
Revenue from Other Operations		29,811,529	24,790,556	–	–
		46,406,020	39,154,032	16,768,441	14,422,100
Other Revenue					
Investment Income	30	7,301,112	1,959,006	7,301,112	1,959,006
Fees and Commission Income		54,255	17,277	54,255	17,277
Net Realised Gains		938,606	175,715	938,606	175,715
Net Fair Value Gains and Losses		(155,195)	(204,700)	(155,195)	(204,700)
Other Income	31	1,392,151	1,565,553	737,095	838,529
		9,530,928	3,512,651	8,875,872	2,785,827
Total Net Revenue		55,936,948	42,666,683	25,644,316	17,207,927
Benefits, Losses and Expenses					
Insurance Benefits and Claims (Net)	32	(10,283,243)	(8,559,540)	(10,283,243)	(8,563,780)
Underwriting and Net Acquisition Costs (Including Reinsurance)	33	(1,608,550)	(1,257,616)	(1,608,550)	(1,257,616)
Change in Contract Liabilities - Life Fund		(3,733,466)	2,102,772	(3,733,466)	2,102,772

<i>For the Year ended 31st December</i>	Note	Consolidated		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Other Operating and Administrative Expenses		(7,033,056)	(6,738,004)	(4,155,576)	(4,054,181)
Cost of Services of Subsidiaries		(23,918,618)	(18,879,529)	–	–
Total Net Insurance Benefits, Losses and Expenses		(46,576,955)	(35,351,917)	(19,780,855)	(11,772,805)
Profit from Operations		9,360,015	9,354,766	5,863,478	5,435,123
Net Finance Income/(Cost)		881,186	305,600	(223)	(37)
Profit Before Taxation		10,241,201	9,640,366	5,863,255	5,435,086
Income Tax Expense	34	(2,598,318)	(2,121,773)	(1,627,413)	(1,220,547)
Net Profit for the Year		7,642,883	7,518,593	4,235,842	4,214,539
Profit Attributable to:					
Owners of the Company		7,467,652	7,319,739	4,235,842	4,214,539
Non-Controlling Interests		175,231	198,854	–	–
Profit for the Year		7,642,883	7,518,593	4,235,842	4,214,539
Basic Earnings Per Share	35	12.45	12.20	7.06	7.02
Dividend Earnings Per Share	36	2.00	1.67	2.00	1.67

The above Statement of Income is to be read in conjunction with the Notes to the Financial Statements from pages 175 to 279 which form an integral part of the Financial Statements.

6.9.0 Statement of Other Comprehensive Income

For the Year ended 31st December

Note

Profit for the Year

Other Comprehensive Income

Net Changes in Fair Value of Available-for-Sale Financial Assets

Tax on Actuarial Gains (Losses)

Actuarial Gain/(Loss) on Post-Employment Benefit Obligations

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

Revaluation of Property, Plant & Equipment

Deferred Tax Effect on Revaluation of Property, Plant & Equipment

Other Comprehensive Income for the Year, Net of Tax

Total Comprehensive Income for the Year

Total Comprehensive Income Attributable to:

Owners of the Company

Non-Controlling Interest

Total Comprehensive Income for the Year

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
	7,642,885	7,518,595	4,235,842	4,214,539
	(669,735)	(12,513,640)	(669,735)	(12,513,642)
	428	(202)	–	–
	1,723	1,686	–	–
	(271,418)	1,731,606	(271,418)	1,731,606
	4,671,096	–	4,671,096	–
	(375,626)	165,253	(375,626)	–
	3,356,468	(10,615,297)	3,354,317	(10,782,036)
	10,999,351	(3,096,704)	7,590,159	(6,567,497)
	10,825,510	(2,822,168)	7,590,159	(6,567,497)
	173,840	274,536	–	–
	10,999,351	(3,096,704)	7,590,159	(6,567,497)

6.10.0 Statement of Changes in Equity

Group

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000
Balance as at 31st December 2010 as Previously Reported	6,000,000	1,566,107
Effect of Transition to SLFRS	–	3,793,175
Balance as at 1st January 2011	6,000,000	5,359,282
Net Profit for the Year	–	–
Other Comprehensive Income		
Net Change in Fair Value of Available for Sale Financial Assets	–	–
Change in Fair Value Measurements Applicable to Life Contract Liability	–	–
Tax on Actuarial Gains (Losses)	–	–
Deferred Tax Adjustment Due to Corporate Tax Change	–	90,245
Actuarial Gain/(Loss) on Post-Employment Benefit Obligations	–	–
	–	90,245
Transactions with Owners of the Company, Recognised Directly in Equity		
Effect of Change in Percentage Holding in Subsidiaries	–	(811,506)
Transfer from Life Insurance Surplus	–	–
Surplus Attributable to Shareholders from Life Insurance	–	–
	–	(811,506)
Balance as at 31st December 2011	6,000,000	4,638,021
Balance as at 1st January 2012	6,000,000	4,638,021
Net Profit for the Year	–	–
Other Comprehensive Income		
Net Change in Fair Value of Available-for-Sale Financial Assets	–	–
Deferred Tax Adjustment Due to Corporate Tax Change	–	(375,626)
Transfer to Life Fund	–	–
Revaluation of Property, Plant & Equipment	–	4,671,096
Realisation of Revaluation Surplus	–	(9,775)
Effect on Change in Tax Rate	–	3,448
Deferred Tax on Revaluation Surplus in Equity	–	254,202
Change in Fair Value Measurements Applicable to Life Contract Liability	–	–
Tax on Actuarial Gains (Losses)	–	–
Actuarial Gain/(Loss) on Post-Employment Benefit Obligations	–	–
	–	4,523,347
Transactions with owners of the Company, Recognised Directly in Equity		
Effect of Change in Percentage Holding in Subsidiaries	–	–
Surplus Attributable to Shareholders from Life Insurance	–	–
Transfer from Life Insurance Surplus	–	–
Dividend Declared and Paid during the Year	–	–
	–	–
Balance as at 31st December 2012	6,000,000	9,161,368

General Reserve Rs. '000	Available-For-Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non-Controlling Interest Rs. '000	Total Equity Rs. '000
645,442	–	4,160,294	5,829,396	18,199,239	2,041,104	20,240,341
–	25,704,419	1,250,102	9,750,218	40,497,911	–	40,497,914
645,442	25,704,419	5,410,396	15,579,614	58,697,150	2,041,104	60,738,254
–	–	–	7,519,739	7,519,739	198,854	7,518,593
–	(12,513,640)	–	–	(12,513,640)	–	(12,513,640)
–	–	(1,731,606)	(6,662,287)	(8,393,892)	–	(8,393,892)
–	–	–	(110)	(110)	(92)	(202)
–	–	–	–	90,245	75,008	165,253
–	–	–	921	921	765	1,686
–	(12,513,640)	(1,731,606)	(6,661,476)	(20,816,473)	75,681	(20,740,792)
–	–	–	(869,924)	(1,681,430)	(792,950)	(2,474,380)
–	–	(1,952,335)	1,952,335	–	–	–
–	–	4,463,461	(4,463,461)	–	–	–
–	–	2,511,126	(3,293,070)	(1,593,450)	(792,950)	(2,386,400)
645,442	13,190,779	6,189,916	12,856,828	43,518,986	1,522,687	45,041,670
645,442	13,190,779	6,189,916	12,856,828	43,518,986	1,522,687	45,041,670
–	–	–	7,467,652	7,467,652	175,231	7,642,883
–	(669,737)	–	–	(669,737)	–	(669,737)
–	–	–	–	(256,508)	–	(256,508)
–	–	271,418	–	271,418	–	271,418
–	–	–	–	4,656,283	–	4,656,283
–	–	–	–	(39,952)	–	(39,952)
–	–	–	–	163,524	–	163,524
–	–	–	–	234,202	–	234,202
–	–	–	(762,377)	(762,377)	–	(762,377)
–	–	–	234	234	194	428
–	–	–	3,341	3,341	(1,618)	1,723
–	(669,737)	271,418	(758,802)	3,566,226	(1,424)	3,564,802
–	–	–	(3,574)	(3,574)	(49,210)	(52,784)
–	–	2,307,406	(2,307,406)	–	–	–
–	–	(500,000)	500,000	–	–	–
–	–	–	(1,001,279)	(1,001,279)	–	(1,001,279)
–	–	1,807,406	(2,812,258)	(1,004,853)	(49,210)	(1,054,063)
645,442	12,521,041	8,268,740	16,753,419	55,348,011	1,647,284	54,995,296

Company

	Stated Capital Rs. '000
Balance as at 31st December 2010 as Previously Reported	6,000,000
Effect of Transition to SLFRS	–
Balance as at 1st January 2011	6,000,000
Net Profit for the Year	–
Other Comprehensive Income	
Net Change in Fair Value of Available-for-Sale Financial Assets	–
Change in Fair Value Measurements Applicable to Life Contract Liabilities	–
Transactions with Owners of the Company, Recognised Directly in Equity	
Surplus Attributable to Shareholders from Life Insurance	–
Transfer to from Life Insurance Surplus	–
Dividend Declared and Paid during the Year	–
Balance as at 31st December 2011	6,000,000
Balance as at 1st January 2012	6,000,000
Net Profit for the Year	–
Other Comprehensive Income	
Net Change in Fair Value of Available-for-Sale Financial Assets	–
Deferred Tax Adjustment Due to Corporate Tax Change	–
Revaluation of Property, Plant & Equipment	–
Change in Fair Value Measurements Applicable to Life Contract Liability	–
Transactions With Owners of the Company, Recognised Directly in Equity	
Surplus Attributable to Shareholders from Life Insurance	–
Transfer From Life Insurance Surplus	–
Dividend Declared and Paid during the Year	–
Dividend Paid	–
Balance as at 31st December 2012	6,000,000

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements from pages 175 to 279 which form an integral part of the Financial Statements.

	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Available-For- Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
	1,336,691	643,442	–	4,160,294	5,891,054	18,031,484
			25,704,419	1,250,102	13,525,481	40,480,001
	1,336,691	643,442	25,704,419	5,410,396	19,416,535	58,511,485
	–	–	–	–	4,214,539	4,214,539
	–	–	(12,513,640)	–	–	(12,513,640)
				(1,731,606)	(6,662,287)	(8,393,893)
	–	–	(12,513,640)	(3,683,941)	(4,709,952)	(20,907,533)
	–	–		4,463,461	(4,463,461)	–
	–	–	–	(1,952,335)	1,952,335	–
	–	–		–	–	–
	1,336,691	643,442	13,190,779	6,189,916	14,457,661	41,818,490
	1,336,691	643,442	13,190,779	6,189,916	14,457,661	41,818,490
	–	–		–	4,235,842	4,235,842
	–	–	(669,735)	–	–	(669,735)
	(375,626)	–	–	–	–	(375,626)
	4,671,093	–	–	–	–	4,671,093
				271,418	(762,377)	(490,959)
	4,295,467	–	(669,735)	271,418	(762,377)	3,134,776
	–	–	–	2,307,406	(2,307,406)	–
	–	–	–	(500,000)	500,000	–
	–	–	–	–	–	–
	–	–	–	–	(1,001,279)	(1,001,279)
	–	–	–	1,807,406	(2,808,684)	(1,001,279)
	5,632,161	643,442	12,521,043	8,268,740	15,122,442	48,187,835

6.11.0 Cash Flow Statement

<i>For the Year ended 31st December</i>	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Cash Flows from Operating Activities				
Premium Received from Customers	19,350,804	17,909,847	19,350,804	17,909,847
Reinsurance Premium Paid	(2,352,299)	(2,351,779)	(2,352,299)	(2,351,779)
Reinsurance Claims and Benefits Paid	(10,989,034)	(8,874,009)	(10,989,034)	(8,874,009)
Reinsurance Receipts in Respect of Claims and Benefits	480,454	512,111	480,454	484,753
Cash Receipts from Debtors	25,881,067	24,763,750	–	–
Cash Paid to and on Behalf of Employees	(1,784,539)	(2,231,430)	(1,784,539)	(1,413,775)
Interest Received	8,569,979	6,010,064	7,373,648	5,726,965
Dividend Received	1,927,551	1,265,276	1,927,551	1,265,276
Interest Paid	–	10,932	–	–
Other Operating Cash Payments	(17,796,785)	(19,378,370)	(4,845,038)	(3,104,588)
Cash Flows from Operating Activities	23,287,198	17,636,392	9,161,547	9,642,689
Retiring Gratuity Paid	(9,279)	–	–	–
Income Tax Paid	(2,085,885)	(2,066,601)	(1,171,086)	(1,818,259)
Net Cash From Operating Activities	21,192,036	15,569,791	7,990,461	7,824,430
Cash Flows from/(used in) Investing Activities				
Acquisition of Financial Investments	(56,227,925)	(20,964,784)	(56,227,925)	(17,354,763)
Proceeds from Financial Investments	54,293,041	3,214,126	54,293,041	12,483,000
Proceeds from Property, Plant & Equipment	–	51,299	–	17,040
Acquisition of Property, Plant & Equipment	(7,030,924)	(1,506,577)	(182,009)	(312,751)
Cash Received from Consolidation	–	–	–	–

<i>For the Year ended 31st December</i>	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Net Cash from Investing Activities	(8,965,808)	(19,205,935)	(2,116,895)	(5,167,474)
Cash Flows from Financing Activities				
Payment of Interest-Bearing Loan	–	(22,590)	–	–
Dividend Paid	(1,001,278)	–	(1,001,278)	–
Net Flows From/(Used in) Financing Activities	(1,001,278)	(22,590)	(1,001,278)	–
Effect of Exchange Rate Changes on Cash and Cash Equivalents	37,996	18,793	37,996	18,793
Net Increase/(Decrease) in Cash and Cash Equivalents	11,262,946	(3,639,942)	4,910,286	2,675,749
Cash and Cash Equivalents at beginning of the Year	10,277,616	13,917,558	3,156,072	480,323
Cash and Cash Equivalents at end of the Year	21,540,562	10,277,616	8,066,358	3,156,072
Cash and Cash Equivalents at the end of the Year				
Cash at Bank and in Hand	947,673	675,555	501,362	400,665
Short-Term Investments	20,991,109	9,994,808	7,852,673	3,065,682
Bank Overdraft	(398,220)	(392,747)	(287,677)	(310,275)
	21,540,562	10,277,616	8,066,358	3,156,072

The Accounting Policies and Notes as set out on pages 175 to 279 form an integral part of these Financial Statements.

6.12.0 Statement of Financial Position - Segmental Review

As at 31st December

	2012						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Assets							
Financial Investments	21,465,057	67,321,908	–	–	–	–	88,784,965
Investments in Subsidiaries	11,115,407	5,707,913	–	2,000,000	7,000,000	(25,823,320)	–
Property, Plant & Equipment	8,410,143	57,012	2,816,578	9,543,476	5,779,796	–	26,407,002
Investment Property	549,600	–	–	–	775,554	–	1,325,154
Leasehold Property	21,544	–	133,855	–	21,903	–	177,102
Intangible Assets	148,721	–	1,192	–	379	2,992,397	3,142,690
Loans to Policyholders	–	1,539,431	–	–	–	–	1,539,431
Reinsurance Receivable	1,724,758	100,443	–	–	–	–	1,825,182
Total Premium Receivable from Policyholders, Agents, Brokers & Intermediaries	2,411,565	–	–	–	–	–	2,411,565
Deferred Tax Assets	–	47,960	–	–	156	–	48,116
Other Assets	1,271,934	1,915,928	414,431	1,551,735	728,357	(872,462)	5,009,922
Insurance Contract - Deferred Expenses	221,436	–	–	–	–	–	221,436
Cash and Cash Equivalents	2,460,686	5,893,350	1,001,511	6,824,972	5,758,263	–	21,938,782
Total Assets	49,798,431	82,583,945	4,367,567	19,720,183	20,064,408	(23,703,385)	152,831,147

As at 31st December

	2012						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Liabilities and Equity							
Equity							
Stated Capital	6,000,000	–	2,671,543	1,947,109	14,000,000	(18,618,652)	6,000,000
Capital Reserve	5,591,269	40,892	858,544	4,184,886	–	(1,514,023)	9,161,568
Available-for-Sale Reserves	4,151,800	8,589,241	–	–	–	–	12,521,041
Revenue Reserves	15,025,028	9,117,111	99,292	5,621,972	147,758	(4,545,532)	25,665,605
Non-Controlling Interest	–	–	–	–	–	1,647,284	1,647,284
Total Equity	50,748,097	17,547,244	5,629,179	11,753,967	14,147,758	(22,850,923)	54,995,296
Liabilities							
Insurance Contract Liabilities - Life	–	62,526,048	–	–	–	–	62,526,048
Insurance Contract Liabilities - Non-Life	14,297,802	–	–	–	–	–	14,297,803
Reinsurance Payable	921,937	169,590	–	–	–	–	1,091,527
Current Tax Liabilities	598,559	472,707	–	537,030	–	–	1,608,096
Deferred Tax Liabilities	988,747	–	251,360	1,555,568	–	–	2,575,674
Retirement Benefits Obligations	209,614	192,146	51,504	73,406	20,543	–	547,212
Other Liabilities	1,869,277	1,555,531	544,981	6,000,212	5,896,127	(872,462)	14,791,471
Financial Liabilities	164,598	125,079	110,543	–	–	–	598,220
Total Liabilities	19,050,534	65,036,701	738,388	7,966,216	5,916,670	(872,462)	97,835,851
Total Liabilities and Equity	49,798,431	82,583,945	4,367,567	19,720,183	20,064,408	(23,703,385)	152,831,147

As at 31st December

	2011						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Assets							
Financial Investments	23,745,489	69,591,954	–	–	–	–	93,535,443
Investments in Subsidiaries	8,615,406	3,207,914	–	–	–	(11,823,320)	–
Property, Plant & Equipment	4,088,665	46,553	2,825,238	9,069,375	–	–	16,029,832
Investment Property	359,625	–	–	–	–	–	359,625
Leasehold Property	21,613	–	119,991	–	–	–	141,604
Intangible Assets	61,905	–	–	–	–	2,992,805	3,054,710
Loans to Policyholders	–	1,388,244	–	–	–	–	1,388,244
Reinsurance Receivable	1,298,274	103,506	–	–	–	–	1,401,780
Total Premium Receivable from Policyholders, Agents, Brokers & Intermediaries	1,573,818	–	–	–	–	(50,953)	1,522,865
Deferred Tax Assets	–	45,100	–	–	–	–	45,100
Other Assets	660,292	1,146,859	392,151	1,464,455	53,406	(529,052)	3,188,112
Insurance Contract - Deferred Expenses	223,568	–	–	–	–	–	223,568
Cash and Cash Equivalents	1,299,531	2,166,823	671,547	6,532,461	–	–	10,670,363
Total Assets	41,946,184	77,696,952	4,008,927	17,066,291	53,406	(9,410,514)	131,361,246

As at 31st December

	2011						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Liabilities and Equity							
Equity							
Stated Capital	6,000,000	–	2,671,543	1,947,109	0.05	(4,618,654)	6,000,000
Capital Reserve	1,520,586	16,106	883,627	4,040,007	–	(1,622,305)	4,638,021
Available-for-Sale Reserves	4,380,179	8,810,597	–	–	–	–	13,190,776
Revenue Reserves	13,597,863	7,800,662	(200,494)	2,553,192	–	(4,061,037)	19,690,186
Non-Controlling Interest	–	–	–	–	–	1,522,687	1,522,687
Total Equity	25,298,629	16,627,365	3,354,676	8,540,308	0.05	(8,779,309)	45,041,670
Liabilities							
Insurance Contract							
Liabilities - Life	–	58,494,521	–	–	–	–	58,494,522
Insurance Contract							
Liabilities - Non-Life	13,132,830	–	–	–	–	–	13,132,830
Reinsurance Payable	532,236	188,968	–	–	–	–	721,204
Current Tax Liabilities	330,563	600,854	–	612,331	–	–	1,543,748
Deferred Tax Liabilities	293,583	–	213,803	1,511,200	–	–	2,018,586
Retirement Benefits							
Obligations	204,845	187,775	42,722	69,290	8,882	–	513,514
Other Liabilities	1,958,302	1,482,391	315,251	6,333,162	44,523	(631,205)	9,502,424
Financial Liabilities	193,196	115,080	82,472	–	–	–	392,748
Total Liabilities	16,647,555	61,069,589	654,248	8,525,983	53,405	(631,205)	86,319,576
Total Liabilities and Equity	41,946,184	77,696,954	4,008,924	17,066,291	53,405	(9,410,514)	131,361,246

	1st January 2011						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Assets							
Financial Investments	24,979,723	73,082,097	–	–	–	–	98,061,820
Investments in Subsidiaries	8,615,407	1,457,914	–	–	–	(10,073,320)	–
Property, Plant & Equipment	4,386,869	55,543	2,778,835	8,608,520	–	–	15,827,564
Investment Property	–	–	–	–	–	–	–
Leasehold Property	21,881	–	106,127	–	–	–	128,008
Intangible Assets	–	–	–	–	–	2,992,805	2,992,805
Loans to Policyholders	–	1,481,940	–	–	–	–	1,481,940
Reinsurance Receivable	1,475,562	85,917	–	–	–	–	1,561,279
Total Premium Receivable from Policyholders, Agents, Brokers & Intermediaries	1,519,409	–	–	–	–	–	1,519,408
Deferred Tax Assets	–	49,764	–	–	–	–	49,764
Other Assets	236,439	919,160	298,101	1,565,372	22,021	(177,636)	2,663,437
Insurance Contract - Deferred Expenses	173,995	–	–	–	–	–	173,995
Cash and Cash Equivalents	1,304,747	9,328,534	467,743	3,739,168	14	–	14,840,205
Total Assets	42,715,831	86,458,668	3,650,806	13,713,060	22,034	(7,258,151)	139,300,245

	1st January 2011						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
Liabilities and Equity							
Equity							
Stated Capital	6,000,000	–	2,671,543	1,947,109	–	(4,618,653)	6,000,000
Capital Reserve	1,520,586	16,106	743,657	5,866,819	–	(587,886)	5,359,282
Available-for-Sale Reserves	8,107,987	17,596,432	–	–	–	–	25,704,419
Revenue Reserves	11,894,446	13,685,429	(667,325)	637,938	–	(3,915,041)	21,633,449
Non-Controlling Interest	–	–	–	–	–	2,041,104	2,041,104
Total Equity	27,525,020	31,295,966	2,747,875	6,451,866	–	(7,080,476)	60,738,254
Liabilities							
Insurance Contract							
Liabilities - Life	–	52,573,602	–	–	–	–	52,573,602
Insurance Contract							
Liabilities - Non-Life	11,772,953	–	–	–	–	–	11,772,953
Reinsurance Payable	435,797	140,481	–	–	–	–	576,278
Current Tax Liabilities	751,168	676,648	–	58,336	(783)	–	1,465,369
Deferred Tax Liabilities	399,560	–	440,019	1,468,916	–	–	2,308,496
Retirement Benefit							
Obligations	188,006	182,300	33,011	60,524	5,472	–	469,311
Other Liabilities	1,685,767	1,463,529	277,507	5,693,417	17,344	(177,675)	8,957,890
Financial Liabilities	159,560	126,141	152,394	–	–	–	438,092
Total Liabilities	15,390,811	55,162,702	902,931	7,261,194	22,034	(177,675)	78,561,991
Total Liabilities and Equity	42,715,831	86,458,668	3,650,806	13,713,060	22,034	(7,258,151)	139,300,245

6.13.0 Statement of Income - Segmental Review

For the Year ended 31st December

	2012						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
Gross Written Premium	12,805,592	7,569,052	–	–	–	(173,750)	19,998,873
Less: Premium Ceded to Reinsurers	(2,992,562)	(87,807)	–	–	–	–	(3,080,169)
Net Written Premium	9,811,229	7,281,225	–	–	–	(173,750)	16,918,704
Net Change in Reserve for Unearned Premium	(524,013)	–	–	–	–	–	(524,013)
Net Earned Premium	9,487,217	7,281,225	–	–	–	(173,750)	16,594,691
Revenue from Other Operations	–	–	5,405,865	26,401,311	4,153	–	29,811,329
	9,487,217	7,281,225	5,405,865	26,401,311	4,153	(173,750)	46,406,020
Benefits and Losses							
Insurance Benefits and Claims (Net)	(6,194,011)	(4,089,252)	–	–	–	–	(10,283,243)
Underwriting and Net Acquisition Costs	(519,906)	(1,088,644)	–	–	–	–	(1,608,550)
Change in Contract Liabilities - Life Fund	–	(3,733,466)	–	–	–	–	(3,733,466)
Cost of Services of Subsidiaries	–	–	(1,547,801)	(22,365,807)	(5,010)	–	(23,918,618)
	2,775,500	(1,630,117)	1,858,064	4,035,504	(857)	(173,750)	6,862,144
Other Revenue							
Income from Investments	1,954,581	6,243,709	–	–	–	–	8,198,290
Other Income	110,254	567,329	24,676	419,570	244,560	(53,750)	1,332,639

	2011						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
	11,477,600	6,745,073	–	–	–	(58,625)	18,162,048
	(2,674,304)	(149,616)	–	–	–	–	(2,823,921)
	8,805,296	6,595,457	–	–	–	(58,625)	15,358,127
	(974,651)	–	–	–	–	–	(974,651)
	7,828,645	6,595,457	–	–	–	(58,625)	14,363,476
	–	–	2,917,656	21,872,900	–	–	24,790,556
	7,828,645	6,595,457	2,917,656	21,872,900	–	(58,625)	39,154,032
	(4,970,962)	(3,592,818)	–	–	–	4,240	(8,559,540)
	(323,990)	(933,627)	–	–	–	–	(1,257,616)
	–	2,102,772	–	–	–	–	2,102,772
	–	–	(1,268,014)	(17,611,515)	–	–	(18,879,529)
	2,533,693	4,169,784	1,649,642	4,261,385	–	(54,385)	12,560,120
	(468,003)	2,356,596	–	–	–	–	1,888,593
	222,505	674,729	22,884	523,895	192,290	(12,245)	1,624,058

For the Year ended 31st December

	2012						
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000
Expenses							
Other Operating, and Administrative Expenses	(2,008,614)	(2,146,961)	(1,545,648)	(1,241,470)	(297,862)	207,500	(7,033,056)
Total Net Insurance Benefits, Losses and Expenses	2,829,521	3,033,960	337,091.50	3,213,604	(54,159)	–	9,360,015
Net Finance Income/ (Cost)	(110)	(114)	101,872	494,808	284,729	–	881,186
Profit before Taxation	2,829,411	3,033,847	438,964	3,708,412	230,570	–	10,241,201
Income Tax Expense	(900,971)	(726,442)	(52,908)	(835,823)	(82,174)	–	(2,598,318)
Net Profit after Taxation/ Transfer to Shareholders' Fund	1,928,440	2,307,405	386,056	2,872,589	148,396	–	7,642,883

				2011				
	Non-Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Others Rs. '000	Eliminations Rs. '000	Total Rs. '000	
	(2,129,670)	(1,924,510)	(1,333,201)	(1,224,962)	(192,290)	66,630	(6,738,004)	
	158,525	5,276,599	339,325	3,560,318	—	—	9,334,766	
	(12)	(24)	38,403	267,234	—	—	305,600	
	158,513	5,276,575	377,728	3,827,552	—	—	9,640,366	
	(407,432)	(813,114)	58,888	(960,114)	—	—	(2,121,773)	
	(248,919)	4,463,461	436,616	2,867,438	—	—	7,518,593	

6.14.0 Statement of Financial Position of the Life Insurance Fund

<i>As at 31st December</i>	Note	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
Assets				
Financial Investments	a	67,321,908	69,591,954	73,082,097
Investment in Subsidiaries	b	5,707,913	3,207,914	1,457,914
Policyholder Loans	c	1,559,451	1,588,244	1,481,940
Reinsurance Receivable		100,443	103,506	85,917
Deferred Tax Assets		47,960	45,100	49,764
Other Assets	d	1,915,928	1,146,859	919,160
Property, Plant & Equipment	e	57,012	46,553	53,343
Cash and Cash Equivalents		5,893,550	2,166,823	9,328,534
Total Assets		82,583,945	77,696,952	86,458,668
Equity and Liabilities				
Equity				
Revaluation Reserve		40,892	16,106	16,106
Revenue Reserves	f	9,117,111	7,800,662	13,685,429
Available-for-Sale Reserve		8,389,241	8,810,597	17,596,432
		17,547,244	16,627,365	31,295,966
Liabilities				
Insurance Contract Liabilities - Life	g	62,526,048	58,494,521	52,573,602
Current Tax Liabilities		472,707	600,854	676,648
Other Liabilities	h	1,553,531	1,482,390	1,463,529
Reinsurance Payable		169,590	188,968	140,481
Retirement Benefit Obligations		192,146	187,775	182,300
Financial Liabilities		123,079	115,078	126,141
Total Liabilities		65,036,701	61,069,587	55,162,702
Total Equity and Liabilities		82,583,945	77,696,952	86,458,668

The Notes to the Financial Statements as set out on pages 175 to 279 form an integral part of these Financial Statements.

6.15.0 Notes to the Financial Statements - Life Insurance

		2012		2011		01.01.2011	
	Note	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
a. Financial Investments							
Held-To-Maturity (HTM) Financial Assets	a.1	13,449,522	13,711,616	15,960,914	17,162,488	19,801,765	19,801,765
Loans & Receivables (L & R)	a.2	15,585,701	–	8,592,389	–	5,820,166	–
Available-For-Sale (AFS) Financial Assets	a.3	28,558,138	28,558,138	29,715,801	29,715,801	25,349,280	25,349,280
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	a.4	9,728,747	9,728,747	15,322,850	15,322,850	22,110,888	22,110,888
Total Financial Investments		67,321,908	51,998,501	69,591,954	62,201,139	73,082,097	67,261,931

a.1 Held-To-Maturity (HTM) Financial Assets

Treasury Bills	969,775	974,700	96,450	95,730	95,394	95,394
Treasury Bonds	12,479,547	12,736,916	15,864,464	17,066,758	19,706,369	19,706,369
	13,449,522	13,711,616	15,960,914	17,162,488	19,801,765	19,801,765

	Note	2012 Carrying Value Rs. '000	2011 Carrying Value Rs. '000	01.01.2011 Carrying Value Rs. '000

a.2 Loans & Receivables (L & R)

Unlisted Debentures	a.2.1	1,874,094	1,109,360	1,056,759
Reverse Repos		-	-	148,909
Fixed Deposits		11,773,323	5,510,135	2,899,448
Development Bonds		1,910,410	1,717,717	1,680,766
Trust Certificates		27,874	24,404	34,284
Commercial Papers		-	230,773	-
		15,585,701	8,592,389	5,820,166

	2012			2011			01.01.2011		
	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000

a.2.1 Unlisted Debentures

Bank of Ceylon	-	-	-	-	-	-	31.12.2011	250,000	250,071
Commercial Bank of Ceylon PLC	15.05.2016	125,000	141,608	15.05.2016	125,000	141,572	15.05.2016	125,000	141,563
Senkadagala Finance PLC	-	-	-	21.09.2012	50,000	50,191	21.09.2012	50,000	50,170
Senkadagala Finance PLC	02.12.2014	67,000	67,841	02.12.2014	100,000	100,966	-	-	-
People's Leasing PLC	26.04.2014	500,000	519,496	26.04.2014	500,000	513,233	26.04.2014	500,000	511,679
Merchant Bank of Sri Lanka PLC	31.08.2015	100,000	103,312	31.08.2015	100,000	103,312	31.08.2015	100,000	103,277
Abans (Pvt) Ltd.	31.03.2014	100,000	100,035	31.03.2014	100,000	100,033	-	-	-
Singer Sri Lanka PLC	30.04.2015	250,000	256,706	-	-	-	-	-	-
Central Finance PLC	24.05.2015	500,000	534,703	-	-	-	-	-	-
Sampath Leasing & Factoring Ltd.	17.12.2015	50,000	50,360	-	-	-	-	-	-
National Development Bank PLC	30.06.2016	100,000	100,035	-	100,000	100,053	-	-	-
	-	1,792,000	1,874,094	-	1,075,000	1,109,360	-	1,025,000	1,056,760

	Note	2012		2011		01.01.2011	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
a.3 Available-For-Sale (AFS) Financial Assets							
Listed Equity Securities	a.3.1	13,290,741	13,290,741	13,292,758	13,292,758	21,073,663	21,073,663
Unit Trusts	a.3.2	1,224,755	1,224,755	2,024,437	2,024,437	1,947,404	1,947,404
Listed Debentures	a.3.3	3,349,947	3,349,947	2,896,548	2,896,548	2,075,449	2,075,449
Treasury Bonds		10,692,696	10,692,696	11,502,058	11,502,058	252,762	252,762
		28,558,138	28,558,138	29,715,801	29,715,801	25,349,280	25,349,280

	2012			2011			01.01.2011		
	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value
	Rs. '000	Rs. '000		Rs. '000	Rs. '000		Rs. '000	Rs. '000	

a.3.1 Listed Equity Securities

Banks, Finance & Insurance

Commercial Bank of Ceylon PLC	39,557,241	4,074,396	4,074,396	38,867,290	3,886,729	3,886,729	18,022,212	4,685,775	4,685,775
DFCC Bank PLC	26,509,832	2,995,611	2,995,611	26,509,832	2,992,960	2,992,960	34,423,532	6,867,495	6,867,495
Seylan Bank PLC	8,666,666	481,000	481,000	8,666,666	593,667	593,667	6,500,000	630,500	630,500
Hatton National Bank PLC	31,503,954	4,662,585	4,662,585	30,939,519	4,640,928	4,640,928	18,751,224	7,498,614	7,498,614
National Development Bank PLC	7,805,426	1,077,149	1,077,149	7,805,426	1,092,960	1,092,760	3,902,713	1,363,998	1,363,998

Information Technology

E-Channelling PLC	-	-	-	10,714,400	85,715	85,715	1,245,700	27,281	27,281
	-	13,290,741	13,290,741	-	13,292,758	13,292,758	-	21,073,663	21,073,663

	2012			2011			01.01.2011		
	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000
a.3.2 Unit Trusts									
Ceybank Unit Trust	33,628,291	865,592	865,592	33,628,319	1,065,009	1,065,009	32,058,003	1,253,147	1,253,147
Ceybank Gilt Edged Fund	–	–	–	20,594,648	243,223	243,223	20,594,648	206,976	206,976
Namal Gilt Edged Fund	–	–	–	25,007,021	318,589	318,589	25,007,021	321,840	321,840
Ceylon Income Fund	27,004,714	359,163	359,163	29,851,022	397,616	397,616	13,786,765	165,441	165,441
	–	1,224,755	1,224,755	–	2,024,437	2,024,437	–	1,947,404	1,947,404

	2012			2011			01.01.2011		
	Maturity Date	Face Value	Carrying Value	Maturity Date	Face Value	Carrying Value	Maturity Date	Face Value	Carrying Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000		Rs. '000	Rs. '000

a.3.3 Listed Debentures

Hatton National Bank PLC	–	–	–	11.09.2012	17,850	18,815	11.09.2012	17,850	18,790
Hatton National Bank PLC	02.04.2021	478,459	202,206	02.04.2021	478,459	182,126	02.04.2021	478,459	99,998
Hatton National Bank PLC	02.04.2024	1,362,794	410,579	02.04.2024	1,362,794	368,976	02.04.2024	1,362,794	200,059
Commercial Bank of Ceylon PLC	18.12.2016	250,000	285,147	18.12.2016	250,000	287,540	18.12.2016	250,000	285,000
Sampath Bank PLC				30.08.2012	285,000	335,011	30.08.2012	285,000	300,000
Sampath Bank PLC	12.10.2017	36,600	37,957	–	–	–	–	–	–
Nations Trust Bank PLC	19.08.2013	200,000	215,419	19.08.2013	200,000	215,492	19.08.2013	200,000	215,419
Nations Trust Bank PLC	04.08.2016	200,000	209,016	04.08.2016	200,000	209,041			
LB Finance PLC	22.09.2013	50,000	49,887	22.09.2013	50,000	61,887	22.09.2013	50,000	61,854
Urban Development Authority	05.10.2015	871,480	894,592	05.10.2015	871,480	894,529	05.10.2015	871,480	894,329
Lanka ORIX Leasing Company PLC	05.08.2015	100,000	105,866	05.08.2015	100,000	104,776	–	–	–
Merchant Bank of Sri Lanka PLC	15.11.2014	140,000	148,231	15.11.2014	140,000	142,047	–	–	–
DFCC Vardhana Bank PLC	07.09.2016	74,074	74,103	07.09.2016	74,074	76,308	–	–	–
Pan Asia Banking Corporation PLC	18.05.2017	200,000	209,950	–	–	–	–	–	–
Bank of Ceylon	30.11.2017	500,000	507,014	–	–	–	–	–	–
	–	4,463,407	3,349,947	–	4,029,657	2,896,548	–	3,515,583	2,073,449

	Note	2012		2011		01.01.2011	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000

a.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Listed Equity Securities							
	a.4.1	9,728,747	9,728,747	15,322,850	15,322,850	22,110,888	22,110,888
		9,728,747	9,728,747	15,322,850	15,322,850	22,110,888	22,110,888

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

	No. of Shares	2012		No. of Shares	2011		01.01.2011		
		Carrying Value Rs. '000	Fair Value Rs. '000		Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000

a.4.1 Listed Equity Securities

Banks, Finance & Insurance

Central Finance Company PLC	-	-	-	-	-	-	1,672,835	1,380,087	1,380,087
Sampath Bank PLC	968,536	195,707	195,707	3,805,870	742,145	742,145	7,615,396	2,071,388	2,071,388
Lanka Orix Leasing Company PLC	-	-	-	10,762,560	897,598	897,598	12,420,160	1,577,360	1,577,360
Seylan Bank PLC (NV)	350,000	12,250	12,250	350,000	10,710	10,710	350,000	17,080	17,080
Pan Asia Banking Corporation PLC	1,394,666	26,499	26,499	1,394,666	34,867	34,867	697,335	36,261	36,261
Nations Trust Bank PLC	1,096,200	61,587	61,587	1,122,100	63,960	63,960	1,122,100	93,695	93,695
LB Finance PLC	1,842,900	272,749	272,749	1,842,900	254,320	254,320	-	-	-
Nation Lanka Finance PLC	979,500	9,697	9,697	979,500	15,476	15,476	-	-	-

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000	01.01.2011 No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Investment Trusts									
Ceylon Guardian Investments Trust PLC	200,000	36,800	36,800	200,000	51,000	51,000	–	–	–
Renuka Holdings PLC	1,526,316	54,337	54,337	1,526,316	83,184	83,184	–	–	–
Beverage, Food & Tobacco									
Ceylon Tobacco Company PLC	–	–	–	–	–	–	440	156	156
Distilleries Company of Sri Lanka PLC	2,320,200	385,153	385,153	2,320,200	541,301	541,301	2,320,200	412,996	412,996
Ceylon Brewery PLC	–	–	–	283,400	113,360	113,360	283,400	90,688	90,688
Lion Brewery Ceylon PLC	–	–	–	723,140	137,397	137,397	560,640	105,400	105,400
Cargills (Ceylon) PLC	776,000	112,908	112,908	776,000	157,528	157,528	382,100	74,510	74,510
Ceylon Cold Stores PLC	–	–	–	18,400	1,842	1,842	4,600	2,436	2,436
Diversified Holdings									
Hayleys PLC	–	–	–	–	–	–	38,100	13,145	13,145
Hemas Holdings PLC	6,635,700	179,164	179,164	6,635,700	221,632	221,632	13,044,000	579,154	579,154
John Keells Holdings PLC	9,409,034	2,069,049	2,069,049	14,288,150	2,443,267	2,443,267	11,216,113	3,343,522	3,343,522
Aitken Spence PLC	–	–	–	18,000,000	2,250,000	2,250,000	18,000,000	3,060,000	3,060,000
CT Holdings PLC	–	–	–	82,000	14,678	14,678	82,000	14,924	14,924
Vallibel One PLC	65,900	1,199	1,199	65,900	1,575	1,575	–	–	–
Colombo Fort Land & Building PLC	3,020,600	106,929	106,929	3,020,600	147,405	147,405	–	–	–

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000	01.01.2011 No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Footwear & Textiles									
Kuruwita Textiles Mills PLC	-	-	-	414,400	9,904	9,904	414,400	12,432	12,432
Hayleys MGT Knitting Mills PLC	78,800	914	914	78,800	2,246	2,246	78,800	2,522	2,522
Hotels & Travels									
Aitken Spence Hotel Holdings PLC	8,815,100	650,554	650,554	8,815,100	612,649	612,649	10,695,209	1,133,692	1,133,692
Asian Hotels & Properties PLC	10,055,900	763,243	763,243	10,055,900	801,455	801,455	5,058,500	981,349	981,349
Keells Hotels PLC	72,747,800	1,005,920	1,005,920	72,747,800	974,821	974,821	72,747,800	1,454,956	1,454,956
Health Care									
Asiri Hospitals PLC	-	-	-	-	-	-	130,695,495	1,150,120	1,150,120
Asiri Surgical Hospital PLC	15,493,000	144,085	144,085	15,493,000	122,395	122,395	15,493,000	136,338	136,338
Manufacturing									
Chevron Lubricants Lanka PLC	-	-	-	-	-	-	500	80	80
Sierra Cables PLC	800	2	2	800	3	3	800	3	3
Lanka Cement PLC	509,700	4,842	4,842	509,700	9,939	9,939	509,700	14,272	14,272
ACL Cabels PLC	2,748,400	185,242	185,242	2,748,400	203,382	203,382	2,188,900	186,275	186,275
Tokyo Cement Company (Lanka) PLC	1,850,375	52,898	52,898	1,850,375	80,537	80,537	1,850,375	101,586	101,586
Tokyo Cement Company (Lanka) PLC (NV)	4,003,600	77,269	77,269	4,003,600	122,110	122,110	4,003,600	160,945	160,945
Royal Ceramics PLC	2,183,279	216,145	216,145	2,514,000	351,960	351,960	875,000	266,788	266,788
Lanka Walltiles PLC	807,600	48,456	48,456	807,600	76,318	76,318	130,000	17,953	17,953

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000		01.01.2011 No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Trading										
Singer Sri Lanka PLC	-	-	-	-	-	-		8	2	2
Brown & Company PLC	906,990	112,467	112,467	1,069,600	251,142	251,142		-	-	-
TESS Agro PLC	26,580,200	63,512	63,512	26,580,200	118,711	118,711		-	-	-
Motors										
Colonial Motors PLC	400,000	58,400	58,400	400,000	160,000	160,000		-	-	-
Diesel & Motor Engineering PLC	515,466	189,280	189,280	515,466	410,106	410,106		-	-	-
Telecommunications										
Dialog Axiata PLC	74,585,920	619,063	619,063	74,585,920	589,229	589,229	74,585,920	887,572	887,572	
Sri Lanka Telecom PLC	17,713,735	779,404	779,404	17,713,735	857,345	857,345	17,713,735	850,259	850,259	
Plantations										
Talawakelle Tea Estates PLC	105,600	2,608	2,608	105,600	3,147	3,147	105,600	4,657	4,657	
Power & Energy										
Lanka IOC PLC	7,964,400	154,509	154,509	8,964,400	165,841	165,841	9,854,500	186,250	186,250	
Laugfs Gas PLC	3,900	99	99	3,900	148	148	3,900	102	102	
Information Technology										
PC House PLC	876,700	4,734	4,734	876,700	12,011	12,011	1,812,300	20,479	20,479	
Chemicals & Pharmaceuticals										
CIC Holdings PLC	3,409,594	218,214	218,214	4,769,800	531,833	531,833	4,769,800	667,772	667,772	
Land & Property										
Overseas Reality PLC	3,472,300	49,654	49,654	3,972,300	56,009	56,009	3,972,300	60,776	60,776	

[illegible]

b. Investments in Subsidiaries

	5,707,914	3,207,914	1,457,914

		2012		2011		01.01.2011	
	Note	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000

At Cost

Listed Subsidiaries:	b.1	1,457,914	2,591,016	1,457,914	3,457,914	1,457,914	2,062,237
Unlisted Subsidiaries	b.2	4,250,000	–	1,750,000	–	–	–
		5,707,914	2,591,016	3,207,914	3,457,914	1,457,914	2,062,237

		2012		2011		01.01.2011	
	Note	No. of Shares Rs. '000	Carrying Value Rs. '000	No. of Shares Rs. '000	Carrying Value Rs. '000	No. of Shares Rs. '000	Carrying Value Rs. '000

b.1 Listed Subsidiaries:
at Cost

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

		2012		2011		01.01.2011	
	Note	No. of Shares Rs. '000	Carrying Value Rs. '000	No. of Shares Rs. '000	Carrying Value Rs. '000	No. of Shares Rs. '000	Carrying Value Rs. '000

b.2 Unlisted Subsidiaries

Litro Gas Lanka Ltd.		17,616,853	1,750,000	17,616,853	1,750,000	–	–
Canwill Holdings (Pvt) Ltd.		250,000,000	2,500,000				
			4,250,000		1,750,000	–	–

	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
c. Policyholder Loans	1,539,451	1,388,244	1,481,940
	1,539,451	1,388,244	1,481,940

	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
d. Other Assets			
Inventories	5,554	6,447	7,723
Other Debtors and Receivables	121,988	142,514	101,751
Other Loans	700,390	443,488	471,350
Investment Receivables	671,754	–	–
Amount Due from General Division	174,651	391,129	177,675
Prepaid Benefit on Loans	241,590	163,281	160,662
	1,915,928	1,146,859	919,160

e. Property, Plant & Equipment

Freehold

	Land	Buildings	Equipment	Furniture & Fittings	Generator	Electrical Fixtures	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000

Cost

Balance as at 1st January 2011	19,850	13,750	218,077	50,361	8,681	9,376	87	320,183
Additions	–	–	–	–	–	–	–	–
Balance as at 31st December 2011	19,850	13,750	218,077	50,361	8,681	9,376	87	320,183
Additions	–	–	–	–	–	–	–	–
Transfer to Reevaluation Reserve	16,303	7,109	–	–	–	–	–	23,412
Disposals/Transfers	–	–	–	–	–	–	–	–
Balance as at 31st December 2012	36,153	20,859	218,077	50,361	8,681	9,376	87	343,595

Depreciation

Balance as at 1st January 2011	–	–	213,394	37,002	7,012	9,343	87	266,838
Depreciation Charge for the Period		688	1,644	3,559	869	31	–	6,791
Balance as at 31st December 2011	–	688	215,038	40,561	7,881	9,374	87	273,629
	–							
Depreciation Charge for the Period	–	688	3,039	9,800	802	–	–	14,328
Transfer to Reevaluation Reserve	–	(1,375)	–	–	–	–	–	(1,375)
Balance as at 31st December 2012	–	–	218,077	50,361	8,683	9,374	87	286,582

	Land	Buildings	Equipment	Furniture & Fittings	Generator	Electrical Fixtures	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000

Carrying Amount

As at								
31st December 2012	36,155	20,859	–	–	–	–	–	57,012
As at								
31st December 2011	19,850	13,063	3,039	9,800	802	–	–	46,553
As at								
1st January 2011	19,850	13,750	4,683	13,359	1,669	31	–	53,343

	Note	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000

f. Revenue Reserve

General Reserve		42,101	42,101	42,101
Surplus from Life Insurance	f.1	8,268,739	6,189,915	5,410,395
Policyholder Reserve Fund	f.2	806,271	1,568,646	8,230,933
		9,117,111	7,800,662	13,683,429

f.1 Surplus from Life Insurance

Balance as at 1st January		6,189,915	5,410,395	1,513,055
Surplus Attributable to Shareholders from Life Insurance		2,507,406	4,463,461	2,647,238
Effect of Transition to SLFRS		271,418	(1,731,606)	1,250,102
Transferred to Shareholders		(500,000)	(1,952,335)	–
Balance as at 31st December		8,268,739	6,189,915	5,410,395

	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
f.2 Policyholder Reserve Fund			
Balance as at 1st January	1,568,646	8,230,933	–
Effect of Transition to SLFRS	–	–	8,230,933
Change in Fair Value Measurements Applicable to Life Contract Liability	(762,375)	(6,662,287)	–
Balance as at 31st December	806,271	1,568,646	8,230,933

g. Insurance Liabilities Life Provision

Life Assurance Fund as at 1st January	55,860,475	49,569,355	41,484,784
Movement of the Fund	6,040,872	2,360,689	10,731,809
Other Comprehensive Income for the Year	(271,418)	1,731,606	–
Transferred from Life Policyholders Reserve Fund	762,375	6,662,287	–
	62,592,304	60,523,937	52,216,593
Transfers of Surplus from Long-Term Insurance Business	(2,307,406)	(4,463,461)	(2,647,238)
Life Assurance Fund as at 31st December	60,084,898	55,860,475	49,569,355
Policyholder Outstanding Claims	2,441,149	2,634,046	3,004,248
	62,526,048	58,494,521	52,573,602

h. Other Liabilities

Agency Commission Payable	222,311	196,688	167,995
Premium Received in Advance	299,480	285,885	492,727
Trade Creditors and Accrued Expenses	1,051,540	999,819	802,807
	1,553,331	1,482,390	1,463,529

6.16.0 Notes to the Financial Statements

1. Corporate Information

1.1 Reporting Entity

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

The Consolidated Financial Statements of the Company as at and for the year ended 31st December 2012 comprise the Company and its subsidiaries Management Services Rakshana (Private) Ltd., The Lanka Hospitals Corporation PLC, Litro Gas Lanka Ltd., Litro Gas Terminal Lanka Ltd., Canwill Holdings (Pvt) Ltd., Canowin Hotels & Spas (Pvt) Ltd. and Sino Lanka (Pvt) Ltd.

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

1.2 Principal Activities and Nature of Operations

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

1.3 Responsibility for Financial Statements

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

2. Basis of Preparation

2.1 Statement of Compliance

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

These are the Group's first Financial Statements prepared in accordance with Sri Lanka Accounting Standards prefixed SLFRS and LKAS and SLFRS 1- First- Time Adoption of Sri Lanka Financial Reporting Standards has been applied.

Accordingly, the Group has prepared Financial Statements which comply with SLFRS and LKAS applicable for periods ending on or after 31st December 2012, together with the comparative period data as at and for the year ended 31st December 2011, as described in the accounting policies. In preparing these Financial Statements, the Group's opening Statement of Financial Position was prepared as at 1st January 2011, the Group's date of transition to SLFRS/LKAS.

2.2 Basis of Measurement

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

- Financial instruments designated at 'fair value through profit or loss' are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Land and buildings are measured at revalued amounts
- Policyholders' liability have been measured at actuarial-determined values
- The liability for defined benefit obligations are actuarially valued and recognised as the present value of the defined benefit obligation

2.3 Date of Authorisation of Issue

The Financial Statements were authorised for issue by the Board of Directors on 29th May 2013.

2.4 Functional and Presentation Currency

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

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

2.5 Use of Estimates and Judgments

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

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

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

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

2.5.1 Insurance Contract Liabilities - Life Insurance

The valuation of the Long-Term insurance business as at 31st December 2012 was carried out by the Consultant Actuary based on the assumptions.

2.5.2 Insurance Contract Liabilities - Non-Life Insurance

For Non-Life Insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

2.5.3 Valuation of Employee Benefit Obligation - Gratuity

The cost of defined benefit plans which is gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used by the actuary in the estimates are contained in Note 25.

2.5.4 Deferred Tax Assets and Liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimate based on the tax laws and interpretations.

2.5.5 Assessment of Impairment

The Group assesses at each Reporting date whether there is objective evidence that an asset or a portfolio of assets is impaired.

2.6 Materiality and Aggregation

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

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position at 1st January 2011 for the purposes of the transition to SLFRS, unless otherwise indicated.

3.1 Basis of Consolidation

(i) Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

(ii) Acquisitions of Non-Controlling Interests

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

(iii) Subsidiaries

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

(iv) Loss of Control

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

(v) Transactions Eliminated on Consolidation

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

3.2 Foreign Currency Translation

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

3.3 Insurance Contracts

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

3.3.1 Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either ‘Insurance Contracts’ or ‘Investment Contracts’ depending on the level of insurance risk transferred.

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

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

3.4 Intangible Assets

3.4.1 Software

3.4.1.1 Basis of Recognition

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

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

3.4.1.2 Subsequent Expenditure

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

3.4.1.3 Amortisation

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

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

3.4.1.4 Derecognition

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

3.4.2 Goodwill

3.4.2.1 Basis of Recognition

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.5 Property, Plant & Equipment

3.5.1 Basis of Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

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

- The cost of materials and direct labour;

- Any other costs directly attributable to bringing the assets to a working condition for their intended use;

- When the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located;

- Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

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

3.5.2 Subsequent Costs

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

3.5.3 Repairs and Maintenance

Repairs and maintenance are charged to the Statement of Income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3.5.4 Revaluations

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

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

3.5.5 Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

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

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

3.5.6 Derecognition

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

When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

3.5.7 Capital Work-in-Progress

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

3.6 Impairment of Non-financial Assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in Statement of Income.

3.7 Financial Instruments

3.7.1 Non-derivative Financial Assets

3.7.1.1 Initial Recognition and Measurement

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

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

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

- Financial Assets at fair value through profit or loss (FVTPL)
- Loans and receivables (L&R)
- Held-to-maturity investments (HTM) and
- Available-for-sale (AFS) financial assets, as appropriate.

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

The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Group's ability. Financial assets are classified as at fair value through profit or loss where the Group's investment strategy is to manage financial investments on a fair value basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

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

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

Financial Asset	Category
Government Securities	Available-for-Sale Held-to-Maturity Loans and Receivables
Treasury Bills	Held to Maturity
Listed Equity Securities	Fair Value through Profit or Loss Available-for-Sale
Unit Trusts	Available-for-Sale
Corporate Debt	Available-for-Sale Loans and Receivables
Term Deposits	Loans and Receivables
Policy Loans	Loans and Receivables
Staff and Adviser Loans	Loans and Receivables

(a) Available-for-sale Financial Assets (AFS)

Available-for-sale financial assets include equity and debt securities (Government Securities and Corporate Debt). Investments classified as available-for-sale are those that are neither classified as held-to-maturity nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in Other Comprehensive Income (OCI) in the available-for-sale interest earned whilst holding available-for-sale investments is reported as 'Interest Income' using the Effective Interest Rate (EIR) method. Dividends earned whilst holding available-for-sale investments are recognised in the Statement of Income as 'Investment Income' when the right of the payment has been established. When the asset is derecognised, the cumulative gain or loss is recognised in the Investment Income.

If the asset is determined to be impaired, the cumulative loss is recognised in the Statement of Income in the 'Investment Income' and removed from the available-for-sale reserve.

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

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

(b) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

For investments designated as at fair value through profit or loss, the following criteria must be met:

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

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

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

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

The Group evaluates its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset.

(c) Held-to-Maturity Financial Assets (HTM)

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held-to-maturity financial assets are measured at amortised cost, using the Effective Interest Rate (EIR) method, less impairment.

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group also decided to classify quoted Corporate Debt under this category since there is no active market for these instruments even if such instruments are listed.

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

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

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

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

(e) Cash and Cash Equivalents

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

3.7.2 Non-derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

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

3.7.3 Stated Capital

Ordinary Shares

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

3.7.4 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.7.5 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument (**Categorise as Level 1**). A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

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

3.7.6 Identification and Measurement of Impairment

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

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

3.7.6.1 Financial Assets Carried at Amortised Cost

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

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

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

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

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

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

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

3.7.6.2 Available-for-Sale Financial Investments (AFS)

For available-for-sale financial investments, the Group assesses at each Reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

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

3.7.7 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

3.8 Deferred Expenses

3.8.1 Deferred Acquisition Costs (DAC)

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

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

In line with the available regulatory guidelines from the Insurance Board of Sri Lanka (IBSL), the DAC is calculated based on the 1/24th basis.

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

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

3.9 Reinsurance

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

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

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

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

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

3.10 Premium Receivable

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

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

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

3.11 Other Assets

3.11.1 Other Receivables and Dues from Related Parties

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

3.11.2 Inventories

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

Liabilities and Provisions

3.12 Insurance Contract Liabilities

3.12.1 Insurance Provision - Life Insurance

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

used. The liability is computed based on IBSL specified guidelines and current assumptions which vary based on the contract type.

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

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

3.12.2 Insurance Provision - Non-Life Insurance

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

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the Reporting date.

The provision of Unearned Premium is measured in accordance with Guidelines of the Regulation of Insurance Industry Act No. 43 of 2000 (i.e. based on the 1/24th basis).

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

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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

3.12.3 Title Insurance Reserve

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

3.13 Employee Benefits

3.13.1 Short-Term Benefits

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

3.13.2 Defined Contribution Plans

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

Employees' Provident Fund

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

Employees' Trust Fund

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

3.13.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the Reporting date. The defined benefit obligation is calculated by a qualified actuary as at the Reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty.

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

The liability is not externally funded.

Actuarial Gains and Losses

All actuarial gains or losses are recognised immediately in profit or loss applying the faster recognition approach.

3.14 Provisions

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

3.15 Revenue Recognition

3.15.1 Insurance Premiums

3.15.1.1 Life Insurance Business

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

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

3.15.1.2 Non-Life Insurance Business

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

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on 1/24th basis in accordance with the Regulation of Insurance Industry Act No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

3.15.2 Reinsurance Premiums

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the Reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 1/24th basis in accordance with the Regulation of Insurance Industry Act No. 43 of 2000).

3.16 Fees and Commission Income

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

3.17 Interests

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

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

3.18 Dividends

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

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

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

3.20 Benefits, Claims and Expenses

3.20.1 Gross Benefits and Claims

3.20.1.1 Life Insurance Business

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

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

3.20.1.2 Non-Life Insurance Business

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

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

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

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

3.20.1.3 Reinsurance Claims Recoveries

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

3.21 Net Deferred Acquisition Expenses

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

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

3.22 Actuarial Valuation of Life Insurance Fund

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

3.23 Other Expenses

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

3.24 Income Tax Expense

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

3.24.1 Current Tax

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

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

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

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

3.24.2 Deferred Tax

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

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

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

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

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

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

3.25 Segmental Reporting

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

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

3.26 Earnings Per Share (EPS)

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

3.27 Capital Commitments and Contingencies

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

3.28 Events Occurring after the Reporting Date

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

3.29 Cash Flow Statement

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

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

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

4. First Time Adoption of SLFRS/LKAS

These Financial Statements, for the year ended 31st December 2012, are the first annual Financial Statements prepared by the Group in accordance with Sri Lanka Accounting Standards (SLFRS).

The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31st December 2011, the comparative information presented in these Financial Statements for the year ended 31st December 2012 and in the preparation of an opening SLFRS Statement of Financial Position at 1st January 2011 (the Group's date of transition).

In preparing its opening IFRS Statement of Financial Position, the Group has adjusted amount reported previously in Financial Statements prepared in accordance with previous SLAS. An explanation of how transition from previous SLAS to SLFRS has affected the Group's financial position, financial performance and cash flows is set out in the reconciliation and notes to the reconciliation.

4.1 Group has Applied the Following Optional Exemptions:

SLFRS 1 - First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain optional exemptions from retrospective application.

- Designation of previously recognised financial instruments - The Group has designated unquoted equity instruments held as at 1st January 2011 as available-for-sale investments.
- SLFRS 3 - Business Combinations has been applied that occurred before 1st January 2011.
- SLFRS 4 - Insurance contracts transitional provisions.

4.2 Group has Applied the Following Mandatory Exceptions from Retrospective Application:

Significant accounting judgment, estimates and assumptions at 1st January 2011 and at 31st December 2011 are consistent with those made for the same dates in accordance with SLAS (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group to present these amounts in accordance with SLFRS/LKAS effective from 1st January 2012 reflect conditions at 1st January 2011, the date of transition to SLFRS/LKAS and as of 31st December 2011.

		2012		2011		01.01.2011	
	Note	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5. Financial Investments							
Held-To-Maturity (HTM) Financial Assets	5.1	15,372,693	14,866,748	18,433,769	17,786,058	21,887,416	21,016,359
Loans and Receivables (L & R)	5.2	23,938,051	–	14,067,923	–	10,166,444	–
Available-For-Sale (AFS) Financial Assets	5.3	38,520,336	38,520,336	40,038,254	40,038,254	37,977,806	37,977,806
Financial Assets at Fair Value Through Profit or Loss (FVTPL)	5.4	10,953,885	10,953,885	20,795,497	20,795,497	28,030,154	28,030,154
Total Financial Investments		88,784,965	64,340,969	93,335,443	78,619,809	98,061,820	87,024,319

5.1 Held-To-Maturity (HTM) Financial Assets

Treasury Bills	969,775	974,700	192,899	191,460	190,787	190,787
Treasury Bonds	14,402,918	14,634,679	18,240,869	19,436,783	21,696,629	21,696,629
	15,372,693	15,609,379	18,433,768	19,628,243	21,887,416	21,887,416

	Note	2012 Carrying Value Rs. '000	2011 Carrying Value Rs. '000	01.01.2011 Carrying Value Rs. '000
5.2 Loans & Receivables (L & R)				
Unlisted Debentures	5.2.1	2,274,245	2,015,204	1,562,459
Fixed Deposit		16,290,231	7,080,518	3,896,939
Reverse Repos		–	–	148,930
Development Bonds		5,106,038	4,586,578	4,498,518
Promissory Notes		–	–	34,284
Trust Certificates		60,767	53,260	25,314
Commercial Papers		206,770	332,363	–
		23,938,051	14,067,923	10,166,444

	2012			2011			01.01.2011		
	Maturity Date	Face Value	Carrying Value	Maturity Date	Face Value	Carrying Value	Maturity Date	Face Value	Carrying Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Bank of Ceylon	–	–	–	–	–	–	31.12.2011	250,000	250,071
Commercial Bank of Ceylon PLC	15.05.2016	125,000	141,608	15.05.2016	125,000	141,572	15.05.2016	125,000	141,563
Senkadagala Finance PLC	–	–	–	21.09.2012	50,000	50,191	21.09.2012	50,000	50,170
Senkadagala Finance PLC	02.12.2014	67,000	67,841	02.12.2014	100,000	100,966	–	–	–
People's Leasing PLC	26.04.2014	500,000	519,496	26.04.2014	500,000	513,233	26.04.2014	500,000	511,679
Merchant Bank of Sri Lanka PLC	31.08.2015	100,000	103,312	31.08.2015	100,000	103,312	31.08.2015	100,000	103,277
Commercial Leasing & Finance PLC	–	–	–	31.05.2012	500,000	505,688	31.05.2012	500,000	505,699
Abans (Pvt) Ltd.	31.05.2014	100,000	100,033	31.05.2014	100,000	100,033	–	–	–
Abans (Pvt) Ltd.	06.06.2014	100,000	100,033	06.06.2014	100,000	100,033	–	–	–
Lankem Ceylon PLC	08.04.2016	200,000	200,083	08.04.2016	2,000,000	–	–	–	–
Singer (Sri Lanka) PLC	30.04.2015	250,000	256,706	30.04.2015	2,500,000	200,070	–	–	–
Central Finance PLC	24.05.2015	500,000	534,703	–	–	–	–	–	–
Sampath Leasing & Factoring PLC	17.12.2015	50,000	50,560	–	–	–	–	–	–
National Development Bank PLC	30.06.2016	200,000	200,070	30.06.2016	200,000	200,106	–	–	–
		2,192,000	2,274,245		6,275,000	2,015,204		1,525,000	1,562,459

	Note	2012		2011		01.01.2011	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5.3 Available-For-Sale (AFS) Financial Assets							
Listed Equity Securities	5.3.1	22,423,654	22,423,654	22,748,461	22,748,461	33,286,320	33,286,320
Unlisted Equity Securities	5.3.2	90,581	90,581	81,555	81,555	113,137	113,137
Unit Trusts	5.3.3	1,437,209	1,437,209	2,270,658	2,270,658	2,250,136	2,250,136
Listed Debentures	5.3.4	3,424,049	3,424,049	2,972,856	2,972,856	2,075,449	2,075,449
Treasury Bonds		11,144,843	11,144,843	11,964,725	11,964,725	252,762	252,762
		38,520,336	38,520,336	40,038,255	40,038,255	37,977,804	37,977,804

	2012			2011			01.01.2011		
	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value
	Rs. '000	Rs. '000		Rs. '000	Rs. '000		Rs. '000	Rs. '000	

5.3.1 Listed Equity Securities

Banks, Finance & Insurance

Commercial Bank of Ceylon PLC	73,571,026	7,577,816	7,577,816	72,287,812	7,228,781	7,228,781	33,518,835	8,714,897	8,714,897
DFCC Bank PLC	26,509,832	2,995,611	2,995,611	26,509,832	2,992,960	2,992,960	35,667,332	7,115,633	7,115,633
Seylan Bank PLC	25,999,999	1,443,000	1,443,000	25,999,999	1,781,000	1,781,000	19,500,000	1,891,500	1,891,500
Hatton National Bank PLC	47,635,487	7,050,052	7,050,052	46,940,572	7,041,086	7,041,086	28,448,832	11,376,688	11,376,688
National Development Bank PLC	17,193,914	2,372,760	2,372,760	17,193,914	2,407,148	2,407,148	8,596,957	3,004,636	3,004,636

Construction & Engineering

Colombo Dockyard PLC	3,592,998	807,706	807,706	3,421,903	816,466	816,466	3,421,903	941,023	941,023

	2012			2011			01.01.2011		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Telecommunications									
Sri Lanka Telecom PLC	3,032,200	133,417	133,417	3,032,200	146,758	146,758	3,164,200	151,882	151,882
Information Technology									
E-Channelling PLC	-	-	-	30,781,062	246,248	246,248	4,112,366	90,061	90,061
Manufacturing									
Blue Diamonds Jewellery Worldwide PLC	10,559,100	45,292	45,292	10,865,900	88,014	88,014	-	-	-
		22,423,654	22,423,654		22,748,461	22,748,461		33,286,320	33,286,320

5.3.2 Unlisted Equity Securities

Associated Newspaper of Ceylon Ltd.	61,206	4,978	4,978	61,206	539	539	61,206	10,910	10,910
Equity Investments Lanka Ltd.	-	-	-	-	-	-	2,812,500	36,225	36,225
Fitch Ratings Lanka Ltd.	62,500	901	901	62,500	625	625	62,500	888	888
Ceybank Asset Management Ltd.	759,998	64,759	64,759	759,998	54,800	54,800	759,998	33,242	33,242
Texpro Industries Ltd.	2,250,000	13,005	13,005	2,250,000	18,653	18,653	2,250,000	18,652	18,652
Splendor Media (Pvt) Ltd.	-	-	-	-	-	-	25,000	7,615	7,615
National Asset Management Ltd.	1	0	0	1	0	0	1	0	0
VINC Advertising (Pvt) Ltd.	-	-	-	-	-	-	250,000	(1,125)	(1,125)
Ceylon Asset Management Co. Ltd.	1,250,000	6,938	6,938	1,250,000	6,938	6,938	1,000,000	6,730	6,730
		90,581	90,581		81,555	81,555		113,137	113,137

	2012			2011			01.01.2011		
	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000
5.3.3 Unit Trusts									
Ceybank Unit Trust	55,628,291	865,592	865,592	55,628,319	1,065,009	1,065,009	55,628,319	1,255,147	1,255,147
Ceybank Gilt Edged Fund	-	-	-	20,594,648	243,223	243,223	20,594,648	206,976	206,976
Namal Gilt Edged Fund	-	-	-	25,007,021	318,589	318,589	25,007,021	321,840	321,840
Ceylon Income Fund	27,004,714	359,163	359,163	29,851,022	397,616	397,616	29,851,022	165,441	165,441
Comtrust Equity Fund	12,016,630	212,454	212,454	12,016,630	246,221	246,221	12,016,630	302,732	302,732
		1,437,209	1,437,209		2,270,658	2,270,658		2,250,136	2,250,136

	2012			2011			01.01.2011		
	Maturity Date	Face Value	Carrying Value	Maturity Date	Face Value	Carrying Value	Maturity Date	Face Value	Carrying Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000		Rs. '000	Rs. '000
5.3.4 Listed Debentures									
Hatton National Bank PLC	-	-	-	11.09.2012	17,850	18,815	11.09.2012	17,850	18,790
Hatton National Bank PLC	02.04.2021	478,459	202,206	02.04.2021	478,459	182,126	02.04.2021	478,459	99,998
Hatton National Bank PLC	02.04.2024	1,362,794	410,579	02.04.2024	1,362,794	368,976	02.04.2024	1,362,794	200,059
Commercial Bank of Ceylon PLC	18.12.2016	250,000	285,147	18.12.2016	250,000	287,540	18.12.2016	250,000	285,000
Sampath Bank PLC				30.08.2012	285,000	335,011	30.08.2012	285,000	300,000
Sampath Bank PLC	12.10.2017	56,600	37,937	-	-	-	-	-	-
Nation Trust Bank PLC	19.08.2013	200,000	215,419	19.08.2013	200,000	215,492	19.08.2013	200,000	215,419
Nation Trust Bank PLC	04.08.2016	200,000	209,016	04.08.2016	200,000	209,041	-	-	-
LB Finance PLC	22.09.2013	50,000	49,887	22.09.2013	50,000	61,887	22.09.2013	50,000	61,854
Urban Development Authority	05.10.2015	871,480	894,592	05.10.2015	871,480	894,529	05.10.2015	871,480	894,329
Lanka ORIX Leasing Company PLC	05.08.2015	100,000	105,866	05.08.2015	100,000	104,776	-	-	-
Merchant Bank of Sri Lanka PLC	15.11.2014	140,000	148,231	15.11.2014	140,000	142,047	-	-	-
DFCC Vardhana Bank PLC	07.09.2016	148,148	148,205	07.09.2016	148,148	152,616	-	-	-
Pan Asia Banking Corporation PLC	18.03.2017	200,000	209,950	-	-	-	-	-	-
Bank of Ceylon	30.11.2017	500,000	507,014	-	-	-	-	-	-
	-	4,537,481	3,424,049	-	4,103,731	2,972,856	-	3,515,583	2,075,449

	Note	2012		2011		01.01.2011	
		Carrying Value* Rs. '000	Fair Value* Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)							
Listed Equity Securities	5.4.1	10,953,885	10,953,885	20,795,497	20,795,497	28,030,154	28,030,154
		10,953,885	10,953,885	20,795,497	20,795,497	28,030,154	28,030,154

*Listed Stocks Sales Proceeds Receivable of Rs. 671, 754 ('000) is included in the Other Assets (Note No. 15).

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

	No. of Shares	2012		No. of Shares	2011		No. of Shares	01.01.2011	
		Carrying Value Rs. '000	Fair Value Rs. '000		Carrying Value Rs. '000	Fair Value Rs. '000		Carrying Value Rs. '000	Fair Value Rs. '000
5.4.1 Listed Equity Securities									
Banks, Finance & Insurance									
Central Finance Company PLC	-	-	-	-	-	-	1,702,133	1,404,260	1,404,260
Sampath Bank PLC	968,536	193,707	193,707	3,805,870	742,145	742,145	7,615,396	2,071,388	2,071,388
Lanka ORIX Leasing Company PLC	-	-	-	10,762,560	897,598	897,598	12,420,160	1,577,360	1,577,360
Seylan Bank PLC (NV)	350,000	12,250	12,250	350,000	10,710	10,710	714,000	34,843	34,843
Pan Asia Banking Corporation PLC	1,394,666	26,499	26,499	1,394,666	54,867	54,867	697,333	36,261	36,261
Nations Trust Bank PLC	2,754,729	154,265	154,265	2,780,629	158,496	158,496	1,128,594	94,238	94,238

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	01.01.2011 Carrying Value Rs. '000	Fair Value Rs. '000
Nations Trust Bank PLC (W)	-	-	-	-	-	-	35	2	2
Hatton National Bank PLC (NV)	104,496	11,756	11,756	101,591	8,717	8,717	202,994	43,522	43,522
LB Finance PLC	1,842,900	272,749	272,749	1,842,900	254,320	254,320	-	-	-
People's Merchant Finance PLC	1,500	25	25	1,500	24	24	1,500	44	44
Commercial Bank of Ceylon PLC (NV)	-	-	-	-	-	-	1,517,941	212,189	212,189
Nation Lanka Finance PLC	979,500	9,697	9,697	979,500	15,476	15,476	-	-	-
Union Bank of Colombo PLC	11,100	153	153	11,100	211	211	-	-	-
Beverage, Food & Tobacco									
Ceylon Tobacco Company PLC	-	-	-	-	-	-	440	156	156
Distilleries Company of Sri Lanka PLC	2,878,600	477,848	477,848	2,878,600	423,442	423,442	2,320,200	412,996	412,996
Ceylon Beverage Holdings PLC	-	-	-	283,400	113,360	113,360	283,400	90,688	90,688
Raigam Wayamba Salterns PLC	1,700,000	4,250	4,250	1,700,000	7,140	7,140	-	-	-
The Lion Brewery (Ceylon) PLC	-	-	-	723,140	137,397	137,397	560,640	105,400	105,400
Cargills (Ceylon) PLC	776,000	112,908	112,908	776,000	157,528	157,528	382,100	74,510	74,510
Ceylon Cold Stores PLC	-	-	-	18,400	1,842	1,842	4,600	2,436	2,436
Renuka Shaw Wallace PLC	-	-	-	868,200	47,751	47,751	1,002,300	64,749	64,749

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000	01.01.2011 No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Diversified Holdings									
Hayleys PLC	-	-	-	-	-	-	38,101	13,145	13,145
Hemas Holdings PLC	6,635,700	179,164	179,164	6,635,700	221,632	221,632	13,044,000	579,154	579,154
John Keells Holdings PLC	9,409,034	2,069,046	2,069,046	14,623,216	2,500,566	2,500,566	11,416,113	3,403,134	3,403,134
Expo Lanka Holdings PLC	1,071,600	7,608	7,608	1,071,600	9,323	9,323	-	-	-
Aitken Spence & Co. PLC	-	-	-	44,032,575	5,504,072	5,504,072	44,032,575	7,485,538	7,485,538
CT Holdings PLC	-	-	-	82,000	14,678	14,678	82,000	14,924	14,924
Richard Pieris & Company PLC	2,430,000	19,197	19,197	2,430,000	21,870	21,870	1,000,000	10,600	10,600
Vallibel One PLC	1,121,800	20,417	20,417	1,121,800	26,811	26,811	-	-	-
Softlogic Holdings PLC	15,812,400	169,193	169,193	15,812,400	286,204	286,204	-	-	-
The Colombo Fort Land & Building PLC	5,020,600	106,929	106,929	3,020,600	147,405	147,405	-	-	-
Footwear & Textiles									
Kuruwita Textiles Mills PLC	-	-	-	414,400	9,904	9,904	414,400	12,432	12,432
Hayleys MGT Knitting Mills PLC	78,800	914	914	78,800	2,246	2,246	78,800	2,522	2,522
Hotels & Travels									
Aitken Spence Hotel Holdings PLC	8,815,100	630,554	630,554	8,815,100	612,649	612,649	10,695,209	1,133,692	1,133,692
Asian Hotels & Properties PLC	10,055,900	763,243	763,243	10,055,900	801,455	801,455	5,058,500	981,349	981,349
Keells Hotels PLC	72,847,800	1,005,300	1,005,300	72,847,800	976,161	976,161	72,847,800	1,456,956	1,456,956

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	01.01.2011 Carrying Value Rs. '000	Fair Value Rs. '000
Health Care									
Asiri Hospitals PLC	–	–	–	–	–	–	130,695,495	1,150,120	1,150,120
Asiri Surgical Hospital PLC	15,493,000	144,085	144,085	74,775,298	590,725	590,725	75,563,498	664,959	664,959
Manufacturing									
Chevron Lubricants Lanka PLC	–	–	–	469,000	79,730	79,730	500	80	80
Sierra Cables PLC	800	2	2	800	3	3	800	3	3
Lanka Cement PLC	509,700	4,842	4,842	509,700	9,939	9,939	509,700	14,272	14,272
ACL Cables PLC	2,748,400	185,242	185,242	2,748,400	203,382	203,382	2,188,900	186,275	186,275
Tokyo Cement Company (Lanka) PLC	3,005,975	86,873	86,873	3,005,975	132,263	132,263	1,830,375	101,586	101,586
Tokyo Cement Company (Lanka) PLC (NV)	4,003,600	77,269	77,269	4,003,600	122,110	122,110	4,003,600	160,945	160,945
Royal Ceramics PLC	4,913,279	486,415	486,415	5,244,000	734,160	734,160	875,000	266,788	266,788
Lanka Walltiles PLC	807,600	48,456	48,456	807,600	76,318	76,318	130,000	17,953	17,953
Samson International PLC	37	3	3	37	5	5	9,437	892	892
Investment Trusts									
Renuka Holdings PLC	2,122,698	75,568	75,568	2,122,698	115,687	115,687	2,500,000	155,000	155,000
Ceylon Guardian Investment Trust PLC	472,100	86,866	86,866	472,100	120,386	120,386	–	–	–

	No. of Shares	2012 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	2011 Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	01.01.2011 Carrying Value Rs. '000	Fair Value Rs. '000

Motors

United Motors Lanka PLC	24,200	2,565	2,565	24,200	5,533	5,533	–	–	–
Colonial Motors PLC	400,000	58,400	58,400	400,000	160,000	160,000	–	–	–
Diesel & Motor Engineering PLC	515,466	189,280	189,280	515,466	410,106	410,106	–	–	–

Trading

Singer (Sri Lanka) PLC	177,500	18,815	18,815	177,500	25,608	25,608	8	2	2
Brown & Company PLC	906,990	112,467	112,467	1,069,600	251,142	251,142	–	–	–
TESS Agro PLC	26,580,200	63,312	63,312	26,580,200	118,711	118,711	–	–	–
Lankem Ceylon PLC	516,500	85,223	85,223	516,500	134,290	134,290	–	–	–

Telecommunications

Dialog Axiata PLC	96,906,280	804,322	804,322	96,906,280	765,560	765,560	96,906,280	1,153,185	1,153,185
Sri Lanka Telecom PLC	17,713,735	779,404	779,404	17,713,735	857,345	857,345	17,713,735	850,259	850,259

Plantations

Talawakelle Tea Estates PLC	105,600	2,608	2,608	105,600	3,147	3,147	105,600	4,657	4,657

Power & Energy

Lanka IOC PLC	15,694,700	265,677	265,677	14,694,700	271,852	271,852	15,584,800	294,553	294,553
Laugfs Gas PLC	7,800	199	199	7,800	296	296	7,800	204	204

Information Technology

PC House PLC	876,700	4,734	4,734	876,700	12,011	12,011	1,812,300	20,479	20,479

	2012			2011			01.01.2011		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Chemicals & Pharmaceuticals									
CIC Holdings PLC	3,848,894	246,329	246,329	–	580,815	580,815	4,769,800	667,772	667,772
Land & Property									
Overseas Reality PLC	3,472,300	49,654	49,654	3,972,500	56,009	56,009	3,972,300	60,776	60,776
Construction & Engineering									
Colombo Dockyard PLC	3,592,548	807,605	807,605	3,421,475	816,364	816,364	3,421,475	940,906	940,906
		10,953,885	10,953,885		20,795,497	20,795,497		28,030,154	28,030,154

5.11 Movement of Carrying Values in Financial Investments

	Available- For-Sale Financial Assets Rs. '000	Financial Assets Fair Value Through Profit or Loss Rs. '000	Held-To- Maturity Financial Assets Rs. '000	Loans and Receivables Rs. '000	Total Rs. '000
As at 1st January 2012	40,038,254	20,795,497	18,433,769	14,067,923	93,335,443
Purchases	912,746	–	2,677,962	47,630,154	51,220,862
Maturities	(917,500)	(3,656,013)	(6,135,880)	(38,140,619)	(48,850,011)
Disposals	(930,808)	(4,709,678)	–	–	(5,640,486)
Fair Value Gain Recorded in Other Comprehensive Income	(680,139)	–	–	–	(680,139)
Fair Value Gain Recorded in Income Statement	81,582	(1,475,922)	–	–	(1,394,339)
Amortisation	80,423	–	538,603	7,507	626,532
Foreign Currency Translation Adjustment	–	–	–	883,521	883,521
Interest/Coupon Receipts	(64,222)	–	(141,765)	(510,434)	(716,421)
As at 31st December 2012	38,520,336	10,953,885	15,372,693	23,938,051	88,784,965

	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000

6. Investment in Subsidiaries

At cost	16,715,817	11,715,817	9,965,817

	Note	2012		2011		01.01.2011	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Listed Subsidiaries:	6.1	2,925,567	4,789,377	2,925,567	6,353,256	2,925,567	3,811,953
Unlisted Subsidiaries	6.2	13,790,250	–	8,790,250	–	7,040,250	–
		16,715,817		11,715,817		9,965,817	

	2012			2011			01.01.2011		
	No. of Shares	SLICL Holding	Carrying Value Rs. '000	No. of Shares	SLICL Holding	Carrying Value Rs. '000	No. of Shares	SLICL Holding	Carrying Value Rs. '000
The Lanka Hospitals Corporation PLC	122,177,993	54.61%	2,925,567	122,177,993	54.61%	2,925,567	122,177,993	54.61%	2,925,567
			2,925,567			2,925,567			2,925,567

6.1 Listed Subsidiaries

Litro Gas Lanka Ltd.	35,976,853	99.94%	3,510,063	35,976,853	99.94%	3,510,063	18,360,000	51.00%	1,760,063
Litro Gas Terminal Lanka (Pvt) Ltd.	158,710,945	100.00%	5,280,187	158,710,945	100.00%	5,280,187	158,710,945	100.00%	5,280,187
Management Services Rakshana (Pvt) Ltd.	5	100.00%	—	5	100.00%	—	—	100.00%	—
Canwill Holdings (Pvt) Ltd.	500,000,000	71.43%	5,000,000	—	—	—	—	—	—
Canowin Hotels & Spas (Pvt) Ltd. [Formerly Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.]	1	100.00%	—	—	—	—	—	—	—
			13,790,250			8,790,250			7,040,250

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

As at 31st December	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000

7. Property, Plant & Equipment

Consolidated

Carrying Amount	21,642,113	15,991,510	15,792,062
Work-in-Progress	4,764,889	38,322	35,502
	26,407,002	16,029,832	15,827,564

	Land	Buildings on Freehold Land	Building on Leasehold Land	Equipment	Furniture & Fittings	Motor Vehicle
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation						
Balance as at 1st January 2011	2,672,066	1,752,734	2,199,876	2,932,311	439,577	727,496
Additions During the Year	12,718	20,545	8,756	471,589	28,175	114,646
Transfers to Revaluation Reserve	–	–	–	–	(15,102)	86,749
Transfers	(210,000)	(149,626)	–	(65,224)	–	–
Disposals	(1,251)	–	–	–	–	(16,132)
Balance as at 31st December 2011	2,473,533	1,607,903	2,208,632	3,338,676	452,650	912,759
Additions During the Year	13,086	19,047	1,241,030	202,830	48,607	63,515
Transfer to Revaluation Reserve	2,094,275	1,413,105	–	(394,426)	52,300	37,081
Disposals	–	–	–	(86)	(5,040)	(17,701)
Balance as at 31st December 2012	4,580,894	3,040,055	3,449,662	3,146,994	548,517	995,654
Depreciation						
Balance as at 1st January 2011	–	136,190	1,648	1,910,167	298,058	556,226
Depreciation Charge for the Year	–	78,203	55,251	222,925	28,675	70,184
Disposals	–	–	–	–	–	(14,413)
Transfers	–	(7,875)	–	(3,318)	–	–
Balance as at 31st December 2011	–	206,518	56,899	2,129,774	326,733	611,998
Depreciation Charge for the Year	–	70,441	61,303	275,991	39,937	90,296
Transfer to Revaluation Reserve	–	(134,163)	–	(404,067)	(55,005)	(281,430)
Disposals	–	–	–	(24)	(1,000)	(6,193)
Balance as at 31st December 2012	–	142,796	118,202	2,001,682	310,665	414,671
Carrying Amount						
As at 31st December 2012	4,580,894	2,913,009	3,331,460	1,145,313	237,852	580,983
As at 31st December 2011	2,473,533	1,409,260	2,151,733	1,208,903	125,917	300,761
As at 31st December 2010	2,672,066	1,616,544	2,198,228	1,022,144	141,519	171,270

Property, Plant & Equipment includes fully-depreciated assets having a gross carrying amount of Rs. 1,001.899 million (2011 - Rs. 800.826 million). During the year Group has acquired Property, Plant & Equipment amounting to Rs. 1,075 million (2011 - Rs. 1,485 million).

Electrical Generators	Fixtures & Fittings	Passenger Lifts	Air-cond. Plant	Plant & Machinery	Storage Tanks, Pipe Lines and Pumping Stations	LPG Cylinders	Others	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
81,135	30,442	56,194	97,315	1,098,567	6,923,194	4,757,855	93,831	23,862,593
3,850	399	–	19,542	11,498	2,892	761,565	29,035	1,485,210
–	–	–	–	(161,263)	–	176,365	–	86,749
–	–	–	–	–	–	–	–	(424,850)
–	–	–	–	–	(973)	(120)	–	(18,476)
84,985	30,841	56,194	116,857	948,802	6,925,113	5,695,665	122,866	24,975,476
12,651	50	–	7,508	4,768	29,037	647,668	24,588	2,314,385
(21,125)	227,143	(56,194)	63,650	–	–	–	(22,957)	3,392,852
–	–	–	–	–	–	(3,456)	–	(26,283)
76,511	258,034	–	188,015	953,570	6,954,150	6,339,877	124,497	29,417,241
33,882	28,756	56,194	34,905	229,239	1,730,527	2,982,272	72,467	8,070,531
6,766	1,871	–	10,235	33,001	209,926	220,102	9,778	946,916
–	–	–	–	–	–	–	–	(14,413)
–	–	–	–	–	–	–	–	(17,193)
40,648	30,627	56,194	45,140	262,240	1,940,453	3,202,373	82,245	8,991,841
7,440	2,808	–	11,476	33,333	209,994	305,554	12,984	1,121,565
(39,408)	(24,211)	(56,194)	(56,616)	–	–	–	(24,517)	(1,075,611)
–	–	–	–	–	–	(511)	–	(7,728)
8,680	9,224	–	–	295,573	2,150,447	3,507,416	70,712	9,007,515
67,831	248,810	–	188,015	657,997	4,803,705	2,832,461	53,785	21,642,113
44,337	214	–	71,717	686,562	4,984,660	2,493,292	40,621	15,991,510
47,253	1,686	–	62,410	869,328	5,192,667	1,775,583	21,364	15,792,062

<i>As at 31st December</i>	2012 Rs. '000	2011 Rs. '000	01.01.2011 Rs. '000
Company			
Carrying Amount	8,467,152	4,135,217	4,440,213
	8,467,152	4,135,217	4,440,213

	Land Rs. '000	Buildings on Freehold Land Rs. '000	Building on Leasehold Land Rs. '000	Equipment Rs. '000
Cost/Valuation				
Balance as at 1st January 2011	2,545,941	1,509,531	10,426	614,032
Additions During the Year	–	–	–	269,247
Disposals	(1,251)	–	–	–
Transfers	(210,000)	(149,626)	–	(65,224)
Balance as at 31st December 2011	2,334,690	1,359,905	10,426	818,055
Additions During the Year	–	–	–	44,721
Transfer to Revaluation Reserve	2,094,275	1,413,105	–	(394,426)
Balance as at 31st December 2012	4,428,965	2,773,010	10,426	468,350

Depreciation				
Balance as at 1st January 2011	–	–	1,648	491,947
Depreciation Charge for the Year	–	75,476	486	50,401
Disposals	–	–	–	–
Transfer	–	(7,875)	–	(3,318)
Balance as at 31st December 2011	–	67,601	2,134	539,030
Depreciation Charge for the Year	–	66,562	439	85,115
Transfer to Revaluation Reserve	–	(134,163)	–	(404,067)
Balance as at 31st December 2012	–	–	2,573	218,078

Carrying Amount				
As at 31st December 2012	4,428,965	2,773,010	7,853	250,272
As at 31st December 2011	2,334,690	1,284,429	8,292	279,025
As at 31st December 2010	2,545,941	1,509,531	8,778	122,084

Property, Plant & Equipment includes fully-depreciated assets having a gross carrying amount of Rs. 929.788 million (2011 - Rs. 737.196 million). During the year Company has acquired Property, Plant & Equipment amounting to Rs. 77.130 million (2011 - Rs. 312.751 million).

Furniture & Fittings	Motor Vehicles	Electrical Generators	Fixtures & Fittings	Passenger Lifts	Air-cond. Plant	Others	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
125,294	319,166	81,135	30,442	56,194	97,315	25,990	5,415,466
9,963	5,812	3,850	399	–	19,542	3,938	312,751
–	(15,790)	–	–	–	–	–	(17,041)
–	–	–	–	–	–	–	(424,850)
135,257	309,188	84,985	30,841	56,194	116,857	29,928	5,286,326
10,163	–	12,651	50	–	7,508	2,037	77,130
52,300	37,081	(21,125)	227,143	(56,194)	63,650	(22,957)	3,392,852
197,720	346,269	76,511	258,034	–	188,015	9,008	8,756,308
79,064	233,288	33,882	28,756	56,194	34,905	15,568	975,252
9,445	34,527	6,766	1,871	–	10,235	4,381	193,588
–	(14,473)	–	–	–	–	–	(14,413)
–	–	–	–	–	–	–	(11,193)
88,509	253,402	40,648	30,627	56,194	45,140	19,949	1,143,234
17,009	28,028	7,440	2,808	–	11,476	4,656	221,533
(55,005)	(281,430)	(39,408)	(24,211)	(56,194)	(56,616)	(24,517)	(1,075,611)
50,513	–	8,680	9,224	–	–	88	289,156
147,207	346,269	67,831	248,810	–	188,015	8,920	8,467,152
46,748	55,786	44,337	214	–	71,717	9,979	4,135,217
46,231	85,878	47,253	1,687	–	62,410	10,422	4,440,213

7.1 Land & Building Carried at Revalued Amount

Company

Location	Land Rs. 000	Building Rs. 000
Land situated at No. 288, Union Place, Colombo 2.	1,262,450	40,194
Land & Building situated at No. 267, Union Place, Colombo 2.	244,530	450,953
Land & Building situated at No. 21, Vauxhall Street, Colombo 2.	1,682,500	1,939,936
Land & Building situated at Thelawala, Katubedda, Moratuwa	133,200	26,653
Land & Building situated at Lake Road, 4th Lane, Anuradhapura	6,000	5,284
Land & Building situated at Main Street, 2nd Lane, Anuradhapura	61,075	10,903
Land & Building situated at 571, Hospital Road, Jaffna	99,570	26,775
Land & Building situated at No. 25, Kande Veediya, Kandy	98,700	36,189
Land & Building situated at No. 20, Rajapaksha Broadway, Negombo	47,500	15,870
Land & Building situated at No. 7, Hakmana Road, Matara	119,725	30,910
Land & Building situated at No. 60/1, Park Road, Nuwara Eliya	103,010	5,198
Land & Building situated at No. 16/1, Dambulla Road, Kurunagala	–	58,948
Land & Building situated at No. 14A, Pulathisigama, Hingurakgoda	3,212	1,584
Land & Building situated at No. 46, Main Street, Trincomalee	77,650	12,610
Land & Building situated at No. 77, Ratnapura Road, Avissawella	76,875	4,260
Land situated at Baudhdhaloka Mawatha, Gampaha	61,350	–
Land & Building situated at 14, River Side Road, Kalutara	27,855	–
Land & Building situated at No. 32, Negombo Road, Marawila	7,500	4,275
Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy	8,400	7,136
Land & Building situated at No. 97, New Road, Ambalangoda	84,000	39,850
Land & Building situated at No. 211/C, Colombo Road, Pilimatalawa	18,000	12,569
Land situated at No. 42, Kurunegala Road, Chilaw	27,353	–
Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya.	18,818	1,040
Land & Building situated at Bogahahena, Dickwella Road, Beliatta	38,335	–
Land & Building situated at No. 68, Ragala Road, Rikillagaskada	17,080	5,943
Land situated at Gorakadeniya, Yatinuwara, Kandy	25,725	–
Land & Building situated at No. 69, Kottmale Road, Nawalapitiya	10,000	10,269
Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota	5,250	–
Land & Building situated at No. 6, Wadugodapitiya Veediya, Kandy	29,750	15,273
Land & Building situated at No. 389, Main Street, Kegalle	26,153	10,590
Land situated at Kachcheri Junction, Kandy Road, Jaffna	9,400	–
	4,428,965	2,775,010

The land and buildings were revalued during the year by Messrs Sunil Fernando Associates (Pvt) Ltd., using the cost method.

	Consolidated		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
8. Investment Properties			
Balance as at 1st January	359,625	–	–
Transfer from Property, Plant & Equipment	775,554	367,500	–
Fair value gains/(losses)	189,975	(7,875)	–
Balance as at 31st December	1,325,154	359,625	–

Represents property located at No. 6, Sir Baron Jayathilake Mawatha, Colombo 1, and Buildings at Southern Expressway at Welipenna.

	Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
8. Investment Properties			
Balance as at 1st January	359,625	–	–
Transfer from Property, Plant & Equipment	–	367,500	–
Fair value gains/(losses)	189,975	(7,875)	–
Balance as at 31st December	549,600	359,625	–

Property located at No. 6, Sir Baron Jayathilake Mawatha, Colombo 1.

	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
9. Leasehold Property			
Consolidated			
Leasehold Right to Land (Note 9.1)	43,248	21,613	21,881
Advance Lease Premium	133,854	119,991	106,127
Balance as at 31st December	177,102	141,604	128,008
Company			
Leasehold Right to Land (Note 9.1)	21,344	21,613	21,881
Balance as at 31st December	21,344	21,613	21,881

	2012 Rs. '000	Company 2011 Rs. '000	1st January 2011 Rs. '000
9.1 Leasehold Right to Land			
Consolidated			
Cost			
Balance as at 1st January	28,015	28,015	28,015
Additions during the year	22,127	–	–
Balance as at 31st December	50,142	28,015	28,015
Amortisation			
Balance as at 1st January	6,402	6,134	5,865
Amortisation of Leasehold Land	492	268	269
Balance as at 31st December	6,894	6,402	6,134
Net balance as at 31 December	43,248	21,613	21,881
Company			
Cost			
Balance as at 1st January	28,015	28,015	28,015
Additions during the year	–	–	–
Balance as at 31st December	28,015	28,015	28,015
Amortisation			
Balance as at 1st January	6,402	6,134	5,865
Amortisation of Lease hold Land	269	268	269
Balance as at 31st December	6,671	6,402	6,134
Net balance as at 31 December	21,344	21,613	21,881

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 Statement of Financial Position 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.

	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Consolidated			
Advanced Lease Premium			
Balance at the beginning of the period	119,991	106,127	88,752
Premium paid during the period	18,547	18,547	22,059
Amortised during the period	(4,684)	(4,683)	(4,683)
Balance at the end of the period	(133,854)	119,991	106,127
Company			
Advanced Lease Premium			
Balance at the beginning of the period	-	-	-
Premium paid during the period	-	-	-
Amortised during the period	-	-	-
Balance at the end of the period	-	-	-

The Lanka Hospitals Corporation PLC

The Lanka Hospitals Corporation PLC has entered into a 99 year lease agreement with the Urban Development Authority from 1999. In terms of this agreement as at 31st December 2012 a further sum of Rs. 250 million is payable by 2026.

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

The leasehold interest in the land obtained on lease was revalued on 31st December 2010 by Messrs A.A.M. Fathihu - F.I.V. (Sri Lanka) Incorporated valuer amounting to Rs. 1,294,051,875/-, and this is not incorporated in there Financial Statements.

Canowin Hotels & Spas (Pvt) Ltd.

Canowin Resorts & Spas (Pvt) Ltd. entered into a 99 year lease agreement with the Road Developments Authority from August 2011.

As per this agreement Rs. 22.127 million was paid for the leasehold right to the land on Southern Expressway, Welipenna.

	2012 Rs. '000	Consolidated 2011 Rs. '000	1st January 2011 Rs. '000
10. Intangible Assets			
Cost			
Balance at the 1st January,	3,058,029	2,992,805	1,576,730
Additions	106,094	65,224	–
On acquisition of Subsidiaries	–	–	1,416,075
Balance as at 31st December	3,164,123	3,058,029	2,992,805
Amortisation			
Balance at the 1st January,	3,319	–	–
Amortisation for the year	18,114	3,319	–
On acquisition of Subsidiaries	–	–	–
Balance as at 31st December	21,433	3,319	–
	3,142,690	3,054,710	2,992,805
Intangible Assets			
Goodwill on Acquisition	2,992,805	2,992,805	2,992,805
Computer Software	149,885	61,905	–
	3,142,690	3,054,710	2,992,805

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

The Recoverable amount of The Lanka Hospitals Corporation PLC, Litro Gas Lanka Ltd. and Litro Gas Terminal Lanka (Pvt) Ltd. was based on the Value in use which 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 in the YoY 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	1,577
Litro Gas Lanka Ltd.	842
Litro Gas Terminal Lanka (Pvt) Ltd.	574
	2,993

	Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Computer Software			
Cost			
Balance as at 1st January	65,224	–	–
Acquisition/Capitalised during the year	104,880	65,224	–
Impairment during the year	–	–	–
Balance as at 31st December	170,104	65,224	–

Amortisation and Impairment Losses

Balance as at 1st January	3,319	–	–
Amortisation for the year	18,063	3,319	–
Impairment during the year	–	–	–
Balance as at 31st December	21,382	3,319	–
Carrying amount as at 31st December	148,722	61,905	–

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000

11. Policyholder Loans

Policyholder Loans	1,539,431	1,388,244	1,481,940	1,539,431	1,388,244	1,481,940
	1,539,431	1,388,244	1,481,940	1,539,431	1,388,244	1,481,940

Policyholder Loans

The surrender value of the loans granted to policyholders as at 31st December 2012 amounted to Rs. 2,838 mn (2011 - Rs. 2,769 mn).

The Company grants policy loans at the market rate and hence initial recognition is at fair value.

If the total receivable of the loan including interest due and accrued exceeds the surrender value the policy terminates and becomes void. The Company has the first lien on all policies which are subject to policy loans and this mitigates the Company's credit exposure on Policy Loans.

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

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
12. Reinsurance						
Receivable						
Reinsurance Receivable on Settled Claims	536,559	250,575	221,175	536,559	250,575	221,175
Reinsurance Receivables on Outstanding Claims	1,506,350	1,168,932	1,357,831	1,506,350	1,168,932	1,357,831
Less: Provision for Impairment	(17,727)	(17,727)	(17,727)	(17,727)	(17,727)	(17,727)
	1,825,182	1,401,780	1,561,279	1,825,182	1,401,780	1,561,279

The Board of Directors has assessed the potential impairment loss of reinsurance receivables and provide the Rs. 17.7 million to Financial Statements as at the reporting date in respect to the reinsurance receivable.

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
13. Premium Receivable						
13.1 Premium Receivable from Policyholders						
Premium Receivables from Policyholders	1,157,470	1,457,841	1,403,064	1,157,470	1,508,794	1,403,064
Less: Provision for Impairment	(65,670)	(364,560)	(263,508)	(65,670)	(364,560)	(263,508)
Sub Total of Premium Receivable from Policyholders	1,071,800	1,093,281	1,139,556	1,071,800	1,144,234	1,139,556
13.2 Premium Receivable from Agents and Brokers						
Premium Receivables from Agents & Brokers	1,561,455	551,104	467,688	1,561,455	551,104	467,688
Less: Provision for Impairment	(21,890)	(121,520)	(87,836)	(21,890)	(121,520)	(87,836)
Sub Total of Premium Receivable from Agents & Brokers	1,539,565	429,584	379,852	1,539,565	429,584	379,852
Total Premium Receivable	2,411,365	1,522,865	1,519,408	2,411,365	1,573,818	1,519,408

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

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
14. Deferred Tax Assets						
Deferred Tax Liabilities						
Capital Allowances for Tax Purpose	(3,890)	(7,477)	(12,882)	(3,850)	(7,477)	(12,882)
Revaluation Surplus/ (Deficit) of Building	(1,991)	–	(1,159)	(1,991)	–	(1,159)
	(5,881)	(7,477)	(14,041)	(5,841)	(7,477)	(14,041)
Deferred Tax Assets						
Defined Benefit Obligations	53,997	52,577	63,805	53,801	52,577	63,805
Net Deferred Tax Assets	48,116	45,100	49,764	47,960	45,100	49,764

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
15. Other Assets						
Inventories 15.1	1,123,615	1,141,186	1,140,447	135,099	67,058	57,426
Other Receivables	1,110,165	702,487	212,237	1,075,039	624,375	212,239
Less: Provision for Impairment	(122,576)	(118,257)	(101,814)	(122,596)	(118,257)	(101,814)
	987,589	584,230	110,423	952,443	506,118	110,425
Amount due from Distilleries Company of Sri Lanka PLC	154,014	145,676	167,381	154,014	145,676	167,381
Staff Loans 15.2	474,448	242,898	265,017	474,448	242,898	265,017
Prepaid staff cost	241,590	163,281	160,662	241,590	163,281	160,662
Other Loans	225,942	200,590	206,333	225,942	200,590	206,333
Listed Stocks Sales Proceeds Receivable	671,754	–	–	671,754	–	–
Advance on Property, Plant & Equipment	157,918	90,401	10,682	157,918	90,401	10,682
Trade and Other Receivables 15.3	949,915	619,850	595,663	–	–	–
ESC Receivable	23,137	–	6,848	–	–	–
	5,009,922	3,188,112	2,663,456	3,013,208	1,416,021	977,926

15.1 Inventories

Insurance	135,099	67,058	57,426	135,099	67,058	57,426
Healthcare	149,338	145,639	86,451	–	–	–
Energy	859,178	928,938	996,570	–	–	–
	1,123,615	1,141,635	1,140,447	135,099	67,058	57,426
Provision for Obsolete Inventories	–	(449)	–	–	–	–
	1,123,615	1,141,186	1,140,447	135,099	67,058	57,426

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
15.2 Loans due from Employees						
At the beginning of the year	242,898	265,017	137,524	242,898	265,017	137,524
Loans Granted during the year	626,815	99,762	256,481	626,815	99,762	256,481
Recoveries during the year	(298,006)	(123,775)	(42,502)	(298,006)	(123,775)	(42,502)
Fair value adjustment on staff loan	(97,257)	1,894	(86,486)	(97,257)	1,894	(86,486)
At the end of the year	474,448	242,898	265,017	474,448	242,898	265,017

15.3 Trade and Other Receivables

Trade Receivable						
Trade & other receivables	523,632	340,338	265,684	–	–	–
Provision for doubtful Debt	(8,960)	(7,623)	(5,476)	–	–	–
Total Trade Receivable	514,672	332,715	260,208	–	–	–
Deposit and Prepayments	411,359	78,608	46,337	–	–	–
Advances and other receivables	223,884	208,527	289,118	–	–	–
	949,915	619,850	595,663	–	–	–

Advances and other receivables includes an advance of Rs. 22,000,000 (2011 - 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.

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
16. Insurance						
Contract-Deferred Expenses						
Reserve for Net Deferred Acquisition Expenses						
Reserve for Deferred Acquisition Expenses						
Balance as at 1st January	363,484	252,678	232,182	363,484	252,678	232,182
(Decrease)/Increase in Deferred Acquisition Expenses	10,664	110,807	20,496	10,664	110,807	20,496
Balance as at 31st December	374,148	363,484	252,678	374,148	363,484	252,678
Reserve for Deferred Reinsurance Commission						
Balance as at 1st January	(139,917)	(78,683)	(77,724)	(139,917)	(78,683)	(77,724)
Decrease/(Increase) in Deferred Acquisition Expenses	(12,795)	(61,234)	(959)	(12,795)	(61,234)	(959)
Balance as at 31st December	(152,712)	(139,917)	(78,683)	(152,712)	(139,917)	(78,683)
Total Reserve for Net Deferred Acquisition Expenses	221,436	223,568	173,995	221,436	223,568	173,995

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
17. Cash and Cash Equivalents						
Cash in Hand and at Bank	947,673	675,555	2,307,597	501,563	400,665	464,178
On Acquisition of Subsidiaries	–	–	2,363,505	–	–	–
Short-Term Investments						
Treasury Bonds	6,487,206	–	5,748,146	–	–	–
Treasury Bonds (Repos)	7,174,372	–	–	7,174,372	4,400	21,800
Treasury Bills (Repos)	6,434,215	9,647,300	21,800	678,301	3,061,289	5,748,146
Term Deposits	895,316	347,508	4,399,157	–	–	4,399,157
Total Cash and Cash Equivalents	21,938,782	10,670,363	14,840,205	8,354,036	3,466,354	10,633,281

18. Stated Capital

Issued and Fully Paid						
600,000,000 Ordinary Shares	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
	6,000,000	6,000,000	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 meetings of the Company.

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000

19. Capital Reserve

Revaluation Reserve	9,161,368	4,638,021	5,359,282	5,632,161	1,336,692	1,336,694

19.1 Reserve for Revaluation of Land and Building

Balance as at 1st January	4,638,021	5,359,282	1,457,510	1,336,691	1,336,691	1,457,510
Effect of Change in Percentage Holding	–	(1,124,421)	3,971,875	–	–	–
Surplus/(deficit) on Revaluation of Property, Plant & Equipment	4,671,096	(18,229)	–	4,671,096	–	(120,816)
Revaluation reserve	234,202	460,148	(1,123)	–	–	–
Depreciation transfer		(28,731)				
Deferred tax on revaluation surplus	(375,626)	–	(83,864)	(375,626)	–	–
Realisation of Revaluation Surplus	(9,773)	(13,476)	(6,072)	–	–	–
Effect on change in tax rate	3,448	3,448	20,956	–	–	–
Balance as at 31st December	9,161,368	4,638,021	5,359,282	5,632,161	1,336,691	1,336,694

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
20. Revenue Reserve						
General Reserve	643,442	643,442	643,442	643,442	643,442	643,442
Surplus from Life Insurance (20.1)	8,268,739	6,189,915	5,410,395	8,268,739	6,189,915	5,410,395
Policyholder Reserve Fund (20.2)	806,271	1,568,646	8,250,933	806,271	1,568,646	8,250,933
Retained Earnings (20.3)	15,947,150	11,288,183	7,348,680	14,316,180	12,889,018	11,185,601
	25,665,603	19,690,186	21,633,449	24,034,633	21,291,023	25,470,375

20.1 Surplus from Life Insurance

Balance as at 1st January	6,189,915	5,410,395	1,513,055	6,189,915	5,410,395	1,513,055
Surplus attributable to Shareholders from Life Insurance	2,307,406	4,463,461	2,647,238	2,307,406	4,463,461	2,647,238
Effect of Transition to SLFRS	271,418	(1,731,606)	1,250,102	271,418	(1,731,606)	1,250,102
Transferred to Shareholders	(500,000)	(1,952,335)	–	(500,000)	(1,952,335)	–
Balance as at 31st December	8,268,739	6,189,915	5,410,395	8,268,739	6,189,915	5,410,395

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
20.2 Policyholder Reserve Fund						
Balance as at 1st January	1,568,646	8,230,933	–	1,568,646	8,230,933	–
Effect of Transition to SLFRS	–	–	8,230,933	–	–	8,230,933
Change in Fair Value Measurements Applicable to Life Contract Liabilities	(762,375)	(6,662,287)	–	(762,375)	(6,662,287)	–
Balance as at 31st December	806,271	1,568,646	8,230,933	806,271	1,568,646	8,230,933
20.3 Retained Earnings						
Balance as at 1st January	11,288,183	7,348,680	2,219,456	12,889,018	11,185,601	2,219,456
Effect of Transition to SLFRS	–	–	5,294,548	–	–	5,294,548
Profit for the year	7,467,652	7,319,739	13,039,202	4,235,842	4,214,539	13,039,202
Surplus Attributable to Shareholders from Life Insurance	(2,307,406)	(4,463,461)	(2,647,238)	(2,307,406)	(4,463,461)	(2,647,238)
Dividend Declared and Paid	(1,001,279)	–	(6,720,366)	(1,001,279)	–	(6,720,366)
Transfer from Life Division	500,000	1,952,335	–	500,000	1,952,335	–
Change in Controlling Interest	–	(869,112)	(3,836,921)	–	–	–
Balance as at 31st December	15,947,150	11,288,183	7,348,680	14,316,180	12,889,018	11,185,601

21. Insurance Contract Liabilities - Life

Long duration contract liabilities 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 liabilities has been established based upon the following:

- Interest rates which vary by product and year of assurance.
- Mortality rates based on published mortality tables adjusted for actual experience by geographic area and 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 reversionary bonus to be paid is determined annually by the Company. The revisionary bonus includes life policyholders share of net income that are required to be allocated by the insurance contract or, by insurance regulations.

The valuation of the insurance liabilities - Life Insurance Business, as at 31st December 2012 was made by Drs. J.S.A. Plugge AAG Member of the Dutch Actuarial Society for and on behalf of Sri Lanka Insurance Corporation Ltd. In accordance with the Consultants Actuary's Report, the sum of provision, Rs. 2,432.27 million (In 2011 Rs. 2,329.36 Million), was included in the liability in respect of policyholders' reversionary bonus. In the opinion of the Consultant Actuary, the admissible assets of the Life Insurance Fund as at 31st December 2012 is adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under Section 26 of the Regulation of Insurance Industry Act No. 43 of 2000. The Life Insurance Fund also carried forward surplus for future growth and contingencies.

The Life Insurance Fund Assets including Shareholders' Transfer as at 31st December 2012 is Rs. 62,392 million (2011 - Rs. 60,323 million). The Board of Directors decided to transfer Rs. 2,307 million (2011 - Rs. 4,463 million) to shareholders' fund in the Statement of Financial Position in Life insurance. Subsequent to this transfer, the Life insurance fund stands Rs. 60,084 million (2011 - Rs. 55,860 million).

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Life Insurance Fund as at 1st January	55,860,475	49,569,355	41,484,784	55,860,476	49,569,355	41,484,784
Movement of the Fund	6,040,872	2,360,689	10,731,809	6,040,872	2,360,689	10,731,809
Other Comprehensive Income for the year	(271,418)	1,731,606	–	(271,418)	1,731,606	–
Transferred from Life Policyholders Reserve Fund	762,375	6,662,287	–	762,375	6,662,287	–
	62,592,504	60,523,937	52,216,593	62,592,504	60,523,937	52,216,593
Transfers of Surplus from Long-Term Insurance Business	(2,307,406)	(4,463,461)	(2,647,238)	(2,307,406)	(4,463,461)	(2,647,238)
Life Insurance Fund as at 31st December	60,084,899	55,860,475	49,569,355	60,084,899	55,860,476	49,569,355
Policyholder Outstanding Claims	2,441,149	2,634,046	3,004,247	2,441,149	2,634,046	3,004,247
	62,526,048	58,494,522	52,573,602	62,526,048	58,494,522	52,573,602

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for life insurance contract liabilities was carried out by drs. J.S.A. Plugge, Fellow of the Dutch Actuarial Society (AAG) and Fellow of the Actuarial Association of Sri Lanka (AASL) SA MAA, as at 31st December 2012 as required by SLFRS 4 - 'Insurance Contracts'. According to the Consultant Actuary's Report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2012. No additional provision was required against the LAT as at 31st December 2012.

22. Insurance Contract Liabilities - Non Life

The Non-Life Insurance Reserves as shown in the Statement of Financial Position represents the following:

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Reserves for Net Unearned Premium	4,851,538	4,492,164	3,565,816	4,851,538	4,492,164	3,565,816
Reserves for Title Insurance and Unexpired Risk Reserve	729,913	636,569	684,965	729,913	636,569	684,965
Reserves for Gross Outstanding Claims	8,716,353	8,004,097	7,522,172	8,716,353	8,004,097	7,522,172
	14,297,803	13,132,830	11,772,953	14,297,803	13,132,830	11,772,953
Reserve for Net Unearned Premium						
Reserve for Unearned Premium						
Balance as at 1st January	5,697,501	4,239,417	3,612,300	5,697,501	4,239,417	3,612,300
Transfer during the year	752,288	1,458,084	627,117	752,288	1,458,084	627,117
Balance as at 31st December	6,449,790	5,697,501	4,239,417	6,449,790	5,697,501	4,239,417

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Reserve for Unearned Reinsurance Premium						
Balance as at 1st January	(1,205,537)	(673,601)	(772,944)	(1,205,537)	(673,601)	(772,944)
Transfer during the year	(392,915)	(531,736)	99,344	(392,915)	(531,736)	99,344
Balance as at 31st December	(1,598,252)	(1,205,337)	(673,601)	(1,598,252)	(1,205,337)	(673,601)
Total Reserve for Net Unearned Premium	4,851,538	4,492,164	3,565,816	4,851,538	4,492,164	3,565,816
Reserve for Title Insurance and Unexpired Risk Reserve						
Reserve for Title Insurance						
Balance as at 1st January	336,469	288,166	244,375	336,469	288,166	244,375
Transfer during the year	(35,361)	48,303	43,791	(35,361)	48,303	43,791
Balance as at 31st December	301,108	336,469	288,166	301,108	336,469	288,166
Reserve for Unexpired Risk Reserve						
Balance as at 1st January	348,156	407,658	252,147	348,156	407,658	252,147
Transfer during the year	139,691	(59,502)	155,511	139,691	(59,502)	155,511
Balance as at 31st December	487,847	348,156	407,658	487,847	348,156	407,658

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Reserve for Reinsurance Unexpired Risk Reserve						
Balance as at 1st January	(48,056)	(10,859)	(61,950)	(48,056)	(10,859)	(61,950)
Transfer during the year	(10,986)	(37,197)	51,091	(10,986)	(37,197)	51,091
Balance as at 31st December	(59,045)	(48,056)	(10,859)	(59,045)	(48,056)	(10,859)
Total Reserve for Title Insurance and Unexpired Risk Reserve	729,915	636,569	684,965	729,915	636,569	684,965
Reserves for Gross Outstanding Claims						
Balance as at 1st January	5,891,581	5,814,099	7,120,284	5,891,581	5,814,099	7,120,284
Claims Incurred during the year	6,588,215	4,942,332	2,658,691	6,588,215	4,942,332	2,658,691
Claims paid during the year	(6,240,444)	(4,865,051)	(3,964,876)	(6,240,444)	(4,865,051)	(3,964,876)
Balance as at 31st December	6,239,151	5,891,381	5,814,099	6,239,151	5,891,381	5,814,099
IBNR/IBNER balance as at 1st January	2,112,715	1,708,072	1,425,951	2,112,715	1,708,072	1,425,951
Increase in IBNR/IBNER	364,486	404,643	282,121	364,486	404,643	282,121
IBNR/IBNER balance as at 31st December	2,477,202	2,112,715	1,708,072	2,477,202	2,112,715	1,708,072
Total Reserves for Gross Outstanding Claims	8,716,353	8,004,097	7,522,172	8,716,353	8,004,097	7,522,172

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

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for Non-Life insurance contract liabilities was carried out by drs. J.S.A. Plugge, Fellow of the Dutch Actuarial Society (AAG) and Fellow of the Actuarial Association of Sri Lanka (AASL)SA MAA as at 31st December 2012 as required by SLFRS 4 - 'Insurance Contracts'. According to the Consultant Actuary's Report, the Company adequately satisfies the LAT as at 31st December 2012. No additional provision was required against the LAT as at 31st December 2012.

	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Reconciliation between Insurance Contract Liabilities Non - Life and Technical Reserves			
Insurance Contract Liabilities Non - Life	14,297,803	13,132,830	11,772,953
Reserve for Net Deferred Acquisition Expenses	(221,436)	(223,568)	(173,995)
Reinsurance Receivable on Claims Outstanding	(1,506,350)	(1,168,932)	(1,357,831)
Technical Reserves	12,570,017	11,740,331	10,241,127

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
23. Current Tax Liabilities						
Balance as at 1st January	1,543,748	1,465,369	979,624	931,417	1,427,816	954,217
Income tax charge for the year	2,232,562	2,132,877	2,412,876	1,310,736	1,321,860	2,115,973
Income tax settlements made during the year	(2,168,214)	(2,054,498)	(1,927,132)	(1,171,087)	(1,818,259)	(1,642,374)
At the end of the year	1,608,096	1,543,748	1,465,369	1,071,066	931,417	1,427,816

24. Deferred Tax

Deferred Tax Liabilities

Capital Allowances for Tax Purposes	1,657,808	1,444,868	1,720,314	726,608	437,016	678,609
Surplus/Deficit on Building	1,059,954	746,792	907,064	375,626	–	(127,547)
	2,717,762	2,191,660	2,627,378	1,102,234	437,016	551,062

Deferred Tax Assets

Defined Benefit Obligations	(87,292)	(81,885)	(91,992)	(58,692)	(57,357)	(65,802)
Impairment of Receivable	(54,796)	(89,016)	(90,371)	(54,796)	(86,077)	(85,700)
Tax Loss carried forward	–	–	(134,346)	–	–	–
Impairment of Inventories	–	(2,174)	(2,174)	–	–	–
	(142,088)	(173,075)	(318,882)	(113,488)	(143,434)	(151,502)
Net Deferred Tax Liabilities	2,575,674	2,018,586	2,308,496	988,746	293,583	399,560

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
Balance as at 1st January	513,514	469,311	268,357	392,620	370,304	236,328
On acquisition of subsidiaries	-	-	60,524	-	-	-
Current Service Cost	45,109	42,026	38,000	20,527	25,665	28,206
Interest Expenses	51,522	47,289	29,112	38,762	37,060	28,628
Actuarial Gain/(Loss)	(24,379)	(19,400)	81,004	(28,861)	(22,648)	80,681
Balance as at 31st December	585,766	539,225	476,997	423,048	410,381	373,843
Benefit paid by the plan	(38,554)	(25,711)	(7,687)	(21,289)	(17,761)	(3,538)
Balance as at 31st December	547,212	513,514	469,311	401,759	392,620	370,306

As at 31st December 2012 the Gratuity Liability of the Company was actuarially valued under the Projected Unit Credit (PUC) method by Messrs Actuarial and Management Consultants (Pvt) Ltd., 1st Floor, 434, R.A. De Mel Mawatha, Colombo 3 for Rs. 401.759 million. The actuarial valuation is performed annually. Principal actuarial assumptions used:

	2012 %	2011 %
Discount Rate	11	10
Salary Increment Rate	8	7.5

The liability is not externally funded.

Subsidiaries

The Lanka Hospitals Corporation PLC

As at 31st December 2011 the Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by

Messrs Actuarial & Management Consultants (Pvt) Ltd., 1st Floor, 434, R.A. De Mel Mawatha, Colombo 3 for Rs. 51.5 million. (2011 - Rs. 42.7 million)

The actuarial valuation will be performed every year. Principal actuarial assumptions used:

	2012 %	2011 %
Discount Rate	11	10.50
Salary Increment Rate		
Salary Denoted in Sri Lankan Rs.	10	10
Salary Denoted in Indian Rs. and US\$	–	5

The liability is not externally funded.

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

Company retirement benefit obligation has been actuarially valued, the principal assumptions are as follows:

	2012 %	2011 %
Discount rate	10	10
Future salary increase	5	5
Staff turnover factor	21	21

The Liability is not externally funded.

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000
26. Other Liabilities						
Policyholder Advance Payments	392,239	367,963	616,555	392,239	367,963	616,555
Payables						
Agency Commission Payable	882,677	816,637	437,861	882,677	816,637	437,861
Economic Services Charge Tax Payable	2,288	33,215	33,290	–	30,000	30,000
Others Including Accrued Expenses	1,649,106	1,910,243	1,692,685	1,571,888	1,442,949	1,350,282
Agrahara Premium Payable	–	–	–	–	–	138,835
Riot Fund	56,153	47,016	51,088	56,153	47,016	51,088
Trade Payable	1,601,514	2,015,409	1,614,276	–	–	–
VAT Payable	22,187	24,779	13,626	–	–	–
Provision for Assessment of VAT Liability	345,000	345,000	345,000	345,000	345,000	345,00
Other Payables	1,715,225	95,664	79,471	–	–	–
Payable to the Ministry of Finance and Planning	4,000,000	–	–	–	–	–
Advanced Received	24,835	30,731	29,991	–	–	–
Customer deposit payable	4,100,247	3,815,767	3,467,767	–	–	–
	14,791,471	9,502,424	8,957,890	3,247,957	3,049,565	2,969,621

	Consolidated			Company		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000

27. Financial Liabilities

Syndicate Loan (Note 27.1)	-	-	15,090	-	-	-
NDB Loan (Note 27.2)	-	-	7,500	-	-	-
Bank Overdraft	598,220	592,748	415,502	287,677	310,274	285,703
	598,220	592,748	458,092	287,677	310,274	285,703
Amount Payable within 1 Year	598,220	592,748	458,092	287,677	310,274	285,703
Amount Payable after 1 Year	-	-	-	-	-	-

	Consolidated		
	2012 Rs. '000	2011 Rs. '000	1st January 2011 Rs. '000

27.1 Lender

Hatton National Bank PLC	-	-	7,500
National Development Bank PLC	-	-	3,795
Seylan Bank PLC	-	-	3,795
	-	-	15,090

27.2 National Development Bank PLC

	-	-	7,500
	-	-	7,500

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
28. Revenue				
Gross Written Premium	19,998,873	18,162,048	20,172,623	18,220,672
Less: Premium Ceded to Reinsurers	(3,080,169)	(2,823,921)	(3,080,169)	(2,823,921)
Net Written Premium	16,918,704	15,338,127	17,092,454	15,396,751
Net Change in Reserve for Unearned Premium	–	(974,651)	(324,013)	(974,651)
Net Earned Premium	16,918,704	14,363,476	16,768,441	14,422,100
Income from Investments	7,259,684	1,917,577	7,259,684	1,917,577
Other Income	1,616,190	868,250	1,616,190	868,250
Hospital Revenue	2,688,572	2,270,848	–	–
Pharmacy Revenue	717,293	646,808	–	–
Revenue from Liquid Petroleum Gas (LPG) Activities	25,470,869	21,109,235	–	–
Throughput fee	930,442	763,665	–	–
	55,601,754	41,939,859	25,644,316	17,207,927

29. Gross written Premium

Life Insurance				
Group and Non Group	6,859,028	6,360,925	7,032,778	6,419,549
Group Term Life Assurance	336,254	323,524	336,254	323,524
Non-Life Insurance	–	–	–	–
Fire & Engineering Risk	1,360,740	1,751,207	1,360,740	1,751,207
General Accident	3,468,072	2,628,258	3,468,072	2,628,258
Marine	289,965	429,656	289,965	429,656
Workmen's Compensation	93,250	79,958	93,250	79,959
Motor	7,591,566	6,588,520	7,591,566	6,588,520
TOTAL GWP	19,998,873	18,162,048	20,172,623	18,220,672

The Company has opted to record life Insurance premium on an accrual basis. The prior year balances have not been restated since the impact is immaterial.

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
30. Investment Income				
Investment Income				
Rental Income from Investment Properties	41,428	41,428	41,428	41,428
Financial Assets at Fair Value Through Profit & Loss				
Realised/Unrealised Gains/(Losses) - FVTPL	(1,475,922)	(6,281,616)	(1,475,922)	(6,281,616)
Available-for-Sale Financial Assets				
Realised Gains/(Losses) - Listed Stocks	65,832	908,834	65,832	908,834
Realised Gains/(Losses) - Unlisted Stocks	–	10,244	–	10,244
	(1,410,090)	(5,362,538)	(1,410,090)	(5,362,538)
Available-for-Sale Financial Assets				
Realised Gains/(Losses) on sale of Unit Trusts	98,862	–	98,862	–
	98,862	–	98,862	–
Dividend Income				
Listed Stocks	970,835	1,124,338	970,835	1,124,338
Unlisted Stocks	3,600	3,780	3,600	3,780
Subsidiaries	801,829	–	801,829	–
Unit Trusts	151,288	137,159	151,288	137,159
	1,927,551	1,265,276	1,927,551	1,265,276
Interest Income				
Treasury Bonds	3,258,164	4,314,437	3,258,164	4,314,437
Listed Debentures	386,015	315,718	386,015	315,718
Unlisted Debentures	295,283	217,025	295,283	217,025
Treasury Bills	89,573	18,788	89,573	18,788
Reverse Repos	797,464	267,861	797,464	267,861
Fixed Deposits	1,533,259	642,925	1,533,259	642,925
Development Bonds	243,960	209,906	243,960	209,906
Commercial Papers	37,180	19,846	37,180	19,846
Trust Certificates	7,507	6,713	7,507	6,713
Interest Rate SWAP	(5,044)	1,870	(5,044)	1,870
	6,643,360	6,015,866	6,643,360	6,015,866
	7,301,112	1,959,006	7,301,112	1,959,006

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
31. Other Income				
Rent Income	68,206	69,658	68,206	69,658
Interest on Policyholders and Other Loans	407,641	342,835	407,641	342,098
Written Back of old balance	–	36,535	–	36,535
Sundry Income	901,763	1,094,571	262,598	390,238
Gain on disposal of Property, Plant & Equipment	14,541	32,649	–	–
	1,392,151	1,565,533	737,095	838,529

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000

32. Net Benefit and Claims

(a) Gross benefits and claims paid

Non-Life Insurance (Gross Claims)

Fire	(357,437)	(321,165)	(357,437)	(321,165)
Motor	(4,076,991)	(2,979,968)	(4,076,991)	(2,979,968)
Marine	(96,442)	(59,465)	(96,442)	(59,465)
Miscellaneous	(1,603,574)	(1,504,453)	(1,603,574)	(1,504,453)
	(6,134,444)	(4,865,051)	(6,134,444)	(4,865,051)
Life Insurance				
Death Claims	(172,487)	(201,100)	(172,487)	(201,100)
Policy Maturities	(3,740,130)	(3,531,790)	(3,740,130)	(3,536,030)
Surrenders	(286,612)	(189,558)	(286,612)	(189,558)
Disability, Ex-gratia, Annuities, Hospitalisation and Mortgage Protection	(95,132)	(82,270)	(95,132)	(82,270)
	(4,294,361)	(4,004,718)	(4,294,361)	(4,008,958)
Total Gross Benefits and Claims Paid	(10,428,805)	(8,869,769)	(10,428,805)	(8,874,009)

	Consolidated		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

(b) Claims Ceded to Reinsurers

Claims Recovered from Reinsurers	563,600	514,156	563,600	514,156
Total Claims Ceded to Reinsurers	563,600	514,156	563,600	514,156

(c) Gross Change in Contract Liabilities

Change in Non-Life Insurance Contract Outstanding Claims Provision	(629,589)	(111,724)	(629,589)	(111,724)
Change in Premium Deficiency Provision	(128,705)	96,699	(128,705)	96,699
Total Gross Change in Contract Liabilities	(758,294)	(15,025)	(758,294)	(15,025)

(d) Change in Contract Liabilities Ceded to Reinsurers

Change in Non-Life Insurance Contract Outstanding Claims Provision	340,256	(188,902)	340,256	(188,902)
Change in Premium Deficiency Provision	-	-	-	-
Total Change in Contract Liabilities Ceded to Reinsurers	340,256	(188,902)	340,256	(188,902)
Total Net Benefits and Claims	(10,283,243)	(8,559,540)	(10,283,243)	(8,563,780)

33. Underwriting and Net Acquisition Costs (Including Reinsurance)

Acquisition Cost	1,925,996	1,681,801	1,925,996	1,681,801
Net Change in Reserve for Deferred Acquisition Cost (DAC)	(10,664)	(110,807)	(10,664)	(110,807)
	1,915,332	1,570,994	1,915,332	1,570,994
Reinsurance Commission Received	319,577	374,612	319,577	374,612
Net Change in Reserve for Unearned Commission (UCR)	(12,795)	(61,234)	(12,795)	(61,234)
	306,782	313,378	306,782	313,378
	1,608,550	1,257,616	1,608,550	1,257,616

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
34. Income Tax Expense				
Current Tax Expense				
Current Tax Year	2,232,562	2,150,595	1,310,736	1,321,860
Reversal of Economic Service Charge	–	(17,718)	–	–
Under/(Over) Provision in Previous Years	–	–	–	–
	2,232,562	2,132,877	1,310,736	1,321,860
Deferred Tax Expense				
Origination and reversal of Temporary Differences	365,756	75,082	316,677	(101,313)
Effect on changes in tax rate	–	(86,187)	–	–
Income Tax Expense Reported in Statement of Income	2,598,318	2,121,773	1,627,413	1,220,547

35. Basic Earnings Per Share

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

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Amounts Used as the Numerators				
Net Profit Attributable to Ordinary Shareholders	7,467,652	7,319,739	4,235,842	4,214,539
Numbers of Ordinary Shares Used as Denominators				
Weighted Average Number of Ordinary Shares in Issue	600,000	600,000	600,000	600,000
Basic Earnings per Share	12.45	12.20	7.06	7.02

	Consolidated		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
36. Dividend paid and proposed				
Dividend Paid	1,200,000	1,001,278	1,200,000	1,001,278
Weighted Average Number of Ordinary Shares in Issue	600,000	600,000	600,000	600,000
Dividend per Share (Rs.)	2.00	1.67	2.00	1.67

37. Commitments and Contingencies and Guarantees

37.1 Capital Commitments

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

37.2 Contingent Liabilities and Guarantees

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

37.3 Contingent Liabilities and Guarantees

(a) Contingent Liabilities

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

In 2006 the Commissioner General of Inland Revenue 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 would 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 unfavorable to the Company, an additional liability of Rs. 690 million for the year 2007 may arise.

On 2nd April 2013 Commissioner General of Inland Revenue has issued a Value Added Tax Assessment on Financial Services for the taxable period from 1st January 2010 to 31st December 2010 amounting to Rs. 2,363 million. The Company has filed a valid appeal against these assessments.

(b) Guarantees

<i>For the year ended 31st December</i>	2012 Rs. '000	2011 Rs. '000
Company		
Shell Brands International AG	–	112,500

38. Events after the Reporting Date

There were no significant events after the reporting date other than disclosed below. The Secretary to the Treasury reconstituted the Board by appointing the following Directors on 21st May 2013:

Mr. Upali Dharmadasa

Mr. Mohan De Alwis

Mr. Piyadasa Kudabalage

Mr. Isuru Balapatabandi

Mr. Nayana D.P. Dehigama

Mr. S.V.R. Samarasinhe

Mrs. I.T.K. Illangamudali (Appointed w.e.f. 4th June 2013)

39. Related Party Disclosures

39.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 (LKAS) - 'Related Party Transaction, Key Management Personnel' are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Chairman and the Board of Directors have been classified as Key Management Personnel of the Company.

Mr. Mohan De Alwis

Mr. Piyadasa Kudabalage

Mr. K.A.D.D. Perera (Resigned w.e.f. 21st May 2013)

Mr. C.N.V. Selvanayagam (Resigned w.e.f. 21st May 2013)

Dr. B.M.S. Batagoda (Resigned w.e.f. 21st May 2013)

(a) Key Management Personnel Compensation

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

<i>For the year ended 31st December</i>	2012 Rs. '000	2011 Rs. '000
Short-Term Employee Benefits	23,098	27,257
Other Long-Term Benefits	–	–
Other Transactions		
Sale of Goods and Services to Key Management Personnel	258	–

Details of Significant Related Party Disclosures are as follows:

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

Ceybank Asset Management (Pvt) Ltd.

Ceylon Asset Management Co. Ltd.

Canwill Holdings (Pvt) Ltd.

Canowin Hotels & Spas (Pvt) Ltd. (Formerly known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd.)

Sino Lanka Resorts & Spas (Pvt) Ltd.

For the year ended 31st December

	2012 Rs. '000	2011 Rs. '000
Nature of the Transaction		
Insurance Premium Received	66,529	36,109
Claims Paid	2,060	4,240
Investment in Equity Shares as at 31st December	16,854,148	11,827,329
Loans Granted to Management Service Rakshana (Pvt) Ltd. - Staff	30,909	54
Loans Outstanding as at 31st December (MSRL) - Staff	26,491	18,670
Advances Given	7,799	7,799
Other Receivables as at 31st December	23,637	7,916
Payment of Emoluments	258,501	196,271
Payment of Expenses	9,225	685
Other Payables	33,750	43,036
Investment in Unit Trusts	1,437,209	1,003,927
Rent Income/Receivables	15,741	13,714

40. Explanation of Transition to New SLASs

40.1 Reconciliation of Equity - Group

As stated in Note 4 these are the Group's first Financial Statements prepared in accordance with new Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL).

The Accounting Policies set out in Note 3 have been applied in preparing these Financial Statements for the year ended 31st December 2012, the comparative information presented in these Financial Statements for the year ended 31st December 2011 and in the preparation of opening Statement of Financial Position as at 1st January 2011.

Financial Statements prepared in accordance with previous SLASs and explanation of how the transition from previous SLASs to new SLFRSs has affected the Company's financial performance is set out in the following tables and Notes:

	Note	1st January 2011			31st December 2011		
		Previous SLASs	Effect of Transition to SLFRSs/ LKASs	SLFRSs/ LKASs	Previous SLASs	Effect of Transition to SLFRSs/ LKASs	SLFRSs/ LKASs
Assets							
Financial Investments	40.1.1	58,747,057	39,314,763	98,061,820	76,377,143	16,958,300	93,335,443
Property, Plant & Equipment	40.1.2	15,827,567	–	15,827,567	16,451,361	(421,529)	16,029,832
Investment Property		–	–	–	–	359,625	359,625
Leasehold Property	40.1.2	128,009	–	128,009	141,604	–	141,604
Intangible Assets	40.1.2	2,992,805	–	2,992,805	2,992,805	61,905	3,034,710
Loans to Policyholders		1,850,812	(368,872)	1,481,940	1,711,012	(322,768)	1,388,244
Reinsurance Receivable	40.1.3	1,514,432	46,848	1,561,279	1,327,575	74,205	1,401,780
Premium Receivable from Policyholders	40.1.4	995,499	144,057	1,139,556	1,131,145	(37,864)	1,093,281
Premium Receivable from Agents, Brokers and Intermediaries	40.1.4	331,833	48,019	379,852	394,033	35,552	429,584
Deferred Tax Asset		49,764	–	49,764	45,100	–	45,100
Other Assets		2,509,761	153,694	2,663,456	3,121,979	66,133	3,188,112
Insurance Contract - Deferred Expenses	40.1.5	–	173,995	173,995	–	223,568	223,568
Cash and Cash Equivalents	40.1.6	14,333,061	507,143	14,840,205	10,669,005	1,358	10,670,363
		99,280,600	40,019,646	139,300,245	114,362,762	16,998,484	131,361,246

	Note	1st January 2011			31st December 2011		
		Previous SLAs	Effect of Transition to SLFRSs/LKAs	SLFRSs/LKAs	Previous SLAs	Effect of Transition to SLFRSs/LKAs	SLFRSs/LKAs
Liabilities & Shareholders' Equity							
Equity							
Stated Capital		6,000,000	–	6,000,000	6,000,000	–	6,000,000
Capital Reserve		1,566,107	3,793,175	5,359,282	1,819,809	2,818,212	4,638,021
Reserves		10,633,129	36,704,739	47,337,868	19,417,822	13,463,140	32,880,962
Total Equity							
Attributable to Equity Holders of the Company		18,199,235	40,497,915	58,697,150	27,237,630	16,281,553	43,518,983
Non-Controlling Interest		2,041,104	–	2,041,104	1,517,980	4,707	1,522,687
Total Equity		20,240,339	40,497,915	60,738,254	28,755,610	16,286,060	45,041,670
					–		–
Liabilities							
Insurance Contract Liabilities - Life		52,573,602	–	52,573,602	58,494,522	–	58,494,522
Insurance Contract Liabilities - Non-Life	40.1.5	12,359,448	(586,495)	11,772,953	13,359,262	(226,432)	13,132,830
Deferred Tax Liabilities		2,326,369	(17,873)	2,308,496	2,029,694	(11,108)	2,018,586
Retirement Benefit Obligations		469,311	–	469,311	513,514	–	513,514
Other Liabilities		9,408,069	126,099	9,534,168	9,284,987	938,642	10,223,628
Current Tax Liabilities		1,465,369	–	1,465,369	1,532,427	11,322	1,543,748
Financial Liabilities		438,092	–	438,092	392,747	–	392,747
Total Liabilities		79,040,261	(478,269)	78,561,991	85,607,152	712,424	86,319,576
		99,280,600	40,019,646	139,300,245	114,362,762	16,998,484	131,361,246

Reconciliation of Comprehensive Income for the Year ended 31st December 2011

	Note	Previous SLASs	1st January 2011 Effect of Transition to SLFRSs LKASs	SLFRSs LKASs
Revenue		53,209,883	(11,270,024)	41,939,859
Gross Written Premium	40.1.7	18,306,568	(144,519)	18,162,048
Less: Premium Ceded to Reinsurers		(2,823,921)	–	(2,823,921)
Net Written Premium		15,482,647	(144,519)	15,338,127
Net Change in Reserve for Unearned Premium		(877,952)	(96,699)	(974,651)
Net Earned Premium		14,604,695	(241,219)	14,363,476
Revenue From Other Operations		25,553,074	(762,518)	24,790,556
		40,157,769	(1,003,736)	39,154,032
Benefits, Losses and Expenses				
Insurance Claims and Benefits (Net)	40.1.8	(8,345,749)	(215,791)	(8,559,540)
Underwriting & Acquisition Costs		(1,240,339)	(17,277)	(1,257,616)
Other Insurance Related Costs		(2,097,025)	2,097,025	–
Change in Contract Liabilities - Life Fund		(6,291,119)	8,393,893	2,102,772
Cost of Services of Subsidiary		(19,642,047)	762,518	(18,879,529)
Total Benefit, Losses and Expenses		(37,616,278)	11,022,367	(26,593,913)
Net Revenue Less Benefits, Losses and Expenses		2,541,491	10,018,629	12,560,119

Other Revenue

Income from Investments	12,068,939	(10,109,933)	1,959,006
Other Income	1,722,245	(156,892)	1,565,353
Fees and Commission Income	–	17,277	17,277
Net Realised Gains	–	175,715	175,715
Net Fair Value Gains and Losses	–	(204,700)	(204,700)

	Note	Previous SLASs	1st January 2011 Effect of Transition to SLFRSs LKASs	SLFRSs LKASs
Expenses				
Other Operating and Administrative Expenses		(4,618,542)	(2,119,462)	(6,738,004)
Profit from Operations		11,714,133	(2,379,366)	9,334,766
Net Finance Income/(Expense)		305,985	(385)	305,600
Profit Before Taxation		12,020,118	(2,379,751)	9,640,366
Income Tax Expense		(2,121,975)	202	(2,121,773)
Net Profit for the Year		9,898,143	(2,379,549)	7,518,593

40.1.1 Financial Investments

The Company has categorised investments as required by LKAS 39, 'Financial Instruments - Recognition and Subsequent Measurement of Investments' have changed according to the categorisation as shown below measurement:

Type of Instrument	Measurement Under Previous SLASs	Classification Under LKAS 39	Subsequent Measurement Under LKAS 39
Treasury Bills and Treasury Bonds	Cost	Held-to-Maturity Available-for-Sale	Amortised cost Fair Value through Other Comprehensive Income (OCI)
Term deposits	Cost	Loans and receivables	Amortised Cost
Repurchase Agreements on Government Securities	Cost	Loans and receivables	Amortised Cost
Corporate Debts	Cost	Loans and receivables	Amortised Cost
Quoted Shares	Lower of costs and market Value	Fair Value Through Profit or Loss Available-for-Sale	Fair value through Statement of Income Fair Value Through Other Comprehensive Income (OCI)
Unit Trusts	Lower of costs and market Value	Available-for-Sale	Fair Value Through Other Comprehensive Income (OCI)

	2011 Rs. '000	1st January 2011 Rs. '000
Statement of Financial Position		
Available-for-Sale	13,010,297	25,204,071
Fair Value Through Profit or Loss	3,936,156	14,106,947
Held-to-Maturity	–	–
Loans & Receivables	13,197	7,805
Interest Receivable	(1,350)	(4,060)
	16,958,300	39,314,763

40.1.2 Statement of Financial Position

	2012 Rs. '000	1st January 2011 Rs. '000
Intangible Assets	61,905	–
Investment Properties	359,625	–
Property, Plant & Equipment	(421,530)	–
	–	–

The amount on which Capital and Cumulative interest of the policy loans exceeds the surrender value of the policy has been removed from the Policy Loans Outstanding as at financial year end in adopting the SLFRSs.

40.1.3 Reinsurance Receivables

The Company has reviewed the receivable from reinsurers and amount due more than 60 days has been removed from the receivable amount at the financial year end.

	2011 Rs. '000	1st January 2011 Rs. '000
Reversal of Bad Debt Provisions	91,932	64,575
Adjustment for impairment	(17,727)	(17,727)
	74,205	46,848

40.1.4 Premium Receivables

Statement of Financial Position

Reversal of Premium	144,519	–
Adjustment for Impairment	(142,207)	192,076
	2,312	192,076

40.1.5 Insurance Provision Non-Life

	2011 Rs. '000	1st January 2011 Rs. '000
Statement of Financial Position		
Reversal of Contingency Reserves	–	(400,489)
Deferred Acquisition Costs	223,568	173,995
Adjustment on CAT Reserves	(450,000)	(360,000)
	(226,432)	(586,495)

40.1.6 Cash & Cash Equivalents

Interest on Treasury Bonds	1,358	507,143
	1,358	507,143

40.1.7 Statement of Comprehensive Income

Gross Written Premium

Reversal of Premium	(144,519)	–
	(144,519)	–

40.1.8 Insurance Claims & Benefits

Reversal of Contingency Reserves	(400,489)	–
Reserve for Unexpired Risk Reserve	(96,699)	–
Adjustment on CAT Reserves	90,000	–
	(213,791)	–

40.2 Reconciliation of Equity - Company

	Note	1st January 2011			31st December 2011		
		Previous SLASs	Effect of Transition to SLFRSs/ LKASs	SLFRSs/ LKASs	Previous SLASs	Effect of Transition to SLFRSs/ LKASs	SLFRSs/ LKASs
Assets							
Financial Investments	40.2.1	58,747,061	39,314,759	98,061,820	76,377,146	16,958,286	93,335,432
Investments in Subsidiaries		9,965,816	–	9,965,816	11,715,815	–	11,715,815
Property, Plant & Equipment		4,440,213	–	4,440,213	4,556,748	(421,530)	4,135,218
Investment Properties		–	–	–	–	359,625	359,625
Leasehold Property		21,881	–	21,881	21,613	–	21,613
Intangible Assets		–	–	–	–	61,905	61,905
Loans to Policyholders	40.2.2	1,850,812	(368,872)	1,481,940	1,711,012	(322,768)	1,388,244
Reinsurance Receivable	40.2.3	1,514,432	46,848	1,561,279	1,327,575	74,205	1,401,780
Premium Receivable from Policyholders	40.2.4	995,498	144,058	1,139,557	1,182,098	(37,864)	1,144,234
Premium Receivable from Agents, Brokers and Intermediaries	40.2.4	331,833	48,019	379,852	394,033	35,552	429,584
Deferred Tax Asset		49,764	–	49,764	45,100	–	45,100
Other Assets		950,368	27,558	977,926	1,382,840	33,182	1,416,022
Insurance Contract - Deferred Expenses	40.2.6	–	173,995	173,995	–	223,568	223,568
Cash and Cash Equivalents	40.2.5	10,126,139	507,142	10,633,281	3,464,998	1,350	3,466,348
		88,993,817	39,893,506	128,887,320	102,178,976	16,963,510	119,144,486

	Note	1st January 2011			31st December 2011		
		Previous SLASs	Effect of Transition to SLFRSs/LKASs	SLFRSs/LKASs	Previous SLASs	Effect of Transition to SLFRSs/LKASs	SLFRSs/LKASs
Liabilities & Shareholders' Equity							
Equity							
Stated Capital		6,000,000	–	6,000,000	6,000,000	–	6,000,000
Capital Reserve		1,556,692	–	1,556,692	1,556,692	–	1,556,692
Reserves	40.2.6	10,694,790	40,479,998	51,174,788	17,289,873	17,191,942	34,481,815
Total Equity Attributable to Equity Holders of the Company		18,051,482	40,479,998	58,511,480	24,626,565	17,191,942	41,818,507
Liabilities							
Insurance Contract liabilities - Life		52,573,602	–	52,573,602	58,494,520	–	58,494,520
Insurance contract Liabilities - Non-Life	40.2.7	12,559,448	(586,490)	11,598,953	13,359,262	(226,432)	13,132,830
Deferred Tax Liabilities		399,560	–	399,560	293,583	–	293,583
Retirement Benefit Obligations		370,306	–	370,306	392,620	–	392,620
Other Liabilities		3,545,900	–	3,545,899	3,770,734	–	3,770,734
Current Tax Liabilities		1,427,816	–	1,427,816	951,417	–	951,417
Financial Liabilities		285,703	–	285,703	310,275	–	310,275
Total Liabilities		70,962,355	(586,490)	70,201,839	77,552,411	(226,432)	77,325,979
		88,993,817	59,893,506	128,713,320	102,178,976	16,965,510	119,144,486

Reconciliation of Comprehensive Income for the Year ended 31st December 2011

	Note	1st January 2011		
		Previous SLASs	Effect of Transition to SLFRSs LKASs	SLFRSs LKASs
Revenue		27,727,679	(10,519,752)	17,207,927
Gross Written Premium	40.2.8	18,365,192	(144,519)	18,220,673
Less: Premium Ceded to Reinsurers		(2,823,921)	–	(2,823,921)
Net Written Premium		15,541,271	(144,519)	15,396,752
Net Change in Reserve for Unearned Premium		(877,952)	(96,699)	(974,651)
Net earned premium		14,663,319	(241,218)	14,422,100
Benefits and Losses				
Insurance Claims and Benefits (Net)	40.2.9	(8,349,989)	(213,791)	(8,563,780)
Underwriting & Acquisition Costs		(1,240,339)	(17,277)	(1,257,617)
Other Insurance Related Costs	40.2.10	(2,097,025)	(2,097,025)	–
Change in Contract Liabilities Life Fund	40.2.11	(6,291,119)	8,393,893	2,102,772
		3,315,152	10,018,630	6,703,478

	Note	Previous SLASs	1st January 2011 Effect of Transition to SLFRSs LKASs	SLFRSs LKASs
Other Revenue				
Income from Investments	40.2.12	12,068,939	(10,109,933)	1,959,006
Other Income	40.2.13	995,366	(156,837)	838,529
Fees and Commission Income		–	17,277	17,277
Net Realised Gains		–	175,715	175,715
Net Fair Value Gains and Losses		–	(204,700)	(204,700)
Expenses				
Other Operating and Administrative Expenses	40.2.14	(1,933,486)	(2,120,694)	(4,054,180)
Profit from Operations		7,815,667	(2,380,542)	5,435,125
Interest Expenses		(37)	–	(37)
Profit Before Taxation		7,815,630	(2,380,542)	5,435,088
Income Tax		(1,220,547)	–	(1,220,547)
Profit after Taxation		6,595,083	(2,380,542)	4,214,539

40.2.1 Financial Investments

The Company has categorised investments as required by LKAS 39, 'Financial Instruments - Recognition and Subsequent Measurement' of investments have changed according to the categorisation as shown below Measurement.

Type of Instrument	Measurement Under previous SLASs	Classification Under LKAS 39	Subsequent measurement under LKAS 39
Treasury Bills and Treasury Bonds	Cost	Held-to-Maturity Available For Sale	Amortised cost Fair value through Other Comprehensive Income (OCI)
Term deposits	Cost	Loans and receivables	Amortised cost
Repurchase agreements on Government Securities	Cost	Loans and receivables	Amortised cost
Corporate debts	Cost	Loans and receivables	Amortised cost
Quoted shares	Lower of costs and Market Value	Fair Value Through Profit or Loss	Fair value through Statement of Income
		Available for Sale	Fair value through Other Comprehensive Income (OCI)
Unit trusts	Lower of costs and Market Value	Available for Sale	Fair value through Other Comprehensive Income (OCI)

Statement of Financial Position

	2011 Rs. '000	1st January 2011 Rs. '000
Available-for-Sale	13,010,297	25,204,071
Fair Value Through Profit or Loss	3,936,142	14,106,947
Held-to-Maturity	–	–
Loans & Receivables	13,197	7,805
Interest Receivable	(1,350)	(4,060)
	16,958,286	39,314,759

40.2.2 Policy Holders Loans and Other Assets

According to the previous SLASs loans given to staff, agents and policyholders were granted at concessional interest rates were recognised at cost. LKAS, 39 'Financial Instruments Recognition and Measurement' requires all financial instruments to be initially measured at fair value and subsequent measurement would be based on the categorisation of the financial instrument. Accordingly loans to staff and agents has been initially recognised at fair value, and subsequently measured at amortised cost.

It was assumed as loans were granted on 31st December 2010 for the loans outstanding as at 31st December 2010 in adopting the SLFRSs and LKASs and market value on such date were recorded in the Financial Statements.

	2011 Rs. '000	1st January 2011 Rs. '000
Impairment on Policy Loan - Capital	(150,537)	(193,040)
Impairment on Policy Loan - Interest	(187,555)	(193,842)
Interest Income Identified under SLFRSs	23,384	4,178
Staff Loan Prepaid Costs identified under Other Assets	163,281	160,505
Staff Loan Prepaid Costs removal of Loan Assets	(163,281)	(160,505)
Impairment on Loans	(15,161)	(17,662)
Adjustment to the Provision for Bad Debts	40,283	59,051
	(289,586)	(341,314)

The amount on which Capital and Cumulative interest of the policy loans exceeds the surrender value of the policy has been removed from the Policy Loans Outstanding as at financial year end in adopting the SLFRSs.

40.2.3 Reinsurance Receivables

The Company has reviewed the receivable from reinsurers and the amount due more than 60 days has been removed from the receivable amount at the financial year end.

	2011 Rs. '000	1st January 2011 Rs. '000
Reversal of Bad Debt Provisions	91,932	64,575
Adjustment for Impairment	(17,727)	(17,727)
	74,205	46,848

40.2.4 Premium Receivables

Statement of Financial Position

	2011 Rs. '000	1st January 2011 Rs. '000
Reversal of Premium	144,517	–
Adjustment for Impairment	(142,205)	192,077
	2,312	192,077

40.2.5 Cash and Cash Equivalents

Interest on Treasury Bonds	1,350	507,142
	1,350	507,142

	2011 Rs. '000	1st January 2011 Rs. '000
40.2.6 Revenue Reserves		
Adjustments to Financial Investments under SLFRSs	14,107,519	14,121,349
Adjustment to the Available-for-Sales Reserves under SLFRSs	13,190,792	25,704,415
Loans and Other Assets	(99,021)	(404,388)
Provisions Reversals under SLFRSs	6,816	298,133
Reversal of CAT and Contingency Reserves	760,489	760,489
Changes in Comprehensive Income Statement due to SLFRSs Adjustments	(10,774,653)	–
	17,191,942	40,479,998

40.2.7 Insurance Provision Non-Life

Statement of Financial Position

Reversal of Contingency Reserves	–	(400,489)
Deferred Acquisition Costs	223,568	173,995
Adjustment on CAT Reserves	(450,000)	(360,000)
	(226,432)	(586,490)

Statement of Comprehensive Income

40.2.8 Gross Written Premium

Reversal of Premium	(144,519)	–
	(144,519)	–

	2011 Rs. '000	1st January 2011 Rs. '000
40.2.9 Insurance Claims and Benefits		
Reversal of Contingency Reserves	(400,489)	–
Reserve for Unexpired Risk Reserve	96,699	–
Adjustment on CAT Reserves	90,000	–
	(213,791)	–
40.2.10 Other Insurance Related Costs		
Increase in Bad Debt Provision	22,513	–
Other Insurance Related Cost Reclassified Under Administration Expenses	(2,119,538)	–
	(2,097,025)	–
40.2.11 Increase in Life Fund		
Change in Contract Liabilities Life Fund	8,393,893	–
	8,393,893	–
40.2.12 Investment Income		
Net Fair Value Loss	(10,129,155)	–
Interest Income	19,223	–
	(10,109,933)	–

	2011 Rs. '000	1st January 2011 Rs. '000
40.2.13 Other Income		
Adjustment to Policy Holders and Other Loans Interest as per IFRS	26,828	–
Reversal of provision for bad debt Interest	33,499	–
Rental Income from Investment Properties	(41,649)	–
Net Realised Gain	(175,512)	–
	(156,837)	–
40.2.14 Other Operating, Investment Related and Administrative Expenses		
Reclassification of Other Insurance Related Cost	2,119,538	–
Adjustments to Impairment of Investments Under SLFRSs	187,091	–
Amortisation of Loans under SLFRSs	18,764	–
Net Fair Value Gain/Losses	(204,700)	–
	2,120,694	–

Supplementary Information 7.0.0

7.1.0 Ten Year Summary

7.1.1 Statement of Income

	2012 Rs. '000	2011 (Restated) Rs. '000	2010 Rs. '000
Non-Life			
Gross Written Premium	12,803,592	11,477,600	9,266,637
Net Earned Premiums	9,487,217	7,828,645	6,054,185
Net Claims Incurred	(6,194,011)	(4,970,962)	(2,885,793)
Operating and Administration Expenses	(2,008,614)	(2,129,670)	(1,917,779)
Investment and Other Income	2,064,835	(245,498)	10,112,693
Interest Expense	(110)	(12)	(98)
Profit Before Taxation	2,829,411	158,513	11,343,207
Taxation	(900,971)	(407,432)	(843,740)
Profit After Taxation	1,928,440	(248,919)	10,499,467
Long-Term			
Gross Written Premium	7,569,032	6,743,073	6,009,859
Net Written Premium	7,281,225	6,593,457	5,945,561
Investment and Other Income	6,811,040	3,236,025	13,026,350
Claims Incurred	(4,089,232)	(3,592,818)	(4,957,675)
Commission Expenses	(1,088,644)	(933,627)	(648,033)
Management Expenses	(2,146,961)	(2,129,210)	(1,483,218)
Increase in Life Fund Before Taxation	(3,733,466)	2,102,772	11,882,985
Taxation	(726,442)	(813,114)	(1,151,175)
Special Grant from Gen. Business/Adjustments	—	—	—
Transfer of Surplus to General Fund	—	—	—
Increase in Life Fund	2,307,406	4,463,461	10,731,810

	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000
	8,764,542	9,140,844	8,845,352	6,643,634	6,621,006	5,351,162	5,267,734
	6,592,541	6,478,099	5,262,586	4,031,808	4,280,599	3,586,583	3,183,531
	(5,379,207)	(4,819,146)	(3,866,706)	(3,509,847)	(2,313,991)	(2,642,581)	(2,340,909)
	(2,186,107)	(2,006,750)	(2,217,357)	(1,443,369)	(1,467,795)	(1,207,624)	(1,140,748)
	1,940,038	1,202,306	974,643	1,475,458	715,804	1,182,605	1,890,673
	(1,935)	(16,225)	—	—	—	—	—
	965,330	838,283	153,167	554,051	1,214,617	718,983	1,592,551
	(233,096)	(254,598)	83,336	5,652	(134,189)	(87,211)	(59,149)
	732,232	583,685	236,503	559,703	1,080,428	631,772	1,533,402
	4,819,860	4,497,919	4,477,632	3,923,374	3,550,511	3,245,456	3,212,343
	4,769,590	4,381,490	4,356,180	3,848,363	3,438,723	3,180,326	3,133,151
	7,227,092	5,398,818	4,480,740	3,908,694	3,267,900	2,638,266	2,871,676
	(3,831,985)	(3,289,846)	(2,502,466)	(2,188,818)	(2,064,039)	(1,382,438)	(1,412,155)
	(547,848)	(552,689)	(492,431)	(395,926)	(346,135)	(359,917)	(372,305)
	(1,317,279)	(2,037,946)	(1,679,168)	(1,294,991)	(1,033,132)	(1,494,255)	(640,455)
	6,299,570	3,899,827	4,162,855	3,877,322	3,263,316	2,581,983	3,579,911
	(1,075,883)	(793,213)	(634,884)	(556,641)	(312,587)	178,552	(325,969)
	—	—	—	—	—	—	—
	—	—	—	—	—	—	(179,780)
	5,223,687	3,106,614	3,527,971	3,320,681	2,950,729	2,760,535	3,253,942

	2012 Rs. '000	2011 (Restated) Rs. '000	2010 Rs. '000
Total Business			
Revenue	25,644,516	17,207,927	40,480,745
Gross Written Premium	20,172,625	18,220,672	15,239,001
Net Earned Premiums	16,768,441	14,422,100	11,942,251
Benefits, Losses and Expenses	(10,283,243)	(8,563,780)	(22,203,564)
Investment and Other Income	8,875,872	2,785,872	28,538,494
Interest Expense	(225)	(37)	38,522
Operating and Administrative Expenses	(4,155,576)	(4,054,181)	(3,185,308)
Profit Before Taxation	5,863,478	5,435,086	15,130,395
Taxation	(1,627,413)	(1,220,547)	(1,860,560)
Profit After Taxation	4,235,842	4,214,539	13,269,836

	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000
	22,306,632	17,460,713	15,074,148	13,264,324	11,703,025	10,387,780	11,079,032
	13,584,399	13,638,763	13,322,984	10,567,008	10,171,517	8,596,618	8,480,077
	11,362,130	10,859,589	9,618,766	7,880,171	7,719,321	6,566,909	6,316,682
	(16,673,008)	(13,450,368)	(12,537,143)	(10,683,110)	(8,867,951)	(8,170,413)	(8,441,955)
	10,945,554	6,601,124	5,455,383	5,384,152	3,983,705	3,820,871	4,762,349
	(7,231)	(130,184)					
	(2,776,014)	(2,248,664)	(1,748,956)	(1,470,521)	(1,307,872)	(1,676,936)	(718,555)
	2,851,431	1,631,497	788,051	1,110,692	1,527,203	540,431	1,918,521
	(1,322,893)	(1,047,811)	(551,548)	(550,989)	(446,776)	91,341	(385,119)
	1,528,566	583,685	236,503	559,703	1,080,427	631,772	1,533,402

7.1.2 Statement of Financial Position

	2012 Rs. '000	2011 (Restated) Rs. '000	2010 (Restated) Rs. '000
Assets			
Property, Plant & Equipment	27,909,258	16,531,061	15,955,573
Investments	88,784,965	93,335,443	98,061,820
Other Assets	36,136,924	21,494,742	25,282,853
Total Assets	152,831,147	131,361,246	139,300,246
Equity and Liabilities			
Share Capital	6,000,000	6,000,000	6,000,000
Capital Reserve	9,161,368	4,638,021	5,359,282
General Reserve	643,442	643,442	643,442
Available-for-Sale Reserve	12,521,041	13,190,776	25,704,419
Revenue Reserve	25,022,161	19,046,744	21,633,449
Non-Controlling Interest	1,647,284	1,522,687	2,041,104
Total Capital and Reserves	54,995,296	45,041,670	60,738,254
Liabilities			
Insurance Contract Liabilities - Life	62,526,048	58,494,522	52,573,602
Insurance Contract Liabilities - Non-Life	14,297,803	13,132,830	11,772,953
Other Liabilities	21,012,000	14,692,223	14,215,436
Total Liabilities	97,835,851	86,319,575	78,561,991
Total Equity and Liabilities	152,831,147	131,361,246	139,300,246

2009	2008	2007	2006	2005	2004	2003
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
6,926,428	4,748,020	3,785,584	3,826,497	3,118,738	3,036,336	2,273,421
56,626,575	43,191,685	40,303,650	32,919,361	21,532,711	22,876,599	27,214,758
11,545,918	16,818,869	14,008,393	15,815,698	21,905,509	17,558,524	6,611,681
75,098,921	64,758,574	58,097,627	52,559,556	46,556,958	43,471,459	36,099,860
6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	500,000	500,000
1,457,507	1,448,135	536,339	536,339			
643,442	601,342	601,342	601,342	601,342	6,101,342	4,670,361
–	–	–	–	–	–	–
3,481,934	1,487,222	1,095,375	1,258,871	1,099,169	9,706	7,821
911,246	–	–	–	–	–	–
12,494,129	9,536,699	8,233,056	8,396,552	7,700,511	6,611,048	5,178,182
43,956,012	39,470,887	35,654,300	31,947,127	28,496,288	25,926,748	23,279,431
11,804,983	10,636,192	9,887,724	8,342,175	6,255,057	7,657,600	4,368,248
6,843,796	5,114,796	4,322,547	35,820,829	3,912,201	3,276,063	3,273,897
62,604,792	55,221,875	49,864,571	44,163,004	38,856,447	36,860,411	30,921,576
75,098,921	64,758,574	58,097,627	52,559,556	46,556,958	43,471,459	36,099,760

	2012 Rs. '000	2011 (Restated) Rs. '000	2010 (Restated) Rs. '000
Life Insurance Segmental Review			
Assets			
Property, Plant & Equipment	57,012	46,553	53,343
Investments	73,029,822	72,799,868	74,540,011
Other Assets	9,497,111	4,850,532	11,865,314
Total Assets	82,583,945	77,696,953	86,458,668
Liabilities			
Long-Term Insurance Funds	62,526,048	58,494,521	52,573,602
Other Liabilities	2,510,653	2,575,067	2,589,100
Equity Attributable to Shareholders			
Capital Reserve	40,892	16,106	16,106
Revenue Reserve	17,506,352	16,611,259	31,279,861
Total Liabilities	82,583,945	77,696,953	86,458,668

2009	2008	2007	2006	2005	2004	2003
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
63,305	107,748	134,488	140,960	151,205	107,400	70,085
42,219,092	30,815,851	28,201,706	21,325,082	18,113,080	16,636,161	12,975,187
6,216,560	11,054,551	9,079,352	11,995,334	11,876,465	10,629,713	11,554,118
48,498,957	41,978,150	37,415,526	33,459,376	30,140,750	27,373,274	24,599,390
43,956,013	39,470,892	35,654,300	31,947,127	28,496,288	25,926,748	23,329,362
2,978,417	2,516,258	1,761,226	1,512,249	1,644,462	1,446,526	1,270,028
9,372	—	—	—	—	—	—
1,555,156	—	—	—	—	—	—
48,498,957	41,987,150	37,415,526	33,459,376	30,140,750	27,373,274	24,599,390

7.2.0 Glossary

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

Actuary

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

Acquisition Expenses

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

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are

specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Approved Assets

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

Bancassurance

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

Beneficiary

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

Claim

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

Claims Incurred

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

Claims Incurred but not Reported

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

Claims Outstanding - Non-Life Insurance Business

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

Claims Outstanding - Life Insurance Business

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

Co-Insurance

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

Commissions

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

Deferred Acquisition Costs - Non-Life Insurance Business

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

Deferred Acquisition Costs - Life Insurance Business

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

7.3.0 Branch Offices

1. Akkaraipattu

145, Main Street,
Akkaraipattu
Tel: 067-2279627

2. Akuressa

40 2/1, Matara Road,
Tel: 041-2283590,
041-5674482

3. Ambalangoda

299, Wickramasuriya Road,
Tel: 091-2258339,
091-5678298

4. Ambalantota

156/8, Tissa Road,
Tel: 047-2223253,
047-5670906

5. Ampara

01, Inginiyagala Road,
Tel: 063-2222073,
063-5670307

6. Anamaduwa

70, Puttalam Road,
Tel: 032-2263033,
032-5675227

7. Anuradhapura

61/2, 2nd Lane,
Main Street,
Tel: 025-2222167

8. Avissawella

77, Ratnapura Road,
Tel: 056-2222311,
056-5672324

9. Baddegama

Kumme, Galle Road,
Tel: 091-5624502,
091-2292503

10. Badulla

14, Gunawardena
Mawatha,
Tel: 055-2230972

11. Balangoda

60/1/1,
Barns Ratwatte Mawatha,
Tel: 045-2287670,
045-5678445

12. Bambalapitiya

316, Galle Road,
Tel: 011-5632790,
011-5673296

13. Bandaragama

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

14. Bandarawela

250/1/A, Badulla Road,
Tel: 057-2223526,
057-5670703

15. Batticaloa

30, Pioneer Road,
Tel: 065-2224470

16. Battaramulla

119, Pannipitiya Road,
Tel: 011-2866357,
011-5634629

17. Beliatta

74, Tangalle Road,
Tel: 047-2243211,
047- 5670908

18. Beruwala

167/1, Galle Road,
Tel: 034-2276409,
034 - 5674655

19. Bibile

Opposite R.S. Office,
Badulla Road,
Tel: 055-5675673

20. Chankanai

45, Ponnala Road,
(Main Street)
Tel: 021-2250462

21. Chavakachcheri

A/09, Kandy Road,
Tel: 021-2270711

22. Chilaw

451/1, Kurunegala Road,
Tel: 032-2222371,
032-5671749

23. City Office

288, Union Place,
Colombo 02
Tel: 011-2537562,
011-5677136

24. Dambulla

642, Anuradhapura Road,
Tel: 066-2284616,
066-5671624

25. Dehiwala

Ramanayaka Auto Mobile
(Pvt) Ltd.
121 1/1, Galle Road,
Tel: 011-5744962

26. Deniyaya

122, Rathna Mahal,
Main Street,
Tel: 041-2273565,
041-5674483

27. Dikwella

95, Matara Road,
Tel: 041-2255630,
041-5674476

28. Digana

42, Gonawala Road,
Digana, Rajawella
Tel: 081-5630744,
081-2376814

29. Eheliyagoda

281, Fancy Mahal
Building, Main Street,
Tel: 056-2259014

30. Elpitiya

Royal Beauty Salon
Building,
1st Floor,
Ambalangoda Road,
Tel: 091-2291365,
091-5673672

31. Embilipitiya

150/A, Parakum
Agricultural Service
Building, Pallegama,
Tel: 047-2230389,
047-5672205

32. Fort

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

33. Galewela

59-A, Kurunegala Road,
Tel: 066-2289285,
066-5671651

34. Galgamuwa

121, 1st Floor, Main Street,
Tel: 037-2254141,
037-5673406

35. Galle

54 Havelock Place,
Tel: 091-2276409,
091-2224029

36. Gampaha

14, Holy Cross Road,
Tel: 033-2222676,
033-5675786

37. Gampola

147, Kandy Road,
Tel: 081-2351709,
081-5675128

38. Giriulla

90, Negombo Road,
Tel: 037-2288304,
037-5673405

39. Hatton

175/1, Dimbula Road,
Tel: 051-2222196,
051-5670202

40. Hingurakgodra

59, 3rd Cross Street,
Tel: 027-2246345,
027-5672058

41. Homagama

64, High Level Road,
Tel: 011-2893426,
011-5634670

- 42. Horana**
50/09/C, Graceland
Circular Road,
Tel: 054-2261551,
054-5674512
- 43. Ja-Ela**
205/1/1, Negombo Road,
Tel: 011-2233169,
011-5639270
- 44. Jaffna**
571, Hospital Road,
Tel: 021-2222023
- 45. Kadawatha**
151/5, Kandy Road,
Tel: 011-2921567
- 46. Kaduruwela**
599, Main Street,
Tel: 027-2222954,
027-5672041
- 47. Kaduwela**
482/8, Colombo Road,
Tel: 011-2579976,
011-5628269
- 48. Kahawatta**
46/1A, Walauwatta Road,
Tel: 045-2270160,
045-5674248
- 49. Kalawana**
56, Sampath Bank
Building, Matugama Road,
Manana
Tel: 045-2255930
- 50. Kalmunai**
102/1, Police Station Road,
Tel: 067-2229912,
067-5670168
- 51. Kalutara**
55 1/1, Paranagama
Building,
Galle Road,
Tel: 054-2222474,
054-5674535, 054-5620770
- 52. Kandana**
54, Negombo Road,
Tel: 011-2228848,
011-5649536
- 53. Kandy**
25, Hill Street,
Tel: 081-2234954,
081-2228172,
081-2234296, 081-2224036
- 54. Kandy - FBD**
06, Wadugodapitiya Street,
Tel: 081-5627274
- 55. Kandy - 2**
06, Wadugodapitiya Street,
Tel: 081-2224246
- 56. Kantale**
62/P, Main Street,
Tel: 026-2234043
- 57. Katunayake - EPZ**
Unit - No. 03, Plaza
Building, EPZ, Katunayake
- 58. Kegalle**
389, Main Street,
Tel: 035-2231242,
035-5672982
- 59. Kekirawa**
81, Thalawa Road,
Tel: 025-2264573,
025-5673430
- 60. Kilinochchi**
A-9 Road, Karadippokku,
Tel: 021-2280031
- 61. Kiribathgoda**
101/1, Kandy Road,
Tel: 011-5554485,
011-5635485
- 62. Kirulapone**
88, 1/1, 1st Floor,
High Level Road,
Tel: 011-2514548,
011-5649541
- 63. Kochchikade**
96, Chilaw Road,
Tel: 051-2274626,
051-5677135
- 64. Kotahena**
178, Galle Tower
(McDonald Building),
4th Floor, George R.
De Silva Mawatha,
Tel: 011-5673345
- 65. Kuliyaipitiya**
74/A, Hettipola Road,
Tel: 037-2281304,
037-5673401
- 66. Kurunegala**
16/1, Dambulla Road,
Tel: 037-2222376,
037-2227433
- 67. Kurunegala City**
63/1, Rajapihilla Road,
Tel: 037-2234176
- 68. Maharagama**
L 2/2, Amity Building,
123, High Level Road,
Tel: 011-2843563,
011-5635465
- 69. Mahiyanganaya**
14, Samanala Building,
1st floor, Kandy Road,
Tel: 055-2257179,
055-5670344
- 70. Malabe**
821/3C, New Kandy Road,
Tel: 011-2762312,
011-5651612
- 71. Mannar**
Station Road,
(Opposite Pakiya Studio)
Tel: 023-2223236
- 72. Marawila**
59, Negombo Road,
Tel: 032-2254297,
032-5672090
- 73. Matale**
134, Dharmapala
Mawatha,
Tel: 066-2233989,
066-5671653
- 74. Matara**
5A, Hakmana Road,
Tel: 041-2227962,
041-2222352
- 75. Matara - FBD**
5A, Hakmana Road,
Tel: 041-2222227,
041-5620528
- 76. Matugama**
79/1/1, Kalutara Road,
Tel: 054-2247510,
054-5674654
- 77. Mawanella**
238 1/1, Kandy Road,
Tel: 035-2249335,
035-5672981
- 78. Melsiripura**
197/1, Dambulla Road,
Tel: 037-2250459
- 79. Minuwangoda**
21/B, M.P. De Z.
Siriwardhana Mawatha,
Tel: 011-2280870,
011-5667822
- 80. Monaragala**
114/1, Wellawaya Road,
Tel: 055-2276145,
055-5670525
- 81. Moratuwa**
710, Idama, Galle Road,
Tel: 011-5554451,
011-5644634
- 82. Mullaitivu**
Main Street,
Tel: 021-2290089
- 83. Narammala**
159/A, Super City
Building,
U.B. Wijekoon Mawatha,
Kurunegala Road,
Tel: 037-2248920
- 84. Nawalapitiya**
79, Kothmale Road,
Tel: 054-2222019
- 85. Negombo**
20, Rajapaksha Broadway,
Tel: 031-2231574,
031-2235235
- 86. Nelliadi**
Main Street, Opposite
People's Bank,
Tel: 021-2264686

87. Nikaweratiya

169, Puttalam Road,
Tel: 037-2260279,
037-5673441

88. Nittambuwa

New Super Market
Complex,
Tel: 033-2289709,
033-5671351

89. Nugegoda

Sausiri Building, 4th Floor,
High Level Road,
Tel: 011-2817739,
011-2826364, 011-5635464

90. Nuwara Eliya

60/1, Park Street,
Tel: 052-2222759,
052-5670529

91. Panadura

534, Galle Road,
Tel: 038-2234736,
038-5671547

92. Pilimathalawa

211/C, Colombo Road,
Tel: 081-5630070,
081-2575444

93. Piliyandala

24/2, Park Lane,
Tel: 011-2613976

94. Pitakotte

463, Kotte Road,
Tel : 011-2866755

95. Puttalam

80, Kurunegala Road,
Tel: 032-2265324,
032-5672749

96. Ratmalana

101/1/A, Galle Road,
Mt. Lavinia,
Tel: 011-2715992,
011-5635475

97. Ratnapura

258, Main Street,
Tel: 045-2222433

98. Rikillagaskada

68, Ragala Road,
Tel: 081-2365279,
081-5674793

99. Talgaswala

New Town,
Tel: 091-5676789

100. Thambuttegama

137, Rajina Junction,
Kurunegala Road,
Tel: 025-2275088

101. Tissamaharama

211B, Kachcheriyagama,
Tel: 047-2237152,
047-5670905

102. Trincomalee

46, Main Street,
Tel: 026-2222434,
026-5675025

103. Udugama

Pasans New Building,
Mavi Dola, Bar Junction,
Tel: 091-5674987,
091-2285097

104. Vavuniya

119/1, Kandy Road,
Tel: 024-2222580,
024-5670021

105. Veyangoda

166, Negombo Road,
Tel: 035-2288027,
035-5676037

106. Warakapola

459, Main Street,
Tel: 035-2267747,
035-5671938

107. Wariyapola

Adhikari Mawatha,
Tel: 037-2267451,
037-5673407

108. Wattala

596, Negombo Road,
Tel: 011-5355531,
011-5355532

109. Weligama

353/2, Galle-Matara
Middle Road,
Tel: 041-2250647,
041-5673167

110. Welimada

15 2/1, 3rd Floor,
New Shopping Complex,
Badulla Road,
Tel: 057-2245174,
057-5670702

111. Wellawaya

25, Haputale Road,
Tel: 055-2274874,
055-5673345

112. Wennappuwa

Chilaw Road,
Tel: 031-2253319,
031-5672447

Customer Service Centres

1. Divulapitiya

56, Kurunegala Road,
Tel : 031-5674774

2. Ganemulla

187/A/8, Main Street,
Kirindiwita Road,
Tel: 035-5621208

3. Habaraduwa

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

4. Hakmana

95, Kosgahawatta,
Matara Road,
Tel: 041-5670600

5. Hikkaduwa

231, Galle Road,
Tel: 091-2277124

6. Imaduwa

New Shopping Complex,
Main Street,
Tel: 091-5678781

7. Kamburupitiya

154A/1, Matara Road,
Tel: 041-5670291

8. Karapitiya

572/M, Hirimbura Road,
Tel: 091-5624190

9. Kirindiwela

27/8/1, Colombo Road,
Tel: 033-5621192

10. Medirigiriya

Main Street,
Tel: 071-8600247

11. Middeniya

Walasmulla Road,
Tel: 047-5670437

12. Mirigama

Opposite Police Station,
Tel: 033-2273441

13. Narahenpita

Department of Motor
Traffic,
P.O. Box 533, Elvitigala
Mawatha, Colombo 05

14. Pugoda

40/1, Kospitiyana,
Tel: 033-5621223

15. Tangalle

12, Indipokunagoda Road,
Tel: 047-5676144

16. Thanipolgaha

97/1B, H.K. Edmond
Mawatha, Galle Road,
Tel: 091-2227041

17. Urubokka

New Market Complex,
Main Street,
Tel: 041-5670420

18. Werahera

Registrar of Motor
Vehicles, Borelasgamuwa

19. Southern Highway

Canwin Arcade,
Welipenna

7.4.0 Corporate Information

Name of the Company and Registered Office

Sri Lanka Insurance Corporation Ltd.
No. 21, Vauxhall Street, Colombo 2.
Tel: +94 11 2557457
Fax: +94 11 2447742
Web: www.srilankainsurance.com

Registered Number

Company was incorporated on 03rd February 1993 under the Companies Act No. 17 of 1982, bearing No. N(PBS/CGB)/159 and reregistered under the Companies Act No. 07 of 2007 on 17th April 2008 bearing No. PB 289.

Board of Directors

Mr. Upali Dharmadasa-Chairman
(*appointed w.e.f 21st May 2013*)
Mr. A.M.M. De Alwis - Managing Director/CEO
Mr. P. Kudabalage - Executive Director
Mr. Isuru Balapatabendi (*appointed w.e.f 21st May 2013*)
Mr. S.V.R. Samarasinhe (*appointed w.e.f 21st May 2013*)
Mr. Nayana D.P. Dehigama (*appointed w.e.f 21st May 2013*)
Mrs. I.T.K. Illangamudali (*appointed w.e.f 4th June 2013*)
Mr. R.A. Jayatissa *resigned w.e.f 15th July 2012. With the reconstitution of the board*
Mr. K.A.D.D. Perera,
Mr. C.N.V. Selvanayagam and
Dr. B.M.S. Batagoda ceased to be directors w.e.f 21st May 2013.

Legal Form

Sri Lanka Insurance Corporation was established under the provisions of Insurance Corporation Act No. 02 of 1961 as a State-Owned Corporation.

In 1993, the Corporation was converted to a fully, Government-owned limited liability company of which the sole shareholder of 100% shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government-Owned Business Undertakings into Public Companies Act No. 23 of 1987. Under privatisation programme of the Government, the Company was privatised in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the Companies Act No. 07 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatisation, 99.99% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Tax Payer Identification Number (TIN)

294001590

VAT Registration Number

294001590-7000

Company Secretaries

Varners International (Pvt) Ltd.
Level 14, West Tower,
World Trade Center,
Echelon Square, Colombo 01.

Subsidiaries

Management Services Rakshana (Pvt) Ltd.
The Lanka Hospitals Corporation PLC

Litro Gas Lanka Ltd.
Litro Gas Terminal Lanka (Pvt) Ltd.
Canwill Holdings (Pvt) Ltd.
Canowin Hotels and Spas (Pvt) Ltd. [Formally known as Sri Lanka insurance Resorts & Spas (Pvt) Ltd.]

Auditors

KPMG
32A, Sir Mohamed Macan Markar
Mawatha, Colombo 05.

Bankers

People's Bank
Commercial Bank of Ceylon PLC
Nations Trust Bank
Development Finance Corporation of Ceylon (DFCC Bank)
Hatton National Bank PLC
Hongkong and Shanghai Banking Corporation Limited (HSBC)
Seylan Bank PLC
Sampath Bank PLC
Standard Chartered Bank
Bank of Ceylon
National Savings Bank
Citi Bank
Deutsche Bank

Actuary

drs. J.S.A. Plugge, AAG
Member of the Dutch Actuarial Society (AAG)

7.5.0 Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of SRI LANKA INSURANCE CORPORATION LTD., will be held at the Auditorium of the Company at its Registered Office at No. 21, Vauxhall Street, Colombo 02 on Friday, 28th June 2013, at 9.00 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 2012 and the Report of the Auditors thereon.
2. To declare a First and Final Dividend of Rs. 2/-per Share (Totalling a sum of Rs. 1,200,000,000/-) for the year ended 31st December 2012 as recommended by the Directors.
3. To elect Mr. Upali Dharmadasa, Director who retires in terms of Article 98 of the Articles of Association of the Company.
4. To elect Mr. Isuru Balapatabendi, Director who retires in terms of Article 98 of the Articles of Association of the Company.
5. To elect Mr. S.V.R. Samarasinhe, Director who retires in terms of Article 98 of the Articles of Association of the Company.
6. To elect Mr. Nayana D.P. Dehigama, Director who retires in terms of Article 98 of the Articles of Association of the Company.
7. To elect Mrs. I.T.K. Illangamudali, Director who retires in terms of Article 98 of the Articles of Association of the Company.
8. To reappoint Messrs KPMG, the retiring Auditors and to authorise the Directors to determine their remuneration.
9. To authorise the Directors to determine donations for the year 2013 and upto the date of the next Annual General Meeting.
10. Any other business of which due notice has been given.

By Order of the Board,



Varners International (Pvt) Ltd.
Level 14, West Tower,
World Trade Center,
Colombo 1.

6th June 2013

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Form of Proxy

I/We*
of
being a member/members* of SRI LANKA INSURANCE CORPORATION LTD., hereby appoint
..... of
.....
or failing him/her*

Mr. Upali Dharmadasa
Mr. A.M.M. De Alwis
Mr. P. Kudabalage
Mr. Isuru Balapatabendi
Mr. S.V.R. Samarasinhe
Mr. Nayana D.P. Dehigama
Mrs. I.T.K. Illangamudali

of Colombo or failing him
of Colombo or failing him
of Colombo or failing him
of Colombo or failing him
of Colombo or failing him
of Colombo or failing him
of Colombo

as my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our* behalf at the Thirty-Ninth Annual General Meeting of the Company to be held on 28th June 2013 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 2012 with the Report of the Auditors thereon	☐	☐
2. To declare a First and Final Dividend of Rs. 2/- per Share (Totalling a sum of Rs. 1,200,000,000/-) for the year ended 31st December 2012 as recommended by the Directors.	☐	☐
3. To elect Mr. Upali Dharmadasa, Director who retires in terms of Article 98 of the Articles of Association of the Company.	☐	☐
4. To elect Mr. Isuru Balapatabendi, Director who retires in terms of Article 98 of the Articles of Association of the Company.	☐	☐
5. To elect Mr. S.V.R. Samarasinhe, Director who retires in terms of Article 98 of the Articles of Association of the Company.	☐	☐
6. To elect Mr. Nayana D.P. Dehigama, Director who retires in terms of Article 98 of the Articles of Association of the Company.	☐	☐
7. To elect Mrs. I.T.K. Illangamudali, Director who retires in terms of Article 98 of the Articles of Association of the Company.	☐	☐
8. To reappoint Messrs KPMG, the retiring Auditors and to authorise the Directors to determine their remuneration.	☐	☐
9. To authorise the Directors to determine donations for the year 2013 and upto the date of the next Annual General Meeting.	☐	☐

Signed this day of 2013.

.....
Signature of Shareholder/s

**Please delete the inappropriate words.*

Note

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company.
3. The completed Form of Proxy must be deposited at the registered office of the Company at No. 21, Vauxhall Street, Colombo 02, not less than 48 hours before the time fixed for the meeting.

