

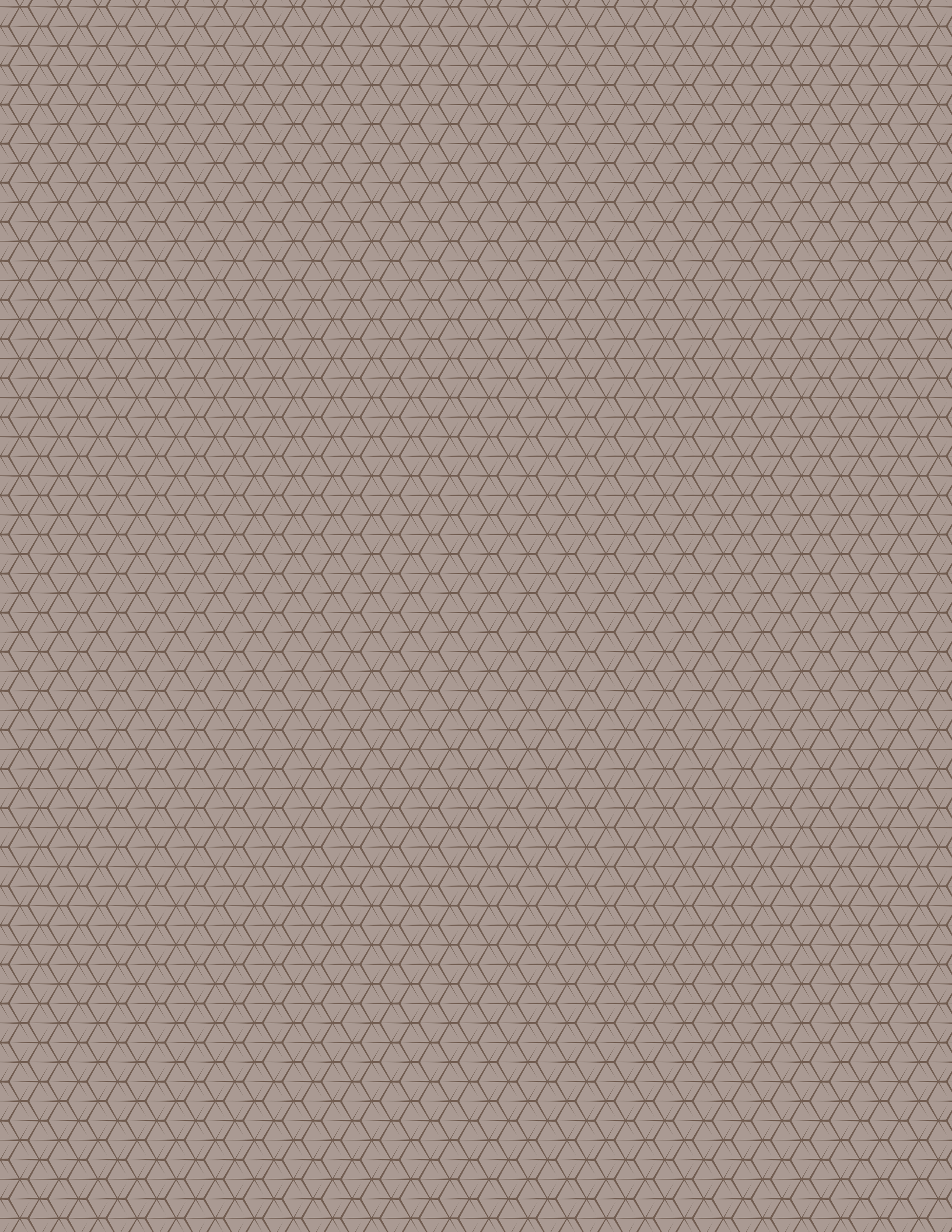


OUR LEGACY ENSUES.



Sri Lanka Insurance
Like a father - Like a mother

Sri Lanka Insurance Corporation Ltd.
Annual Report 2015



OUR LEGACY ENSUES.

Sri Lanka Insurance Corporation Ltd (SLIC) had a promising year in comparison to the previous one. Your Company is a reputed giant with a history and heritage built on dependence, quality and remarkable team spirit.

Since its inception in 1962, SLIC has built upon its legacy as a trend setting and trail blazing enterprise hailed as the trusted insurer of the country.

Our destined pathway is a road towards a brighter horizon. One abundant with innovation, purpose and customer oriented focus, always augmenting value, always etching our success story with each day that unfolds.

Our valued stakeholders can rest assured that our astounding journey continues, availing more opportunities... And more goals to sedulously fulfill.

A legacy is measured by greatness, solidarity and unprecedented evolution. Your Company continues to build upon that legacy. And will continue to do so in the years to come.

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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.

THE COMPANY

Sri Lanka Insurance Corporation Ltd was established under the provisions of Insurance Corporation Act No. 2 of 1961 as a State Owned Corporation. In 1993, the Corporation was converted to a fully government-owned limited liability company of which the sole shareholder of 100% shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government owned Business Undertakings into Public Companies Act, No. 23 of 1987. Under the privatization programme of the Government, the company was privatized in 2003 and was under the private management for a brief period of six years. The Corporation was re-registered under the companies Act No. 7 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatization, 99.97% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Sri Lanka Insurance Corporation has a distinct profile characterized by total assets worth of Rs. 166.9 billion, the highest Shareholders' Fund worth of Rs. 63.6 billion and the highest Life Fund worth of Rs. 77.8 billion.

As the pioneering insurer, Sri Lanka Insurance Corporation has the most experienced technical knowledge base in the country. The company's financial stability and strong re-insurance arrangements have paved the way for it to mark many historical milestones in the Sri Lankan insurance arena such as the largest claim ever paid of Rs. 39.5 billion and the largest bonus ever declared to its life policy holders of Rs.5.4 billion. The ethos and mandate promulgated at the inception by the state has flourished over the years and today Sri Lanka Insurance Corporation serves the people of Sri Lanka with merits, expertise and several decades of trust.

FINANCIAL HIGHLIGHTS

	2015 Rs. Mn	2014 Rs. Mn
Total Revenue	31,157	29,302
Gross Written Premium	24,521	20,666
Net Earned Premium	20,393	17,805
Profit Before Taxation (PBT)	4,821	4,373
Profit After Taxation (PAT)	3,439	3,257
Total Assets	166,947	162,192
Return on Assets (%)	2	2
General Insurance		
General Insurance Fund	14,917	13,196
Net Claims Ratio (%)	65	63
Expense Ratio (%)	28.52	40.43
Life Insurance		
Life Insurance Fund	77,858	74,706
Expense Ratio (%)	35	46
Face Value Bonus	5,385	4,764
Ratings		
Fitch Ratings	AA (lka)	AA (lka)
National Insurer Financial Strength	AA (lka)	AA (lka)
National Long-Term Rating Outlook	Stable	Stable

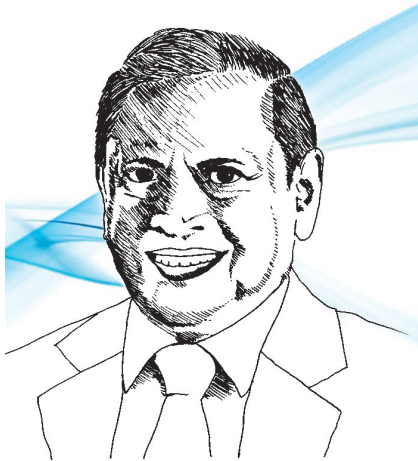
Rs. **3.4** billion
Profit for the Year Over

Rs. **77** billion
Size of the Life Fund Over

Rs. **166** billion
Total Assets Over

Rs. **5.3** billion
Total Bonus Issued for the Year Over

CHAIRMAN'S MESSAGE



“Sri Lanka Insurance Corporation being the valedictorian of financial stability in the insurance industry has a distinct profile characterised by total assets worth of Rs. 166.9 billion the highest Shareholders’ Fund worth of Rs. 63.6 billion and the highest Life Fund worth of Rs. 77.8 billion.”

Our Legacy Ensues

Sri Lanka Insurance Corporation had a promising year in 2015 in comparison to the previous one. Your Company is a reputed giant with a history and heritage of trust, built on dependability, quality and remarkable team spirit. Since its inception in 1962, SLIC has built on its legacy of trust, reliability and a trail blazing enterprise hailed as the trusted insurer of the country. Our destined pathway is a road towards a brighter horizon. One abundant with innovation, purpose and customer oriented focus, always augmenting value, always etching our success story with each day that unfolds.

Our valued stakeholders can rest assured that our astounding journey continues, availing more opportunities and more goals to sedulously fulfill. A legacy is measured by greatness, consistency, solidarity and unprecedented evolution. Your Company continues to build upon that legacy; may we continue to do so in the years to come.

The Insurance Industry Global

The global insurance market is evolving and changing. More people are investing in homes, vehicles, and other luxuries, which have now become utilities, which were beyond

their reach a few years ago. More businesses are being established to provide goods and services to meet these demands. These new opportunities for growth are expanding the domestic markets of many developing and emerging economies, and creating new potential for insurance, whereas older, more established markets in the region are somewhat saturated from the standpoint of insurance penetration.

Future Outlook

Customer demand is changing in step with new marketing opportunities. Customers have become more discerning and seek technology-driven insurance solutions that are convenient to obtain. Insurers who are already established in certain markets will be required to change existing distribution models and adopt more daunting sales approaches that leverage the Internet, mobile platforms and other newly evolving technologies.

The Insurance Industry in Sri Lanka

The Sri Lanka insurance sector has expanded steadily over the past decade, except in 2009, when premiums contracted due to a slowdown in the global and local economies due to the global financial crisis. The industry maintained a stable outlook for 2015 as accorded by Fitch Ratings and continued its growth momentum

through the year, with a growth of 17 percent to Rs. 122 billion, according to the IBSL figures.

Life Insurance GWP grew by 20 percent to Rs. 54 billion, with general insurance contributing the balance 69 billion, a growth of 15 percent over the previous year's figures. The total assets of insurance companies grew by 10.4 percent to Rs. 465 billion as at 31st December 2015 over the Rs. 421 billion recorded in the same period last year.

Total investment in government debt securities during the year represented 44.73 percent of the total assets of the life insurance business which amounted to Rs. 137 billion, and that of general insurance business amounted to Rs. 38 billion, representing 24 percent.

General GWP was sensitive to vehicle import tax rates and the resulting movement in new registrations, and grew by 11.7 percent in the first half of 2005 (2014: 3.7 percent), with motor business recording a 16 percent growth (2014: 5.4 percent), in the similar period driven by the government's favourable tax policy towards small cars. A wage increase for civil servants and lower fuel prices in 2015 also spurred demand for cars. However, the growth rate for motor insurance slowed down

dramatically in the first quarter of 2016 as the government curtailed new vehicle imports by duty measures and stopped duty free vehicle concessionary permits in December 2015.

Falling interest rates and lower capital gains on equities during the year affected insurance investment income. A prolonged period of falling interest rates could result in significant reductions in investment income, and especially in the motor segment which already faces severe price competition and weak technical results, this could cause sustained losses. However interest rates have picked up over the first and second quarters of 2016 where the equity market fell by over 6 percent.

Company Performance

Sri Lanka Insurance Corporation being the valedictorian of financial stability in the insurance industry has a distinct profile characterised by total assets worth of Rs. 166.9 billion (Rs. 162.1 billion - 2014), the highest Shareholders' Fund worth of Rs. 63.6 billion (Rs. 64.2 billion - 2014) and the highest Life Fund worth of Rs. 77.8 billion (Rs. 74.7 billion - 2014). It has been playing a stabilisation role in the economy pertaining to both systematic and non-systematic risks ranging from claims arising from terror attacks to claims arising due to the inclement weather conditions. SLICL has maintained the required solvency margins during the financial year 2015 and 2014. Accordingly, life insurance business has maintained the solvency ratio of 11.56 (Required solvency margin - Rs. 2,514 million) and general insurance business recorded a solvency ratio of 3.93 (Required solvency margin - Rs. 2,703 million) for the year 2015. The life insurance solvency ratio of 13.22 (Required solvency margin - Rs. 2,315 million) and non-life insurance solvency ratio of 3.80 (Required solvency margin - Rs. 2,743 million) have been reported for the year 2014.

During the year under review Life insurance GWP grew by 29 percent leading to a notable gain in the market share while general GWP grew by 12 percent taking us over the composite GWP growth of 19 percent.

Further, we have taken measures to develop our systems infrastructure including the implementation of a comprehensive Integrated Finance System (SAP) with key functional modules of Finance & Management accounting, Material Management, Procurement, Treasury and detailed reporting. This action addressed most of the backend controls and financial reporting issues. Further, we initiated the procurement process for Life and General insurance system implementation in order to extend the benefits of an increasing efficient processing environment.

Governance Framework & Staff

We also took the opportunity during 2015 to review our board committee structures and have made number of improvements to our corporate governance structure specially pertaining to the investments and risk management committees. In addition, a decision was taken to appoint a Head of Risk Management and will be implemented shortly. An important aspect that needs to be looked into is to sustain the motivation of the staff at all levels as it is a proven belief that people drive organizations and not vice versa.

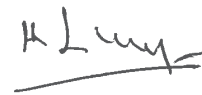
Future

We strive to augment the concept of "insurance for all" and being the national insurer it is our responsibility to make life insurance reachable, flexible and affordable for all. "Sri Lanka Insurance Life" has made a conscious effort in stimulating advertising more on an emotional route as life insurance is often 'sold' and not 'bought'. Life insurance

business plan for 2016 will focus on both distributor and consumer marketing in order to gain the market leadership in the life insurance industry. We have been the leader in the motor category for the 6th consecutive year in 2015 after regaining the market leadership position in 2010. The overall marketing strategy for the period of 2016-2019 has been developed focusing on positioning us as the "National Motor Insurance Brand".

Appreciation

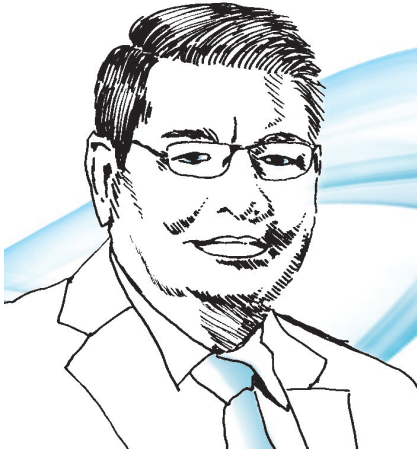
We would not be able to achieve the unblemished records without the experience and commitment of all our staff members. On behalf of the Board I wish to convey my thanks to all. I would also like to thank my colleagues of the Board, staff members, agency force, sales forces and all other stakeholders for their continuous dedication and commitment.



Hemaka D S Amarasuriya
Chairman

09th June 2016

MANAGING DIRECTOR'S REVIEW



“We recorded a robust growth of 18.65% during the year, a substantial improvement over the previous year which was achieved with a combined gross written premium (GWP) of Rs. 24.5 billion in 2015.”

This was a good year for the company, during which we were able to forge unity among the workforce, senior management and the board of directors, and promote a clear understanding of the strategy and focus that transformed us into a major player in the local industry.

We recorded a robust growth of 18.65 percent during the year, a substantial improvement over the previous year which was achieved with a combined gross written premium (GWP) of Rs. 24.5 billion in 2015 compared with the combined GWP of Rs. 20.6 billion in 2014. The combined net profit after tax is Rs. 3.4 billion in the current year (Rs. 3.2 billion – 2014), a 5.6 percent increase over the previous year's figures. Assets, too, increased substantially to Rs. 166.9 billion, from Rs. 162.1 billion in 2014.

These noteworthy results were realised through successfully implementing the right procedures for motivating our staff and agency force. We also adopted proper governance processes that substantially improved decision-making at the highest level. A top down approach that facilitates policy decisions that are not influenced by union and political interference is now in place.

Life insurance premium grew by a record 28.93 percent to Rs. 10,470 million, from Rs. 8,121 million in 2014. General insurance premium grew by 12 per cent to Rs. 14,049 million, from Rs. 12,544 million in 2014.

Admissible assets maintained by the life insurance business amounted to Rs. 85,385 million (Rs. 82,660 million - 2014) and liabilities were Rs. 56,320 million (Rs. 52,065 million - 2014) during the year. The value of recorded admissible assets of the general insurance business was Rs. 29,231 million (Rs. 26,702 million - 2014) and the respective liabilities was Rs. 18,607 million (Rs. 16,281 million - 2014) in 2015.

Industry Benchmarks

SLIC experienced several transitions over the years, moving from a government institution to a privatised one, and in 2009, was reconstituted as a composite company vested with the Treasury, by order of the Supreme Court. Customer confidence and faith in the company to deliver on its promises has also improved by leaps and bounds, and the company has now become the No 2 player in life insurance and the No. 1 player in general insurance, just 2 percent behind our nearest competitor.

We continued to set more industry benchmarks during this year as well, and attained the highest- ever Life Fund, valued at Rs. 77.8 billion (Rs. 74.7 billion - 2014), as well as the highest Shareholders' Fund of Rs. 63.7 billion (Rs. 64.2 billion - 2014).

The company also paid Rs. 5.4 billion in bonuses to Life policyholders during the year, the largest-ever bonus declared to date.

Operational Improvements

The year also enabled us to correct various regulatory issues and move forward to benefit from the opportunities and advantages that SLIC enjoys over its competitors. To quote an example, the entire annual budget of the Ministry of Health is Rs. 8 billion of which only surgical equipment, valued at Rs. 425 million, a small portion of the total, was insured. This means that the rest of the risks have not been properly assessed and insured. We are similarly evaluating other ministries for which we could provide due coverage and protection for state funds.

The quality of our human capital was also noticeably upgraded. Previously, human resources were not based on needs but on the requests of vested interests, irrespective of the quality of the employee. We now rigorously monitor examination results and recruit the right people, providing them with the motivation and training to make an effective contribution to the organisation. Many incentives from within and outside, were provided to our sales force to motivate high performance, which include Life Congress competitions, and the MDRT (Million Dollar Round Table).

We strongly feel that, as a corporate entity, we could grow steadily without incurring undue costs to the Treasury, and cut down considerably on uneconomical ventures and unproductive investments during the year. Accordingly, our branches in the Seychelles and the Maldives were closed, and investments that were not yielding adequate returns, withdrawn.

Growth Opportunities

Life Insurance

Increased per capita income and increased numbers in the middle income layer would be expected to contribute towards life insurance penetration which stands at 12 percent in terms of overall population and 29.5 percent in terms of employed population. Further, with the increased developments in the education sector will contribute for individuals being educated which will make the individuals more aware of the insurance need and seek for insurance will certainly create an additional demand.

General Insurance

Increased developments in the infrastructure, production capacity within the economy such as new plants, production factories will pave the path for increased insurance avenues for non-life insurance such as plant and machinery, construction insurance etc. Insurance growth and economic growth is somewhat co-related!

The market potential for insurance is enormous. Because of ready access to free medical benefits in state hospitals, over 13,000 public sector employees are not provided with life insurance, and have only a health policy to support their medical needs. All private sector companies provide their staff with life insurance benefits and similarly, life insurance should be mandatory for state employees as well. Standards in state hospitals have dropped because of their inability to cope with the sheer numbers of patients. If each government employee is insured for an affordable premium from their salary, they will have wider access to medical care at a private hospital. This will leave government medical services accessible to the unemployed and the poor, for which they have been designed.

I strongly believe that insurance goes hand in hand with economic growth and the mindset of the people. In such a framework, it is imperative that we, as a premier insurer, work closely with the state to promote these developments. One key means to achieving economic growth is to increase our foreign exchange earnings.

Constraints

Despite the many growth opportunities for insurance in the local market, life insurance penetration in the country is low. According to the Insurance Board of Sri Lanka (IBSL) annual report (2014) the penetration of life insurance as a percentage of the working population is 29 percent, but in terms of the entire population, penetration is only around 12 percent. Life insurance penetration as a percentage of the country's GDP stands at just 0.5 percent, which is substantially low when compared with the corresponding figures in neighbouring Asian countries such as India (3.1 percent), Singapore (4.4 percent), Malaysia (3.2 percent) and Thailand (3.8 percent).

This is mainly due to lack of awareness in Sri Lanka, of the importance of insurance as a protection against the untoward events of life. As insurance is intangible and its benefits are not received at the time of purchase, most people have a tendency to turn to products that yield immediate benefits. Even in the case of motor vehicles, many policyholders invest only in the most basic third party insurance, which leaves them with considerable losses in the event of an accident.

The media has an important role to play in educating the public on the importance of insurance.

Focus for the Future

SLIC is planning to continue the present levels of growth into the coming year as well, while supporting government policy on economic and foreign exchange growth. We have already begun to formulate and implement various plans and strategies, based on a careful

analysis of the ground realities, and will utilise our branch network to strengthen market penetration in 2016.

The year has been one of tremendous achievements, profitability and growth. We were able to introduce several strategies that have successfully trimmed the company into a sleek and viable business entity geared once more to lead the industry into a promising future that assures sustainable growth and healthy returns that will create value for all stakeholders.

We are confident that we will continue to deliver long term growth and sustainable performance, not by resting on our laurels but by using our achievements as an impetus to fuel progress to further heights of excellence.

Appreciation

In conclusion, I express my sincere appreciation to the Chairman and Board of Directors for the confidence placed in me to guide the company, and whose vision has inspired the company to pursue its growth trajectory in the past year. To my office staff, field sales staff and the agency force, I am deeply appreciative of your commitment and performance which has placed us firmly on the apex of the insurance industry, notwithstanding the many challenges of the market. To our loyal customers and other business partners who continue to demonstrate their faith in our capabilities, I am deeply grateful for your trust and confidence in us and look to you to continue to partner with us into the future.



T M R Bangsa Jayah
Managing Director

09th June 2016

JOINT MANAGING DIRECTOR'S REVIEW



“In terms of Gross Written Premium, SLIC market share as at 31st December 2015 stood at 23% in the Life category and 21% in the Non-Life category.”

As the Joint Managing Director of your Company which has evolved into a major enterprise at the apex of the insurance field as the trusted insurer of the nation, I am pleased to present you my report for the annual report 2105. Our goal has always been to make our vision and values coalesce while furthering our impetus to reach unequivocal terrain as detailed in the ensuing paragraphs.

Revenue & Profits

In the year under review your company recorded a revenue of Rs. 31 billion of which Rs. 20.3 billion was from Net Earned Premiums and Rs. 10.7 billion from Investment and Other Income. Profit before tax was Rs. 4.8 billion.

Market and Market Position

In terms of Gross Written Premium, Sri Lanka Insurance Corporation Limited (SLIC) market share as at 31st December 2015 stood at 23 percent in the Life category and 21 percent in the Non-Life category. Growth in both Life and Non-Life business sectors were satisfactory with Life reporting a 29 percent and Non-Life reporting 12 percent growth in Gross Written Premium year-on year.

2014/15 was yet another challenging year for the Non-life category due to intense

competition within a near static market. Aimed at holding market position, several initiatives were implemented. Amongst these initiatives were launching of Motor Plus Loyalty Rewards, new strategic tie-ups, increased efficiency in consumer marketing, increased B2B engagements via corporate forums and workshops etc.

In the Life category, SLIC is relentlessly driven to make insurance reachable, flexible and affordable for all. Cognizant of the importance to reward our valued policyholders and nurture and encourage a future insurable society SLIC undertook several initiatives, to mention only a few, (i) declaration of the highest life insurance bonus of Rs. 5.4 billion to the life policy holders, (ii) successful Call to Donate project, and (iii) Suba Pathum Awards which rewarded 317 students who excelled in year 2014 National examinations.

Investments

Pursuing a conservative investment strategy based on an optimal balance between risk, returns and asset growth, SLIC observed prudence in investment management within the applicable regulations whilst carefully matching assets with liabilities. The company shareholders' fund as at end December 2015

was Rs. 63.7 billion and the life fund was Rs. 77.8 billion. A detailed explanation on investments is provided elsewhere in this report.

Human Capital

Over its life of 54-years thus far, the company has recorded consistent growth and stands as an icon of strength and success in the country. Much of this strength and success can be attributed to its people who have and continue to give their best to SLIC. Loyalty and a high a sense of identity with the company is epitomized by the preference by almost all employees to see their children choose SLIC as their preferred employer.

The total direct employees of SLIC as at 31st December 2015 were 2,284. The company follows an approved policy of recruitment and invests regularly in the development of its human capital through training both locally and overseas. The company is in the process of revamping its Human Resources processes and plans to introduce a carefully designed performance evaluation system coupled with a hybrid remuneration system towards ensuring a strong performance culture and an even better motivated workforce that would help the company in its forward march to greater success.

Branch Network

The number of branches as at end December 2015 was 115 representing the geographical expanse of the country. SLIC will continue to roll out new branches in line with its business expansion program and commitment to increase customer reach and service quality.

Efficiency and Innovation Powered by ICT

Historically SLIC had been a firm believer in the value and power of ICT to innovate and build an efficient work environment. The company has consistently invested in the latest state of the art information and communication technologies and continues to do so with a view to innovate and offer the latest insurance products at best value, convenience and efficiently.

During the year 2015 the company implemented an integrated Finance system and along with it began streamlining the material management and procurement processes. Plans to acquire new core insurance application systems is underway and in the ensuing financial year implementation of these systems would commence.

Reinsurance

Guided by the unwavering commitment to remain the insurance giant to the nation, SLIC is proud to have been recognized with a high international credit rating of AA(Ika) by Fitch Ratings, dated September 2015. In keeping with its highest standards, the company has been careful in the selection of its reinsurance partners. During the year under review SLIC chose to work with reinsurers with high international ratings. Swiss Re and Munich Re are few global reinsurers who back our reinsurance arrangements, whilst sharing expert knowledge with our technical staff.

Governance, Compliance and Enterprise Risk Management

The growing regulatory environment in the insurance sector and an increased focus on accountability requires insurers to pursue a broad range of governance, risk and compliance practices across the organization. SLIC maintains a robust compliance framework towards ensuring compliance with a plethora of laws, rules and regulations surrounding the insurance industry. The company is navigating an ever expanding web of domestic and international regulations ranging from solvency requirements to the latest risk based capital framework that would ensure all stakeholders are protected. Further, the company is working on integrating the risk management function which at present is functioning as silos to becoming more in line with the strategic objectives of the organization. This involves developing a risk appetite framework with detailed tolerances and limits at corporate and business-unit levels.

A Socially Responsible Company

Through its existence, SLIC, as a socially responsible entity, has been a lead contributor towards uplifting the religious, cultural and social values of Sri Lanka. The year 2015 was no exception in the benevolence of the company in contributing generously towards religious, cultural and social activities that establishes Sri Lanka's identity in the world, and towards other national causes.

Future

According to the IBSL reported data, life insurance penetration in Sri Lanka at present is 29 percent of the working population, and in terms of total population is around 12 percent, whilst life insurance penetration as a percentage of GDP is only 0.5 percent in comparison to our neighbour India that has a penetration of 3.1 percent and lagging far behind countries such as Singapore, Malaysia and Thailand.

SLIC will strive to bridge the existing insurable gap by introducing new products that fit various requirements and income points. Plans are underway to expand the existing markets and explore new markets and market niches via enhanced reach, convenience and new products across all technology platforms. In the non-life category in particular, priorities are being adjusted towards a balanced approach between B2B and B2C.

With the new Life and Non-Life core systems we expect greater productivity and value addition that is capable of greater customer experience, value and reach that would potentially translate to enhanced market share and profitability.

SLIC will continue to explore new market opportunities in line with its core business towards becoming a regional insurance and finance powerhouse and adopt the latest best business and governance practices that would make your company comparable with the best in the world.

Appreciation

None of the above would have been possible without the unstinted support from the Government and the Hon. Minister of Public Enterprise Development and the Hon. Minister of Finance, Chairman and the Board of Directors, valued customers, employees, field sales personnel, strategic sales partners, insurance brokers and all other stakeholders. I am certain that their committed support will be forthcoming as we tread into a future of opportunities and challenges.



Keith D Bernard
Joint Managing Director

09th June 2016

OPERATIONS REVIEW

GLOBAL ECONOMIC PERFORMANCE

The year saw a shifting of the ground beneath the global economy, with uncertainty and pessimism continuing to dominate the economic and business landscape, legacies of the previous year. Global economic activity continued to be marked by weak capital flows, low trade volumes and tumbling prices of oil and other commodities. This, according to IMF statistics, resulted in the global economy growing at a tepid pace of 3.1 percent, revised downwards by 0.7 percentage points from 2014 projections. The weak performance of major emerging market economies due mainly to plummeting commodity prices, was the main dampener of economic activity globally.

Emerging markets and developing economies grew by just 4 percent in 2015, the lowest since the 2008 financial crisis. Most emerging economies, especially the BRIC countries, struggled against global headwinds driven by China's economic slowdown, Brazil's recession, and South Africa's economic deceleration, that is, all BRICS countries except India.

India grew at its fastest pace since 2010 and ended the year on a high note, overtaking China to become the world's fastest growing major economy during the year. The lower prices of oil imports on which India relies heavily, gave the economy a boost, as did lower commodity prices that helped improve corporate profits and domestic purchasing power.

China experienced the slowest growth in 25 years, with its stock market crashing several times during the year, as it shifted focus from investment-led growth to consumer-led growth. This painful slowdown in growth concerned investors, as the country had been seen as being a driver of global economic growth, which sent out signals that the transition was not to be a smooth one. A weakened China pushed down global commodity prices, which put the economies of commodity exporters in distress.

SLIC has maintained the solvency ratio well above required margins during the last year. The solvency ratio of the life insurance business was 11.56 during the and the solvency ratio of the general insurance business was 3.93.

The performance of advanced economies was also less dynamic than expected. Britain experienced deceleration during the year, although it did grow faster than most other G7 economies. This growth was due to the increased purchasing power fuelled by low global commodity prices, low inflation and improved employment opportunities. Still, the growth pace of the country was only 2.2 percent, which is the same rate as in 2013, but well below the 2.9 percent growth of 2014.

Despite its uneven growth during the year, the U.S. was the fastest-growing among the developed economies, recording a growth of 2.4 percent. However, the tightening of the US monetary policy late in the year in order to stabilise the economy, could give rise to some volatility in global financial markets during 2016.

Economic growth in the Euro area was hampered by the Greek economy, which has been in meltdown since the start of debt crisis the previous decade, and continued to shrink following market uncertainty that sparked speculation of the country's exit from the EU. Greece is unlikely to record positive growth rates in the next few years without a substantial reduction of its crushing debt burden.

Key issues that revolved around money and migrants continued to plague the Middle East.

Low prices of oil, internal conflicts, as well as the global economic slowdown have kept economic growth in the Middle East and North Africa stagnating for the third consecutive year, at 2.8 percent in 2015. The twin blows of low oil prices and civil war have hurt the economies of Syria, Libya, Yemen and Iraq. Civil war resulted in the mass displacement of about 15 million people, many of them fleeing to neighboring countries Lebanon and Jordan which are already burdened with disruptions to regional trade caused by wars.

Unrest in the Middle East resulted in the influx of refugees to the European Union as well, which presents enormous challenges to the absorption capacities of Europe's labour markets and political systems, and could create situations of social ostracism and fiscal costs in the long term.

Growth in South Asia was one of the few sunny spots in an otherwise gloomy growth landscape for emerging and developing economies. Asia's growth improved to 7 percent as a result of stronger labour markets and increases in disposable income brought about by lower commodity prices, along with the gradual recovery of major advanced economies. As the region has relatively little trade exposure to the major emerging markets it was not affected significantly by their growth slump, and as a net importer of oil, benefited from lower global energy prices.

Japan's economic expansion was derailed in 2015, mainly due to a sharp decrease in demand from China - Japan's largest trading partner, also as a result of that country's economic slump, sudden appreciation of the yen as investors turned to the currency as a safe haven against emerging market risks, as well as the sluggish consumption of other Asian countries which were also experiencing slow growth.

Growth Projections

Projections for world economic growth are estimated at 3.4 percent in 2016 and at 3.6 percent in 2017. Global activity is predicted to pick up slowly and gradually, especially in developing and emerging markets. Overall forecasts for global growth have been revised downward by 0.2 percentage points for both 2016 and 2017.

The modest recovery in advanced economies is expected to continue, albeit at a slow pace. The growth scenario for developing and emerging market economies is diverse but challenging. The re-balancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016 and 2017. The projected pickup in growth in the next two years primarily reflects forecasts of a gradual improvement of growth rates in countries currently in economic distress, notably Brazil, Russia, as well as some countries in the Middle East, although even this projected partial recovery could be offset by new economic or political tremours. Higher growth is projected in the Middle East, but lower oil prices, and in some cases geopolitical tensions and domestic strife, continue to weigh on the outlook.

Growth in China is expected to slow to 6.3 percent in 2016 and 6.0 percent in 2017, primarily reflecting weaker investment growth as the economy continues to re-balance. India and the rest of emerging Asia are generally projected to continue growing at a robust

pace, India is forecasted to grow at a faster 7.8 percent. Some countries in the region may face strong headwinds from China's economic re-balancing and the global manufacturing weakness.

Performance of the Sri Lankan Economy

GDP growth in the country reduced marginally in 2015, from the previous year's growth of 4.9 percent (revised downwards from the previously anticipated 7.4percent) to 4.8 percent this year.

The year was characterised by weak global demand, plummeting global oil and commodity prices, as well as political change both at home and abroad. In Sri Lanka, an expansive fiscal policy followed presidential elections in January and parliamentary elections in August, which brought in a coalition cabinet.

Investment slowed as investors waited to see the political outcomes, and as the new administration cut capital spending and temporarily suspended certain large investment projects approved by the previous regime. This resulted in a slow-down of fixed capital investment to 2.9 percent.

A surge in private and government consumption spending sustained growth during the year. Government consumption accelerated to 25.3 percent from 15.9 percent in 2014, in response to the higher salaries, allowances and larger transfers for public employees stated in its interim Budget of 2015. This was one of several factors that widened the budget deficit to 7.2 percent of GDP in 2015, well above both the 5.7 percent outcome in the previous year and the budgeted target of 4.9 percent. Total government debt is estimated to have increased to equal 73.5 percent of GDP in 2015.

Private spending increased to about 8.3 percent, from 4.7 percent in 2014, and accounted for 70.1 percent of gross national income. This increase was due to the declining

prices of fuel and several key consumer goods and the prevalent low interest rates which expanded disposable income. Consumer spending was also fuelled by the expansion of credit to the private sector, which accelerated sharply from mid-2014 to reach 25.1 percent in December 2015. Much of this growth was from expansion in consumer credit due to the excess liquidity in the domestic money market.

Growth by Sector

Sector-wise growth was mainly sluggish. On the supply side, the service sector, which accounts for 56.6 percent of GDP, grew by 5.3 percent and was the main driver of growth. The higher outcome for services came from accelerated financial activities and from the transportation of goods and passengers.

The contribution from industry declined, affected by the lower manufacturing and construction activity in the country. Construction declined by 0.9 percent as the result of a marked fall in public and private investment.

Agriculture expanded by 5.5 percent, up from 4.9 percent a year earlier as the paddy harvest recovered and the production of fruit and vegetables increased, despite having had to bear the brunt of inclement weather during most of the year. Growth in both the agricultural and service sectors was due to increased domestic consumption as a consequence of the lower international commodity prices including fuel.

	2014 (%)	2015 (%)
GDP	4.9	4.8
Agriculture	4.9	5.5
Industry	3.5	3.0
Services	5.2	5.3

(Source: Central Bank Annual Report 2015)

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Exports

A major contributor to the lower economic growth during the year was the slowdown of the country's traditional export markets, which reflected the decline in global commodity prices and the slower growth of larger economies which were Sri Lanka's major export destinations. Traditional exports of tea and rubber - the two main export commodities that make up 14 percent of Sri Lankan exports - experienced a sharp decline in demand, along with coconut and spices. The decline in tea prices was particularly disappointing since global tea prices had shown an encouraging improvement and economic sanctions on Iran had been removed. Manufacturing exports were also slow to pick up due to the slow growth in international trade.

Non-traditional exports fared no better. The declining demand for textiles and garment exports to the European Union, a main export destination, due to the continued weakness in the Eurozone, also decreased export volumes during the year. The ban on seafood exports imposed by the European Union was another contributor to the increase in the trade deficit. Earnings from all major export categories declined by 5.6 percent.

Imports also fell by 2.5 percent during the year due to various developments in the market. All imports other than oil, one of the chief imports being motor vehicles, increased sharply by 10 percent, while oil imports fell by 41 percent because of lower prices, to a total US dollars 1.9 billion less than a year earlier.

The trade deficit narrowed by 6.8 percent to US dollars 791 million in October 2015 because the decline in expenditure on imports was greater than the decline in earnings from exports. However, on a cumulative basis, the trade deficit during the first ten months of the year widened by 2.5 percent to US dollars 6,936 million due to continued increases in non-oil imports.

The current account deficit narrowed correspondingly, but because of the much lower spending on oil imports and robust tourist arrivals was on balance, equal to 1.9 percent of GDP in 2015, which was narrower than the 2.6 percent deficit in 2014. Earnings from tourism, Sri Lanka's third highest export earner, grew by 17.8 percent to US dollars 2,981 million. However, the country's second highest foreign exchange earner, namely worker remittances, contracted by 0.5 percent to US dollars 6,900 million during the year. This was attributed to the lowered prosperity of middle-eastern countries caused by the worsened prices of oil which, consequently, lessened the demand for overseas labour.

The decline in exports, weak remittances from overseas workers, and large capital outflows put the balance of payments under pressure during the year. The expected relief following the lower global oil prices did not take place as lower international commodity prices prompted Sri Lankans to expand domestic consumption rather than increase investment.

To reduce the growing pressure on the balance of payments and the outflow of foreign exchange reserves, the Central Bank tightened its monetary policy and in mid-January 2016 raised the statutory reserve ratio by 1.5 percent to 7.5 percent. As a result, excess liquidity declined to Rs. 42 billion, from Rs. 90 billion in December 2015, causing a slight upward adjustment in market interest rates. In February 2016, the Central Bank firmed its policy rates by 50 basis points. Growth in credit to the private sector has slowed slightly.

These movements put pressure on the interest rates to increase and the exchange rate to depreciate, which slowed the overall growth of the economy.

Interest Rates

Interest rates benefited from the relatively relaxed monetary conditions and remained mainly low throughout the year under review, although there were sporadic upward movements off and on. Overnight interests, which had remained below the SDFR up to the end of the previous year, moved upwards and settled within the policy rate corridor close to the lower bound. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank were held unchanged at 6.00 percent and 7.50 percent respectively. Excessive increases in some interest rates, including yields on government securities, was observed in the aftermath of the removal of restriction placed on the SDF. This trend was dampened by the reduction in policy rates of the Central Bank in April 2015, during which time interest rates reached an all-time low of 6 percent. With the decline in market liquidity levels, a gradual upward adjustment was observed in overnight interests since August 2015. Retail interest rates remained low throughout the year, although some increases were seen towards the year-end. Market interest rates increased further in the first quarter of 2016 following the Central Bank's decision to raise SRR from January 2016 and the increase in policy interest rates the following month. Some pressures in short term interest rates were observed during the year, along with declining liquidity levels in the domestic money market.

The weekly Average Weighted Prime Lending Rate (AWPLR) increased slightly, from 6.26 percent in 2014 to 7.53 percent in 2015.

Exchange Rate

The Sri Lanka rupee was broadly stable against the US dollar for most of 2015 but weakened after September 2015 when the Central Bank stopped intervening on the foreign exchange market. This decision was taken to contain the increasing balance of payment deficit that resulted from the substantially reduced export earnings and foreign remittances, coupled with high levels of inflows, which consequently put pressure on the exchange rate to depreciate.

The rupee depreciated by 6.2 percent, from Rs. 137 to the dollar at the end of August 2015, ended the year at Rs. 144 to the dollar, and stood at Rs. 146 to the dollar as of 11 February 2016. The rupee showed a mixed performance against other currencies during the year under review, depending on the movement of cross currency exchange rates.

The table below shows the year-end value of the rupee against the US dollar over the past five years. The US dollar traded at Rs. 144.06 at Rs. 1,0979 at the close of the calendar year. Through 2015, the rupee depreciated by 9 percent against the dollar, especially during the latter half of the year, and by nearly 4 percent in nominal and real effective terms.

Exchange Rates USD vs. LKR

Year Ended	USD
2011	113.90
2012	127.16
2013	130.75
2014	131.05
2015	144.06

(Source: Central Bank Annual Report 2015)

Inflation

The year on year inflation as reported by the Colombo Consumer Price Index (CCPI) was at a single digit for the seventh consecutive year. Food inflation was almost 20 percent in January and February 2015, but stabilised subsequently to bring average annual food inflation to 5.4 percent, while nonfood inflation hovered at around 2 percent in the first half of 2015. Inflation was negative between July and September 2015, the first time that inflation was recorded at a negative figure since 1985, but trended up in the second half of the year partly because of the Sri Lankan rupee's depreciation from September, and averaged at 2.8 percent for the year, as shown in the table below, which gives year-end inflation over the past five years from 2011. Inflation increased marginally by 0.7 percent, from 2.1 percent in 2014. The CCPI dipped to an all-time low of 0.9 percent in the year under review. The low inflation was driven primarily by the enhanced growth of bank credit as well as higher wages offered to government employees and employees in other sectors. Although inflation was 4.2 percent year-on-year in December 2015, in January 2016, prices were 0.7 percent below those a year earlier because of a sharp fall in food prices.

Rate of Inflation (percent)

Year Ended	Year on CCPI	Annual Average CCPI
2011	4.9	6.7
2012	9.2	7.6
2013	4.7	6.9
2014	2.1	3.3
2015	2.8	0.9

(Source: Central Bank Annual Report 2015)

Foreign investments in government securities recorded a net outflow of US dollars 1.1 billion, while foreign direct investment and portfolio inflows were well below the levels of a year earlier. The central bank estimates the overall balance of payments deficit to be US dollars 1.5 billion, reversing a surplus of US dollars 1.7 billion in 2014.

Colombo Stock Market

The CSE recorded sluggish performance under volatile movements in the price indices in 2015. The All Share Price Index remained high at around 7,000 at the beginning of the year, on the expectation that the new government would set private sector oriented economic policies.

The graph below gives the movement of the ASPI over the past year, from December 2014. The ASPI closed the current year with a 5.5 percent decline to 6,894 points, from 7,299 points at the end of the preceding year. This slump can be attributed to the deepening economic uncertainty amidst the government's announcement to suspend tax reforms announced in the 2016 Budget, which increased investor uncertainty resulting from delayed policy directions coupled with changes in policy, which increased interest rates, and depreciated the exchange rate. Market capitalisation decreased by Rs. 167 billion to close the year at Rs. 2.9 trillion. This slow performance could put off new portfolio and foreign direct investment.

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ASPI Index Movement - FY2015



However, valuations of some key counters seem attractive, so expectations still remain bullish in the near term, supported by the depreciated currency which will attract foreign investors to equities.

Gross international reserves fell to US dollars 7.3 billion in December 2015, from US dollars 8.2 billion a year earlier and declined further to US dollars 6.3 billion in January 2016 (Figure 3.21.10). Gross international reserves were supported by a US dollars 1.1 billion currency swap arrangement with India concluded in September 2015. Sri Lanka's latest sovereign bond, for US dollars 1.5 billion, was issued on 28 October 2015 at a coupon rate of 6.85 percent per annum. Fitch Ratings rated Sri Lanka's Long Term Foreign and Local Currency Issuer Default Ratings, Moody's Investors Service B1, and Standard and Poor's B+. In March 2016, Fitch Ratings downgraded the rating by one notch to 'B+'. Fitch expects the current-account deficit to remain manageable at about 3 percent of GDP over 2016 and 2017.

External debt in June 2015 was US dollars 43.5 billion, equal to 58.1 percent of GDP, of which 83 percent had a maturity of more than one year and was categorised as long term. The government's outstanding external debt amounted to US dollars 24.3 billion, or 56 percent of all external debt, of which US dollars 8.4 billion was in debt securities (treasury bills and international sovereign bonds) and US dollars 6.8 billion was from multilateral lenders, US dollars 6.1 billion from bilateral lenders, and US dollars 3.0 billion from commercial sources.

Fiscal consolidation

Efforts at fiscal consolidation were reversed in 2015. The new government's revised budget for 2015 aimed to provide more support for the poor and to collect more revenue from high-income groups and large commercial operations. The budget provided for a sizeable monthly allowance for public employees and higher transfers and subsidies. These changes were combined with higher interest payments (which consume about one-third of budget revenue) to boost recurrent expenditure to 14.7 percent of GDP, from the previous year's 12.9 percent. Reversing recent trends, revenue increased to 12.2 percent of GDP from 11.6 percent in 2014 following increases in excise and custom duties on vehicle imports as imports surged in response to lower import tax rates set in the revised budget.

OVERVIEW OF THE GLOBAL INSURANCE INDUSTRY

The global insurance industry grew at a robust pace in 2015, after an impressive recovery in the preceding year. Premium growth slowed down slightly in 2015, in both the advanced economies and in the emerging markets. Global life insurance premiums rose by 3.3 percent in real terms (i.e. inflation-adjusted) (2014: 4.7 percent). General insurance premiums were at 2.5 percent on an inflation-adjusted basis, after a 2.8 percent increase in 2014. General insurance premium growth in emerging markets slowed down notably, reflecting weaker economic growth. In 2014, total direct premium growth was higher than the GDP for the first time in five years, driven mainly by health insurance and life insurance. Insurance premium growth will probably continue to be driven mainly by emerging markets and developing economies. Although they are likely to face diminishing growth in the coming years that will affect demand for life and general insurance products, overall economic growth is still expected to remain well above growth rates in the advanced economies of the US, Japan or Europe. Moreover, rising real estate and financial asset values will probably enable insurance companies to generate higher premiums resulting in increased protection levels.

In general insurance, underwriting profitability remains relatively stable. The US property & casualty insurance industry's combined ratio improved by 1.2 percentage points to 97.8 percent in 2015, according to Swiss Re estimates. In Europe, general insurers' underwriting results remained stable; the combined ratio averaged around 95 percent in the first half of 2015, being supported by the very limited frequency and severity of natural catastrophes in the current year. Japan and Australia had strong underwriting results during the year. Large euro area insurers continued to report solid overall profitability,

with median returns hovering at around 9 percent in the third quarter of 2015. Premium rates in US commercial lines declined during the year. Prices in other markets were also under pressure. In Europe, Asia and Latin America, prices in commercial insurance are softening. An important factor is the currently strong capital position in the general reinsurance industry, which leads both to a decline in reinsurance demand since more risks can be retained and, combined with increased competition, to pressure on primary insurers' profit margins. A related factor has been the benign development of claims on casualty business, resulting in major reserve releases. Reserve releases have contributed to higher profitability and allowed companies to give in on prices in competitive markets. Redundant reserves from the hard-market years are gradually being eroded, while the reserves adequacy of recent 'softer market' years is unclear, given that underwriting is based on lower expected claims.

Natural catastrophe losses have remained below historic average levels in both 2013 and 2014. This tendency continued in 2015. Global insured losses for 2015 are estimated to amount to USD 23 billion compared to USD 28 billion the year before. This is also below the annual average loss of the previous ten years of natural catastrophe insured losses (USD 55 billion). The Atlantic hurricane season has remained well below average in 2015. Hurricane Patricia became the strongest tropical cyclone ever recorded in the Western Hemisphere. Given low insurance penetration in the hardest hit areas, insured losses were comparatively negligible.

Insurers' investment yields remained under pressure. The investment environment was challenging for fixed income securities with low yields and exposure to mark-to-market losses when interest rates rise. Corporate bond credit spreads remained at historically

low levels, but have widened in 2015, causing some book losses. Equity investments benefitted from rising prices in recent years, but could add volatility to insurers' investment yields. In Europe, insurers' average investment yields deteriorated from above 4 percent to 3.8 percent in the second quarter of 2015. Searching for higher investment yields, Japanese life insurance companies have, since fiscal 2014, increased their holdings of risky assets including foreign bonds and stocks, while restraining their investments in so-called "super-long term" domestic bonds (i.e. bonds with a maturity of more than ten years).

Continued attention by insurance companies is being placed on the medium- to longer-term impacts of the low interest rate environment, in terms of possible changes in risk appetite to generate returns and reinvestment risk for maturing bond portfolios. Interest rate risk is significant given the likelihood of rising future rates from current near-zero levels. A sudden rise in interest rates would have an adverse impact on fixed income securities and could create broader financial market volatility. It could also induce policyholders to dramatically increase the surrender of life insurance policies and other products, potentially causing liquidity problems for life insurers. Persistent low interest rates are most problematic for insurance products providing guaranteed returns. Low rates can also put pressure on life insurers' business models if the duration of assets and liabilities are not closely matched, especially where their liabilities include long-term guarantees. Firms in a number of European countries have issued a substantial share of investment products offering guaranteed returns at rates that are well in excess of current long-term interest rates, and backed these guarantees with assets of significantly shorter duration.

Challenges to the European insurance sector were underscored by mixed performance in the

2014 stress test undertaken by EIOPA. 25 It concluded that while the European insurance sector is in general sufficiently capitalized in Solvency II terms, in the medium- to long-term a continuation of the current low (or lower) yield conditions would expose 24 percent of the participating companies to the risk of not meeting promises to policyholders.

Sri Lanka Insurance Industry

The local insurance industry is one of the most competitive industries in the country, yet, the market remains heavily under-penetrated, with life insurance penetration at just 12.6 percent. The year brought no significant increase in life penetration, nor is this situation likely to change in the medium term, due to a lack of awareness of the concept and benefits of Insurance and their importance. It is vital that the industry creates more awareness if it is to drive market growth in the long term.

The year saw the expansion of the 22 insurance companies registered with the Insurance Board of Sri Lanka (IBSL) to 29 companies, following the mandatory segregation of composite insurers as stipulated by IBSL, which came into effect in February 2015. The composition now comprises 4 composite companies dealing in both life and general Insurance Businesses, 14 companies carrying out general insurance business, and 11 companies operating as life insurance businesses only. There are 57 insurance brokering companies registered with IBSL which concentrate mostly on general insurance business. The split is aimed at promoting greater transparency in insurance to protect policyholders. The Risk Based Capital (RBC) framework was also introduced during the period, replaced the earlier rules-based solvency regime, and the minimum regulatory capital was also increased from Rs. 100 million to Rs. 500 million with the objective of increasing efficient capital allocation, corporate governance, and better risk management.

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The industry maintained the stable outlook for 2015 accorded by Fitch ratings and continued its growth momentum throughout the year, with a growth of 17 percent to Rs. 121 billion, as against a growth of 5.1 per cent in 2014, IBSL figures for 2014 confirm that the entire industry operated 1,462 branches across the country and employed 16,134 office staff and 42,958 insurance agents.

Life Insurance GWP during the year grew by 20 percent to Rs. 54 billion, with general insurance contributing the balance 67 billion, a growth of 15 percent over the previous year's figures. The total assets of insurance companies grew by 8 percent to Rs. 439 billion as at 30 September 2015 over the Rs. 407 billion recorded in the same period last year.

Total investment in government debt securities during the first half of 2015 represented 44.73 percent of the total assets of the life insurance business which amounted to Rs. 137 billion, and general insurance business amounted to Rs. 38 billion, representing 24 percent.

General GWP was influenced by vehicle import taxes and new vehicle registrations, and grew by 11.7 percent in the first half of 2015 (2014: 3.7 percent), with motor business recording a 16 percent growth (2014: 5.4 percent), driven by the government's favourable tax policy on the importation of small cars. A wage increase for civil servants as stipulated in the Interim Budget of 2015, and lower fuel prices due to the decrease of fuel prices globally also stimulated demand for cars. However, the growth rate for motor insurance slowed down dramatically in the first quarter of 2016 following government policy that curtailed new vehicle imports and stopped the issue of duty free vehicle concessionary permits in December 2015.

Falling interest rates during the year affected insurance investment income, whereas higher returns in past years helped counterbalance poor underwriting performance in the general business.

Company Performance

SLIC achieved a combined Gross written Premium (GWP) of Rs. 24.5 billion, a growth of 18.65 percent over the previous year's combined GWP of Rs. 20.6 billion. The combined net profit after tax is Rs. 3.4 billion in the current year (Rs. 3.2 billion – 2014), a 5.6 percent increase over the previous year.

Life insurance premium reached a record 28.93 percent growth of Rs. 10,470 million, from Rs. 8,121, million in 2014. General insurance premium grew by 12 percent to Rs. 14,049 million, from Rs. 12,544 million in 2014.

Assets reached a substantial increase to Rs. 166.9 billion, from Rs. 162.1 billion in the previous year. The company also achieved the highest Life Fund during the current year, valued at Rs. 77.8 billion (Rs. 74.7 billion - 2014).

The company also had the highest Shareholders' Fund of Rs. 63.6 billion in the year (Rs. 64.2 billion - 2014).

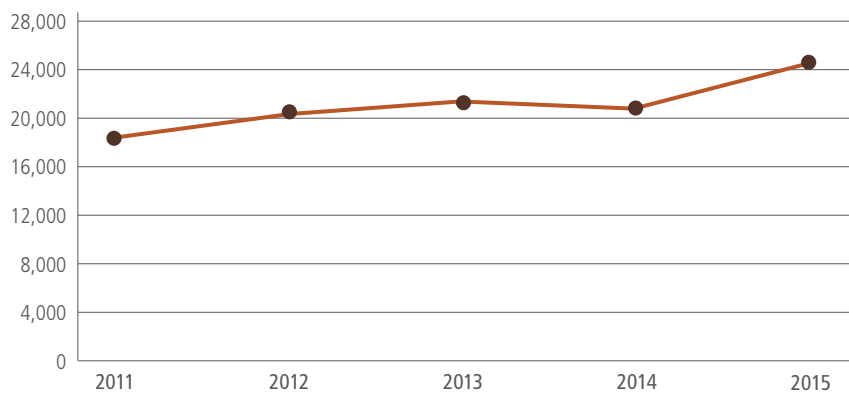
The life insurance business maintained admissible assets amounting to Rs. 85,385 million (Rs. 82,660 million - 2014) and liabilities of Rs. 56,320 million (Rs. 52,065 million - 2014) during the year. The value of recorded admissible assets of the general insurance business was Rs. 29,186 million (Rs. 26,702 million - 2014) and the value of the respective liabilities was Rs. 18,696 million (Rs. 16,281 million - 2014).

The amount of investment and other income contributed for 2015 is Rs. 10,763 million, compared to the previous year's Rs. 11,497 million.

Combined business performance

	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	31,156,766	29,301,980	27,980,865	25,644,316	17,207,928
Gross Written Premium	24,520,012	20,665,985	21,350,869	20,172,623	18,220,673
Net Earned Premium	20,393,474	17,804,905	17,805,056	16,768,442	14,422,101
Benefits, Losses and Expenses	(21,360,285)	(18,928,978)	(16,467,823)	(15,625,259)	(7,718,624)
Investment and Other Income	10,763,292	11,497,075	10,175,809	8,875,874	2,785,827
Interest Expense	(58)	(35)	(138)	(223)	(37)
Operating & Administrative Expenses	(4,975,647)	(5,999,828)	(5,158,022)	(4,155,575)	(4,054,181)
Profit Before Taxation	4,820,776	4,373,139	6,354,868	5,863,255	5,433,086
Taxation	(1,381,420)	(1,116,126)	(1,700,039)	(1,627,413)	(1,220,547)
Profit After Taxation	3,439,356	3,257,013	4,654,843	4,235,842	4,214,539

Combined GWP (Rs. Mn)

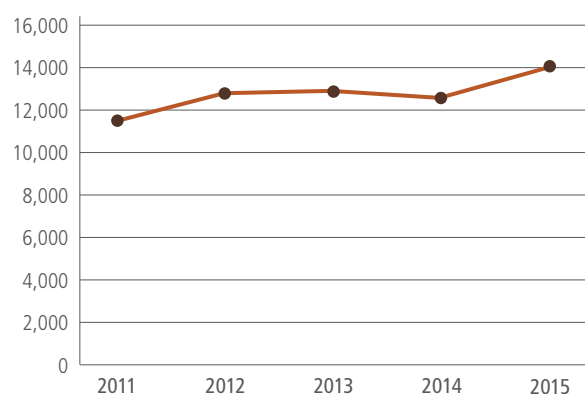


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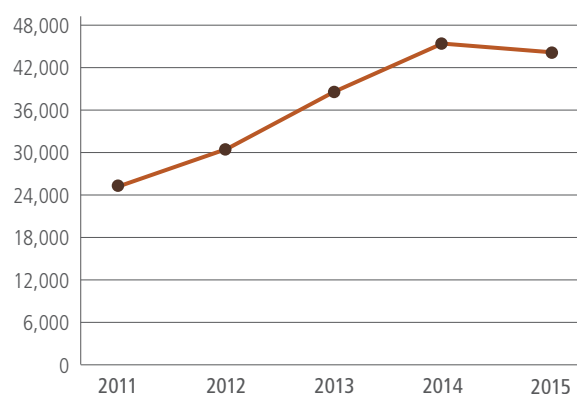
Performance of the general insurance business

	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Gross Written Premium	14,049,933	12,544,828	12,953,151	12,803,491	11,477,600
Net Earned Premium	10,086,240	9,820,149	9,504,974	9,487,217	7,828,645
Net Claims Incurred	(6,628,963)	(6,205,796)	(4,934,075)	(6,194,011)	(4,970,962)
Operating & Administration Expenses	(2,877,500)	(3,977,357)	(3,351,580)	(2,528,520)	(2,453,660)
Investment and Other Income	2,472,764	2,224,732	2,516,798	2,064,835	(245,498)
Interest Expense	(1)	(14)	(51)	(110)	(12)
Profit before Taxation	3,052,539	1,861,714	3,736,068	2,829,411	158,513
Taxation	(538,488)	(217,101)	(803,033)	(900,971)	(407,432)
Profit after Taxation	2,514,051	1,644,613	2,933,035	1,928,440	(248,919)

GWP - General Insurance Business (Rs. Mn)



Net Assets Value - General Insurance (Rs. Mn)



Approved assets of the general insurance business

	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn
Approved Assets for Technical Reserves	23,708	16,808	22,760	20,720	17,983
Technical Reserve Values	13,581	11,929	11,881	12,570	11,740
Approved Assets in Excess Technical Reserves	10,127	4,879	10,879	8,150	6,243

During the current year, the Gross Written Premium of the general insurance business increased to Rs. 14,049 million from Rs. 12,544 million in 2014, a growth of 12 percent YoY. The general insurance business recorded a 11.14 per cent growth in investment and other income compared to the last year of Rs. 2,472 million and Rs. 2,224 million in 2015 and 2014 respectively. The current year's profit after taxation of the general insurance business increased by 52.92 percent over the previous year, to Rs. 2,514 million.

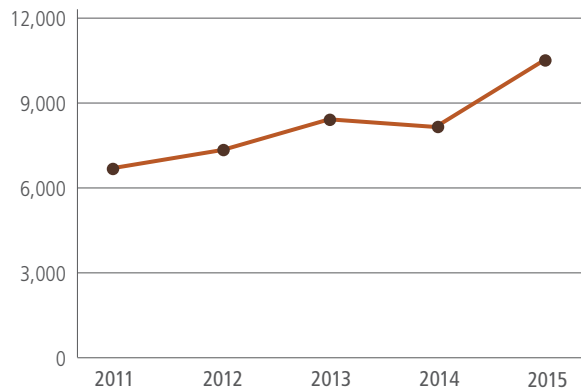
Life insurance business performance

During 2015, the Gross Written Premium of the Life Insurance business increased from Rs. 8,121 million to Rs. 10,470 million with the growth of 28.93 percent from 2014. SLIC recorded the highest life fund in the industry in the current year, amounting to Rs. 77,858 million, and Rs.74,706 million in 2014. The increase in life fund value for 2015 was 4.22 percent compared with 2014.

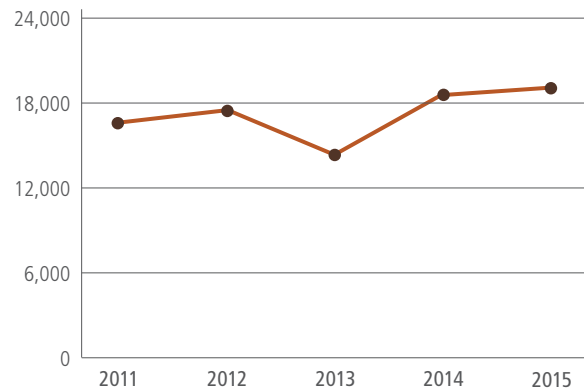
The Life Insurance business in 2015, recorded a 10.59 percent decrease in the growth of investment and other income compared to the last year, as a result of the lack luster performance of the market.

	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Gross Written Premium	10,470,079	8,121,159	8,397,718	7,369,029	6,743,073
Net Written Premium	10,307,235	7,984,758	8,300,082	7,281,225	6,593,457
Investment and Other Income	8,290,528	9,272,341	7,659,011	6,811,040	3,031,325
Claims Incurred	(6,304,648)	(5,733,524)	(4,870,410)	(4,089,231)	(3,592,818)
Commission Expenses	(1,240,955)	(1,127,919)	(1,053,299)	(1,088,644)	(933,627)
Management Expenses	(2,443,685)	(2,507,813)	(2,307,020)	(2,147,076)	(1,924,534)
Increase in Life Fund before Taxation	8,608,479	7,887,842	7,728,364	6,767,314	3,173,803
Taxation	(842,932)	(899,025)	(897,006)	(726,442)	(813,114)
Increase in Life Fund	7,765,547	6,988,816	6,831,689	6,040,872	2,360,689

GWP- Life Insurance Business (Rs. Mn)



Net Assets - Long Term Insurance (Rs. Mn)



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Approved assets of the life insurance business

	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn
Approved Assets for Life Fund	82,070	77,715	69,740	61,428	57,911
Life Fund Values	77,858	74,706	66,511	60,085	55,860
Approved Assets in Excess Life Fund	4,212	3,012	3,229	1,343	2,051

Solvency Ratio

As required under section 26 (1) of the RII Act, insurers are required to maintain sound solvency for both life and general insurance business. The solvency margin is a key indicator for an insurer because it shows the company's stability and meeting obligations.

SLIC has maintained the solvency ratio well above the required margins during the past two years. The solvency ratio of the life insurance business was 11.56 during the current year (required solvency margin - Rs. 2,514 million) and the solvency ratio of the general insurance business for 2015 was 3.93 (required solvency margin - Rs. 2,703 million). In 2014, the life insurance solvency ratio was 13.22 (required solvency margin - Rs. 2,315 million) and the general insurance solvency ratio was 3.80 (required solvency margin - was Rs. 2,743 million). The general insurance business increased its stability during 2015 and 2014 in terms of the solvency of the business and the net asset value.

The company's solvency margins for both life and general over the five-year period are as shown below:

Stability of General Insurance Business

	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Net Assets Value	44,581,028	45,697,249	38,909,641	30,748,097	25,298,629
Solvency Ratio	3.93	3.80	4.3	3.25	1.94

The life insurance business recorded a solvency ratio of 11.56 for 2015 which is 13.22 times the comparative figure. The solvency ratio for the Life Insurance business remains at two digits figures, which shows the business' high level of stability in terms of solvency.

Stability of the Life Insurance Business

	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Life Fund	77,858,383	74,706,065	66,511,606	60,084,899	55,860,476
Net Assets Value	19,203,590	18,626,564	14,373,046	17,547,244	16,627,365
Solvency Ratio	11.56	13.22	11.48	10.14	9.95

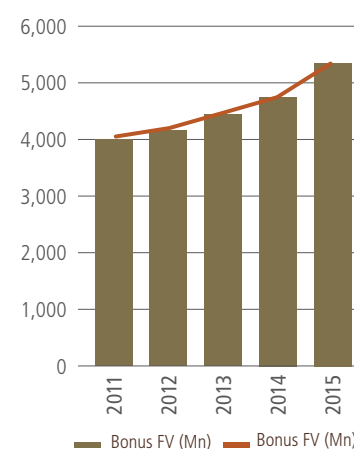
Declaration of life bonus

SLIC has, over the years, consistently increased the bonus declared to its life policyholders, and this year, too surpassed the company's own record of Rs. 4.7 billion set in 2014, declaring a bonus of Rs. 5.4 billion.

The company has, over the years, steadily increased its bonus to life policyholders, as the table below indicates:

Year	Bonus FV (Mn)
2011	4,014
2012	4,183
2013	4,462
2014	4,764
2015	5,385

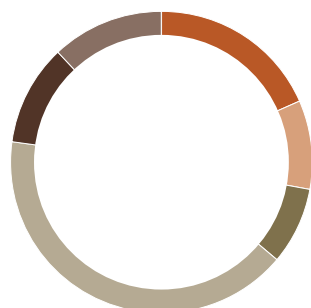
SLIC has declared a total of Rs. 30 billion as life insurance bonuses in Sri Lanka since 2006. This supports the company's commitment to provide its policyholders with the highest returns through managing investments wisely.



Company Value Added Statement

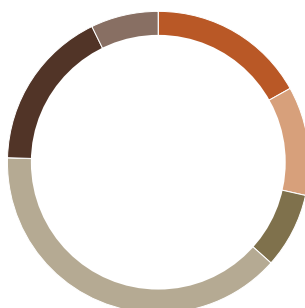
	2015 Rs. Mn	2014 Rs. Mn
Net Earned Premium	20,393	17,805
Investment and Other Income	10,763	11,497
	31,156	29,302
Less		
Net Claims and Benefit	12,933	11,939
Cost to External Services	1,544	3,527
Value Addition	16,677	13,836
Distribution of Value Added		
To Employees		
Salaries and Other Benefits	3,062	2,335
To Intermediaries		
Acquisition Cost	1,587	1,613
To Government		
Income Tax	1,381	1,116
To Life Policyholders		
Increase in Life Insurance Fund	6,840	5,376
To Shareholders		
Dividend Paid	2,003	1,002
To Expansion and Growth		
Retained as Depreciation	368	138
Retained as Reserves	1,436	2,255
	16,677	13,836

Distribution of Income 2015



■ To Employees	18%
■ To Intermediaries	10%
■ To Government	08%
■ To Life Policyholders	41%
■ To Expansion and Growth	11%
■ To Shareholders	12%

Distribution of Income 2014



■ To Employees	17%
■ To Intermediaries	12%
■ To Government	08%
■ To Life Policyholders	39%
■ To Expansion and Growth	17%
■ To Shareholders	07%

INVESTMENTS

Investment Strategy

The investment strategy of SLIC is geared to achieve the optimal level of safety, income and asset growth. Through prudent investment management principles based on the regulations of the IBSL, the strategy aims at meeting the obligations of the fund.

Investment Committee

The Investment Committee has a range of responsibilities including the management of SLIC's investment portfolio, reviewing and monitoring the strategic asset allocation, effective matching of assets and liabilities, as well as capitalising on tactical investment opportunities. The committee follows the Asset Manager's Code of the CFA Institute and comprises of the following:

Board Members:

- Mr. Pradeep Liyanamana - Chairman of the Investment Committee
- Mr. Hemaka Amarasuriya - Chairman of the Board
- Mr. Bangsa Jayah - Managing Director
- Mr. Keith Bernard - Joint Managing Director

Investment Managers:

- Mr. Dhanuka Liyanagamage - Asst. General Manager/Investments (Ex-officio member)

Other Members:

- Mr. Suresh Paranavitana - Principal Officer (Ex-officio member)
- Mr. Ranjith Perera - Senior Deputy General Manager/Finance (Ex-officio member)
- Mr. Nalin Subasinghe - Asst. General Manager/Actuarial Services (Ex-officio member)
- Mr. Chaminda Gunasinghe - Asst. General Manager/Finance

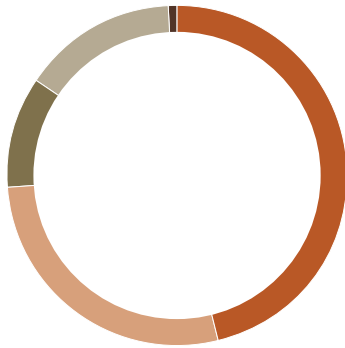
The quorum of the Investment Committee is 03 members including at least one Board Member and the Assistant General Manager/Investments who is the convener of the Committee.

OPERATIONS REVIEW CONTD.

Asset Allocation

Life Fund:

Composition of the Fund



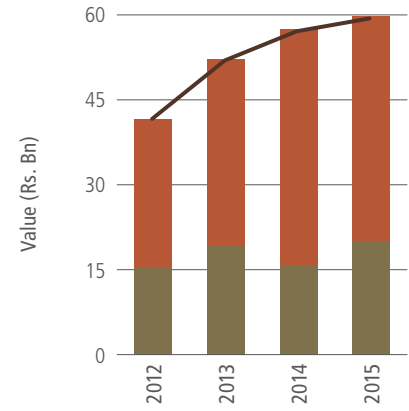
Government Securities	46.3%
Equity	27.6%
Term Deposits	10.6%
Corporate Debt	14.7%
Unit Trusts	0.8%

Maturity Profile:



<1 Year	19.52%
1-2 Years	8.60%
2-5 Years	37.05%
5-10 Years	13.80%
> 10 Years	21.03%

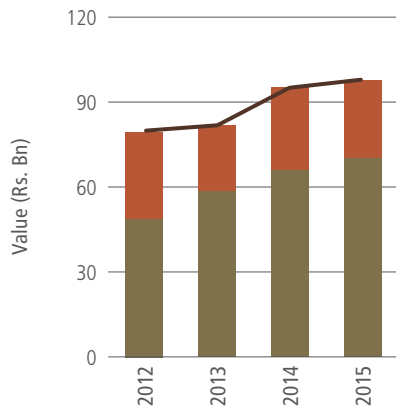
Growth of Investable Assets:



Value (Rs. Bn)

Legend: Fixed Income, Equity, Total Fund

Growth of Investable Assets:

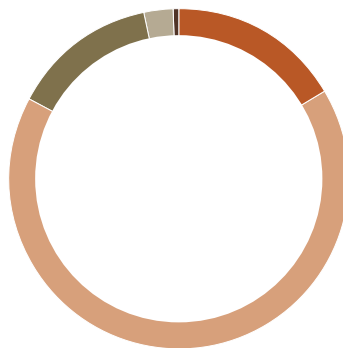


Value (Rs. Bn)

Legend: Fixed Income, Equity, Total Fund

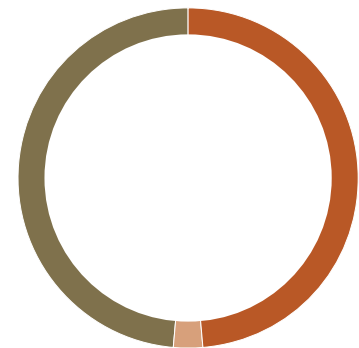
General Fund:

Composition of the Fund:



Government Securities	16.5%
Equity	66.3%
Term Deposits	13.9%
Corporate Debt	2.9%
Unit Trusts	0.4%

Maturity Profile:



<1 Year	48.86%
1-2 Years	2.56%
2-5 Years	48.58%

Asset – Liability Matching

Life Fund

In the context of a relatively less-developed fixed income securities market, matching the maturity structure of the life fund is a challenging task. However, the significant number of tax exempted listed debentures issued during the year helped mitigate this risk to a considerable extent. Most of these issues were heavily oversubscribed as the investors rushed to reap the benefit of income tax waivers granted. SLIC invested Rs. 3.1 billion in listed debentures during the year with maturities ranging from 03 to 10 years.

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

Net investments in treasury bonds and treasury bills reached Rs. 13.6 billion during the year, with maturities extending upto 30 years. The company intends to invest in longer term bonds during 2016 as well to reduce the asset-liability mismatch in the Life Fund further.

General Fund:

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

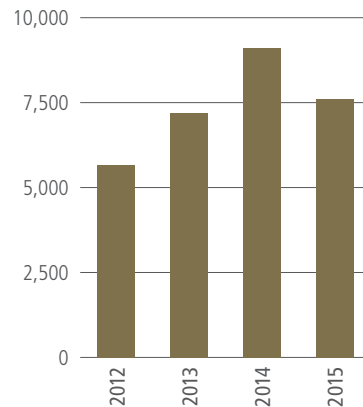
Investment Performance

SLIC achieved healthy returns during 2015 for both life and general funds under prudent and dynamic investment management mechanisms that avoided undue risks. This is a commendable performance in an environment which experienced a falling equity market and interest rates that remained low.

The company recorded a total investment income of Rs. 9.4 billion during the year.

Life Fund:

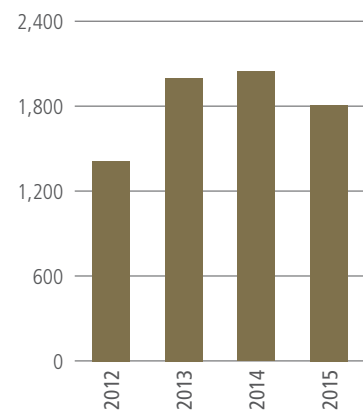
Investment Income (Rs. Mn)



The life fund recorded a healthy investment income of Rs. 7.6 billion in 2015.

General Fund

Investment Income (Rs. Mn)



The general fund recorded an investment income of Rs. 1.9 billion in 2015.

OPERATIONS REVIEW CONTD.

Summary of Investments:

Company	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
At Cost					
Listed Subsidiaries	2,925,567	2,925,567	2,925,567	2,925,567	2,925,567
Unlisted Subsidiaries	18,160,337	18,160,337	14,660,337	13,790,250	8,790,250
At Net Asset Value					
Associates	128,090	122,425	105,727	71,697	61,738
Available-For-Sale					
Listed Shares	31,894,168	35,711,339	24,798,653	22,423,654	22,748,462
Unlisted Shares	20,754	20,832	18,753	18,884	19,817
Unit Trusts	1,043,587	1,146,236	1,426,408	1,437,209	2,270,657
Listed Debentures	15,228,277	11,880,406	7,190,339	3,424,049	2,972,856
Treasury Bills	-	-	483,700	-	-
Treasury Bonds	5,119,315	4,387,187	5,418,642	11,144,843	11,964,725
Fair-Value-Through-Profit-or-Loss					
Listed Shares	6,756,655	5,538,348	5,956,726	10,953,886	20,795,497
Held-To-Maturity					
Treasury Bills	488,795	487,576	-	969,775	192,899
Treasury Bonds	38,475,744	25,589,291	19,324,293	14,402,918	18,240,876
Loans & Receivables					
Unlisted Debentures	541,717	1,367,205	1,890,781	2,274,245	2,015,204
Term Deposits	17,309,842	27,945,442	22,864,910	16,290,231	7,080,518
Development Bonds	6,815,995	2,428,326	5,254,857	5,106,038	4,586,578
Commercial Papers	-	-	-	206,807	332,352
Trust Certificates	-	-	37,481	60,767	53,260
Reverse Repos	2,629,107	5,130,628	12,530,569	7,852,673	3,065,689
Total	147,537,950	142,841,145	124,887,745	113,353,493	108,116,944

CUSTOMERS

Customers are the basis of the business. The company is fully aware that good service begins with understanding customers' needs and expectations, and delivering on promises. As the largest insurer in Sri Lanka, the company takes all initiatives necessary to meet customer needs and expectations. Processes are also being constantly revamped to provide a speedy and efficient customer service.

INCREASING OPERATIONAL EFFICIENCIES ACROSS BUSINESS UNITS

A number of initiatives have substantially increased the efficiency of operations across the Company.

Branch network

Existing branches were upgraded to keep pace with industry developments. Branches were physically upgraded with renovations as well as facility enhancements, and some were also relocated to more strategically advantageous places during the year. These initiatives are expected to contribute positively towards business growth in the near future.

Reinsurance

Financially unstable reinsurers could have a substantially negative impact on insurance companies who deal with them on claims recovery business. SLIC partners only with global reinsurers who have high financial global ratings.

Loss adjustment panel

The loss adjustment panel was expanded to expedite claims, and jobs were rotated within units to get maximum outputs, authority was delegated, and the level of authority of identified employees was increased to speed up documents processing. New business/ renewal follow-up units in the General Accident department were also set up.

Processes and procedures

New formats were introduced to gather data to measure the efficiencies of the claims department with a view to introducing methods to improve efficiency. An efficient salvage handling procedure and a manual file tracking system for property claims were introduced. Employees were assigned to follow-up on the reports of technical officers based on photographic evidence, and to settle small claims.

Training and Development

Building the confidence of the sales team through knowledge enhancement and personal grooming, coupled with work ethics is key to successful salesmanship in general Insurance. Well-structured training and development modules were designed and rolled out, and are continuously updated. Training during the year also focused on leadership and sales management development as well as motivation programmes.

Life Insurance

'Insurance for all'

A marketing strategy, 'Insurance for all' was launched on 1 January 2012 to mark the 50th (Golden) Anniversary of Sri Lanka Insurance. As the national insurer, the company is at the vanguard of promoting industry interest in ensuring that life insurance is reachable, flexible and affordable to all. A series of marketing and sales initiatives were introduced to realise this vision in the ensuing years.

Top-of-mind awareness

In marketing life insurance, the company realised the effectiveness of creating top-of-mind awareness and interest among the existing and potential customer base through advertising on electronic, print and emerging media – social and digital. This reinforced the need for insurance as a mainstay for the uncertainties of life. The campaigns succeeded in providing top-of-mind recall and equity for the SLIC brand and increased brand awareness. This has contributed substantially to enhance the efforts of the sales force when approaching customers for the initial contact, as people's knowledge of the company and what it stands for has now increased.

Revival campaign

A key concern of the life insurance industry, globally, is the need to ensure that life policies remain active. SLIC launched a special revival campaign which focused on the high bonuses paid by the company, and effectively reactivated a high proportion of dormant policies during the year. This success has prompted the company to introduce the campaign in 2016 as well.

Strengthening alternate distribution channel - Bancassurance (Life)

SLIC's main project with the Bank of Ceylon continued, and branches around the country were assigned 23 bancassurance officers to promote life insurance. Plans are in the pipeline to develop sales lines with more banks. Partnership with more banks will add a range of non-traditional activities to penetrate the market which, the company is confident, will improve business as well as minimise dependency on a single channel.

Alternate distribution - Group Life

To focus further on channel development, SLIC established a Group and Bulk Sales unit to concentrate on group life business. The success of this strategy was confirmed with a remarkable growth of 82 percent in the retirement market and worksite market, which contributed Rs. 367 million in profits during the year. The potential of government and corporate sector entities especially in the areas of retirement planning and similar schemes were identified and will be taken forward in the near future.

OPERATIONS REVIEW CONTD.

Sales force activations

The sales force play a key role in increasing the company's penetration of the life market. A structured sales promotional campaign at regional level continues, in addition to the national sales campaigns and Above the Line (ATL) activities that continue to keep the market aware and active for SLIC offerings.

Initiatives to motivate the sales teams included the January first business launch, the Annual Awards, quarterly schemes to encourage productivity development, the branch level GWP competition towards year-end, and the Million Dollar Round Table (MDRT) event.

Details of some of the events are given below:

Annual Awards

The Sri Lanka Insurance awards night, Star Awards 2015, felicitated 435 of the highest performers among the company's field sales staff. They were judged on achievement of sales targets and standards. The best regional sales managers, sales managers, team leaders and advisors in life and general insurance were recognised with special certificates and cash awards, and the most outstanding performers in each category were also presented with inscribed plaques. 2015 awards also recognised 46 sales advisors for their dedicated service of over 35 years to the company. The 'Platinum Star' was also added to the achievers club and its inaugural members, who comprise the highest achieving advisors in the company, were recognised and rewarded.

Mid Year Life Insurance Congress

The company held its Mid Year Life Insurance Congress to facilitate its top performing life insurance sales staff at the Citrus, Waskaduwa, on 22 April. Over three hundred top achievers, the company's Chairman and senior management participated.

Millionaires' Club Members Awards Night

The annual Millionaires Club awards night was held at Waters Edge hotel under the patronage of the Board of Directors of the Company. This prestigious club recognises and rewards high performing field officers who contribute substantial premiums and has 175 members at present.

GENERAL INSURANCE

General insurance comprises two main strategic business units, Motor and Non Motor. The categories have widely diverse characteristics, so different strategic plans were designed for each category.

SLIC was the market leader in the motor category for the sixth consecutive year in 2015, since regaining the market leadership position in 2010.

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

For the Non-Motor segment, managing the corporate insurance product will no longer be sufficient for competitiveness given existing market conditions, due to the relaxation of regulations and intense market competition. Therefore, the prime focus for the next three years will be on developing the retail market while further developing corporate business.

Future plans

Several initiatives to increase market penetration will be introduced in the near future. A key future objective will be to increase SLIC service points upto 150 units in 2016 through setting up 30 customer service centres.

AWARDS AND RECOGNITIONS

SILVER award winner of 'HRM AWARDS 2014'

SLIC won the silver award for the best HR System and Processes at the HRM Awards 2014 held on 11 March 2015. The awards were organised by the Association of Human Resource Professionals (HRP) in collaboration with the Society of Human Resource Management (SHRM). The judging process involved an onsite audit to ensure that precise and up-to-date HR systems and processes were in place, and included a comprehensive study of the organisation's HR systems to ensure that they are in line with business objectives and add value to the organisation's progress.

INFORMATION TECHNOLOGY

A comprehensive Integrated Finance System (SAP) with key functional modules in finance and management accounting, material management, procurement, treasury and investment, and detailed reporting was implemented during the year under review. Tightly coupled interfaces for front end insurance systems were introduced with SAP and address most of the back office controls and financial reporting issues highlighted by the auditors.

A front office system is also in the process of being introduced, and will be completed in 2017.

NEW PRODUCTS

Launch of Minimuthu Daayada Children's Plan

SLIC has, since inception, focused on projects that support the wellbeing and empowerment of the future generation, and we have planned to launch the Minimuthu Daayada Children's plan in 2016. This is an insurance policy designed to give adequate protection for the child's prospects for the future, at affordable premiums and guaranteed sums assured.

Education plays an important role in a child's future, but only a small percentage of children gain admission to state universities, and private higher educational facilities cost substantial sums of money that is beyond the reach of many parents. Minimuthu Daayada provides the child with complete protection at a highly affordable premium, and is designed to accompany the child to adulthood to reach their future goals.

The investment benefits of this children's plan include an attractive maturity benefit of 125 percent of the sum assured with bonuses, five times the sum assured as an insurance cover provided to one parent, plus a hospitalisation cash benefit cover of Rs. 1,000 per day for the child. Premium options available depend on the parents' income and the sum assured. Investment returns are paid when the child completes 18 years.

Additional covers available include, critical illnesses (both life assured and child), partial permanent disability (life assured), health (both life and child), as well as a spouse cover and funeral expenses covers (life assured).

PEOPLE AS THE ENGINE OF GROWTH

As the Sri Lankan insurance sector experiences a period of transformation, supported by several positive economic indicators, the company is committed to pursuing sustainable growth and profitability in this dynamic environment. To take this forward, it is imperative that the work force is trained, developed and motivated through strategic human resource planning to perform at high standards of excellence.

Its employees are the company's most important resource. The company's total staff strength as at 31 December 2015 was 2,284.

HR Policy manual

This manual outlines the behaviour expected of SLIC staff through policies and procedure set out in the HR policy manual. Staff are required to conduct themselves ethically and with integrity at all times by following the highest standards of ethics.

Equal opportunity

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

Recruitment and retention

Strategies are in place to acquire the best talent for the company and retain this talent with the company.

The recruitment process is transparent, and depending on the staff level, includes tests for aptitude and language, and a variety of other assessments in line with the skills required, followed by an interview by a recruitment panel.

SLIC introduces incentives to motivate employees, and gives workers responsibility and accountability for their work, while rewarding them for achievements and building on their competencies. This has succeeded in ensuring that staff give of their best to their job, and remain with the company long term.

Training

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

An important focus is to develop the next level of junior managers vital to sustaining and growing the business. A series of management development programmes were introduced to eligible staff in partnership with leading educational institutions, geared to develop the skills and competencies of junior managers.

Career progression

Staff are given the opportunity to progress in their careers through the company's annual promotion scheme as well as by applying for internal vacancies as and when they arise.

Succession planning

Succession planning is key to the company's vision and goals, and creates an effective process for recognising, developing, and retaining top leadership. The company has a succession plan in place to build strong leadership into the future. Once potential successors are identified, they are carefully groomed over the years to gain the skills and knowledge needed for the position in view.

Grievance procedure

The company encourages an open door policy to senior management, for staff to discuss any grievances in a confidential and supportive atmosphere.

OPERATIONS REVIEW CONTD.

Collective agreements

The company promotes worker harmony through periodically signed collective agreements on remuneration and annual increments, policies on loans, promotions, overtime payments, transfers and grievance handling etc. The company signed the collective agreement for 2013 to 2016 with two trade unions which brought in salary revisions in line with industry standards.

All applicable industrial laws, regulations, statutory obligations, awards, agreements and national codes of practice and guidelines are complied with, and an extensive grievance handling mechanism is in place to resolve any conflicts.

Salary ranges have also been introduced to the main staff categories to maintain consistent and equitable remuneration in keeping with job descriptions.

Staff welfare

A range of facilities are extended to staff to ensure that they are well taken of not only during working hours but also during their leisure and family times. These include providing bungalows for holidays, company transport facilities, death benefit schemes and programmes for children and other members of employees' families.

CORPORATE SOCIAL RESPONSIBILITY

The company recognises its responsibility to contribute towards developing the communities in which it works and lives, and with this in mind, has introduced many innovative corporate social responsibility (CSR) programmes over the years. These programmes enhance the quality of life of communities by identifying and filling gaps, and enable them to lead a better life by empowering them to elevate their economic status.

As a socially responsible citizen, SLIC has substantially uplifted the economic, cultural and social values of the country. The following

project carried out in the year under review are a case in point:

Top performers in examination are presented with Suba Pathum scholarships

The company believes that children are the wealth of the nation, and from its onset, has been involved in projects that promote the wellbeing and empowerment of the generation of the future.

The second batch of Suba Pathum scholarships was presented at the scholarship scheme awards ceremony held at the Nelum Pokuna Theatre on November 24, 2015. The scholarships were awarded to 317 top achievers from 25 districts who had applied for the scholarship.

The top four students from each district in the grade five scholarship scheme received a lump sum of Rs. 20,000 each while the top four students who ranked at district-level students at the G.C.E (O/L) received a lump sum of Rs. 40,000 each, and the top 100 students who excelled at national level at the G.C.E (A/L) examination, which comprised of 25 top-ranking students from each of the four - Biology, Mathematics, Commerce and Arts - streams received a lump sum of Rs. 50,000 each. If the student's parents or guardians hold a life policy with SLIC, the benefit will be continued annually until the child sits for the next national examination.

The scholarship scheme was launched in June 2013 to nurture and support an academically proficient new generation.

'Call to Donate' launched to raise funds for the National Cancer Institute

SLIC launched the 'Call to Donate,' programme on October 28, 2015, another project that reinforced the company's commitment to care for children. The project urged all Sri Lankans to partner with SLIC to help children diagnosed with cancer, and used the simple mechanism of a 'missed call,' to collect funds for the

Paediatric Oncology unit of The National Cancer Institute (NCI), Maharagama.

The public was asked to give a missed call to a pre-designated number every time they saw or heard an insurance advertisement. SLIC donates Rs.10 to this fund for every missed call received. A fully-fledged TV, radio and newspaper campaign supported delivery of the message.

According to data released by the Ministry of Health, 3.4 percent of cancer patients are under 14 years of age, and are in almost equal numbers of female and male children. About 95 percent of children diagnosed with cancer are treated at the NCI.

The fund will finance the hospital's purchase of a C Pap Machine (CPAP) as well as prosthesis and essential medicines. The CPAP machine helps patients breathe more easily during sleep and ensures that the airways do not collapse when breathing. The fund will also provide financial assistance to parents who are unable to afford the purchase of prosthesis and medicines for their children.

Continuing support to pilgrims at the Kandy Esala Perahera

SLIC, once again, provided a special service for pilgrims who visited Kandy during the Esala Perahera season with the Ira Handa Pavathina Thuru personal accident cover valued at Rs. 50,000. The company's Motor Plus vehicle breakdown assistance and recovery service was also provided to assist pilgrims who faced difficulties due to vehicle breakdowns. This service was offered to all vehicle users, irrespective of whether or not they were policyholders with SLIC.

The service supports the company's commitment to nurture, preserve and protect the rich heritage and rituals of the Sri Lankan people to be handed down to future generations.

INTERNATIONAL RATINGS AND ACCREDITATIONS

Sri Lanka Insurance Corporation is the first Sri Lankan insurance company to have been assigned a global rating for financial stability AA (Ika) from Fitch Ratings, London, which is an assurance of the company's long term financial sustainability.

Credit Rating	Rating given by	Date of Rating	Rating
AA(Ika)	Fitch Ratings	2015 September	- National Long term Rating - Outlook: Stable
AA(Ika)	Fitch Ratings	2015 September	- National Insurer Financial Strength Rating - Outlook: Stable

This indicates a very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

The Company has also been awarded ISO 9001:2008 certification for correct governing and operational procedures in line with accepted global standards, details of which are given below:

ISO accreditation

Sri Lanka Insurance Corporation Limited is certified with the ISO 9001:2008 Quality Management System certificate valid upto 2017 December for the Head Office and all branches. The life and general underwriting, claims settlement and support services of the head office and its branches are included in the scope of the certification. All departments have individual objectives as specified in the company's corporate objective and are obliged to achieve them. The company policy is clearly reflected in the Quality Policy, which is clearly displayed in each department and all ISO implemented branches. The senior management ensures that all staff carry out their work within the framework of the Quality Policy.

TAXATION

The Company contributed Rs. 4,190 million (Rs. 2,451 million - 2014) as taxes to the government in 2015 as part of its contribution to supporting the economic developing of the country. This includes Income tax, Value Added Taxes, Stamp duty, Nation Building Tax and Super gain Tax.

	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
VAT	1,205,546	1,061,272	1,186,288	1,121,183	1,074,671
NBT	62,108	252,955	267,011	258,914	299,707
WHT	-	-	-	-	17,089
RST	2,557	9,425	9,751	10,095	8,879
ESC	-	-	-	-	120,000
ST	3,087	11,487	8,186	8,175	7,987
IT	1,501,941	1,116,126	1,700,039	1,627,413	1,220,547
SRL	-	-	-	-	4,803
SUPER GAIN TAX	1,415,421	-	-	-	-
TOTAL	4,190,660	2,451,265	3,171,275	3,025,780	2,753,683

CORPORATE GOVERNANCE

The responsibility to protect the welfare of policyholders requires insurance companies to have in place good governance practices to maintain sound long-term investment policies as well as solvency and underwriting risks on a prudential basis. SLIC has in place risk management, actuarial valuations, internal audits and systems of internal controls that strengthen the company's corporate governance standards.

Corporate Governance Philosophy

The company's corporate governance philosophy creates and enhances long-term sustainable value for all stakeholders through ethically driven business processes. The company also ensures that all its affairs are managed in a fair and transparent manner, follows corporate governance guidelines and best practices, and considers it an inherent responsibility to disclose timely and accurate information on financials and performance as well as its leadership and governance.

Board of Directors

The Board of Directors is at the core of the SLIC corporate governance platform and oversees how the management serves and protects the long-term interests of its stakeholders.

The Board is committed to maintain an effective corporate governance structure and process and to be in compliance with all rules, regulations and best practices on corporate governance. The company reports regularly and comprehensively to the Board of Directors on business developments, the financial position and earnings, budgeting and achievement of objectives, compliance issues, and on the strategy and existing risk exposure.

The Board of Directors is guided by the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, 2013.

The company's corporate governance philosophy creates and enhances long-term sustainable value for all stakeholders through ethically driven business processes.

The number of Board Meetings and Board Sub-Committees held during 2015 and details of attendance of each Director present at these meetings are given below:

Board Meetings – 2015

There were 9 board meetings held during 2015.

Name of the Director	Attended
Members of the Board as at 20th January 2015	
Mr. H.K.U. Dharmadasa (Non-Executive Chairman)	1
Mr. P. Kudabalage (Managing Director)	1
Mr. N.D.P. Dehigama (Non-Executive Director)	1
Mr. S.V.R. Samarasinghe (Non-Executive Director)	0
Mr. H.I. Balapatabendi (Non-Executive Director)	1
Mrs. K.M.A.N. Daulagala (Non-Executive Director)	0
Reconstituted Board w.e.f. 20th January 2015	
Mr. H.D.S. Amarasuriya (appointed w.e.f. 09/02/2015)	8
Mr. T.M.R. Bangsa Jayah (appointed w.e.f. 09/02/2015)	8
Mr. P.P.J. Perera (appointed w.e.f 09/02/2015)	8
Mr. Keith Bernard (appointed w.e.f. 17/11/2015)	1
Prof. L.G. Chandrasena (appointed w.e.f. 20/01/2015)	8
Mr. Imal Fonseka (appointed w.e.f. 20/01/2015 and resigned w.e.f. 06/11/2015)	5
Mr. P. Algama (appointed w.e.f. 20/01/2015)	6
Mr. Asela S. Padmaperuma (appointed w.e.f. 17/11/2015)	1

Mr. H. F. Imal S. Fonseka resigned w.e.f. 06th November 2015. Mr. Keith D. Bernard and Mr. Asela S. Padmaperuma were appointed w.e.f. 17th November 2015. Mr. P. P. J. Perera ceased to be a director w.e.f. 30th March 2016 and accordingly, Mr. Pradeep A. Liyanamana was appointed to the Board w.e.f. 30th March 2016.

Audit and Compliance Meetings (ACCM) - 2015

There were 4 ACCMs during the year 2015 and the Treasury Representative on Board. Mr. P Algama acted as the Chairman of the Committee.

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

Investment Committee Meetings - 2015

The Investment Committee was upgraded to a Board-Sub-Committee during 2015 and 20 Investment Committee Meetings were held during the year.

Name of the Director	Attendance
Mr. P. Kudabalage (resigned w.e.f. 20/01/2015)	2
Mr. Imal Fonseka (resigned w.e.f. 06/11/2015)	14
Mr. Hemaka Amarasuriya	14
Mr. T.M.R. Bangsa Jayah	16
Mr. P.P.J. Perera (ceased to be a director w.e.f. 30/03/2016)	18

Human Resources Committee

There were 9 Human Resources Committee meetings held during 2015, chaired by Professor Lal Chandrasena.

	Attended
Mr. N.D.P. Dehigama (Non-Executive Director, resigned w.e.f. 20/01/2015)	1
Mr. H.K.U. Dharmadasa (Non-Executive Director, resigned w.e.f. 20/01/2015)	0
Prof. L.G. Chandrasena (Non-Executive Director, appointed w.e.f. 20/01/2015)	8
Mr. Imal Fonseka – (Non-Executive Director, appointed w.e.f. 20/01/2015 & resigned w.e.f. 06/11/2015)	3

Risk Management Committee Meetings - 2015

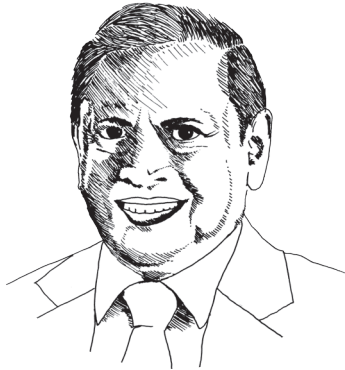
The Risk Management Committee met once during 2015 and was chaired by Professor Lal G Chandrasena. The Committee has a broad membership that represents different spectrums of risk managers from finance, investments, actuarial, reinsurance, compliance, internal audit, to human resources management and ICT departments. The company has taken steps to recruit a Risk Management Consultant to strengthen the risk management function.

	Attendance
Prof. L.G. Chandrasena (Non-Executive Director)	1
Mr. P Algama (Non-Executive Director)	0
Mr. H.D.S. Amarasuriya (Chairman)	1

Other Operational Committees

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

BOARD OF DIRECTORS



Mr. Hemaka D. S. Amarasuriya

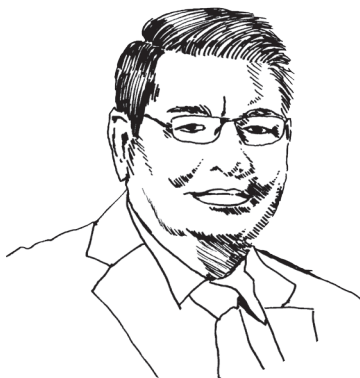
Chairman

Respected professional Mr. Amarasuriya is a proud product of Royal College, Colombo and started his career as a dynamic administrator. He was the Chairman and former Managing Director of the Singer Group of Companies in Sri Lanka and the former Chairman of National Development Bank PLC. Mr. Amarasuriya holds Directorships in Bata Shoe Company of Ceylon Ltd., Bata Exports (Pvt) Ltd., ACL Cables PLC, C. W. Mackie PLC, Lanka Aluminium PLC & ACME Printing & Packaging PLC and other non-listed companies. He is a former Vice President of Retail Holdings Limited, USA and of Singer Asia Ltd and also a former Chairman of the Singer Business Council worldwide.

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

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

He is also an exceptional and unique sporting personality.



Mr. T.M.R. Bangsa Jayah

Managing Director

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

He is a product of St. Anne's College, Kurunegala and has studied further in Aquinas College, Colombo. During his school period he has excelled in sports including Cricket and Soccer. He was a member of School Cadetting Team as well. After his schooling he has completed his First-in- Laws at the Law Faculty, Colombo.

Mr. Bangsa has experience in construction industry for more than 15 years and he has been a principal partner in a well-known piling company. Mr. Jayah serves the Boards of Colombo Dockyard PLC, Ceylon Assets Management Company Ltd and Management Services Rakshana (Pvt) Ltd.



Mr. Keith D Bernard
Joint Managing Director

Mr. Keith D Bernard holds a MBA from the Aberdeen Business School , Robert Gordon University of Aberdeen and Master of Economics from the University of Colombo. He received the 1996-97 Douglas Gourlay Award for the outstanding MBA student for demonstrating initiative, endeavor and creativity. He is also a Fellow Member of the Chartered Institute of Management Accountants UK (FCMA) and he is a Chartered Global Management Accountant (CGMA) as well. In addition, he holds a Diploma in Marketing and is a member of the Chartered Institute of Marketing. He serves the Boards of other companies as well including The Lanka Hospitals Corporation PLC.



Professor Lal Gotabhaya Chandrasena
Non-Executive Director

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

Professor Chandrasena has a Doctorate in Philosophy from the University of Liverpool (U.K.), a Bachelor of Science (Hons) from the University of Liverpool (U.K.); a Fellow of the Institute of Chemistry, Ceylon and is a Chartered Chemist. In addition, he is a Fellow of the Royal Society of Chemistry (U.K.), a Fellow of the National Academy of Sciences of Sri Lanka and Post –Doctoral Fellow, Colorado State University, U.S.A. He is also a Fellow member of the Institute of Certified Professional Managers and holds a certificate in Hospital Administration from the Indian Institute of Management, Ahamadabad. He is the current President of the Association of Private Hospitals, Sri Lanka. He is also a member of the Private Health Services Regulatory Council of the Ministry of Health. He is a Director of Nawaloka Metropolis Clinical Laboratories (Pvt) Ltd.



Mr. Priyanga Algama
Non-Executive Director

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

BOARD OF DIRECTORS CONTD.



Mr. Sanjaya Padmaperuma

Non-Executive Director

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



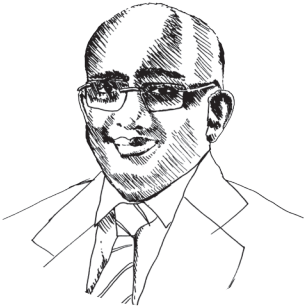
Mr. Pradeep Liyanamana

Non-Executive Director

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

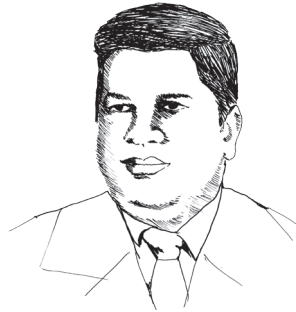
Mr. Liyanamana holds a Master's degree in Agricultural Economics from Texas A & M University, Kingsville and a Bachelor's degree in Marketing and Management Information Systems from Incarnate Word University, San Antonio, Texas.

SENIOR MANAGEMENT TEAM



Suresh Paranavitana

Chief Officer - Life
FCII, MBA, DipM, FCIM, M.I. Mgt, CMA (Aus)



Chandrasiri Gannile

Chief Officer - Administration & HR
MBA, B.LE (Sp.), FCMI (UK), FIMSL, FIPM, Dip.
In Journalism, National Dip. In PM (IPM), HNDA,
National Dip. in Teaching (NIE), MITD (SL)



Ranjith Perera

Snr. DGM - Finance
BSc (Hons) (Pub.Admin.Sp.), MBA, MA,
PG. Dip. in Corp. Finance, FCMA, FCA



Nirosihini Pethiyagoda

DGM - Marketing
MBA (MGSM,Syd), FCIM (UK),
DipM (UK), Chartered Marketer



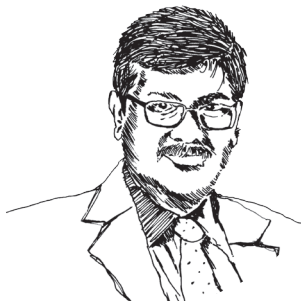
Ajith.Wijayasundara

DGM - ICT
BSc (Eng), MBA



Thanuja Hingulage

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



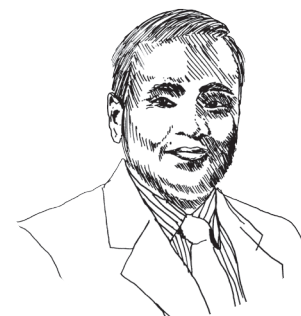
Hasantha Perera

AGM-ICT Governance & Admin.
MSc (IT), MSc (Const. P.Mgmt.), MBA, BSc (Eng.),
AIPMSL, AIESL, Dip. in Credit Mgmt. (IBSL)



Rasika Ranathunga

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



Dayaratne Perera

AGM-Life (Technical)
BSc (Hons), FCII, Dip. In BA, Chartered Insurer,
MBA (USJ), AUKP (UK)

SENIOR MANAGEMENT TEAM CONTD.



Mahen Peiris

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



Jerome Vincent

AGM - Sales Support
*Bcom (Special - Hons), MBA, Dip. in Journalism,
Dip. in Marketing (UK) MCIM, AIII*



Nalin Subasinghe

AGM - Actuarial & Risk Management
*MSc in Actuarial Management. (UK), BSc (Hons.
Mathematics Special), Dip. in Computer Studies*



Sherica Fernando

AGM - Medical
*MBBS(SL), MSc-Community Medicine (SL), ACII (UK),
MRCGP (INT)(UK), Ad. Dip in Insurance-CII,
Dip in Life & Disability claims*



Chaminda Athauda

AGM - Life (Technical)
*BSc.(Hons), ACII, AIII, ANZIIF (Senior Associate),
MBA (Colombo), Chartered Insurer*



Champa Kannangara

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



Jeewani Gunawardena

AGM - Internal Audit
FCA, MBA



Namalee Silva

AGM - Marketing & Corporate Communication
*MCIM(UK), Chartered Marketer,
Prof. Dip. in Marketing-CIM, ACIB (UK)*



Chaminda Gunasinghe

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



Dhanuka Liyanagamage

AGM - Investments
BSc (Eng) (Hons), MBA (Finance), CFA, Member of the CFA Institute (USA) and CFA Sri Lanka Society



Malaka Bandara

AGM - Management Accounting & Budgetary Control
BSc. Accountancy (Sp.), ACA, MBA (Colombo)



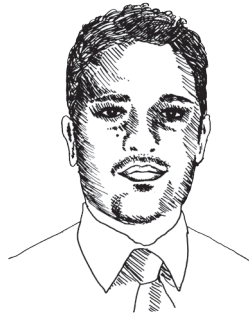
Ruwani Dharmawardana

AGM - Compliance / Assistant Company Secretary
LLB (Hons), Attorney-at-law, ACISI, Dip. In Bus. Mgt.-ICFAI, Dip. in Mgt.-CMA, Dip. in HRM (UK)



Lalith De Silva

AGM - Motor
Post Graduate Dip. In Finance & Bus. Administration, MBA



Roshan Collas

AGM - National Sales (Life)
MBA, CMA (Aus), Dip. In Marketing (SLIM), MSLIM, FCPM, MIM (SL)



Mahendra Silva

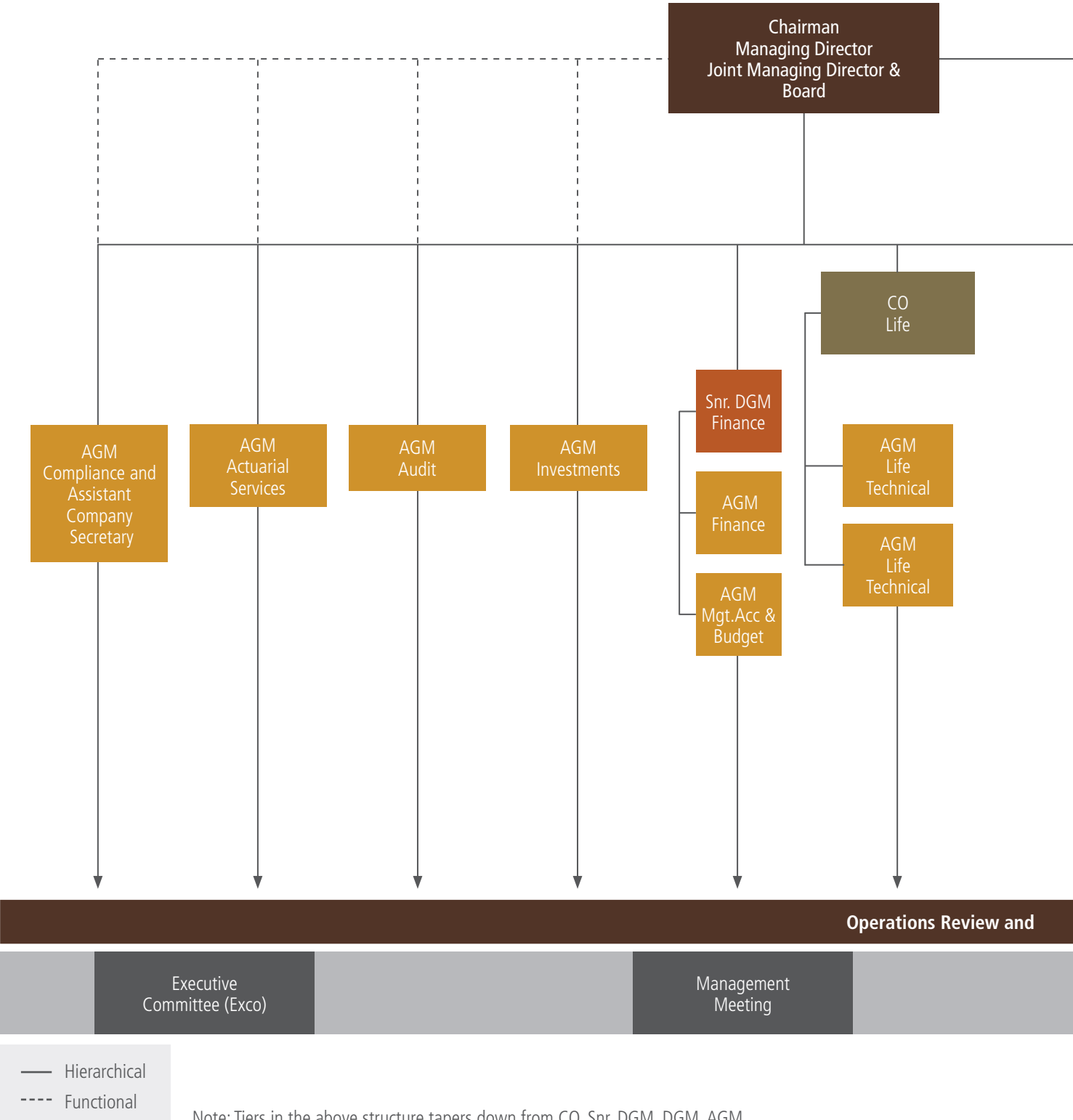
AGM - Administration & Employee Relation
Attorney-at-Law, LLB (SL), PG. Dip in HRM, NDES, MIIE (SL), I ENG, AMIPM (SL)

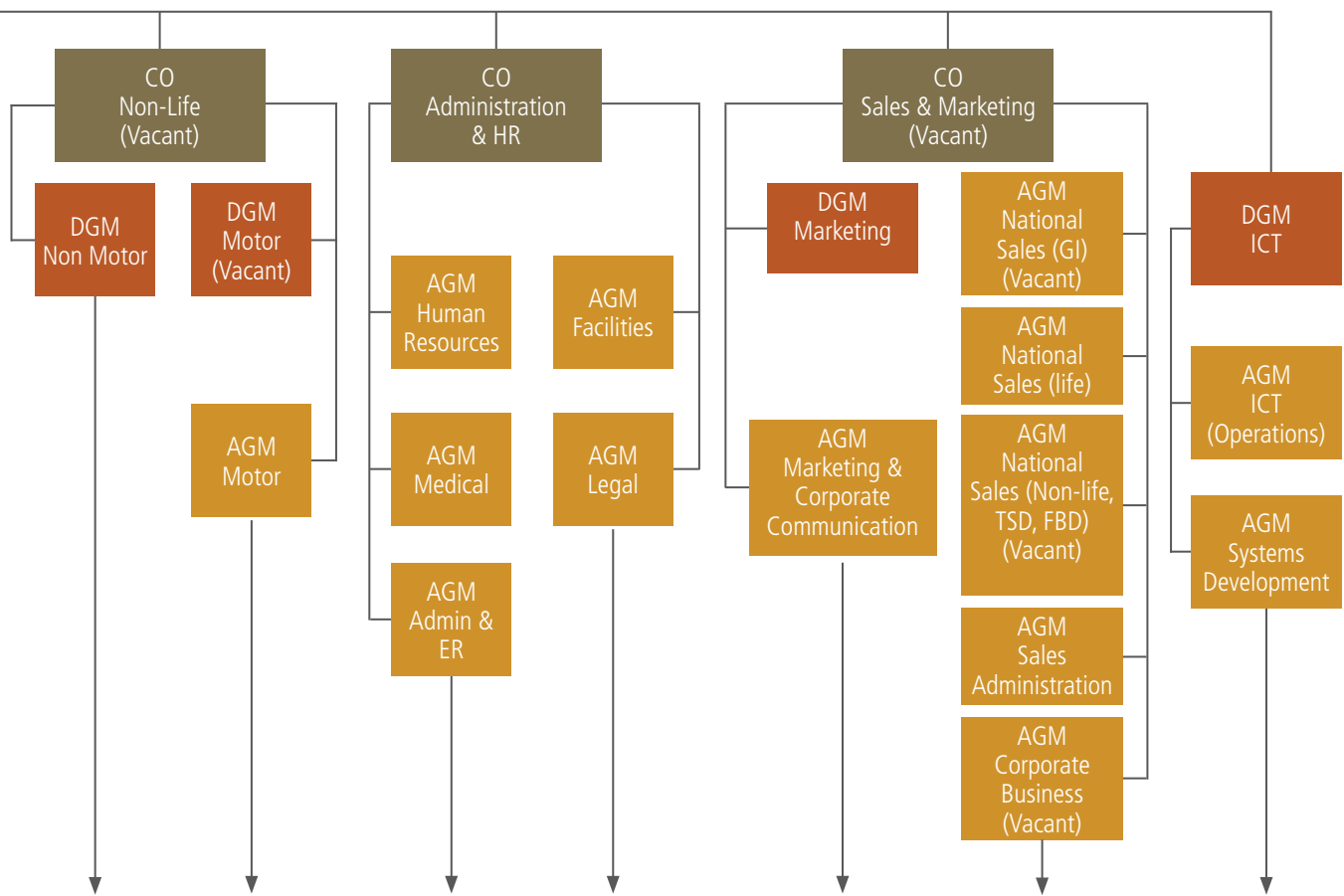


Malin Perera

AGM - Human Resources
MBA (Aus), MABE (UK), Dip. In HRM (UK)

ORGANIZATIONAL STRUCTURE





Advisory Committee (ORACs)

Marketing & Sales Review Committee

TIRRIFICS Committee

Legal Advisory Committee

RISK MANAGEMENT

Every business faces uncertainties or risks in its operating environment, which, if not managed and mitigated, would not only disrupt the achievement of its strategic and operational objectives, but may also cause massive losses or unplanned for costs that could result in extensive financial and reputational loss as well contravene local/international regulations.

Effective risk management enables companies to take better and informed decisions that substantially improve the probability of achieving their strategic and operational objectives.

As the leader of the Sri Lankan insurance industry, SLIC is in the business of managing risk, so risk management is an integral part of the company's management and control system. This system promotes timely identification, analysis, measurement, management and reporting of risk, and forms the basis of successful value-based management which ensures efficient allocation of capital and optimisation of key performance indicators.

A clear risk strategy defines the company's risk appetite, and risk management processes focus on the adequate steering of risk, as opposed to merely avoiding or minimising risk. Close monitoring and reporting of potential risks allow the Company to detect deviations from the pre-determined levels of risk tolerance at an early stage.

SLIC's approach to risk management focuses both on risk and returns. The company has established procedures and processes that cover all critical stages of risk, from product development to benefit administration, as mentioned below.

SLIC's approach to risk management focuses both on risk and returns. The company has established procedures and processes that cover all critical stages of risk, from product development to benefit administration.

Life Insurance Risk

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

"Mortality risk" - The risk that the actual policyholder death experience on life insurance policies is higher than expected.

"Longevity risk" - The risk that annuitants live longer than expected.

"Morbidity risk" - The risk that actual policyholder health/accidental related claims are higher than expected.

"Policyholder behavior risk" - The risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written, which can potentially impact its ability to recover deferred acquisition expenses.

"Expense risk" - The risk that expenses incurred in acquiring and administering policies are higher than expected.

In addition to these, all life financial streams are modelled and profit testing is produced by the Actuary, thus mitigating product design and pricing risk. SLIC also uses matching instruments to back liabilities (ALM), if available.

Assumptions used in determining life insurance contract liability are tabulated below:

Assumption	Description
Mortality	Guidelines provided by RII Act No 43 of 2000: <ul style="list-style-type: none"> • A67/70 for non-annuity business • a(90)m for male annuitants and a(90)f for female annuitants
Investment return	Guidelines provided by RII Act No 43 of 2000, minimum interest used for 2015.12.31 valuation is 3.5% which is consistent with last 5 years valuation.

The total policy liability set up as at 2015.12.31 under the above mentioned guidelines is Rs. 64,946 million excluding the bonus costs.

Sensitivities Analysis for Life Insurance Risk

SLIC participated to the RBC parallel operated during 2015, results as at 2015.12.31 are as follows. The total net liability (BEL) under RBC guidelines for best estimated assumptions is Rs. 16,370 million.

Assumption	Change in assumption	Impact on liability (Rs.)
Mortality	+10%	684 Mn
	-10%	(689) Mn
Discount Rate	Up shock scenario under RBC	(5,626) Mn
	Down shock scenario under RBC	8,326 Mn

Segregation of policy liability based on product category:

31st December 2015 Rs. '000	Insurance Liabilities (with profits)	Insurance Liabilities (without profits)	Total gross insurance Liabilities
Whole Life	60,127	37,372	97,499
Endowment Assurance	41,008,719	1,646,665	42,655,384
Term Assurance	-	1,820,843	1,820,843
Annuity	18,855,901	387,272	19,243,173
Rider Benefits	1,006,970	121,953	1,128,923
Total	60,931,717	4,014,105	64,945,821

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

	Participating Rs. '000	Non-Participating Rs. '000	Total Rs. '000
2015	73,844,279	4,014,105	77,858,384
Percentage	94.84%	5.16%	

General Insurance Risk

Prudency in setting up reserves

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

RISK MANAGEMENT CONTD.

Claims Development Information

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

	2010 Rs.	2011 Rs.	2012 Rs.	2013 Rs.	2014 Rs.	2015 Rs.
Gross reserves for losses and loss adjustment expenses	6,759,172,132	7,898,096,692	8,720,582,620	7,817,800,636	7,709,470,517	7,893,502,368
Reinsurance recoverable	(1,361,271,745)	(1,168,930,136)	(1,509,187,974)	(1,160,448,524)	(1,004,432,194)	(976,138,208)
Net reserves for losses and loss adjustment expenses	5,397,900,387	6,729,166,557	7,211,394,645	6,657,352,112	6,705,038,323	6,917,364,159
Cumulative paid as of December 31:						
One year later	2,874,874,128	3,632,757,028	4,545,085,355	4,481,213,520	4,572,092,748	4,981,268,620
Two years later	3,714,910,249	4,903,405,392	5,908,837,239	5,873,385,629	5,907,059,777	
Three years later	3,788,276,570	4,980,092,970	6,016,063,272	5,960,967,990		
Four years later	3,806,053,537	5,014,506,148	6,042,845,103			
Five years later	3,832,694,904	5,047,142,374				
Six years later	3,853,091,198					
Cumulative Reported as of December 31:						
One year later	3,877,357,626	4,740,384,794	5,765,263,148	5,564,838,084	5,631,797,127	6,325,675,770
Two years later	4,091,340,643	5,147,257,128	6,199,143,542	6,107,020,752	6,204,339,034	
Three years later	4,020,496,575	5,195,146,471	6,287,566,401	6,209,495,887		
Four years later	3,995,269,295	5,289,158,538	6,285,315,681			
Five years later	4,110,863,857	5,266,478,759				
Six years later	4,101,792,901					

Sensitivities Analysis for General Insurance Risk

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

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

	Change in assumptions	Reported Gross Claim Outstanding Rs.	Reported Net Claim Outstanding Rs.	Impact on Gross Liabilities Rs.	Impact on Net Liabilities Rs.	Impact on Profit Before Tax Rs.	Impact on Equity (After Tax) Rs.
31st December 2015	+1%	5,737,840,039	4,852,309,984	74,436,550	64,679,166	(64,679,166)	(46,569,000)

COMPLIANCE RISK

As a business vested in the public interest, insurance has become a matter of concern to the public as a whole, which has warranted government intervention by way of a wide range of laws, rules and regulations, despite the fact that the initial insurance contract is a private agreement between the insured and the insurer.

The insurance industry in Sri Lanka is governed by laws and regulations aimed at serving the public interests to achieve fundamental insurance regulatory objectives, namely, to promote competitive markets by facilitating fair and equitable treatment of policyholders. This ensures solvency and financial sustainability and improves state regulations.

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

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

SLIC is equipped with a comprehensive compliance framework or 'Compliance programme' designed for the use of staff and management, and is available in the 'compliance web page' of the company intranet which is accessible to internal

staff on their individual computers. The main objectives of the 'compliance web page' are identification, documentation and communication (basically through the Company intranet and Lotus Notes) of up-to-date information about the relevant statutory and regulatory compliance obligations to staff and management. During the year under review, the company complied with all statutory requirements, rules and regulations subject to the disclosures in the External Auditor's Report, Notes to the Financial Statements and the Corporate Governance Report pertaining to the appointment of directors, in accordance with which the directors are nominated by the respective ministries and appointed accordingly.

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

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

In the area of compliance risk, four lines of the defence model are adopted: the actual risk owners identified as the risk partners of the respective departments act as the first line of defence; the Risk Management Committee

and the Audit and Compliance Committee act as the second line of defence; internal audit acts as a third line of defence for the "money laundering" function; the regulator, i.e., the Insurance Board of Sri Lanka (IBSL) and the External Auditors (Circular No. 29, dated, 23rd August 2010) act as the fourth line of defence. To ensure that the compliance risk agenda is not secondary to the audit agenda, the Compliance Department reports to both the Audit & Compliance Committee and the Risk Management Committee.

The risk based capital (RBC) framework was introduced to the insurance industry to protect the interests of stakeholders and minimise the risk of failure of the industry. Insurance companies are required to apply the risk based capital framework from the 1st Quarter of 2016. Under the RBC framework, risk is evaluated and quantified based on Credit risk, Concentration risk Reinsurance risk, Market risk, Liability risk and Operational risk. All companies are required to maintain a minimum Risk Based Capital Adequacy ratio of 120 percent. SLIC has maintained the margin over the minimum required level during the parallel run which was applied up to 31 December 2015 as well as during the actual run from the 1st quarter of 2016.

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

RISK MANAGEMENT CONTD.

MARKET RISK

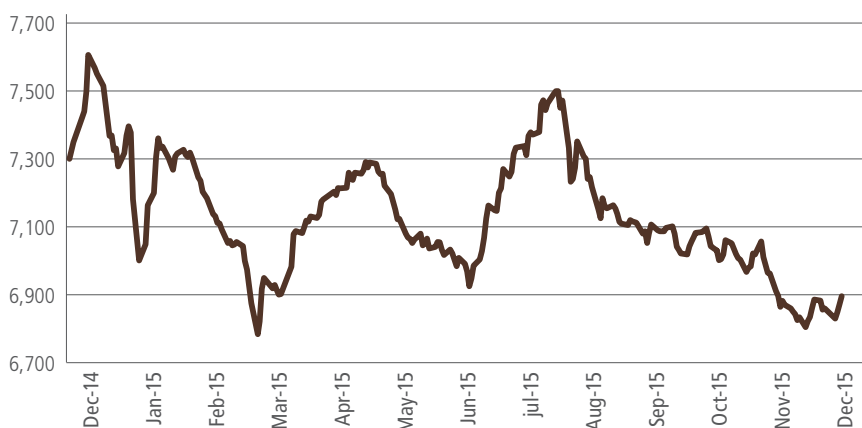
Market risk is the risk incurred by the equity portfolio due to the volatility of the stock prices.

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

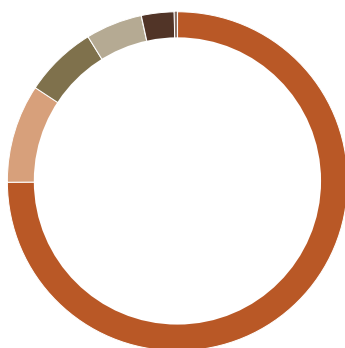
The equity market declined by 5.54 percent during 2015. However, as valuations of some key counters seem attractive, expectations still remain bullish in the near term. This will be further supported by the depreciated currency which will attract foreign investors to equities.

Interest in fundamentally strong counters, particularly blue-chips, has remained buoyant as local/ foreign investments have flowed into these counters, attracted by the steady market yields and the potential for mid-term capital gains.

ASPI Index Movement - FY2015



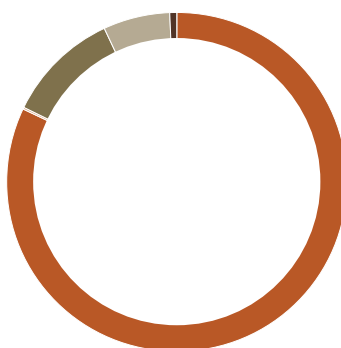
Sector Allocation Listed Equity Life Fund



Financials	74.92%
Consumer Discretionary	09.34%
Industrials	06.92%
Health	05.39%
Telecommunication	3.12%
Consumer Services	0.31%

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

Sector Allocation- Listed Equity General Fund



Financials	82.06%
Consumer Discretionary	0.17%
Health Care	10.77%
Industrials	6.35%
Telecommunication Services	0.66%
Energy	

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

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.

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

No investment has been made in Term Deposits other than in Licensed Commercial Banks and Licensed Specialised Banks.

Investment- grade credit rating for both the entity and the instrument by a recognised credit rating agency is expected for all investments in Corporate Debentures and Commercial Papers.

No debt investments have been made in any of the related companies.

A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

LIQUIDITY RISK

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

Life Fund:

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

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

Short term allocation includes a funding cushion of close to Rs. 1.0 billion in liquid securities to meet policy obligations, tax obligations and investment opportunities collectively.

General Fund:

Because of the uncertainty of cash outflows, liquidity remains 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 ladder maturity schedule and matching asset maturities against seasonal cash flow requirements (if appropriate).

OPERATIONAL RISK

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

Operational risk was all but eliminated with the implementation of the SAP Treasury Module. Following the success of this pilot project, implementation of the fully- fledged SAP Financial Module was completed during the year.

ICT Related Risks

The Information Communication Technology related risk profile was built and is in the process of addressing all identified ICT risks. Special attention is paid to the ICT operational- related risk areas and risk related to Management Information Systems (MIS).

The established comprehensive online IT Disaster Recovery (DR) site addresses the most critical factors of operational risk. In 2015, focus was on handling risk associated with the day to day operations and application systems. In addition to the above, a key focus is on mitigating the threats associated with internal information security and perimeter level related risks.

NON-LIFE INSURANCE RISK

Data protection

As a responsible insurer, the company understands the importance of protecting data, and has restructured to maintain the highest levels of confidentiality of the information in its custody, fully aware that any leakage of information could result in litigation.

Underwriting

Traditional and conventional underwriting may at times have a negative impact on the balance sheet. A number of underwriting philosophies were followed during the year, which included increasing the premium rates applicable for loss making classes, identifying high- risk occupations and changing the methods of forecasting future claims.

Pricing

Inaccurate pricing when underwriting mass accounts could subject the organisation to situations of high risk. Closer interactions with the actuarial department have avoided such situations.

Reinsurance

Financially instable reinsurers can have a substantially negative impact on insurance companies that insure with them if they are unable to recover claims settlements. The company does business only with reinsurers who have high financial ratings and high global rankings.

IT

Continuous improvements to the IT system as well as manual procedures are carried out to avoid situations that could expose the organisation to risk.

The company increased the quantity of its secondary risk surveys to ensure that risks are carried for a premium within its risk appetite.

RISK MANAGEMENT OF FRAUD AND MISCONDUCT

Reputation for integrity is critical to safeguard market confidence and public trust in the industry. Allegations of fraud and misconduct could seriously undermine business performance. The company is fully aware of the importance of mitigating reputational risk in an environment marked by intense scrutiny and rising enforcement.

SLIC has an effective fraud management system in place across all operations which provides effective tools to manage risk in a manner consistent with the regulatory requirements as well as the company's business needs and customer expectations.

RISK MANAGEMENT CONTD.

The company's Internal Audit function acts as one of the key deterrents to anti-fraud activities, and supports the management's approach in preventing, detecting and responding to fraud and misconduct. The Compliance Department also engages in implementing antifraud laws and regulations in to the internal control systems and conducts regular awareness training programmes. Both the Internal Audit and Compliance functions report independent views of company's Risk Management of Fraud and Misconduct and give their recommendations and preventive measures to the Audit and Compliance and the Risk Management committees.

Effective mechanisms are in place to track and identify illegal claims in both the life and general insurance businesses. Claims and underwriting processes are backed by an internal independent Investigation Department with a specialised team of senior officials, and the company also seeks the expertise of external professionals as and when appropriate.

The company has a formal set of procedures to respond and to take corrective and timely actions for detected frauds through well qualified internal and external legal officials supplied through the Employees' Relations Department.

HR RISK

The long-term and sustained success of an organisation relies on two key factors: risk management and performance management. Strategic objectives are the basis for the approach an organisation adopts to achieve both. Although organisations have seen the disciplines of performance, risk, and compliance management as separate for a long time, the walls are breaking down, and much more so in the insurance sector.

SLIC recognises that the company's risk management plan must include people risk, and that any strategic risk management

exercise conducted without considering crucial HR inputs is bound to encounter some form of HR-related problem.

People risk could occur in many forms, and human resources strategies are significant in managing them and mitigating potential damage. Effective HR strategies empower financial performance, enhance productivity, improve the quality of work life and ensure the long-term sustainability of companies.

Identifying potential risks that will impact its performance is a crucial step in which SLIC take the lead. The company has introduced an active process of query and alertness for identifying such areas. Potential risks are continuously brainstormed, documented and managed, from the executive board down to the lowest levels of the workforce. The company's HR department identifies every employee as being key to ascertaining potential risks, and to developing effective solutions that deal with these risks.

People risks that need to be mitigated include; not having the right talent in the right places, not attracting and retaining key talent, performance that does not meet predetermined standards, training and development that does not improve performance, absence of a constructive company climate, unethical behaviour, low morale, grievances and disputes, excessive absenteeism, employee wellness, sabotage, workplace violence, as well as noncompliance with industry and other regulations and laws.

In order to play an effective role in the sustainable development of an organisation, a company's HR department must: Embed risk management as an integral part of all organisational processes, including managing change; Consider human and cultural factors and, more specifically, recognise the capabilities, perceptions and intentions of external and internal people who can facilitate or hinder the achievement of organisations'

objectives; Support managers to ensure that companies align their culture and risk management policies; Support performance management by assisting managers to determine the risk management performance indicators that align with the performance indicators of an organisation; Act as a driver to ensure legal and regulatory compliance; Build capacity for effective risk management that begins with employee induction and follows it with training in managing risk; Establish appropriate organisational structures with clear roles and accountabilities for managing risk; Establish sound relationships with internal stakeholders.

Proper HR risk management gives HR executives an opportunity to fulfil their fiduciary duties of care and sound financial management, and addresses key risk issues like implementing codes of ethics and fair labour practices.

A HR risk management culture is emerging in today's insurance sector and it is clear that this will take on more importance in the days to come. SLIC is committed to leading the insurance industry in giving increased focus to an HR risk management culture.

This report was approved by the Risk Management Committee Meeting of the Company held on 26th May 2016.

AUDIT AND COMPLIANCE COMMITTEE REPORT

During 2015, the Audit and Compliance Committee (ACC) comprised of two Non-Executive Directors; namely, Mr. P Algama (Treasury Representative on Board) and Prof. L.G. Chandrasena. M/s Varners International (Pvt) Ltd acts as the Secretary of the meetings.

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

Terms of Reference

The terms of reference of the Audit and Compliance Committee of 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, 2013. The Charter was revised in 2015 to widen its scope to encompass enhanced oversight over the Company's system of disclosure controls and system of internal controls regarding finance, accounting, procurement, legal compliance, and ethics that management and the Board have established and overseeing the management of business risk etc. The committee is responsible for the Board of Directors and reports its activities regularly to the Board.

Meetings of the Committee

During the financial year ended December 31, 2015, 4 meetings of the committee were held. The proceedings of the committee meetings are recorded with adequate details and are reported regularly to the Board of Directors. The attendance of the committee members at the meeting is stated below. On the invitation of the committee, the Engagement Partner of the company's external Auditors M/S KPMG, attended one committee meeting during the year.

Audit and Compliance Meetings (ACCM) - 2015

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

Responsibilities and Duties of the ACC

I. Financial Reporting System

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

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

II. Business Risk Management

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

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

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

III. Internal Controls

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

AUDIT AND COMPLIANCE COMMITTEE REPORT CONTD.

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

Internal Audit

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

External Audit

Auditor General was appointed as the External Auditor in terms of article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs KPMG has been appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statements of the company for the year ended 31st December 2015 in terms of article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Compliance Function

The compliance program of the company is implemented by the Senior Deputy General Manager-Finance, Assistant General Manager-Compliance and Senior Manager-Finance, with the assistance of the compliance coordinators in each department. The compliance responsibilities relating to operational areas are carried out by the heads of the operational departments designated as the responsible officers for ensuring compliance with specific obligations assigned to them.

Non-Audit Services

Non-audit services amounting to Rs. 4,740,000/- were provided by the external auditors during the year under review.

Good Governance

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

Conclusion

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

The ACC approved this report on the 07th June 2016.



P Algama

Chairman - Audit and Compliance Committee

09th June 2016

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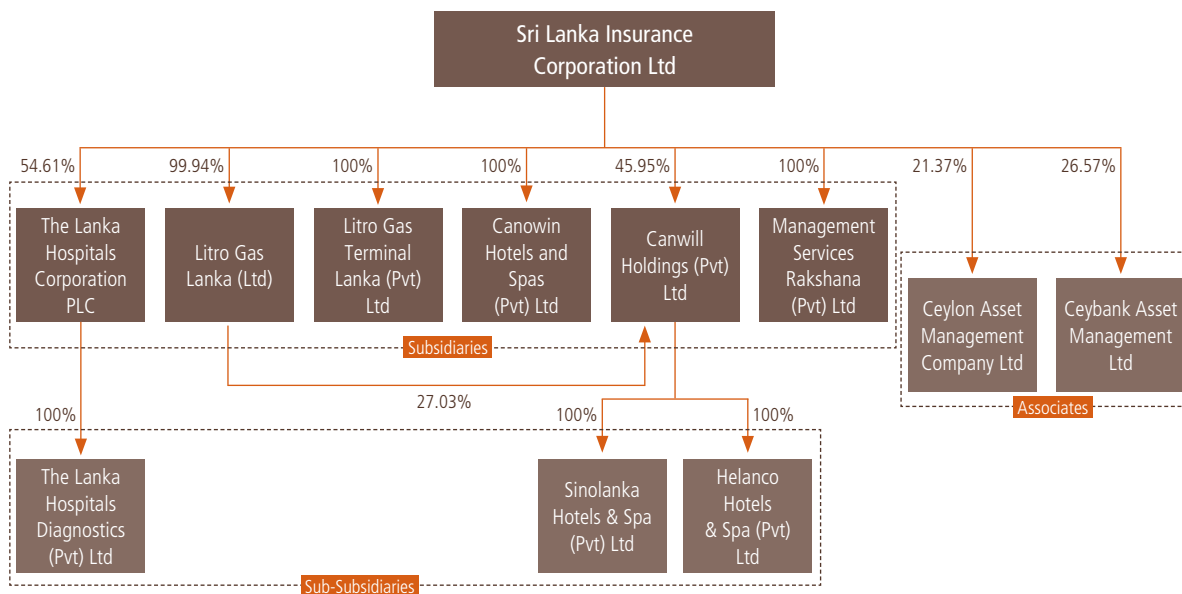
ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY

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 2015 of the Company and the Group and the Auditor's Report on those Financial Statements confirming the requirements of the Companies Act No.07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and Sri Lanka Accounting & Auditing Standards Act No.15 of 1995 and amendments made thereon.

As at 31.12.2015, 99.97% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

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



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

This Report was approved by the Board of Directors on the 09th June 2016.

Principle Activities of the Company & the Group

Principle activity of the Company is to transact life and non-life insurance in Sri Lanka. There were no major changes to the principle activity 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 health care services and Management Services Rakshana (Pvt) Ltd provides the payroll management services.

Primary business of Canwill Holdings (Pvt) Ltd is to manage / invest in hotel projects. Canowin Hotels and Spas (Pvt) Ltd (formerly known as Sri Lanka Insurance Resorts & Spas (Pvt) Ltd) primarily owns and manages the outlets of Southern Express Way.

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY CONTD.

Directors' Responsibility for Financial Reporting

The Directors are responsible for preparation and presentation of Financial Statements of the Company and the Group to reflect true and fair view of its affairs. The Directors' responsibilities include designing, implementing, maintaining internal 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 the 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 in the Annual Report have been prepared in conformity with the Sri Lanka Financial Reporting Standards & Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 and Companies Act No.07 of 2007.

Financial Statements and Auditor's Report

The Financial Statements for the year ended 31st December 2015 are prepared based on the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements of the Group and the Company signed by the Chief Financial Officer and the Directors are given on pages 62 to 168 in the Annual Report.

Fees on Audit and Other Related Services to Messrs KPMG

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.

	2015 Rs. '000	2014 Rs. '000
Statutory Audit Fees	3,900	3,900
Audit Related Services	2,095	1,000
Non-audit Related Services	4,740	12,642

Accounting Policies

The significant accounting policies adopted in preparation of these Financial Statements are given in the Annual Report on pages 76 to 88.

Risk & Internal Control

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

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

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

Going Concern

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

Turn Over / Gross Written Premium (GWP)

The total turnover of the Company recorded Rs. 31,157 million for the year under review and Rs. 29,301 million for the comparative figure (2014).

The total GWP Rs. 24,520 million comprised of life insurance Gross Written Premium of Rs. 10,470 million and non-life insurance Gross Written Premium of Rs. 14,049 million for the year 2015. The reported value for total Gross Written Premium in 2014 was Rs. 20,665 million out of which life insurance Gross Written Premium was Rs. 8,121 million and non-life insurance Gross Written Premium, Rs. 12,544 million for the last year . A detailed analysis of the total GWP achieved by the company is given in the Financial Statements.

Financial Results and Appropriations

	2015 Rs. Mn	2014 Rs. Mn
Profit Before Taxation (PBT)	4,820	4,373
Income Tax Expenses	1,381	1,116
Profit After Taxation	3,439	3,257
Other Comprehensive Income	8	(88)
Realization of Revaluation Surplus	-	29
Transfers to Shareholders	500	1,690
Unappropriated Profit Brought Forward	23,954	21,737
Profits Available for Appropriation	27,901	26,625
Appropriations		
Dividends Paid	2,003	1,002
Super Gain Tax	635	-
Share Buyback	-	57
Surplus attributable to Shareholders from Life Insurance	925	1,612
Un appropriated Profit Carried Forward	24,338	23,954

Dividends

The company has declared a final dividend of Rs. 3.34 per share, amounting to Rs. 2,003,142,288/-, during the year under review. The dividend of Rs. 3.34 per share amounting to Rs. 2,003,142,288/- has been declared for the year 2014. The dividends 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.

Provision for Taxation

The tax position of the Company is disclosed in the Financial Statements on page 132.

Reserves

The movement in reserves during the year is set out in the statement of the Changes in Equity Statement on pages 66 to 69.

Insurance Liabilities & Provisions

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

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

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

Investments

The amount of investments held by the company as at 31st December 2015 amounted to Rs. 123,694 million (2014 - Rs. 116,502 million). A detailed breakup of the investments held is disclosed in the Financial Statements on pages 89 to 99.

Property, Plant and Equipment

The details of Property, Plant and Equipment are shown in the Annual Report on pages 100 to 107.

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY CONTD.

Market Value of Freehold Properties

The Company uses the cost method as the accounting policy for recording Property, Plant and Equipment other than Land and Building. The Company's policy for revaluing the assets is once in every two years. Accordingly, the Land and Buildings were revalued in financial year 2014 by M/S Sunil Fernando Associates (Pvt) Ltd. Such assets were valued on an open market value for existing use basis. The results of such revaluation were incorporated in the Financial Statements from its effective date which is 31st December 2015.

Events Occurring After the Reporting Date

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

Related Party Transactions

The Related Party transactions as per the Sri Lanka Accounting standards (LKAS) 24, Related Party Disclosures, which is adopted in the preparation of the Financial Statements are given on in this Annual Report on pages 144 to 147.

Directors' Interest in contracts

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

Directors Remunerations

The Directors, fees and emoluments paid during the year is Rs. 17.2 million and the figure reported in the last year is Rs. 21.08 million.

Stated Capital

The stated capital stood at the Financial Statements is Rs. 6,000 million of the Company in compliance with the companies Act No 07. of 2007. As at 31.12.2015, 99.97% shares are

vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Statutory Payments

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

Intangible Assets

Intangible Assets as at 31st December 2015 are recorded in the Financial Statements of the Company.

Environment

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

Compliance with Laws and Regulations

The Company has complied with all applicable laws and regulations during the Financial Year as otherwise disclosed in the Independent Auditors' Report. The compliance department monitors the compliance functions of the Company and reports to the audit and compliance committee.

The Approval of the Financial Statements

The Audited Financial Statements were approved by the Board of Directors on 09th June 2016.

Board of Directors

Mr. H F Imal S Fonseka resigned w.e.f. 06th November 2015. Mr. Keith D Bernard and Mr. Asela S Padmaperuma were appointed w.e.f. 17th November 2015. Mr. P P J Perera ceased to be a director w.e.f. 30th March 2016 and accordingly, Mr. Pradeep A Liyanamana was appointed to the Board w.e.f. 30th March 2016.

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

Mr. Hemaka D.S. Amarasuriya
Mr. T.M.R. Bangsa Jayah
Professor L.G. Chandrasena
Mr. P. Algama
Mr. Keith D Bernard
Mr. A. Sanjaya Padmaperuma
Mr. Pradeep Liyanamana

Annual General Meeting

The Annual General Meeting will be held on 30th June 2016 at the Auditorium of the Company at its registered office at No.21, Vauxhall Street, Colombo 02, at 10.00 a.m.



Hemaka D S Amarasuriya
Chairman



T M R Bangsa Jayah
Managing Director



Keith D Bernard
Joint Managing Director

09th June 2016

CERTIFICATE OF ACTUARY OF THE INSURER

WillisTowersWatson 

Private and Confidential

12 May 2016

The Board of Directors
Sri Lanka Insurance Corporation Limited
Rakshana Mandiraya
No. 21 Vauxhall Street
Colombo 2, Sri Lanka

CERTIFICATE OF THE ACTUARY

I, Mark Alan Birch, being the Actuary for the life insurance business, 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 purpose of Section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin Rules;
- (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 the net liability so determined by me, in the form H-LT - the valuation balance sheet, is adequate to meet the insurer's future commitments under the insurance contracts, and the policyholders' reasonable expectations.

Name and address of actuary with phone number and e-mail:

Mark Alan Birch, FIA
Director, Risk Consulting and Software, Asia Pacific
Towers Watson Singapore Pte Ltd
63 Chulia Street # 09-01 OCBC Centre East
Singapore 049514
Telephone: (65) 6880-5688 Fax: (65) 6880-5699
E-mail: mark.birch@willistowerswatson.com

Signature:



Place: Singapore

Date: 12 May 2016

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Towers Watson Singapore Pte Ltd (198600361K)

LIABILITY ADEQUACY TEST

WillisTowersWatson 

Private and Confidential

12 May 2016

The Board of Directors
Sri Lanka Insurance Corporation Limited
Rakshana Mandiraya
No. 21 Vauxhall Street
Colombo 2, Sri Lanka

Liability Adequacy Test

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

Mark Alan Birch, FIA
Director, Risk Consulting & Software, Asia Pacific
Towers Watson Singapore Pte Ltd

Signature: _____



Place: Singapore

Date: 12 May 2016

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Towers Watson Singapore Pte Ltd (198600361K)

CERTIFICATE OF INCURRED BUT NOT (ENOUGH) REPORTED CLAIMS



29 April 2016

To the shareholders of Sri Lanka Insurance Corporation Limited

Sri Lanka Insurance Corporation Limited 31 December 2015 Net IBNR and LAT Certification

I hereby certify that the 75% confidence level IBNR provision of LKR2,065,054,175 is adequate in relation to the Claim Liability of Sri Lanka Insurance Corporation Limited as at 31 December 2015, net of reinsurance (undiscounted). This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities, including the claim handling expenses, in respect of the Company's incurred claims obligations as at 31 December 2015, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR7,023,149,589 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of Sri Lanka Insurance Corporation Limited as at 31 December 2015, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

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

A handwritten signature in black ink, appearing to read 'M Maguire'.

Matthew Maguire
Fellow of the Institute of Actuaries of Australia (FIAA)
For and on behalf of NMG Financial Services Consulting
Dated 29 April 2016

T: +65 6325 9855 F: +65 6325 4700 E: contact@NMG-Group.com
www.NMG-Group.com
65 Chulia Street, #37-07/08 OCBC Centre, 049513 Singapore

INDEPENDENT AUDITORS' REPORT



විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம் AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

BAF/E/SLIC/06/15/01

මගේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

17 June 2016

TO THE SHAREHOLDERS OF SRI LANKA INSURANCE CORPORATION LIMITED

Report of the Auditor General on the Financial Statements of the Sri Lanka Insurance Corporation Limited for the year ended 31st December 2015.

The audit of the financial statements of the Sri Lanka Insurance Corporation Ltd ("The Company") and the consolidated financial statements of the Company and its Subsidiaries ("Group") for the year ended 31st December 2015 comprising the statement of financial Position as at 31st December 2015 and the statement of profit or loss and other Comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. To carry out this audit I was assisted by a firm of chartered Accountant in Public Practice.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

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

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs 1 to 2, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

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Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, I state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In my opinion except for the matters described in the Basis for Qualified Opinion paragraphs 1 to 2 :
 - I have obtained all the information and explanations that were required for the audit and, as far as appears from my examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of the financial position as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
 - The financial statements of the Company and the Group comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.
 - As discussed in Note 47 to the financial statements the company has not segregated the long-term insurance business and the general insurance business being carried on by it into two separate companies in accordance with Section 53 of Regulation of Insurance Industry (Amendment) Act No. 03 of 2011.

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

Report to Parliament

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



H.M. Gamini Wijesinghe
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Assets					
Financial investments	5	133,784,298	119,034,542	123,694,831	116,502,187
Investment in subsidiaries	6	-	-	21,085,905	21,085,905
Investment in associates	7	128,090	122,425	128,090	122,425
Property, plant & equipment	8	38,265,273	35,754,938	8,112,393	8,585,240
Investment properties	9	1,241,642	1,203,431	465,231	465,231
Leasehold property	10	198,759	185,264	20,537	20,806
Intangible assets	11	3,269,504	3,166,771	215,625	141,336
Loans to policyholders	12	1,569,342	1,510,067	1,569,342	1,510,067
Reinsurance receivable	13	1,275,104	1,206,845	1,275,104	1,206,845
Premium receivable	14	3,229,376	2,858,302	3,229,376	2,858,302
Deferred tax assets	15	95,549	87,013	95,158	86,629
Other assets	16	5,961,703	6,684,373	3,371,903	3,577,108
Deferred expenses	17	358,991	261,860	358,991	261,860
Cash and cash equivalents	18	17,108,358	23,007,083	3,324,978	5,768,427
Total Assets		206,485,989	195,082,914	166,947,464	162,192,368
Liabilities and Shareholders' Equity					
Equity					
Stated capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Revaluation reserve	20	9,167,303	9,325,393	5,850,502	5,971,570
Available-For-Sale reserve	21	22,390,664	26,525,252	22,390,664	26,525,252
Revenue reserves	22	44,611,274	37,499,812	29,435,948	25,719,488
Total Equity Attributable to Equity Holders of the Company		82,169,241	79,350,457	63,677,114	64,216,310
Non-controlling interest		7,509,450	7,246,077	-	-
Total Equity		89,678,691	86,596,534	63,677,114	64,216,310

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Liabilities					
Insurance provision - Life	23	80,650,581	77,254,496	80,650,581	77,254,496
Insurance provision - Non-life	24	14,916,652	13,195,783	14,916,652	13,195,783
Reinsurance payable		1,000,368	1,013,511	1,000,368	1,013,511
Current tax liabilities	25	1,565,937	1,472,546	706,956	963,165
Deferred tax liabilities	15	3,049,176	2,834,565	742,027	743,056
Retirement benefit obligations	26	980,858	872,575	730,991	668,381
Other liabilities	27	13,409,588	11,243,576	3,533,715	3,748,759
Financial liabilities	28	1,234,138	599,328	989,060	388,907
Total Liabilities		116,807,298	108,486,380	103,270,350	97,976,058
Total Liabilities and Equity		206,485,989	195,082,914	166,947,464	162,192,368

Notes to the Financial Statements set out on pages 76 to 168, which form an integral part of these Financial Statements. These financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Ranjith Perera
Chief Financial Officer/Senior DGM Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors;



Director



Director

09th June 2016
Colombo.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Revenue	29	62,072,276	64,223,649	31,156,766	29,301,980
Gross Written Premium	30	24,390,274	20,584,486	24,520,012	20,665,985
Net change in reserve for unearned premium		(991,335)	(125,047)	(991,335)	(125,047)
Gross Earned Premium		23,398,939	20,459,439	23,528,677	20,540,938
Premium ceded to reinsurers		(2,590,205)	(2,845,418)	(2,590,205)	(2,845,418)
Net change in reserve for unearned reinsurance premium		(544,998)	109,385	(544,998)	109,385
Net Earned Premium		20,263,736	17,723,406	20,393,474	17,804,905
Revenue from other operations		29,290,519	33,716,092	-	-
		49,554,255	51,439,498	20,393,474	17,804,905
Other Income					
Investment income	31	10,427,556	11,617,291	9,506,165	11,175,144
Fees and commission income	32	51,522	49,296	51,522	49,296
Net realized gains	33	651,427	(152,291)	689,772	(157,737)
Net fair value gains and losses		(90,796)	-	(90,796)	-
Other income	34	1,478,312	1,269,855	606,629	430,372
		12,518,021	12,784,151	10,763,292	11,497,075
Total Net Revenue		62,072,276	64,223,649	31,156,766	29,301,980
Benefits, Losses and Expenses					
Net benefits and claims	35	(12,933,609)	(11,939,320)	(12,933,609)	(11,939,320)
Underwriting and net acquisition costs (including reinsurance)	36	(1,586,435)	(1,613,242)	(1,586,435)	(1,613,242)
Change in contract liabilities - life fund		(6,840,241)	(5,376,416)	(6,840,241)	(5,376,416)
Other operating and administrative expenses	37	(7,733,110)	(9,596,478)	(4,975,705)	(5,999,863)
Cost of services of subsidiaries		(20,935,420)	(24,545,071)	-	-
Net Benefits, Losses and Expenses		(50,028,815)	(53,070,527)	(26,335,990)	(24,928,841)
Profit Before Taxation		12,043,461	11,153,122	4,820,776	4,373,139
Income tax expense	38	(3,457,641)	(2,813,454)	(1,381,420)	(1,116,126)
Net Profit for the year		8,585,820	8,339,668	3,439,356	3,257,013

For the Year Ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Other Comprehensive Income					
<i>Items that will not be reclassified to profit or loss</i>					
Gain/(loss) on revaluation of property, plant and equipment		(168,149)	669,662	(168,149)	592,783
Deferred tax effect on revaluation of property, plant and equipment		47,081	(3,683)	47,081	(3,778)
Actuarial gains/(losses) on retirement benefit obligations		(7,822)	(127,024)	10,760	(122,160)
Deferred tax effect on actuarial gains/(losses)		2,354	35,313	(3,013)	34,205
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Net change in fair value of Available-For-Sale Financial assets		(4,125,764)	11,160,541	(4,125,764)	11,160,541
Deferred tax effect on fair value of Available-For-Sale reserve		(8,824)	-	(8,824)	-
Other comprehensive income for the year, net of tax		(4,261,124)	11,734,809	(4,247,909)	11,661,591
Total comprehensive income for the Year		4,324,696	20,074,477	(808,553)	14,918,604
Profit for the year attributable to:					
Equity holders of the company		8,162,284	8,037,407	3,439,356	3,257,013
Non-controlling interest		423,535	302,261	-	-
Profit for the year		8,585,819	8,339,668	3,439,356	3,257,013
Total comprehensive income attributable to:					
Equity holders of the company		3,900,786	19,754,844	(808,553)	14,918,604
Non-controlling interest		423,909	319,633	-	-
Total comprehensive income for the year		4,324,695	20,074,477	(808,553)	14,918,604
Basic earnings per share (Rs.)	39	13.60	13.40	5.73	5.43

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statement, from pages 76 to 168 which, form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

Consolidated

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Available- For-Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non- Controlling Interest Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2014	6,000,000	8,752,045	643,442	15,364,711	4,528,867	28,106,652	63,395,717	7,054,575	70,450,292
Total Comprehensive Income for the year									
Profit for the year	-	-	-	-	-	8,037,407	8,037,407	302,261	8,339,668
Other comprehensive income	-	644,950	-	11,160,541	-	(88,055)	11,717,436	17,373	11,734,809
Total Comprehensive Income for the Year	-	644,950	-	11,160,541	-	7,949,352	19,754,843	319,634	20,074,477
Transaction with Owners of the Company recorded directly in equity									
Effect of change in percentage holding in subsidiaries	-	-	-	-	-	77,355	77,355	(77,355)	-
Share buyback	-	-	-	-	-	(57,418)	(57,418)	-	(57,418)
Realization of Revaluation Surplus	-	(71,602)	-	-	-	71,602	-	-	-
Change in fair value measurements applicable to life contract liability	-	-	-	-	-	(2,818,040)	(2,818,040)	-	(2,818,040)
Transfer to shareholders	-	-	-	-	(1,690,604)	1,690,604	-	-	-
Surplus attributable to shareholders of life insurance	-	-	-	-	1,612,403	(1,612,403)	-	-	-
Dividend paid by subsidiary companies to non controlling interest	-	-	-	-	-	-	-	(50,777)	(50,777)
Dividend paid	-	-	-	-	-	(1,002,000)	(1,002,000)	-	(1,002,000)
	-	(71,602)	-	-	(78,201)	(3,650,299)	(3,800,103)	(128,132)	(3,928,235)
Balance as at 31st December 2014	6,000,000	9,325,393	643,442	26,525,252	4,450,665	32,405,705	79,350,457	7,246,077	86,596,534

For the year ended 31st December 2015

Consolidated

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Available- For-Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Interest Rs. '000	Non- Controlling Equity Rs. '000	Total Rs. '000
Balance as at 01st January 2015	6,000,000	9,325,393	643,442	26,525,252	4,450,665	32,405,705	79,350,457	7,246,077	86,596,534
Super Gain Tax paid during the year	-	-	-	-	(10,947)	(1,986,324)	(1,997,271)	(8,205)	(2,005,476)
Adjusted balance as at 01st January 2015	6,000,000	9,325,393	643,442	26,525,252	4,439,718	30,419,381	77,353,186	7,237,872	84,591,058
Total Comprehensive Income for the year									
Profit for the year	-	-	-	-	-	8,162,284	8,162,284	423,535	8,585,819
Other comprehensive income	-	(121,068)	-	(4,134,588)	-	(5,842)	(4,261,498)	374	(4,261,124)
Total Comprehensive Income for the year	-	(121,068)	-	(4,134,588)	-	8,156,442	3,900,786	423,909	4,324,695
Transaction with Owners of the Company recorded directly in equity									
Effect of change in percentage holding in subsidiaries	-	-	-	-	-	-	-	-	-
Realisation of revaluation surplus	-	(34,190)	-	-	-	34,190	-	-	-
Transfer of revaluation reserve on disposal of property, plant and equipment	-	(2,832)	-	-	-	2,832	-	-	-
Transfer to shareholders	-	-	-	-	(500,000)	500,000	-	-	-
Change in fair value measurements applicable to life contract liability	-	-	-	-	-	2,918,411	2,918,411	-	2,918,411
Surplus attributable to shareholders of life insurance	-	-	-	-	925,303	(925,303)	-	-	-
Dividend paid	-	-	-	-	-	(2,003,142)	(2,003,142)	-	(2,003,142)
Dividend paid by subsidiary companies to non controlling interest	-	-	-	-	-	-	-	(152,331)	(152,331)
	-	(37,022)	-	-	425,303	526,988	915,269	(152,331)	762,938
Balance as at 31st December 2015	6,000,000	9,167,303	643,442	22,390,664	4,865,021	39,102,811	82,169,241	7,509,450	89,678,691

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statement, from pages 76 to 168 which, form an integral part of these Financial Statements.

Super Gain Tax

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Group is liable for Super Gain Tax of Rs. 2,774 Mn. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessments which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015. However, Life Insurance Segment has not distributed all the profits to shareholders and hence Super Gain Tax relating to life business has been adjusted in both retained earnings (shareholder) and life insurance provisions amounting to Rs. 769 Mn. (Note 23).

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

Company	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Available- For-Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2014	6,000,000	5,411,866	643,442	15,364,711	4,528,867	21,226,278	53,175,164
Total Comprehensive Income for the year							
Profit for the year	-	-	-	-	-	3,257,013	3,257,013
Other comprehensive income	-	589,005	-	11,160,541	-	(87,955)	11,661,591
Total Comprehensive Income for the year	-	589,005	-	11,160,541	-	3,169,058	14,918,604
Transaction with Owners of the Company recorded directly in equity							
Transfer from life insurance surplus	-	-	-	-	(1,690,604)	1,690,604	-
Change in fair value measurements applicable to life contract liability	-	-	-	-	-	(2,818,040)	(2,818,040)
Realisation of revaluation surplus	-	(29,301)	-	-	-	29,301	-
Share buyback	-	-	-	-	-	(57,418)	(57,418)
Surplus attributable to shareholders from life insurance	-	-	-	-	1,612,402	(1,612,402)	-
Dividend declared and paid	-	-	-	-	-	(1,002,000)	(1,002,000)
	-	(29,301)	-	-	(78,202)	(3,769,955)	(3,877,458)
Balance as at 31st December 2014	6,000,000	5,971,570	643,442	26,525,252	4,450,665	20,625,381	64,216,310

For the year ended 31st December 2015

Company	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Available- For-Sale Reserve Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2015	6,000,000	5,971,570	643,442	26,525,252	4,450,665	20,625,381	64,216,310
Super Gain Tax paid during the year	-	-	-	-	(10,947)	(634,965)	(645,912)
Adjusted balance as at 01st January 2015	6,000,000	5,971,570	643,442	26,525,252	4,439,718	19,990,416	63,570,398
Total Comprehensive Income for the Year							
Profit for the year	-	-	-	-	-	3,439,356	3,439,356
Other comprehensive income	-	(121,068)	-	(4,134,588)	-	7,747	(4,247,909)
Total Comprehensive Income for the Year	6,000,000	5,850,502	643,442	22,390,664	4,439,718	23,437,519	62,761,845
Transaction with Owners of the Company recorded directly in equity							
Transfer to shareholders	-	-	-	-	(500,000)	500,000	-
Change in fair value measurements applicable to life contract liability	-	-	-	-	-	2,918,411	2,918,411
Realisation of revaluation surplus	-	-	-	-	-	-	-
Surplus attributable to shareholders from life insurance	-	-	-	-	925,303	(925,303)	-
Dividend declared and paid	-	-	-	-	-	(2,003,142)	(2,003,142)
Balance as at 31st December 2015	6,000,000	5,850,502	643,442	22,390,664	4,865,021	23,927,485	63,677,114

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statement, from pages 76 to 168 which, form an integral part of these Financial Statements.

Super Gain Tax

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Company is liable for Super Gain Tax of Rs. 1,415.4 Mn. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessments which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015. However, Life Insurance Segment has not distributed all the profits to shareholders and hence Super Gain Tax relating to life business has been adjusted in both retained earnings (shareholder) and life insurance provisions amounting to Rs. 769 Mn. (Note 23)

STATEMENT OF CASH FLOWS

For the year ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash Flows From Operating Activities					
Premium received from customers		23,922,069	20,955,020	23,997,226	20,955,020
Reinsurance premium paid		(2,261,978)	(2,365,481)	(2,261,978)	(2,365,481)
Insurance claims and benefits paid		(13,062,206)	(12,347,406)	(13,062,206)	(12,347,406)
Reinsurance receipts in respect of claims and benefits		478,318	519,628	478,318	519,628
Cash receipts from debtors		32,411,367	32,219,245	170,152	-
Cash paid to and on behalf of employees		(3,523,641)	(3,988,233)	(2,934,441)	(2,280,087)
Interest Received		9,325,027	8,750,100	7,513,546	7,716,553
Dividend Received		1,435,076	1,337,454	1,980,435	1,646,243
Other operating cash payments		(20,801,516)	(26,031,418)	(2,951,150)	(5,964,686)
Cash flow from Operating Activities		27,922,516	19,048,909	12,929,902	7,879,785
Retiring gratuity paid		(57,439)	(26,914)	-	-
Income tax paid (Include Super Gain Tax paid)		(6,139,235)	(4,208,954)	(1,611,940)	(2,084,970)
Net Cash from Operating Activities		21,725,842	14,813,041	11,317,962	5,794,816
Cash Flows from Investing Activities					
Acquisition of financial investments		(61,733,016)	(65,145,227)	(54,175,904)	(59,112,871)
Proceeds from financial investments		42,061,810	50,685,905	42,061,060	50,685,905
Investment in subsidiaries		-	-	-	(3,500,001)
Proceeds from disposal of property, plant & equipment		18,924	109,234	31,870	68,758
Acquisition of property, plant & equipment		(6,271,636)	(5,547,052)	(210,951)	(217,458)
Acquisition of investment property		(36,552)	(2,544)	-	-
Premium paid on leasehold land		(18,546)	(18,547)	-	-
Acquisition of intangible assets		(137,656)	(93,981)	-	-
Net Cash Flows Used in Investing Activities		(26,116,672)	(20,012,212)	(12,293,925)	(12,075,667)
Cash Flow from Financing Activities					
Dividend paid		(2,155,473)	(1,002,000)	(2,003,142)	(1,002,000)
Net Flows Used in Financing Activities		(2,155,473)	(1,002,000)	(2,003,142)	(1,002,000)
Effect of exchange rate changes on cash and cash equivalents		12,768	(152,291)	(64,497)	442
Net Increase/ (Decrease) in Cash and Cash Equivalents		(6,533,535)	(6,353,461)	(3,043,602)	(7,283,293)
Cash and Cash Equivalents at the Beginning of the year		22,407,755	28,761,216	5,379,520	12,662,813
Cash and Cash Equivalents at the End of the year		15,874,220	22,407,755	2,335,918	5,379,520
Cash and Cash Equivalents at the end of the year					
Cash at bank & in hand	18	1,020,184	901,895	695,871	637,799
Short term investments	18	16,088,174	22,105,188	2,629,107	5,130,628
Bank Overdraft	28	(1,234,138)	(599,328)	(989,060)	(388,907)
		15,874,220	22,407,755	2,335,918	5,379,520

The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statement, from pages 76 to 168 which, form an integral part of these Financial Statements.

A. Reconciliation of Operating Profit with Cash Flow from Operating Activities

	Company	
	2015 Rs. '000	2014 Rs. '000
Profit from Operations	3,052,541	1,827,508
Increase in Long Term Insurance Fund	8,608,477	7,887,843
Depreciation Charge	427,970	429,304
Profit on Sale of Investments	448,760	(1,831,470)
Gratuity Provision	107,017	85,312
Gain/(Loss) on Foreign Exchange transaction	(689,772)	157,737
Provision for Fall in Value of Investments	-	-
Gratuity Payment	(44,406)	(2,208)
(Increase)/Decrease in Debtors	(1,357,097)	(888,002)
Increase/(Decrease) in Unearned Premium	1,481,751	147,820
Increase/(Decrease) in Claims Provisions	428,300	(127,854)
Increase/(Decrease) in Creditors	466,361	193,795
Revaluation Deficit	-	-
Net Cash from Operating Activities	12,929,902	7,879,785

SEGMENTAL REVIEW: STATEMENT OF INCOME

For the Year ended 31st December	2015						
	Non Life	Life	Healthcare	Energy	Other	Eliminations	Total
	Insurance Rs. '000	Insurance Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	14,049,933	10,470,079	-	-	-	(129,738)	24,390,274
Net Change in Reserves for Unearned Premium	(991,335)	-	-	-	-	-	(991,335)
Gross Earned Premium	13,058,598	10,470,079	-	-	-	(129,738)	23,398,939
Premium Ceded to Reinsurers	(2,427,362)	(162,843)	-	-	-	-	(2,590,205)
Net Change in Reserve for Unearned Reinsurance Premium	(544,998)	-	-	-	-	-	(544,998)
Net Earned Premium	10,086,238	10,307,236	-	-	-	(129,738)	20,263,736
Revenue from other operations	-	-	5,514,070	25,292,505	77,687	(1,593,743)	29,290,519
Total Revenue	10,086,238	10,307,236	5,514,070	25,292,505	77,687	(1,723,481)	49,554,255
Benefits and Losses							
Insurance claims and benefits (net)	(6,628,963)	(6,304,646)	-	-	-	-	(12,933,609)
Underwriting and net acquisition costs	(345,480)	(1,240,955)	-	-	-	-	(1,586,435)
Change in contract liabilities - Life fund	-	(6,840,241)	-	-	-	-	(6,840,241)
Cost of services of subsidiaries			(2,313,873)	(18,621,547)	-	-	(20,935,420)
Total Benefits and Losses	(6,974,443)	(14,385,842)	(2,313,873)	(18,621,547)	-	-	(42,295,705)
Other Revenue							
Investment income	1,907,084	7,599,082	61,585	1,016,269	388,895	(545,359)	10,427,556
Fees and commission income	5,300	46,222	-	-	-	-	51,522
Net realized gains	494,485	195,287	94,700	(133,839)	794	-	651,427
Net fair value Gains and losses	(90,796)	-	-	-	-	-	(90,796)
Other income	156,692	449,937	36,003	836,527	329,514	(330,361)	1,478,312
	2,472,765	8,290,528	192,288	1,718,957	719,203	(875,720)	12,518,021
Expenses							
Other operating, investment related and administrative expenses	(2,532,021)	(2,443,684)	(2,425,598)	(1,794,667)	(590,790)	2,053,650	(7,733,110)
Profit before Taxation	3,052,539	1,768,238	966,887	6,595,248	206,100	(545,551)	12,043,461
Income tax expense	(538,488)	(842,932)	(107,249)	(1,877,846)	(63,427)	(27,699)	(3,457,641)
Net Profit after Taxation/Transfer to Shareholders' Fund	2,514,051	925,306	859,638	4,717,402	142,673	(573,250)	8,585,820

2014

Non life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
12,544,828	8,121,159	-	-	-	(81,499)	20,584,488
(2,709,017)	(136,401)	-	-	-	-	(2,845,418)
9,835,811	7,984,758	-	-	-	(81,499)	17,739,070
-	-	-	-	-	-	-
(15,661)	-	-	-	-	-	(15,661)
9,820,149	7,984,758	-	-	-	(81,499)	17,723,408
-	-	4,753,589	30,078,576	24,960	-	34,857,125
9,820,149	7,984,758	4,753,589	30,078,576	24,960	(81,499)	52,580,533
(6,205,796)	(5,733,524)	-	-	-	-	(11,939,321)
(485,323)	(1,127,919)	-	-	-	-	(1,613,242)
-	(5,376,416)	-	-	-	-	(5,376,416)
		(2,058,866)	(23,627,238)	-	-	(25,686,104)
(6,691,119)	(12,237,860)	(2,058,866)	(23,627,238)	-	-	(44,615,083)
2,054,945	9,120,198	64,571	235,639	450,727	(308,790)	11,617,290
-	49,294	-	-	-	-	49,294
(8,270)	(149,467)	5,480	(34)	-	-	(152,291)
-	-	-	-	-	-	-
178,057	252,315	44,423	455,264	339,796	-	1,269,855
2,224,732	9,272,341	114,474	690,869	790,523	(308,790)	12,784,149
(3,492,049)	(2,507,813)	(2,287,230)	(913,018)	(477,866)	81,499	(9,596,477)
1,861,713	2,511,426	521,967	6,229,189	337,617	(308,790)	11,153,122
(217,101)	(899,025)	(8,409)	(1,598,665)	(90,254)	-	(2,813,454)
1,644,613	1,612,400	513,558	4,630,524	247,363	(308,790)	8,339,668

SEGMENTAL REVIEW: STATEMENT OF FINANCIAL POSITION

As at 31st December	2015						
	Non Life	Life	Healthcare	Energy	Other	Eliminations	Total
	Insurance Rs. '000	Insurance Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Financial investments	28,156,490	95,538,340	1,530,610	4,224,374	4,334,483	-	133,784,297
Investment in subsidiaries	19,735,493	1,457,914	-	5,000,000	18,500,000	(44,693,407)	-
Investment in associates	128,090	-	-	-	-	-	128,090
Property, plant & equipment	8,070,735	41,658	3,649,507	11,447,692	15,055,681	-	38,265,273
Investment properties	465,231	-	-	-	776,411	-	1,241,642
Leasehold property	20,537	-	175,443	-	2,779	-	198,759
Intangible assets	215,625	-	61,001	-	73	2,992,805	3,269,504
Loans to policyholders	-	1,569,342	-	-	-	-	1,569,342
Reinsurance receivable	1,205,786	69,318	-	-	-	-	1,275,104
Premium receivable	2,904,443	324,933	-	-	-	-	3,229,376
Deferred tax assets	-	95,158	-	-	391	-	95,549
Other assets	1,515,023	2,537,192	711,821	1,798,596	338,472	(939,400)	5,961,704
Deferred expenses	358,991	-	-	-	-	-	358,991
Cash and cash equivalents	1,865,516	1,459,462	215,260	12,742,935	825,185	-	17,108,358
Total Assets	64,641,960	103,093,317	6,343,642	35,213,597	39,833,475	(42,640,002)	206,485,989
Liabilities and Equity							
Liabilities							
Insurance provision - Life	-	80,650,581	-	-	-	-	80,650,581
Insurance provision - Non-life	14,916,652	-	-	-	-	-	14,916,652
Reinsurance payable	957,091	43,277	-	-	-	-	1,000,368
Current tax liabilities	247,873	459,083	20,472	816,669	21,840	-	1,565,937
Deferred tax liabilities	742,027	-	347,229	1,949,648	10,272	-	3,049,176
Retirement benefit obligations	381,387	349,604	118,241	91,237	40,389	-	980,858
Other liabilities	2,320,940	1,893,084	688,281	8,555,119	891,562	(939,399)	13,409,587
Financial liabilities	494,962	494,098	179,288	-	65,790	-	1,234,138
Total Liabilities	20,060,932	83,889,727	1,353,511	11,412,673	1,029,853	(939,399)	116,807,297
Equity							
Stated capital	6,000,000	-	2,671,543	1,947,109	37,870,087	(42,488,739)	6,000,000
Capital reserve	5,822,625	27,877	994,282	3,913,233	-	(1,590,714)	9,167,303
Available-For-Sale reserve	7,656,834	14,733,830	-	-	-	-	22,390,664
Revenue reserves	25,101,569	4,441,883	1,324,306	17,940,582	933,535	(5,130,600)	44,611,275
Non-controlling interest	-	-	-	-	-	7,509,450	7,509,450
Total Equity	44,581,028	19,203,590	4,990,131	23,800,924	38,803,622	(41,700,603)	89,678,692
Total Liabilities and Equity	64,641,960	103,093,317	6,343,642	35,213,597	39,833,475	(42,640,002)	206,485,989

2014

Non Life Insurance Rs. '000	Life Insurance Rs. '000	Healthcare Rs. '000	Energy Rs. '000	Other Rs. '000	Eliminations Rs. '000	Total Rs. '000
25,045,637	91,456,550	905,292	1,627,063	-	-	119,034,542
19,735,494	1,457,914	-	5,000,000	18,500,000	(44,693,408)	-
122,425	-	-	-	-	-	122,425
8,543,067	42,172	3,659,633	10,625,896	12,884,169	-	35,754,938
465,231	-	-	-	738,200	-	1,203,431
20,806	-	161,581	-	2,877	-	185,264
141,336	-	32,455	-	175	2,992,805	3,166,771
-	1,510,067	-	-	-	-	1,510,067
1,177,765	29,080	-	-	-	-	1,206,845
2,588,094	270,208	-	-	-	-	2,858,302
-	86,629	-	-	384	-	87,013
2,062,945	1,606,797	790,208	2,271,501	342,394	(389,468)	6,684,377
261,860	-	-	-	-	-	261,860
3,130,325	2,638,102	89,647	10,179,916	6,969,093	-	23,007,083
63,294,984	99,097,518	5,638,816	29,704,376	39,437,292	(42,090,071)	195,082,914
-	77,254,496	-	-	-	-	77,254,496
13,195,783	-	-	-	-	-	13,195,783
1,013,511	-	-	-	-	-	1,013,511
162,501	800,664	-	461,057	48,324	-	1,472,546
743,056	-	314,043	1,774,719	2,747	-	2,834,565
348,721	319,660	105,320	64,801	34,073	-	872,575
1,915,575	1,925,815	538,444	6,603,158	677,753	(417,168)	11,243,577
218,588	170,319	197,730	-	12,691	-	599,328
17,597,734	80,470,954	1,155,537	8,903,735	775,588	(417,168)	108,486,379
6,000,000	-	2,671,543	1,947,109	37,870,087	(42,488,739)	6,000,000
5,805,655	27,877	1,032,575	3,916,066	-	(1,456,780)	9,325,393
9,031,976	17,493,276	-	-	-	-	26,525,252
24,859,618	1,105,411	779,161	14,937,466	791,617	(4,973,461)	37,499,812
-	-	-	-	-	7,246,077	7,246,077
45,697,249	18,626,564	4,483,279	20,800,641	38,661,704	(41,672,903)	86,596,535
63,294,984	99,097,518	5,638,816	29,704,376	39,437,292	(42,090,071)	195,082,914

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Corporate Information

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

The consolidated financial statements of the Group as at and for the year ended 31st December 2015, comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The financial statements of all companies within the Group are prepared for a common financial year which ends on 31st December 2015.

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

1.2 Principal Activities and Nature of Operations

1.2.1 Company

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

1.2.2 Subsidiaries

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

The financial statements were authorized for issue by the Board of Directors on 09th June 2016.

2.2 Basis of Measurement

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

- Policyholders' liability have been measured at actuarially-determined values.
- The liability for defined benefit obligation are actuarially valued and recognized as the present value of defined benefit obligation
- Land and buildings are measured at fair value.
- Financial assets held for trading are measured at fair value
- Financial assets designated at Fair-Value-Through-Profit-or-Loss are measured at fair value.
- Available-For-Sale financial assets are measured at fair value.

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

2.3 Supplementary Statements – Statement of Financial Position of Life Insurance

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

2.4 Functional and Presentation Currency

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

2.5 Use of Estimates and Judgments

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

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

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

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

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

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

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

Note 17 - Measurement of Deferred Acquisition Cost (DAC)

Note 05 - Fair value measurement of unquoted instruments

Measurement of Fair values

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

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

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

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

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

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

2.6 Materiality and Aggregation

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

2.7 Comparative Information

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

2.8 Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Certain comparative amounts in the financial statements are reclassified as a result of change in the classification in the Note 49 to the financial statements.

3.1 Basis of Consolidation

3.1.1 Business Combinations

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

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

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3.1.2 Non-Controlling Interests

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

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

3.1.3 Subsidiaries

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

3.1.4 Interest in Equity Accounted Investees

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

3.1.5 Loss of Control

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

3.1.6 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with

equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Transactions

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

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

Foreign currency differences are generally recognized in profit and loss.

3.3 Insurance Contracts

Product Classification

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

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

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

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

3.4 Statement of Profit or Loss and Other Comprehensive Income

3.4.1 Revenue Recognition

3.4.1.1 Gross Written Premiums (GWP)

(a) Life Insurance Gross Written Premium

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

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

(b) Non - Life Insurance Gross Written Premium

Gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy commences.

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

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

Unearned Premium Reserve (UPR)

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

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

3.4.1.2 Reinsurance Premiums

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

(a) Non-Life Insurance Reinsurance Premium

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

Unearned Reinsurance Premium Reserve

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting

date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 365 basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided).

(b) Life Insurance Reinsurance Premium

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

3.4.1.3 Fees and Commission Income

(a) Reinsurance Commission Income

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

(b) Other Fees Income

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

3.4.1.4 Investment income

Finance income comprises interest income on funds invested, dividend income and capital gains/ losses.

(a) Interest Income

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates future cash flows

considering all contractual terms of the financial instrument, but not future credit losses.

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

(b) Dividend Income

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

3.4.1.5 Hospital Revenue

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

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

3.4.1.6 Revenue from Other Operations

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

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

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

3.4.1.7 Rental Income from Investment Property

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

3.4.1.8 Profit / Loss on Disposal of Property, Plant and Equipment

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

3.4.2 Benefits, Claims and Expenses

3.4.2.1 Gross Benefits and Claims

(a) Life Insurance Business

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

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

(b) Non - Life insurance business

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

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

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

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

3.4.2.2 Reinsurance Claims

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

3.4.2.3 Net Deferred Acquisition Expenses

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

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

3.4.2.4 Actuarial Valuation of Life Insurance Fund

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

3.4.2.5 Other Expenses

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

3.4.3 Employee Benefits

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

Employee Provident Fund

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

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

Employees Trust Fund

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

(c) Defined Benefit Plan

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

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

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

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

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

3.4.4 Income Tax Expense

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

3.4.4.1 Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions

of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

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

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

3.4.4.2 Deferred Tax

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

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

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

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

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

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

3.4.4.3 Withholding Tax on Dividends

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

3.4.4.4 Economic Service Charge (ESC)

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

3.4.4.5 Crop Insurance Levy (CIL)

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

3.5 Statement of Financial Position

3.5.1 Property, Plant and Equipment

3.5.1.1 Initial Recognition and Measurement

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

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

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

3.5.1.2 Subsequent Expenditure and Replacement

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

3.5.1.3 Revaluations

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

An increase in the carrying amount as a result of revaluation, is recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized

in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

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

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

3.5.1.4 Depreciation

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

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

Buildings	20 - 40 years
Furniture and Fittings	05 - 10 years
Office and Other Equipment	05 - 10 years
Electrical Generators and Air Condition Plant	10 years
Motor Vehicles	04 years
Fixtures and Fittings	6 2/3 years
Plant and Machinery	20 years
Computers and Computer Equipment	04 - 07 years
LP Gas Storage Tanks, Pine Lines and fittings	25 years
LP Gas Cylinders	10 years
Other fixed assets	05 - 12 years

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

3.5.1.5 De-recognition

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

3.5.1.6 Capital Work-in-Progress

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

3.5.2 Intangible Assets

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

3.5.2.1 Goodwill

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

Impairment of Goodwill

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

3.5.2.2 Software

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

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

Subsequent Expenditure

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

Amortization

Amortization is calculated to write off the cost of the intangible assets less their estimated residual values using the straight line method over their estimated useful lives and is recognized in profit or loss. The estimated useful life of software is six years.

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

De-recognition

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

3.5.3 Investment Property

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

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

Transfers are made to the investment properties when there is a change in use. When a group company occupies a significant portion of an investment property of a subsidiary, such investment property is

treated as property, plant and equipment in the consolidated financial statements and accounted for as per LKAS 16 – 'Property, Plant and Equipment'.

3.5.4 Impairment of Non-Financial Assets

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

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

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

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

3.5.5 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3.5.6 Financial Instruments

The Group classifies non derivative financial assets into following categories: Available-For-Sale financial assets, Loans & Receivables, Held-To-Maturity financial assets and financial assets at Fair-Value-Through-Profit-or-Loss.

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

3.5.6.1 Non-Derivative Financial Assets

The Group initially recognizes Loans & Receivables and debt securities issued on the date at which they are originated. All other financial assets (including assets designated at Fair-Value-Through-Profit-or-Loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value plus, for an asset not at Fair-Value-Through-Profit-or-Loss, transaction costs that are directly attributable to its acquisition or issue.

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

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

Subsequent Measurement

(a) Available-For-Sale financial assets (AFS)

Available-For-Sale financial investments are those, which are neither classified as held for trading nor designated at Fair-Value-Through-Profit-or-Loss.

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

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

Available-For-Sale financial investments of the Group comprise equity and debt securities, which are neither classified as held for trading nor designated at Fair-Value-Through-Profit-or-Loss.

(b) Financial Assets at Fair-Value-Through-Profit-or-Loss (FVTPL)

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

The assets and liabilities are part of a Group's financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Group's investment strategy. Financial assets at Fair-Value-Through-Profit-or-Loss of the Group comprise listed equity investments.

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

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

Held-To-Maturity financial assets comprise treasury bill and treasury bond investments made by the Group.

(d) Loans & Receivables (L&R)

Loans & Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, Loans & Receivables are measured at amortized cost using the effective interest method.

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

Reinsurance Receivable

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

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

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

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

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

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

Premium Receivable

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

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

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

Other Receivables and Dues from Related Parties

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

Cash and Cash Equivalents

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

3.5.6.2 Non-Derivative Financial Liabilities

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

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

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

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

3.5.7 Impairment of Financial Assets (Non-Derivatives)

Financial assets not classified as at Fair-Value-Through-Profit-or-Loss are assessed at each reporting date to determine whether there is an objective evidence of impairment.

Objective evidence that financial assets are impaired includes;

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

3.5.7.1 Financial Assets Carried at Amortized Cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for

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impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

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

3.5.7.2 Available-For-Sale Financial Assets (AFS)

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

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

3.5.8 Deferred Expenses

Deferred Acquisition Costs (DAC)

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

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

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

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

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

3.5.9 Stated Capital

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

3.5.10 Liabilities and Provisions

3.5.10.1 Insurance Contract Liabilities

Insurance Provision – Life Insurance

Life insurance liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Board of Sri Lanka (IBSL) 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 Company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of an external actuary. In performing the liability adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

Insurance Provision – Non - Life Insurance

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

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

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

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

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

3.5.10.2 Title Insurance Reserve

Title insurance reserve is maintained by the Group to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognized in the first year of the policy given the higher probability of claims occurring in that year. From the 2nd year onwards, profit is recognized by amortizing 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 recognized in the 2nd year and thereafter it is periodically recognized.

If the corresponding loan of the Title Insurance Policy issued is settled before the maturity, full premium of such policies remaining as at the date of settlement of such loan is recognized in profit or loss upon confirmation of the same by the respective Bank.

3.5.10.3 Provisions (Except on Insurance Contracts)

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

3.5.11 Leased Assets – Lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

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

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

Operating Leases

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

3.6 Commitments and Contingent Liabilities

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

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

3.7 Segmental Reporting

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

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

3.8 Earnings Per Share (EPS)

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

3.9 Proposed Dividends

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

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3.10 Events Occurring After the Reporting Date

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

3.11 Statement of Cash Flows

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

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

4. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after the 1st January 2016 or at a later date. Accordingly, these standards have not been applied in preparing these Financial Statements.

SLFRS 9 – “Financial Instruments”

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

The Group has not assessed the potential impact on its financial statements resulting from the application of SLFRS 9.

SLFRS 15 – “Revenue from Contracts with Customers”

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

The Group has not assessed the potential impact on its financial statements resulting from the application of SLFRS 15.

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

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

As at 31st December	Note	Group				Company			
		2015		2014		2015		2014	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5. FINANCIAL INVESTMENTS									
Held-To-Maturity (HTM) Financial Assets	5.1	41,085,278	41,346,657	26,361,966	30,118,069	38,964,539	39,225,918	26,076,867	29,832,970
Loans & Receivables (L & R)	5.2	28,301,780	28,287,729	33,988,229	33,985,967	24,667,535	24,653,484	31,740,973	31,738,711
Available-For-Sale (AFS) Financial Assets	5.3	53,306,102	53,306,102	53,146,000	53,146,000	53,306,102	53,306,102	53,146,000	53,146,000
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets	5.4	11,091,138	11,091,138	5,538,347	5,538,347	6,756,655	6,756,655	5,538,347	5,538,347
Total Financial Investments		133,784,298	134,031,626	119,034,542	122,788,383	123,694,831	123,942,159	116,502,187	120,256,028
5.1 Held-To-Maturity (HTM) Financial Assets									
Treasury Bills		2,609,534	2,610,189	772,675	775,549	488,795	489,450	487,576	490,450
Treasury Bonds		38,475,744	38,736,468	25,589,291	29,342,520	38,475,744	38,736,468	25,589,291	29,342,520
		41,085,278	41,346,657	26,361,966	30,118,069	38,964,539	39,225,918	26,076,867	29,832,970
5.2 Loans & Receivables (L & R)									
Unlisted Debentures	5.2.1	541,698	527,647	1,367,206	1,364,944	541,698	527,647	1,367,206	1,364,944
Term Deposits		20,944,087	20,944,087	30,192,697	30,192,697	17,309,842	17,309,842	27,945,441	27,945,441
Development Bonds		6,815,995	6,815,995	2,428,326	2,428,326	6,815,995	6,815,995	2,428,326	2,428,326
		28,301,780	28,287,729	33,988,229	33,985,967	24,667,535	24,653,484	31,740,973	31,738,711

As at 31st December	Company	2015				2014			
		Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5.2.1 Unlisted Debentures									
Commercial Bank of Ceylon PLC		15.05.2016	125,000	141,608	127,557	15.05.2016	125,000	141,608	134,834
Lankem Ceylon PLC		08.04.2016	200,000	200,045	200,045	08.04.2016	200,000	200,041	200,041
Singer (Sri Lanka) PLC		-	-	-	-	30.04.2015	250,000	254,040	254,040
Central Finance PLC		-	-	-	-	24.05.2015	500,000	521,138	521,138
Siyapatha Finance PLC		-	-	-	-	17.12.2015	50,000	50,336	54,848
National Development Bank PLC		30.06.2016	200,000	200,045	200,045	30.06.2016	200,000	200,043	200,043
			525,000	541,698	527,647		1,325,000	1,367,206	1,364,944

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As at 31st December	Note	Group				Company			
		2015		2014		2015		2014	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5.3 Available-For-Sale (AFS)									
Listed Shares	5.3.1	31,894,169	31,894,169	35,711,339	35,711,339	31,894,169	31,894,169	35,711,339	35,711,339
Unlisted Shares	5.3.2	20,754	20,754	20,832	20,832	20,754	20,754	20,832	20,832
Unit Trusts	5.3.3	1,043,587	1,043,587	1,146,236	1,146,236	1,043,587	1,043,587	1,146,236	1,146,236
Listed Debentures	5.3.4	15,228,277	15,228,277	11,880,406	11,880,406	15,228,277	15,228,277	11,880,406	11,880,406
Treasury Bonds		5,119,315	5,119,315	4,387,187	4,387,187	5,119,315	5,119,315	4,387,187	4,387,187
		53,306,102	53,306,102	53,146,000	53,146,000	53,306,102	53,306,102	53,146,000	53,146,000

As at 31st December	Company	2015			2014		
		No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
5.3.1 Listed Shares							
Financials							
Banks							
Commercial Bank of Ceylon PLC		76,739,485	10,781,898	10,781,898	75,978,852	12,992,383	
DFCC Bank PLC		26,509,832	4,477,511	4,477,511	26,509,832	5,805,653	
Seylan Bank PLC		26,396,608	2,507,678	2,507,678	26,396,608	2,507,678	
Hatton National Bank PLC		47,635,487	10,098,723	10,098,723	47,635,487	9,288,920	
National Development Bank PLC		17,193,914	3,370,007	3,370,007	17,193,914	4,298,479	
Sector Total			31,235,817	31,235,817		34,893,113	
Industrials							
Capital Goods							
Colombo Dockyard PLC		3,592,998	549,729	549,729	3,592,998	693,449	
Sector Total			549,729	549,729		693,449	
Telecommunication Services							
Telecommunication Services							
Sri Lanka Telecom PLC		2,041,538	95,952	95,952	2,094,476	105,771	
Sector Total			95,952	95,952		105,771	
Consumer Discretionary							
Consumer Durables & Apparel							
Blue Diamonds Jewellery Worldwide PLC		10,559,100	12,671	12,671	10,559,100	19,006	
Sector Total			12,671	12,671		19,006	
Total Investment in Listed Shares			31,894,169	31,894,169		35,711,339	

Impairments have been recognized on the investments in Colombo Dockyard PLC and Blue Diamonds Jewellery Worldwide PLC amounting to Rs. 72Mn and Rs. 19 Mn respectively.

As at 31st December	2015			2014		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Company						
5.3.2 Unlisted Shares						
Associated Newspapers of Ceylon Ltd	61,206	6,707	6,707	61,206	5,671	5,671
Fitch Ratings Lanka Ltd	62,500	1,649	1,649	62,500	1,368	1,368
Texpro Industries Ltd	2,250,000	12,398	12,398	2,250,000	13,793	13,793
Total Investment in Unlisted Shares		20,754	20,754		20,832	20,832

Unlisted shares have been tested for impairment and there were no impairment recognized for the year.

As at 31st December	2015			2014		
	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Units	Carrying Value Rs. '000	Fair Value Rs. '000
Company						
5.3.3 Unit Trusts						
Ceybank Unit Trust	18,200,565	505,066	505,066	17,000,000	549,100	549,100
Ceylon Income Fund	23,241,000	317,472	317,472	25,000,000	351,250	351,250
Ceylon Treasury Income Fund	24,836,957	221,049	221,049	24,836,957	245,886	245,886
		1,043,587	1,043,587		1,146,236	1,146,236

As at 31st December	2015				2014			
	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Company								
5.3.4 Listed Debentures								
Financials								
Banks								
Bank of Ceylon	29.11.2017	500,000	506,995	506,995	29.11.2017	500,000	507,014	507,014
Bank of Ceylon	24.10.2018	287,970	319,892	319,892	24.10.2018	287,970	294,944	294,944
Bank of Ceylon	21.09.2019	500,000	488,568	488,568	21.09.2019	500,000	510,768	510,768
Bank of Ceylon	24.10.2023	67,050	80,376	80,376	24.10.2023	67,050	80,381	80,381
Bank of Ceylon	06.10.2020	250,000	255,429	255,429	-	-	-	-
Hatton National Bank PLC	12.06.2018	316,717	382,045	382,045	12.06.2018	316,717	341,256	341,256
Hatton National Bank PLC	14.12.2019	500,000	468,940	468,940	14.12.2019	500,000	501,805	501,805
Hatton National Bank PLC	31.03.2021	478,459	285,927	285,927	31.03.2021	478,459	249,130	249,130
Hatton National Bank PLC	30.08.2023	126,888	108,286	108,286	30.08.2023	126,888	92,435	92,435
Hatton National Bank PLC	31.03.2024	1,362,794	554,930	554,930	31.03.2024	1,362,794	508,121	508,121
Commercial Bank of Ceylon PLC	18.12.2016	250,000	297,100	297,100	18.12.2016	250,000	285,032	285,032
National Development Bank PLC	19.12.2023	750,000	982,125	982,125	19.12.2023	750,000	984,600	984,600
National Development Bank PLC	24.06.2020	444,000	473,122	473,122	-	-	-	-
Seylan Bank PLC	21.02.2018	449,520	473,905	473,905	21.02.2018	449,520	473,905	473,905
Seylan Bank PLC	22.12.2019	500,000	501,010	501,010	22.12.2019	500,000	501,060	501,060

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As at 31st December	2015				2014			
	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Company								
Sampath Bank PLC	11.10.2017	36,600	45,201	45,201	11.10.2017	36,600	45,201	45,201
Sampath Bank PLC	04.12.2018	340,190	362,484	362,484	04.12.2018	340,190	362,484	362,484
Sampath Bank PLC	14.12.2019	500,000	490,816	490,816	14.12.2019	500,000	501,886	501,886
Sampath Bank PLC	18.11.2020	300,000	303,190	303,190	-	-	-	-
Nations Trust Bank PLC	03.08.2016	200,000	211,161	211,161	03.08.2016	200,000	209,041	209,041
DFCC Bank PLC	18.08.2017	64,660	66,928	66,928	18.08.2017	64,660	66,656	66,656
DFCC Bank PLC	07.09.2016	148,148	148,185	148,185	07.09.2016	148,148	148,181	148,181
DFCC Bank PLC	10.06.2020	250,000	266,799	266,799	-	-	-	-
Pan Asia Banking Corporation PLC	18.03.2017	200,000	205,984	205,984	18.03.2017	200,000	205,647	205,647
Pan Asia Banking Corporation PLC	29.09.2018	400,000	409,786	409,786	-	-	-	-
The Housing Development Finance Corporation Bank of Sri Lanka	23.10.2018	100,000	124,660	124,660	23.10.2018	100,000	122,470	122,470
The Housing Development Finance Corporation Bank of Sri Lanka	20.11.2025	150,000	152,066	152,066	-	-	-	-
Sanasa Development Bank PLC ¹	31.12.2018	400,000	400,105	400,105	-	-	-	-
Diversified Financials								
Merchant Bank of Sri Lanka and Finance PLC	11.12.2019	113,520	120,729	120,729	11.12.2019	113,520	114,892	114,892
People's Leasing & Finance PLC	23.09.2017	750,000	745,950	745,950	23.09.2017	750,000	767,800	767,800
People's Leasing & Finance PLC	26.03.2018	105,900	134,688	134,688	26.03.2018	105,900	135,863	135,863
People's Leasing & Finance PLC	23.09.2018	750,000	822,188	822,188	23.09.2018	750,000	769,580	769,580
LB Finance PLC	28.11.2018	220,670	265,443	265,443	28.11.2018	220,670	236,800	236,800
Lanka ORIX Leasing Company PLC	-	-	-	-	30.06.2015	100,000	105,846	105,846
Senkadagala Finance PLC	10.12.2018	100,000	111,133	111,133	10.12.2018	100,000	100,853	100,853
Citizens Development Business Finance PLC	19.12.2018	37,350	42,270	42,270	19.12.2018	37,350	37,556	37,556
Softlogic Finance PLC ²	29.08.2019	12,600	12,989	12,989	29.08.2019	12,600	13,061	13,061
Commercial Leasing & Finance PLC	21.07.2020	250,000	260,952	260,952	-	-	-	-
Central Finance Company PLC	01.06.2020	225,000	240,146	240,146	-	-	-	-
Commercial Credit & Finance PLC ³	10.12.2020	400,000	402,507	402,507	-	-	-	-
Commercial Credit & Finance PLC ⁴	01.06.2020	43,345	44,843	44,843	-	-	-	-
Vallibel Finance PLC ⁴	31.03.2020	140,000	143,822	143,822	-	-	-	-
Sector Total		13,021,381	12,713,675	12,713,675		9,869,036	9,274,268	9,274,268

As at 31st December	2015				2014			
	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Company								
Real Estate								
Urban Development Authority ²	-	-	-	-	05.10.2015	871,480	893,808	893,808
Sector Total		-	-	-		871,480	893,808	893,808
Industrials								
Capital Goods								
Hayleys PLC	09.07.2016	80,800	86,328	86,328	09.07.2016	80,800	83,702	83,702
Hayleys PLC	06.03.2020	200,000	205,033	205,033	-	-	-	-
Hemas Holdings PLC	29.04.2019	119,970	125,900	125,900	29.04.2019	119,970	125,900	125,900
MTD Walkers PLC	30.09.2018	200,000	204,968	204,968	-	-	-	-
Richard Pieris and Company PLC	16.05.2017	29,580	30,739	30,739	16.05.2017	29,580	30,739	30,739
Sector Total		630,350	652,968	652,968		230,350	240,341	240,341
Health Care								
Health Care Equipment & Services								
Nawaloka Hospitals PLC	30.09.2021	150,000	173,485	173,485	30.09.2021	150,000	155,425	155,425
Sector Total		150,000	173,485	173,485		150,000	155,425	155,425
Consumer Discretionary								
Consumer Durables & Apparel								
Abans PLC	20.12.2018	400,000	499,558	499,558	20.12.2018	400,000	481,798	481,798
Singer (Sri Lanka) PLC	07.06.2018	345,020	359,978	359,978				
Singer (Sri Lanka) PLC	22.12.2017	68,340	73,978	73,978	22.12.2017	68,340	68,479	68,479
Sector Total		813,360	933,514	933,514		468,340	550,277	550,277
Consumer Staples								
Beverages, Food & Tobacco								
The Lion Brewery Ceylon PLC	17.06.2016	105,600	115,211	115,211	17.06.2016	105,600	109,193	109,193
The Lion Brewery Ceylon PLC	17.06.2017	105,600	109,260	109,260	17.06.2017	105,600	109,260	109,260
The Lion Brewery Ceylon PLC	17.06.2018	140,800	145,769	145,769	17.06.2018	140,800	145,769	145,769
The Lion Brewery Ceylon PLC	08.12.2019	400,000	384,395	384,395	08.12.2019	400,000	402,065	402,065
Sector Total		752,000	754,635	754,635		752,000	766,287	766,287
Total Investment in Listed Debentures		15,367,091	15,228,277	15,228,277		12,341,206	11,880,406	11,880,406

1. Guaranteed by Sampath Bank.
2. Guaranteed by Guarant Co Ltd which is ultimately owned by multilateral G10 governments.
3. Guaranteed equally by HNB & Sampath Bank.
4. Guaranteed by HNB.
5. Guaranteed by Government Treasury.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated				Company			
	2015		2014		2015		2014	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5.4 Fair-Value-Through-Profit-or-Loss (FVTPL)								
Listed Shares (5.4.1)	6,756,655	6,756,655	5,538,347	5,538,347	6,756,655	6,756,655	5,538,347	5,538,347
Unit Trusts	4,334,483	4,334,483	-	-	-	-	-	-
	11,091,138	11,091,138	5,538,347	5,538,347	6,756,655	6,756,655	5,538,347	5,538,347

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

As at 31st December	2015			2014		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Company						
5.4.1 Listed Shares						
Consumer Discretionary						
Consumer Durables & Apparel						
Textured Jersey Lanka PLC	11,000,000	391,600	391,600	-	-	-
Sector Total		391,600	391,600	-	-	-
Retailing						
C M Holdings PLC	392,076	43,246	43,246	392,076	50,578	50,578
Singer (Sri Lanka) PLC	87,500	12,066	12,066	87,500	10,316	10,316
Sector Total		55,312	55,312		60,894	60,894
Consumer Services						
Aitken Spence Hotel Holdings PLC	5,518,727	375,273	375,273	5,518,727	435,979	435,979
Asian Hotels & Properties PLC	10,055,900	593,298	593,298	10,055,900	688,829	688,829
John Keells Hotels PLC	71,622,800	1,102,991	1,102,991	71,622,800	1,231,912	1,231,912
Anilana Hotels & Properties PLC	2,500,000	10,000	10,000	2,500,000	20,000	20,000
Sector Total		2,081,562	2,081,562		2,376,720	2,376,720
Automobiles & Components						
Kelani Tyres PLC	128,128	9,930	9,930	-	-	-
Sector Total		9,930	9,930	-	-	-

As at 31st December	2015			2014		
Company	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
Consumer Staples						
Food & Staples Retailing						
TESS Agro PLC	33,993,806	54,390	54,390	33,993,806	54,390	54,390
Sector Total		54,390	54,390		54,390	54,390
Energy						
Energy						
Laugfs Gas PLC	7,800	324	324	7,800	316	316
Sector Total		324	324		316	316
Financials						
Diversified Financials						
LB Finance PLC	3,685,800	439,716	439,716	1,842,900	305,921	305,921
People's Merchant Finance PLC	1,500	30	30	1,500	38	38
Nation Lanka Finance PLC	979,500	2,939	2,939	979,500	4,800	4,800
People's Leasing & Finance PLC	4,033,000	88,726	88,726	-	-	-
Sector Total		531,411	531,411		310,759	310,759
Banks						
Sampath Bank PLC	1,595,024	398,756	398,756	287,487	67,559	67,559
Sector Total		398,756	398,756		67,559	67,559
Real Estate						
Overseas Reality (Ceylon) PLC	4,649,218	108,327	108,327	3,472,300	91,321	91,321
Sector Total		108,327	108,327		91,321	91,321
Industrials						
Capital Goods						
John Keells Holdings PLC	4,340,333	774,749	774,749	611,176	152,794	152,794
Richard Pieris & Company PLC	2,430,000	20,655	20,655	2,430,000	20,655	20,655
Vallibel One PLC	1,121,800	24,231	24,231	1,121,800	26,923	26,923
Heyleys PLC	347,162	107,099	107,099	-	-	-
ACL Cables PLC	558,557	67,585	67,585	558,557	42,618	42,618
Royal Ceramics PLC	4,083,186	453,234	453,234	4,083,186	477,733	477,733
Lanka Walltiles PLC	807,600	88,028	88,028	807,600	79,064	79,064
Renuka Holdings PLC	1,703,308	46,841	46,841	1,703,308	53,484	53,484
Brown & Company PLC	906,990	91,787	91,787	906,990	97,048	97,048
Lankem Ceylon PLC	313,500	28,215	28,215	313,500	34,485	34,485
Colombo Dockyard PLC	3,592,548	549,660	549,660	3,592,548	693,362	693,362
Sector Total		2,252,084	2,252,084		1,678,166	1,678,166

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	2015			2014		
	No. of Shares Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Company						
Information Technology						
Technology Hardware & Equipment						
PC House PLC	876,700	263	263	876,700	263	263
Sector Total		263	263		263	263
Materials						
Materials						
Lanka Cement PLC	509,700	4,027	4,027	509,700	3,415	3,415
Tokyo Cement Company (Lanka) PLC	333,932	16,363	16,363	-	-	-
Lanka Aluminium Industries PLC	83,660	9,060	9,060	-	-	-
Sector Total		29,450	29,450		3,415	3,415
Telecommunication Services						
Telecommunication Services						
Dialog Axiata PLC	1,000,000	10,700	10,700	-	-	-
Sri Lanka Telecom PLC	17,713,735	832,546	832,546	17,713,735	894,544	894,544
Sector Total		843,246	843,246		894,544	894,544
Total Investment in Listed Shares		6,756,655	6,756,655		5,538,347	5,538,347

As at 31st December	Group				Company			
	2015		2014		2015		2014	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
5.4.2 Unit Trusts								
Ceylon Gilt- Edged Fund	4,334,483	4,334,483	-	-	-	-	-	-
	4,334,483	4,334,483	-	-	-	-	-	-

Company	Available- For-Sale Financial Assets Rs. '000	Fair-Value- Through- Profit or Loss Financial Assets Rs. '000	Held-To- Maturity Financial Assets Rs. '000	Loans & Receivables Rs. '000	Total Rs. '000
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5.5 Movement of Carrying Values in Financial Investments

As at 01st January 2015	53,268,426	5,538,347	26,076,867	31,740,973	116,624,612
Purchases	13,438,990	1,666,124	13,218,686	25,852,103	54,175,904
Maturities	(2,321,480)	-	(1,150,001)	(33,315,258)	(36,786,738)
Disposals	(7,205,707)	(17,500)	-	-	(7,223,207)
Fair Value Gain Recorded in Other					
Comprehensive Income	(4,216,559)	-	-	-	(4,216,559)
Realized Capital Gains/(Losses)	97,770	-	-	-	97,770
Realized/unrealised Capital Gains/(Losses)	-	(430,317)	-	-	(430,317)
Interest Amortization	115,694	-	461,313	-	577,007
Foreign Currency Translation Adjustments	-	-	-	625,274	625,274
Re-classification from Unlisted Shares to					
Associates (Note 7)	(128,090)	-	-	-	(128,090)
Interest Income	1,923,098	-	3,176,790	1,644,249	6,744,137
Interest/Coupon Receipts	(1,666,039)	-	(2,819,117)	(1,879,806)	(6,364,962)
As at 31st December 2015	53,306,101	6,756,655	38,964,539	24,667,535	123,694,831
As at 01st January 2014	39,442,223	5,956,726	19,324,293	30,048,030	94,771,272
Purchases	4,557,040	-	6,855,132	47,698,666	59,110,838
Maturities	(1,840,000)	-	(900,001)	(45,292,297)	(48,032,298)
Disposals	(824,368)	(1,842,007)	-	-	(2,666,375)
Fair Value Gain Recorded in Other					
Comprehensive Income	11,160,541	-	-	-	11,160,541
Realized Capital Gains/(Losses)	407,842	-	-	-	407,842
Realized/unrealised Capital Gains/(Losses)	-	1,423,628	-	-	1,423,628
Interest Amortization	167,207	-	472,836	(13,481)	626,562
Foreign Currency Translation Adjustments	-	-	-	(170,776)	(170,776)
Interest Income	1,536,342	-	2,405,388	3,141,767	7,083,497
Interest/Coupon Receipts	(1,338,401)	-	(2,080,781)	(3,670,933)	(7,090,115)
As at 31st December 2014	53,268,426	5,538,347	26,076,867	31,740,973	116,624,612

5.6 Change in Classification

During the current year, the Group modified the classification of certain financial investments that was classified under "Cash and Cash Equivalents" to "Financial Investments" in order to reflect more appropriate presentation of financial investments as at the year end. Comparative amount in the statement of financial position was reclassified for consistency which resulted Rs. 2.532Mn being reclassified from the "Cash and Cash Equivalents" to "Financial Investments". This reclassification did not have any effect on the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December Company	Note	2015 Rs. '000	2014 Rs. '000
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6. INVESTMENT IN SUBSIDIARIES

At Cost

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

As at 31st December	2015				2014			
	No. of Shares	Holding %	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Holding %	Cost Rs. '000	Fair Value Rs. '000
6.1 Listed Subsidiaries								
The Lanka Hospitals Corporation PLC	122,177,993	54.61	2,925,567	7,501,729	122,177,993	54.61	2,925,567	5,864,544
			2,925,567	7,501,729			2,925,567	5,864,544

As at 31st December	Note	2015			2014		
		No. of Shares	Holding %	Cost Rs. '000	No. of Shares	Holding %	Cost Rs. '000
6.2 Unlisted Subsidiaries							
Litro Gas Lanka Ltd		35,976,853	99.94	3,510,063	35,976,853	99.94	3,510,063
Litro Gas Terminal Lanka (Pvt) Ltd		158,710,945	100	5,280,188	158,710,945	100	5,280,188
Management Services Rakshana Ltd	6.2.1	5	100	-	5	100	-
Canwill Holdings (Pvt) Ltd	6.2.2	850,000,000	45.95	8,500,000	850,000,000	45.95	8,500,000
Canowin Hotels and Spas (Pvt) Ltd		87,008,686	100	870,087	87,008,686	100	870,087
				18,160,338			18,160,338

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

6.3 Group Holdings in Principal Subsidiaries

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

Company	Principal activities	Class of shares held	Proportion of shares held	Group Interest		Non Controlling Interest	
				2015	2014	2015	2014
The Lanka Hospitals Corporations PLC	Healthcare and Laboratory Services	Ordinary	54.61%	54.61%	54.61%	45.39%	45.39%
Lanka Hospitals Diagnostics Ltd	Healthcare and Laboratory Services	Ordinary	100.00%	54.61%	54.61%	45.39%	45.39%
Litro Gas Lanka Ltd	Import, Process, Store, Distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services.	Ordinary	100.00%	100.00%	100.00%	0.00%	0.00%
Litro Gas Terminal Lanka (Pvt) Ltd	Provide bulk storage facilities for Liquid Petroleum Gas	Ordinary	100.00%	100.00%	100.00%	0.00%	0.00%
Canowin Hotels and Spas (Pvt) Ltd	Hoteliering	Ordinary	100.00%	100.00%	100.00%	0.00%	0.00%
Canwill Holdings (Pvt) Ltd	Investment promotion in relation to leisure sector	Ordinary	72.97%	72.97%	72.97%	27.03%	27.03%
Sinolanka Hotels & Spa (Pvt) Ltd	Hoteliering	Ordinary	100.00%	72.97%	72.97%	27.03%	27.03%
Helanco Hotels & Spa (Pvt) Ltd	Hoteliering	Ordinary	100.00%	72.97%	72.97%	27.03%	27.03%
Management Services Rakshana (Pvt) Ltd	Management Services	Ordinary	100.00%	100.00%	100.00%	0.00%	0.00%

6.4 Non Controlling Interest

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

7. INVESTMENT IN ASSOCIATES

Group/ Company	2015				2014			
	No. of Shares	Holding %	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Holding %	Carrying Value Rs. '000	Fair Value Rs. '000
Ceylon Asset Management Company Ltd	1,250,000	21.37	8,375	8,375	1,250,000	21.37	22,500	22,500
Ceybank Asset Management Ltd	759,998	26.57	119,715	119,715	759,998	26.57	99,925	99,925
			128,090	128,090			122,425	122,425

The above investments are re-classified from Available-For-Sale financial assets to investment in associates and comparative amounts are re-classified for consistency. The investments are measured at SLIC's share of net assets value (NAV) of the investee (based on the unaudited financial statements) and change in values are recognized in OCI. There is no material impact on the Group's profit after tax or EPS, or cash flows. The equity method as required under LKAS 28- "Investments in Associates and Joint Ventures" is not adopted as the Company considers the impact to be immaterial. Associates have been tested for impairment and there was no impairment recognized for the year.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December 2015
Rs. '000 2014
Rs. '000

8. PROPERTY, PLANT & EQUIPMENT

8.1 Consolidated

Carrying amount	25,106,793	24,697,612
Work-in-progress (Note 8.1.1)	13,158,480	11,057,326
	38,265,273	35,754,938

	Land	Buildings on Freehold Land	Building on Leasehold Land	Equipment	Furniture & Fittings	Motor Vehicle
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation						
Freehold						
Balance as at 01st January 2015	5,883,633	3,056,810	3,581,582	3,542,811	571,591	866,792
Additions during the year	-	38,662	15,263	335,086	33,897	40,405
Revaluation	-	-	-	(263,356)	(62,360)	-
Disposals	-	-	-	(5,910)	(131)	(32,120)
Transfers	-	-	5,281	(6,997)	5,517	-
Balance as at 31st December 2015	5,883,663	3,095,472	3,602,126	3,601,634	548,514	875,077
Accumulated Depreciation						
Freehold						
Balance as at 01st January 2015	580	19,205	115,596	1,789,035	251,877	400,863
Charge during the year	1,740	147,306	99,584	236,492	47,762	206,856
Revaluation	-	-	-	(160,048)	(46,831)	-
Disposals	-	-	-	(1,691)	(63)	(20,877)
Transfers	-	-	(10)	(9,489)	-	-
Impairment	-	-	-	-	-	40
Balance as at 31st December 2015	2,320	166,511	215,170	1,854,299	252,745	586,882
Net Book Value						
As at 31st December 2014	5,883,053	3,037,605	3,465,986	1,753,776	319,714	465,929
As at 31st December 2015	5,881,313	2,928,961	3,386,956	1,747,335	295,769	288,195

Electrical Generators	Fixtures & Fittings	Air Condition Plant	Plant and Machinery	Storage Tanks, Pipe Lines and Pumping Stations	LPG Cylinders	Others	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
152,855	258,884	203,520	1,229,765	5,283,131	4,925,733	200,841	29,757,948
3,040	83	8,452	39,305	151,025	1,502,534	24,327	2,192,079
(85,099)	(52,115)	(45,038)	-	-	-	(29,468)	(537,436)
-	-	-	(2,500)	-	(3,749)	-	(44,410)
196,923	(196,811)	149	-	(17,233)	-	1,328	(11,843)
267,719	10,041	167,083	1,266,570	5,416,923	6,424,518	197,028	31,356,338
25,049	84,030	39,881	133,758	762,250	1,334,554	103,658	5,060,336
31,295	4,676	28,131	59,873	213,717	510,035	22,768	1,610,235
(21,921)	(79,416)	(51,775)	-	-	-	(9,296)	(369,287)
-	-	-	(625)	-	(1,799)	-	(25,055)
-	-	-	-	(17,225)	-	-	(26,724)
-	-	-	-	-	-	-	40
34,423	9,290	16,237	193,006	958,742	1,842,790	117,130	6,249,545
127,806	174,854	163,639	1,096,007	4,520,881	3,591,179	97,183	24,697,612
233,296	751	150,846	1,073,564	4,458,181	4,581,728	79,898	25,106,793

NOTES TO THE FINANCIAL STATEMENTS CONTD.

8. PROPERTY, PLANT & EQUIPMENT (CONTD.)

8.1.1 Lands

Freehold Lands

The Lanka Hospitals Corporation PLC - carried at revalued amount

Location	Extent	Method of valuation	Effective date of valuation	Significant unobservable inputs	Carrying value as at 31.12.2015 Rs.	Revaluation surplus Rs.	Carrying value at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.35 perches	Open market value method	31st December 2014	Estimated price per perch Rs.2,700,000	27,945,002	20,484,002	7,461,000
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.00 perches	Open market value method	31st December 2014	Estimated price per perch Rs. 2,700,000	27,000,000	21,742,849	5,257,151

Sinolanka Hotels & Spa (Pvt) Ltd

The Sinolanka Hotels & Spa (Pvt) Ltd has purchased three blocks of land with buildings attached to land, with the intention of demolishing the buildings to facilitate the expansion of ballroom, car parking facilities, re-organization of traffic circulation and compliance with the regulatory requirement. The total cost of the said properties purchased during 2013 was Rs.1,139,357,179/-. The total cost is allocated between freehold land and capital work-in-progress. The cost allocated to freehold land is determined on the basis of a valuation determined by the Government Valuation Department which is Rs.7 Mn per perch. Thereby Rs.716,734,184 is allocated as the cost of the freehold land purchased. The land extent of the three blocks of land are Assessment No 112-62.77p, Assessment No 108-15p and Assessment No.134 - 20.10p. The total additions to the freehold land above includes the direct cost related to the acquisition. In addition to the above freehold land, the Sinolanka Hotels & Spa (Pvt) Ltd occupies approximately 22.56p of land, which is currently owned by Ceylinco Homes International (Lotus Tower) Ltd. The Sinolanka Hotels & Spa (Pvt) Ltd is in the process of negotiating to purchase this land from the current owners.

Leasehold Land

Helanco Hotels & Spa (Pvt) Ltd

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

The hotel in Hambantota was to be constructed on a leased-hold land obtained from the Urban Development Authority for 99 years. The consideration paid to the Urban Development Authority with related taxes and other charges paid thereon for the use of the rights to the land were recognized as leasehold land and property in the financial statements for 2014. As the company had since resolved to discontinue with the hotel project the Company is in negotiation to dispose of the property. The Directors are of the view that the un-amortized leasehold land value of Rs. 169,998,653/- as at 31st December 2015 could be recovered from the disposal of the property. Hence, no impairment provision had been considered necessary on the asset.

8.1.2 Buildings on Leasehold Land

The Lanka Hospitals Corporation PLC - carried at revalued amount

Location	Method of valuation	Effective date of valuation	Significant unobservable inputs	Cost as at 31.12.2015 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net Carrying Amount Rs.
578, Elvitigala Mawatha, Colombo 05	Depreciated replacement cost method	31st December 2013	Estimated value per square foot Rs.6,790	1,504,507,260	116,863,886	1,387,643,374

Sinolanka Hotels & Spa (Pvt) Ltd

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

Upon the termination of the lease by effluxion of time, the UDA may grant to the Sinolanka Hotels & Spa (Pvt) Ltd or its successors a renewal of the lease for a further period of 99 years or for a period to be mutually agreed upon by the UDA and Sinolanka Hotels & Spa (Pvt) Ltd.

Sinolanka Hotels & Spa (Pvt) Ltd

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

In addition to the aforesaid lease agreement, the Government Valuation Department determined a value of Rs.5 billion to be paid by the Sinolanka Hotels & Spa (Pvt) Ltd as full and final consideration to the Secretary to the Treasury in respect of the said property situated at 116, Galle Road, Colombo 03. The valuation department further determined that the value attributable to the land in extent of 0.6057 hectares based on a 99 year lease for the purpose of constructing and operating a Luxury Hotel Complex amounted to Rs.1.228 billion. The balance value is included in immovable properties constructed on the said lease land.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
8. PROPERTY, PLANT & EQUIPMENT (CONTD.)				
8.1.3 Capital Work-in-Progress				
At the beginning of the Year	11,057,322	7,416,316	-	-
Cost incurred during the Year	4,079,557	4,854,438	-	-
Amount capitalised during the Year	(1,866,617)	(1,213,428)	-	-
Write off	(678)	-	-	-
Provision for impairment	(111,104)	-	-	-
At the end of the Year	13,158,480	11,057,326	-	-

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

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

Impairment of Property, Plant and Equipment

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

8.1.4 Fully Depreciated Assets

Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 286.5 Mn (2014 - Rs. 286.5 Mn) from the SLIC, Rs. 1.37Bn (2014 - Rs. 1.32 Bn) from The Lanka Hospitals Corporation PLC, Rs. 19.662 Mn (2014 - Rs.15.316 Mn) from Litro Gas Lanka Ltd, Rs. 382,000 (2014 - Rs. 382,000) from Litro Gas Terminal Lanka (Pvt) Ltd respectively.

8.1.5 Asset Requalification

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

Certain types of assets; storage tanks, pipelines, pumping stations, instrumentation equipment, plant and machinery require periodically to be inspected, assessed and requalified to ensure that the said assets meet the required safety standards, to be used in the LPG industry. When such assets are to be requalified for use, the cost and the accumulated depreciation relating to those assets are derecognized. Subsequent to requalification, the previous written down values of the assets and the additional costs incurred to requalify the assets are capitalized as it is expected that future economic benefits associated with the assets will flow to the entity. Accordingly, Litro Gas Terminal Lanka (Pvt) Ltd and Litro Gas Lanka Ltd have derecognized equipment, LPG storage tanks, pipelines and fittings amounting to Rs. 9,499,050 and Rs.17,225,000 respectively during the year.

8.1.6 Change in Classification

During the current year, the Group modified the classification of leasehold land of Helanco Hotels and Spas (Pvt) Ltd that was classified under "Leasehold Property" to "Property, Plant and Equipment" in order to reflect more appropriate presentation of property, plant and equipment as at the year end. Comparative amount in the statement of financial position was reclassified for consistency which resulted Rs. 171,739,237 being reclassified from the "Leasehold Property" to "Property, Plant and Equipment". This reclassification did not have any effect on the statement of profit or loss and other comprehensive income.

8.1.7 Assets Revaluation

Sri Lanka Insurance Corporation Ltd. - Company

Location	Extend of the land	Land	Building	Total	Carrying Amount at Cost
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land situated at No. 288, Union Place, Colombo 2	A 01 R 00 P 20.35	1,352,625	30,837	1,383,462	5,047
Land & Building situated at No. 267, Union Place, Colombo 2	A 0 R 0 P 37.62	263,340	399,845	663,185	5,855
Land & Building situated at No. 21, Vauxhall Street, Colombo 2	A 02 R 00 P 05.62	1,850,750	1,784,716	3,635,466	101,751
Land & Building situated at Thelawala, Katubedda, Moratuwa	A 02 R 00 P 13	149,850	47,912	197,762	2,380
Land & Building situated at Lake Road, 4th Lane, Anuradhapura	A 0 R 0 P 30	6,750	4,392	11,142	297
Land & Building situated at Main Street, 2nd Lane Anuradhapura	A 0 R 0 P 34.9	61,075	7,768	68,843	742
Land & Building situated at 571, Hospital Road, Jaffna	A 0 R 1 P 26.38	106,208	21,803	128,011	629
Land & Building situated at No. 25, Kande Veediya, Kandy	A 0 R 0 P 16.45	102,812	31,514	134,326	20,867
Land & Building situated at No. 20, Rajapaksha Broadway, Negombo	A 0 R 0 P 19	47,500	48,883	96,383	2,030
Land & Building situated at No. 7, Hakmana Road, Matara	A 0 R 0 P 47.89	131,698	25,142	156,840	1,333
Land & Building situated at No. 60/1, Park Road, Nuwara Eliya	A 0 R 02 P 23.01	113,311	3,950	117,261	735
Land & Building situated at No. 16/1, Dambulla Road, Kurunegala	-	-	58,605	58,605	2,935
Land & Building situated at No. 14A, Pulathisigama, Hingurakgodra	A 0 R 0 P 49.42	3,459	1,125	4,584	308
Land & Building situated at No. 46, Main Street, Trincomalee	A 0 R 01 P 37.65	77,650	10,403	88,053	2,023
Land & Building situated at No. 77, Ratnapura Road, Awissawella	A 0 R 0 P 30.75	84,563	3,541	88,104	2,192
Land situated at Baudhdhaloka Mawatha, Gampaha	A 0 R 0 P 24.54	67,485	-	67,485	3,759
Land & Building situated at No. 14, River Side Road, Kalutara	A 0 R 0 P 61.9	29,403	-	29,403	3,551
Land & Building situated at No. 32, Negombo Road, Marawila	A 0 R 0 P 10	8,000	3,723	11,723	1,910
Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy	A 0 R 01 P 02	10,500	5,084	15,584	3,516
Land & Building situated at No. 97, New Road, Ambalangoda	A 0 R 01 P 02	94,500	34,072	128,572	2,299
Land & Building situated at No. 211/C, Colombo Road, Pilimatalawa	A 0 R 0 P 08	20,000	11,940	31,940	20,059
Land situated at No. 42, Kurunegala Road, Chilaw	A 0 R 0 P 15.63	31,260	-	31,260	2,599
Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya	A 0 R 0 P 09.96	4,980	494	5,474	217
Land & Building situated at Bogahahena, Dikwella Road, Beliatta	A 0 R 01 P 27.13	35,243	-	35,243	27,907
Land & Building situated at No. 68, Ragala Road, Rikillagaskada	A 0 R 0 P 6.832	17,080	5,645	22,725	18,586
Land situated at Gorakadeniya, Yatinuwara, Kandy	A 0 R 02 P 40.17	26,730	-	26,730	15,599
Land & Building situated at No. 69, Kothmale Road, Nawalapitiya	A 0 R 0 P 05	11,250	9,756	21,006	13,732
Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota		5,250	-	5,250	7,091
Land & Building situated at No. 6, Wadugodapitiya Veediya, Kandy		31,875	14,509	46,384	16,908
Land & Building situated at No. 389, Main Street, Kegalle		20,652	-	20,652	15,491
Land situated at Kachchery Junction, Kandy Road, Jaffna		9,400	-	9,400	265
		4,775,199	2,565,659	7,340,858	302,612

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December 2015
Rs. '000 2014
Rs. '000

8. PROPERTY, PLANT & EQUIPMENT (CONTD.)

8.2 Company

Carrying amount	8,112,393	8,585,240
	8,112,393	8,585,240

	Land Rs. '000	Buildings on Freehold Land Rs. '000	Building on Leasehold Land Rs. '000	Equipment Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicle Rs. '000
Cost/Valuation						
Balance as at 01st January 2015	4,775,199	2,677,393	8,778	606,646	250,307	359,709
Additions during the year	-	23,409	-	25,385	8,457	3,500
Revaluation	-	-	-	(263,356)	(62,360)	-
Disposals	-	-	-	-	-	(31,870)
Transfers	-	-	-	(1,251)	(338)	-
Balance as at 31st December 2015	4,775,199	2,700,802	8,778	367,424	196,066	331,339
Accumulated Depreciation						
Balance as at 01st January 2015	-	-	-	335,394	85,608	150,958
Depreciation charge for the year	-	135,143	-	66,446	20,212	89,635
Revaluation	-	-	-	(160,048)	(46,831)	-
Disposals	-	-	-	-	-	(20,673)
Impairment	-	-	-	-	-	40
Balance as at 31st December 2015	-	135,143	-	241,792	58,989	219,960
Carrying amount						
As at 31st December 2014	4,775,199	2,677,393	8,778	271,252	164,699	208,751
As at 31st December 2015	4,775,199	2,565,659	8,778	125,632	137,077	111,379

During the year the Company has acquired property, plant & equipment amounting to Rs. 85.062Mn (2014 - Rs.152.694Mn)
There were no assets pledged against the borrowings.

Electrical Generators and Passenger Lift	Fixtures & Fittings	Air Condition Plant	Others	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
152,855	258,884	203,521	19,765	9,313,057
3,040	83	8,452	12,736	85,062
(85,099)	(52,115)	(45,038)	(29,468)	(537,436)
-	-	-	-	(31,870)
196,923	(196,811)	149	1,328	-
267,719	10,041	167,084	4,361	8,828,813
25,049	84,030	39,881	6,897	727,817
31,295	4,676	28,131	2,985	378,523
(21,921)	(79,416)	(51,775)	(9,296)	(369,287)
-	-	-	-	(20,673)
-	-	-	-	40
34,423	9,290	16,237	586	716,420
127,806	174,854	163,640	12,868	8,585,240
233,296	751	150,847	3,775	8,112,393

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
9. INVESTMENT PROPERTY				
Balance as at 1st January	1,203,431	1,333,645	465,231	549,600
Transfer from Property, Plant & Equipment	-	-	-	-
Additions during the year	36,552	2,544	-	-
Transferred from Leasehold Property	-	21,680	-	-
Fair Value gains/(losses)	1,659	(154,438)	-	(84,369)
Balance as at 31st December	1,241,642	1,203,431	465,231	465,231

Investment property held by Sri Lanka Insurance Corporation Ltd is located at No.6, Sir Baron Jayathilake Mawatha, Colombo 1. Extent of land is A0 R0 P38.88 and extent of the building is 40,000 sq.ft. The fair value as at 31st December 2015 has not been recognized as the management considers the change in fair value to be immaterial.

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

9.1 Measurement of Fair Values

9.1.1 Fair Value Hierarchy

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

The fair value measurement of investment property has been categorized as a Level 2 based on the SLFRS 13 - Fair Value Measurement.

9.1.2 Valuation technique and significant unobservable inputs

Valuation Technique	Company Name	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment basis valuation which considered present value of future cash flows has been used. This is based on actual rental income currently earned together with the service charges receivable. Other income with a deduction to cover the operational expenses has also been considered.	Canowin Hotels and Spas (Pvt) Ltd	<ol style="list-style-type: none"> 1. Future rental and other income 2. Future operational expenses 3. Discount rates 	Estimated fair value would increase (decrease) if: <ol style="list-style-type: none"> 1. Future rental and related income changes 2. Future operational expenses changes 3. Discount rate changes
Investment basis valuation has been used.	SLIC	Future rental income	Estimated fair value would increase (decrease) if future rental income changes.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
10. LEASEHOLD PROPERTY				
Leasehold Right to Land (Note 10.1)	20,537	20,806	20,537	20,806
Right-to-use of land on lease (Note 10.2)	178,222	164,458	-	-
Balance as at 31st December	198,759	185,264	20,537	20,806

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
10.1 Leasehold Right to Land				
Cost				
Balance as at 01st January	28,015	28,015	28,015	28,015
Balance as at 31st December	28,015	28,015	28,015	28,015
Amortization				
Balance as at 01st January	7,209	6,940	7,209	6,940
Amortization during the year	269	269	269	269
Balance as at 31st December	7,478	7,209	7,478	7,209
Net balance as at 31st December	20,537	20,806	20,537	20,806

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
10.2 Advance Lease Premium				
Advance Lease Premium				
Balance as at the 01st January	164,457	169,398	-	-
Premium paid during the period	18,546	21,506	-	-
Amortized during the period	(4,781)	(4,766)	-	-
Transferred to investment property	-	(21,680)	-	-
Balance as at 31st December	178,222	164,458	-	-

The Lanka Hopsitals Corporation PLC, a subsidiary of SLIC has entered into a 99 year lease agreement with the Urban Development Authority in 1999. In terms of this agreement, a sum of Rs. 18,546,522/- per annum should be paid by the Company till 2025, and the final premium payment of Rs. 9,273,274/- should be paid in 2026. As at 31st December 2015, a sum of Rs. 194Mn is payable by 2026 (31st December 2014 - Rs.213 Mn). Lease rent paid on each installment is carried forward and amortized over the 99 year period in accordance with the said agreement.

Canowin Hotels and Spas (Pvt) Ltd has acquired two leasehold plots in Welipenna from the Road Development Authority for a period of 30 years on 01st March 2014. The properties are adjoining the main property situated at the entrance of the Southern Expressway in which the rest area and food arcade has been constructed. This property is currently being utilized by Litro Gas Lanka Ltd for which no rental is charged.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
11. INTANGIBLE ASSETS				
Goodwill on acquisition (Note 11.1)	2,992,805	2,992,805	-	-
Computer software (Note 11.2)	276,699	173,966	215,625	141,336
	3,269,504	3,166,771	215,625	141,336
11.1 Goodwill on Acquisition				
Cost				
Balance at 01st January	2,992,805	2,992,805	-	-
Balance as at 31st December	2,992,805	2,992,805	-	-

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

	2015 Rs. Mn	2014 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
The Lanka Hospitals Corporation PLC	1,577	1,577	-	-
Litro Gas Lanka Ltd	842	842	-	-
Litro Gas Terminal Lanka (Pvt) Ltd	574	574	-	-
	2,993	2,993	-	-

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

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
11.2 Computer Software				
Cost				
Balance at 01st January	276,882	182,901	240,210	175,444
Additions	137,656	93,981	126,679	64,766
Transferred from capital work-in-progress	25,445	-	-	-
Balance as at 31st December	439,983	276,882	366,889	240,210
Amortization				
Balance as at 01st January	102,916	56,104	98,874	55,403
Amortization charge	57,157	46,812	49,179	43,471
Impairment	3,211	-	3,211	-
Balance as at 31st December	163,284	102,916	151,264	98,874
Net Balance as at 31st December	276,699	173,966	215,625	141,336

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
12. LOANS TO POLICYHOLDERS				
Balance as at 01st January	1,510,067	1,578,196	1,510,067	1,578,196
Loans granted during the year	459,547	506,943	459,547	506,943
Interest Receivable on loans	350,557	253,264	350,557	253,264
Loans settled during the year (against claims)	(750,829)	(828,336)	(750,829)	(828,336)
Balance as at 31st December	1,569,342	1,510,067	1,569,342	1,510,067

The surrender value of the loans granted to policyholders as at 31st December 2015 amounted to Rs.2,582Mn (2014 - Rs.2,809Mn)

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.

The carrying value of policyholder's loans approximates to the fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
13. REINSURANCE RECEIVABLES				
Reinsurance receivables on settled claims	365,262	225,175	365,262	225,175
Reinsurance receivables on outstanding claims	976,138	1,003,992	976,138	1,003,992
Impairment on reinsurance receivables	(66,296)	(22,322)	(66,296)	(22,322)
	1,275,104	1,206,845	1,275,104	1,206,845

Impairment of Reinsurance Receivables

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

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

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
14. PREMIUM RECEIVABLE				
14.1 Premium Receivable from Policyholders				
Premium receivable from Policyholders	2,605,568	2,429,106	2,605,568	2,429,106
	2,605,568	2,429,106	2,605,568	2,429,106
Impairment on Premium Receivable				
As at the beginning of the year	(217,828)	(27,070)	(217,828)	(27,070)
Reversal made during the year	115,525	(190,758)	115,525	(190,758)
As at the end of the year	(102,303)	(217,828)	(102,303)	(217,828)
Sub Total of Premium Receivable from Policyholders	2,503,265	2,211,278	2,503,265	2,211,278
14.2 Premium Receivable from Agents, Brokers and Intermediaries				
Premium Receivable from Agents and Brokers	760,212	719,633	760,212	719,633
	760,212	719,633	760,212	719,633
Impairment on Premium Receivable				
As at the beginning of the year	(72,609)	(9,023)	(72,609)	(9,023)
Reversal made during the year	38,508	(63,586)	38,508	(63,586)
As at the end of the year	(34,101)	(72,609)	(34,101)	(72,609)
Sub Total of Premium Receivable from Agents and Brokers	726,111	647,024	726,111	647,024
Total Premium Receivable	3,229,376	2,858,302	3,229,376	2,858,302

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

15. DEFERRED TAX ASSETS & LIABILITIES

15.1 Recognized Deferred Tax Assets and Liabilities

15.1.1 Movement in deferred tax balances

Deferred tax assets and liabilities are attributable to the followings;

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

	Net Balance as at 01st January 2014	Recognized in profit or loss	Recognized in OCI	Net Balance as 31st December 2014	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	2,943,533	137,489	3,683	3,084,705	-	3,084,705
Investment property	54,750	8,061	-	62,811	-	62,811
Available-For-Sale financial assets	-	-	-	-	-	-
Employee benefits	(206,083)	(37,113)	(35,313)	(278,509)	(278,509)	-
Carry forward tax losses	-	-	-	-	-	-
Provisions on inventory	(2,881)	-	-	(2,881)	(2,881)	-
Provisions on trade receivables	(41,602)	(76,972)	-	(118,574)	(118,574)	-
	2,747,717	31,465	(31,630)	2,747,552	(399,964)	3,147,516

NOTES TO THE FINANCIAL STATEMENTS CONTD.

15. DEFERRED TAX ASSETS & LIABILITIES (CONTD.)

15.1 Recognized Deferred Tax Assets and Liabilities (contd.)

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

	Net Balance as at 01st January 2014	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2014	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	1,050,461	(92,091)	3,778	962,148	-	962,148
Investment property	-	-	-	-	-	-
Available-For-Sale financial assets	-	-	-	-	-	-
Employee benefits	(129,672)	(23,270)	(34,205)	(187,147)	(187,147)	-
Carry forward tax losses	-	-	-	-	-	-
Provisions on inventory	-	-	-	-	-	-
Provisions on trade receivables	(41,602)	(76,972)	-	(118,574)	(118,574)	-
	879,187	(192,333)	(30,427)	656,427	(305,721)	962,148

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

Group	2015			2014		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax (asset)/ liability	Deferred tax assets	Deferred tax liabilities	Net deferred tax (asset)/ liability
Sri Lanka Insurance Corporation Ltd - Life	(97,889)	2,731	(95,158)	(89,504)	2,875	(86,629)
Sri Lanka Insurance Corporation Ltd - Non Life	(207,352)	949,379	742,027	(216,216)	959,272	743,056
The Lanka Hospitals Corporation PLC	(14,861)	362,090	347,229	(12,638)	326,744	314,106
Litro Gas Lanka Ltd	(26,895)	1,289,874	1,262,979	(20,079)	1,066,825	1,046,746
Litro Gas Terminal Lanka (Pvt) Ltd	(1,532)	688,201	686,669	(946)	728,920	727,974
Canowin Hotels and Spas (Pvt) Ltd	(73,202)	83,474	10,272	(60,132)	62,815	2,683
Canwill Holdings (Pvt) Ltd	(520)	129	(391)	(449)	65	(384)
	(422,251)	3,375,878	2,953,627	(399,964)	3,147,516	2,747,552

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

Life	2015		2014	
	Temporary difference Rs. '000	Deferred tax Rs. '000	Temporary difference Rs. '000	Deferred tax Rs. '000
Deferred tax asset				
Retirement benefit obligation	(349,605)	(97,889)	(319,660)	(89,504)
Deferred tax liability				
Property plant & equipment	9,756	2,731	10,269	2,875
Available-For-Sale reserve	76,115	21,312	-	-
Net deferred tax (asset)/liability	(263,735)	(73,846)	(309,391)	(86,629)
Unrecognized deferred tax liability	(76,115)	(21,312)	-	-
Net deferred tax (asset)/liability	(339,849)	(95,158)	(309,391)	(86,629)

Non-Life	2015		2014	
	Temporary difference Rs. '000	Deferred tax Rs. '000	Temporary difference Rs. '000	Deferred tax Rs. '000
Deferred tax asset				
Retirement benefit obligation	(381,387)	(106,788)	(348,720)	(97,642)
AFS negative reserve - Treasury Bonds	(44,602)	(12,488)	-	-
Provision for impairment of premium receivable	(314,559)	(88,076)	(423,480)	(118,574)
Deferred tax liability				
Property plant & equipment and revaluation reserve	2,925,414	819,115	3,425,971	959,272
Investment property	465,231	130,264	-	-
Net deferred tax (asset)/liability	2,650,097	742,027	2,653,770	743,056
		646,869		656,427

NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
16. OTHER ASSETS					
Inventories	16.1	1,472,198	2,022,736	109,821	102,052
Other receivables		1,637,617	2,452,937	1,573,886	2,471,043
Impairment on other receivables		(126,841)	(124,386)	(126,841)	(124,386)
		1,510,776	2,328,551	1,447,045	2,346,657
Amount due from Distilleries Company of Sri Lanka PLC		171,852	149,665	171,852	149,665
Staff loans	16.2	772,308	564,406	772,308	564,406
Prepaid staff cost		347,099	159,759	347,099	159,759
Other loans		504,705	208,985	504,705	208,985
Advance on fixed assets		19,073	45,584	19,073	45,584
Trade and other receivables	16.3	1,124,848	1,181,175	-	-
General Department current account		-	-	-	-
Value added tax receivable		28,310	-	-	-
ESC receivable		10,534	23,512	-	-
		5,961,703	6,684,373	3,371,903	3,577,108
16.1 Inventories					
Insurance		109,821	102,052	109,821	102,052
Healthcare		272,339	306,301	-	-
Energy		1,090,038	1,614,383	-	-
		1,472,198	2,022,736	109,821	102,052
Provision for Obsolete Inventories		-	-	-	-
		1,472,198	2,022,736	109,821	102,052
16.2 Loans Due from Employees					
At the beginning of the year		564,406	563,578	564,406	563,578
Loans granted during the year		927,509	147,283	927,509	147,283
Recoveries during the year		(560,411)	(180,409)	(560,411)	(180,409)
Fair value adjustment on staff loan		(159,196)	33,954	(159,196)	33,954
At the End of the Year		772,308	564,406	772,308	564,406
16.3 Trade and Other Receivables					
Trade Receivables					
Trade & other receivables		552,659	666,428	-	-
Provision for doubtful debt		(24,583)	(17,284)	-	-
Total trade receivables - net		528,076	649,144	-	-
Deposit and prepayments		266,977	335,183	-	-
Advances and other receivables		329,795	196,848	-	-
		1,124,848	1,181,175	-	-

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
17. DEFERRED EXPENSES - INSURANCE CONTRACT				
Net Deferred Acquisition Expenses				
Balance as at 01st January	393,946	384,242	393,946	384,242
Increase in Deferred Acquisition Expenses	76,457	9,704	76,457	9,704
Balance as at 31st December	470,403	393,946	470,403	393,946
Deferred Reinsurance Commission				
Balance as at 01st January	(132,086)	(137,346)	(132,086)	(137,346)
Increase in Deferred Acquisition Expenses	20,674	5,260	20,674	5,260
Balance as at 31st December	(111,412)	(132,086)	(111,412)	(132,086)
Net Deferred Acquisition Expenses	358,991	261,860	358,991	261,860

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
18. CASH AND CASH EQUIVALENTS				
Cash in Hand and at Bank	1,020,184	901,895	695,871	637,799
Short-term investments	16,088,174	22,105,188	2,629,107	5,130,628
Total Cash and Cash Equivalents	17,108,358	23,007,083	3,324,978	5,768,427
Bank Overdraft used for Cash Management Purposes	(1,234,138)	(599,328)	(989,060)	(388,907)
Cash and Cash Equivalents in the Statement of Cash Flow	15,874,220	22,407,755	2,335,918	5,379,520

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
19. STATED CAPITAL				
Issued and Fully Paid				
Ordinary shares (600,000,000 shares)	6,000,000	6,000,000	6,000,000	6,000,000
	6,000,000	6,000,000	6,000,000	6,000,000

19.1 Right of Ordinary Shareholders

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
20. REVALUATION RESERVE					
Revaluation Reserve	20.1	9,167,303	9,325,393	5,850,502	5,971,570
		9,167,303	9,325,393	5,850,502	5,971,570
20.1 Revaluation Reserve					
Balance as at 01st January		9,325,393	8,752,045	5,971,570	5,411,866
Surplus on Revaluation of Land and Building		-	650,495	-	592,783
Deficit on revaluation of other property, plant and equipment		(168,149)	-	(168,149)	-
Deferred Tax on Revaluation (Surplus)/Deficit		47,081	(5,545)	47,081	(3,778)
Realization of Revaluation Surplus		(34,190)	(71,602)	-	(29,301)
Transfer of revaluation reserve on disposal of property, plant and equipment		(2,832)	-	-	-
Balance as at 31st December		9,167,303	9,325,393	5,850,502	5,971,570

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
21. AVAILABLE-FOR-SALE RESERVE				
Balance as at 01st January	26,525,252	15,364,711	26,525,252	15,364,711
Other Comprehensive Income For the Year	(4,134,588)	11,160,541	(4,134,588)	11,160,541
Balance as at 31st December	22,390,664	26,525,252	22,390,664	26,525,252

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

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
22. REVENUE RESERVE					
General Reserve		643,442	643,442	643,442	643,442
Surplus from Life Insurance	22.1	4,865,021	4,450,665	4,865,021	4,450,665
Policyholder Reserve Fund	22.2	(410,517)	(3,328,928)	(410,517)	(3,328,928)
Retained Earnings	22.3	39,513,329	35,734,633	24,338,002	23,954,309
		44,611,275	37,499,812	29,435,948	25,719,488
22.1 Surplus from Life Insurance					
Balance as at 01st January		4,450,665	4,528,867	4,450,665	4,528,867
Surplus Attributable to Shareholders from Life Insurance		925,303	1,612,402	925,303	1,612,402
Super Gain Tax paid during the year		(10,947)	-	(10,947)	-
Transferred to Shareholders		(500,000)	(1,690,604)	(500,000)	(1,690,604)
Balance as at 31st December		4,865,021	4,450,665	4,865,021	4,450,665
22.2 Policyholder Reserve Fund					
Balance as at 01st January		(3,328,928)	(510,888)	(3,328,928)	(510,888)
Change in fair value measurements applicable to life contract liability	23	2,918,411	(2,818,040)	2,918,411	(2,818,040)
Balance as at 31st December		(410,517)	(3,328,928)	(410,517)	(3,328,928)
22.3 Retained Earnings					
Balance as at 01st January		35,734,633	28,617,540	23,954,309	21,737,166
Profit for the year		8,162,284	8,037,407	3,439,356	3,257,013
Other comprehensive income		(5,842)	(88,055)	7,747	(87,955)
Surplus Attributable to Shareholders from Life Insurance		(925,303)	(1,612,402)	(925,303)	(1,612,402)
Effect of acquisition of subsidiary and changes in Holding		-	77,355	-	-
Dividend Declared and Paid		(2,003,142)	(1,002,000)	(2,003,142)	(1,002,000)
Transfer to shareholders		500,000	1,690,604	500,000	1,690,604
Deferred Tax on Revaluation Surplus Transfer		-	-	-	-
Share Buyback*		-	(57,418)	-	(57,418)
Realization of Revaluation Surplus on disposal		2,832	-	-	-
Realization of Revaluation Surplus		34,190	71,602	-	29,301
Super Gain Tax paid during the year		(1,986,324)	-	(634,965)	-
Balance as at 31st December		39,513,329	35,734,633	24,338,002	23,954,309

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
23. INSURANCE CONTRACT LIABILITIES - LIFE				
Life Insurance Fund as at 01st January	74,706,064	66,511,608	74,706,064	66,511,608
Movement of the Fund	7,765,544	6,988,818	7,765,544	6,988,818
Super Gain Tax	(769,509)	-	(769,509)	-
Transferred from Life Policyholders Reserve Fund	(2,918,411)	2,818,040	(2,918,411)	2,818,040
Surplus distributed to Shareholders	(925,303)	(1,612,402)	(925,303)	(1,612,402)
Life Insurance Fund as at 31st December	77,858,385	74,706,064	77,858,385	74,706,064
Policyholder outstanding claims	2,792,196	2,548,432	2,792,196	2,548,432
	80,650,581	77,254,496	80,650,581	77,254,496

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

- Interest rate which is prescribed under IBSL guidelines.
- Mortality rates used are A 67/70 for non annuity business and A90 for annuity business which are prescribed under IBSL guidelines.

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

The valuation of the Insurance Provision - Life Insurance Business, as at 31st December 2015 was made by Mark Alan Birch, Fellow of the Institute and Faculty of Actuaries UK, of Towers Watson, for and on behalf of Sri Lanka Insurance Corporation Ltd. In accordance with the consultants actuary's report, the sum of provision, Rs. 2,983 million (In 2014 Rs. 2,699 million), is included as the liability in respect of policyholders' Bonus. In the opinion of the consultant actuary, the admissible assets of the life insurance fund as at 31st December 2015 is adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under sec 26 of the regulation of Insurance Industry Act no. 43 of 2000. The life fund also carried forward surplus for future growth and contingencies.

The Life Insurance Fund assets inclusive of Shareholders' Transfer as at 31st December 2015 is Rs. 78,783 million (2014 - Rs. 76,318 million). The Board of Directors decided to transfer Rs. 925 million (2014 - Rs. 1,612 million) to the Shareholders' Fund in the statement of financial position in life insurance. Subsequent to this transfer, the life insurance fund stands Rs: 77,858 million (2014 - Rs. 74,706 million).

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for life insurance contract liability was carried out by Mark Alan Birch, Fellow of the Institute and Faculty of Actuaries UK, of Towers Watson, as at 31st December 2015 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company has compared the provisions held as per audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within Risk Based Capital framework as prescribed by the IBSL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all cash in- and out-flows required to settle the obligations related to existing in-force life insurance contracts. The projections are based on in-force policies and riders as at 31st December 2015.

According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2015. No additional provision is required against the LAT as at 31st December 2015.

24. INSURANCE CONTRACT LIABILITIES - NON-LIFE

The Non - Life Insurance Reserves as shown in the Statement of Financial Position represents the following:

As at 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Reserves for Net Unearned Premium	24.1	6,542,751	5,235,223	6,542,751	5,235,223
Reserves for Title Insurance and Unexpired Risk Reserve	24.2	480,399	251,594	480,399	251,594
Reserves for Gross Outstanding Claims	24.3	7,893,502	7,708,966	7,893,502	7,708,966
		14,916,652	13,195,783	14,916,652	13,195,783
24.1 Reserve for Net Unearned Premium					
Reserve for Unearned Premium					
Balance as at 01st January		7,206,100	6,896,179	7,206,100	6,896,179
Transfer during the Year		762,530	309,921	762,530	309,921
Balance as at 31st December		7,968,630	7,206,100	7,968,630	7,206,100
Reserve for Unearned Reinsurance Premium					
Balance as at 01st January		(1,970,877)	(1,861,492)	(1,970,877)	(1,861,492)
Transfer during the Year		544,998	(109,385)	544,998	(109,385)
Balance as at 31st December		(1,425,879)	(1,970,877)	(1,425,879)	(1,970,877)
Total Reserve for Net Unearned Premium		6,542,751	5,235,223	6,542,751	5,235,223
24.2 Reserve for Title Insurance and Unexpired Risk Reserve					
Reserve for Title Insurance					
Balance as at 01st January		251,594	436,468	251,594	436,468
Transfer during the year		228,805	(184,874)	228,805	(184,874)
Balance as at 31st December		480,399	251,594	480,399	251,594
Total Reserve for Title Insurance and Unexpired Risk Reserve		480,399	251,594	480,399	251,594

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
24.3 Reserves for Gross Outstanding Claims				
Balance as at 01st January	5,526,494	5,228,781	5,526,494	5,228,781
Claims Incurred during the year	7,056,638	6,866,601	7,056,638	6,866,601
Claims paid during the year	(6,845,292)	(6,568,888)	(6,845,292)	(6,568,888)
Balance as at 31st December	5,737,840	5,526,494	5,737,840	5,526,494
IBNR/IBNER balance as at 01st January	2,182,472	2,589,019	2,182,472	2,589,019
Increase in IBNR/IBNER	(26,810)	(406,547)	(26,810)	(406,547)
IBNR/IBNER balance as at 31st December	2,155,662	2,182,472	2,155,662	2,182,472
Total Reserves for Gross Outstanding Claims	7,893,502	7,708,966	7,893,502	7,708,966

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

Liability Adequacy Test (LAT)

A Liability Adequacy Test (LAT) for Non-Life Insurance contract liability was carried out by Mr. Matthew Maguire, Fellow of the Australian Actuarial Society (AAG) on behalf of the NMG Consulting as at 31st December 2015 as required by SLFRS 4- Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31st December 2015. No additional provision was required against the LAT as at 31st December 2015.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Reconciliation between Insurance Contract Liabilities Non - Life and Technical Reserves				
Insurance Contract Liabilities Non - Life	14,916,652	13,195,783	14,916,652	13,195,783
Reserve for Net Deferred Acquisition Expenses	(358,991)	(261,860)	(358,991)	(261,860)
Reinsurance on Claims Reserves	(976,138)	(1,003,992)	(976,138)	(1,003,992)
Technical Reserves	13,581,523	11,929,931	13,581,523	11,929,931

24.4 Claims Development Information

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

As at 31st December	2010 Rs.	2011 Rs.	2012 Rs.	2013 Rs.	2014 Rs.	2015 Rs.
Gross reserves for losses and loss adjustment expenses	6,759,172,132	7,898,096,692	8,720,582,620	7,817,800,636	7,709,470,517	7,893,502,368
Reinsurance recoverable	(1,361,271,745)	(1,168,930,136)	(1,509,187,974)	(1,160,448,524)	(1,004,432,194)	(976,138,208)
Net reserves for losses and loss adjustment expenses	5,397,900,387	6,729,166,557	7,211,394,645	6,657,352,112	6,705,038,323	6,917,364,160
Cumulative paid						
One year later	2,874,874,128	3,632,757,028	4,545,085,355	4,481,213,520	4,572,092,748	4,981,268,620
Two years later	3,714,910,249	4,903,405,392	5,908,837,239	5,873,385,629	5,907,059,777	
Three years later	3,788,276,570	4,980,092,970	6,016,063,272	5,960,967,990		
Four years later	3,806,053,537	5,014,506,148	6,042,845,103			
Five years later	3,832,694,904	5,047,142,374				
Six years later	3,853,091,198					
Cumulative Reported						
One year later	3,877,357,626	4,740,384,794	5,765,263,148	5,564,838,084	5,631,797,127	6,325,675,770
Two years later	4,091,340,643	5,147,257,128	6,199,143,542	6,107,020,752	6,204,339,034	
Three years later	4,020,496,575	5,195,146,471	6,287,566,401	6,209,495,887		
Four years later	3,995,269,295	5,289,158,538	6,285,315,681			
Five years later	4,110,863,857	5,266,478,759				
Six years later	4,101,792,901					

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
25. CURRENT TAX LIABILITIES				
Balance as at 01st January	1,505,977	2,895,797	963,165	1,739,675
Income Tax Charge for the Year	3,164,542	2,785,703	1,355,731	1,308,460
Income Tax Settlements made during the Year	(3,104,582)	(4,208,954)	(1,611,940)	(2,084,970)
Balance as at 31st December	1,565,937	1,472,546	706,956	963,165

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
26. EMPLOYEE BENEFITS				
Balance as at 01st January	872,574	635,244	668,381	463,117
Recognized in the statement of profit or loss				
Current Service Cost	75,214	73,522	42,416	39,570
Interest Expenses	82,686	63,699	63,496	46,312
Recognized in the statement of other comprehensive income				
Actuarial (gain)/loss	5,501	127,024	(10,760)	122,160
	1,035,975	899,489	763,533	671,159
Benefit paid by the plan	(55,117)	(26,914)	(32,542)	(2,778)
Balance as at 31st December	980,858	872,575	730,991	668,381

26.1 The Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S Actuarial & Management Consultants (Pvt) Ltd, 1st Floor, 434, R.A.De Mel Mawatha, Colombo 3. The actuarial valuation is performed annually.

26.2 Principal Actuarial Assumptions Used

	2015	2014
Discount Rate	9% - 10%	9% - 10%
Salary Increment Rate	5% - 10%	5% - 10%
Staff turnover Factor	1% - 22%	10% - 16%
Retirement age; Female	60 years	60 years
Retirement age; Male	60 years	60 years
Retirement age; Minor Staff	57 years	57 years

The Groups Gratuity Liability is not externally funded.

26.3 Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined obligation by the amounts shown below.

Group	2015		2014	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Discount rate 1%	3,040,159	3,595,882	677,386	776,573
Future salary growth 1%	3,562,110	3,066,623	685,591	767,315
Company				
Discount rate 1%	662,754	792,806	615,505	708,576
Future salary growth 1%	789,623	664,417	617,139	705,895

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
27. OTHER LIABILITIES				
Policyholder Advance Payments	413,502	499,336	454,525	499,336
Agency Commission Payable	668,951	934,941	668,951	934,941
Economic Services Charge Tax	7,180	343	-	-
Others Including Accrued Expenses	2,490,158	2,410,188	2,065,239	1,904,151
Riot Fund	-	65,331	-	65,331
Trade Payable	3,686,250	1,804,705	-	-
VAT Payable	30,132	32,684	-	-
Provision for assessment on VAT Liability	345,000	345,000	345,000	345,000
Other Payables	562,257	527,291	-	-
Advance Received	62,400	54,212	-	-
Customer Deposit Payable	5,143,758	4,569,545	-	-
Total Other Liabilities	13,409,588	11,243,576	3,533,715	3,748,759

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
28. FINANCIAL LIABILITIES				
Bank overdraft	1,234,138	599,328	989,060	388,907
Total Financial Liabilities	1,234,138	599,328	989,060	388,907

For the year ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
29. REVENUE					
Gross Written Premium	30	24,390,274	20,584,486	24,520,012	20,665,985
Net Change in Reserve for Unearned Premium	29.1	(991,335)	(125,047)	(991,335)	(125,047)
Gross Earned Premium		23,398,939	20,459,439	23,528,677	20,540,938
Premium Ceded to Reinsurers	29.2	(2,590,205)	(2,845,418)	(2,590,205)	(2,845,418)
Net Change in Reserve for Unearned Reinsurance Premium	29.3	(544,998)	109,385	(544,998)	109,385
Net Earned Premium	29.4	20,263,736	17,723,406	20,393,474	17,804,905
Income from Investments	31	10,427,556	11,617,291	9,506,165	11,175,144
Other Income		2,181,261	1,166,860	1,347,923	321,931
Net fair value gains and losses		(90,796)	-	(90,796)	-
Hospital Revenue		4,243,678	3,706,401	-	-
Pharmacy Revenue		1,270,392	1,047,188	-	-
Room Rental and Services Charges		77,687	24,960	-	-
Revenue from Liquid Petroleum Gas (LPG) Activities		23,698,762	28,937,543	-	-
		62,072,276	64,223,649	31,156,766	29,301,980

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
29.1 Net Change in Reserve for Unearned Premium					
Non-Life Insurance					
Change in Reserve for Unearned Premium	24.1	(762,530)	(309,921)	(762,530)	(309,921)
Transfer to Title Insurance Reserve	24.2	(228,805)	184,874	(228,805)	184,874
		(991,335)	(125,047)	(991,335)	(125,047)

For the year ended 31st December		Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
29.2 Premiums Ceded to Reinsurers					
Life Insurance					
		162,843	136,401	162,843	136,401
		162,843	136,401	162,843	136,401
Non-Life Insurance					
Fire		1,098,400	1,394,800	1,098,400	1,394,800
Motor		175,931	164,882	175,931	164,882
Marine		297,727	280,430	297,727	280,430
Miscellaneous		855,304	868,905	855,304	868,905
		2,427,362	2,709,017	2,427,362	2,709,017
Total Premium Ceded to Reinsurers		2,590,205	2,845,418	2,590,205	2,845,418

For the year ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
29.3 Net Change in Reserve for Unearned Reinsurance Premium					
Non-life Insurance					
Change in Reserve for Unearned Premium	24.1	(544,998)	109,385	(544,998)	109,385
		(544,998)	109,385	(544,998)	109,385

As at 31st December	2015			2014		
	Non-Life Rs. '000	Life Rs. '000	Total Rs. '000	Non-Life Rs. '000	Life Rs. '000	Total Rs. '000
29.4 Net Earned Premiums						
Gross Written Premium	14,049,934	10,470,079	24,520,012	12,544,828	8,121,159	20,665,987
Change in Reserve for Unearned Premium	(762,530)	-	(762,530)	(309,921)	-	(309,921)
Gross Earned Premium	13,287,404	10,470,079	23,757,483	12,234,907	8,121,159	20,356,066
Premiums Ceded to Reinsurers	2,427,361	162,844	2,590,205	2,709,017	136,401	2,845,418
Change in Reserve for Unearned Reinsurance Premium	544,998	-	544,998	(109,385)	-	(109,385)
Gross Reinsurance Premium	2,972,359	162,844	3,135,203	2,599,632	136,401	2,736,033
Transfer to Title Insurance Reserve	(228,805)	-	(228,805)	184,874	-	184,874
	3,201,164	162,844	3,364,008	2,414,758	136,401	2,551,158
Net Earned Premium	10,086,240	10,307,235	20,393,475	9,820,150	7,984,758	17,804,908

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
30. GROSS WRITTEN PREMIUM				
Life Insurance				
Group and Non Group	9,093,175	7,655,222	9,222,913	7,736,721
Group Term Life Assurance	1,247,166	384,438	1,247,166	384,438
Gross Written Premium - Life Insurance	10,340,341	8,039,660	10,470,079	8,121,159
Non- Life Insurance				
Fire & Engineering Risk	1,345,963	1,553,150	1,345,963	1,553,150
General Accident	3,223,559	3,384,287	3,223,559	3,384,287
Marine	457,924	402,133	457,924	402,133
Workmen's Compensation	-	-	-	-
Motor	9,022,487	7,205,256	9,022,487	7,205,256
Gross Written Premium- Non-Life Insurance	14,049,933	12,544,826	14,049,933	12,544,826
Total Gross Written Premium	24,390,274	20,584,486	24,520,012	20,665,985

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December	Note	Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
31. INVESTMENT INCOME					
Interest Income	31.1	9,325,027	8,448,367	7,858,278	7,697,430
Dividend Income	31.2	1,435,076	1,337,454	1,980,435	1,646,244
Capital gains/ (losses)	31.3	(332,548)	1,831,470	(332,548)	1,831,470
		10,427,556	11,617,291	9,506,165	11,175,144

For the year ended 31st December		Consolidated		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
31.1 Interest Income					
Financial Investment at Held-To-Maturity (HTM)					
Treasury Bonds		3,692,963	3,119,130	3,692,963	3,119,130
Treasury Bills		34,527	22,637	34,527	22,637
Financial Investments at Loans & Receivables (L&R)					
Development Bonds		227,997	176,165	227,997	176,165
Unlisted Debentures		89,111	161,128	89,111	161,128
Term Deposits		1,665,493	2,429,743	1,334,308	2,066,708
Trust Certificates		-	1,387	-	1,387
Financial Investments at Available-For-Sale (AFS)					
Treasury Bonds		749,737	517,367	749,737	517,367
Treasury Bills		-	20,833	-	20,833
Listed Debentures		1,388,767	998,142	1,388,767	998,142
Cash & Cash Equivalents					
Reverse Repos		1,383,042	995,145	336,229	609,735
Unit Trusts		81,608	-	-	-
Call & Savings Accounts		11,782	6,690	4,639	4,198
Total Interest Income		9,325,027	8,448,367	7,858,278	7,697,430

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
31.2 Dividend Income				
Financial Investments at Cost				
Listed Subsidiaries	-	-	183,267	61,089
Unlisted Subsidiaries	-	-	362,092	247,701
Financial Investments at NAV				
Associates	4,560	4,129	4,560	4,129
Financial Investments at Available-For-Sale (AFS)				
Listed Shares	1,174,766	1,082,309	1,174,766	1,082,309
Unlisted Shares	188	169	188	169
Unit Trusts	68,815	108,573	68,815	108,573
Financial Investments at Fair-Value-Through-Profit-or-Loss (FVTPL)				
Listed Shares	186,747	142,274	186,747	142,274
Total Dividend Income	1,435,076	1,337,454	1,980,435	1,646,244

As at 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
31.3 Capital Gains/(Losses)				
Financial Investments at Available-For-Sale (AFS)				
Listed Shares	3,257	18,070	3,257	18,070
Unit Trusts	2,900	389,772	2,900	389,772
Treasury Bonds	91,612	-	91,612	-
Financial Investments at Fair-Value-Through-Profit-or-Loss (FVTPL)				
Listed Shares	(430,317)	1,423,628	(430,317)	1,423,628
Total Capital Gains/(Losses)	(332,548)	1,831,470	(332,548)	1,831,470

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
32. FEES AND COMMISSION INCOME				
Reinsurance Commission	48,574	46,612	48,574	46,612
Policy Fees	2,948	2,684	2,948	2,684
	51,522	49,296	51,522	49,296

NOTES TO THE FINANCIAL STATEMENTS CONTD.

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
33. NET REALIZED GAINS				
Foreign currency gains/(losses)	651,427	(152,291)	689,772	(157,737)
	651,427	(152,291)	689,772	(157,737)

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
34. OTHER INCOME				
Rent Income	81,893	84,360	74,533	74,410
Interest on Policyholders and Other Loans	271,111	301,733	271,111	301,733
Sundry Income	275,032	384,466	219,557	15,082
Non refundable deposit income (note 34.1)	807,618	410,088	-	-
Net gain from change in fair value of investment property	1,659	-	-	-
Gain on disposal of property, plant and equipment	(429)	(2,120)	-	(2,281)
Rental Income from Investment Properties	41,428	91,328	41,428	41,428
	1,478,312	1,269,855	606,629	430,372

34.1 Non Refundable Deposit Income

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

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
35. NET BENEFIT AND CLAIMS				
<i>(a) Gross benefits and claims paid</i>				
Non-Life Insurance				
Fire	(131,009)	(230,196)	(131,009)	(230,196)
Motor	(4,640,261)	(4,126,087)	(4,640,261)	(4,126,087)
Marine	(389,570)	(164,245)	(389,570)	(164,245)
Miscellaneous	(1,895,797)	(2,048,359)	(1,895,797)	(2,048,359)
Total	(7,056,637)	(6,568,887)	(7,056,637)	(6,568,887)
Life Insurance				
Death Claims	(632,450)	(315,939)	(632,450)	(315,939)
Policy Maturities	(5,147,774)	(5,012,580)	(5,147,774)	(5,012,580)
Surrenders	(350,008)	(356,446)	(350,008)	(356,446)
Disability, Ex-gratia, Annuities, Hospitalization & Mortgage Protection	(211,983)	(74,028)	(211,983)	(74,028)
Total	(6,342,215)	(5,758,993)	(6,342,215)	(5,758,993)
Total Gross Benefits and Claims Paid	(13,398,852)	(12,327,880)	13,398,852	(12,327,880)

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<i>(b) Claims Ceded to Reinsurers</i>				
Claims Recovered from Reinsurers	466,287	436,246	466,287	436,246
Total Claims Ceded to Reinsurers	466,287	436,246	466,287	436,246
<i>(c) Gross Change in Contract Liabilities</i>				
Change in Non-Life Insurance Contract Outstanding Claims Provision	26,810	108,330	26,810	108,330
Total Gross Change in Contract Liabilities	26,810	108,330	26,810	108,330
<i>(d) Change in Contract Liabilities Ceded to Reinsurers</i>				
Change in Non-Life Insurance Contract Outstanding Claims Provision	(27,854)	(156,016)	(27,854)	(156,016)
Total Change in Contract Liabilities Ceded to Reinsurers	-	-	-	-
Total Change in Contract Liabilities Ceded to Reinsurers	(27,854)	(156,016)	(27,854)	(156,016)
Total Net Benefits and Claims	(12,933,609)	(11,939,320)	12,933,609	(11,939,320)

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
36. UNDERWRITING AND NET ACQUISITION COSTS (INCLUDING REINSURANCE)				
Acquisition Cost	1,960,987	1,939,842	1,960,987	1,939,842
Net Change in Reserve for Deferred Acquisition Cost (DAC)	(76,457)	(9,704)	(76,457)	(9,704)
	1,884,530	1,930,138	1,884,530	1,930,138
Reinsurance Commission Received	277,421	311,636	277,421	311,636
Net Change in Reserve for Unearned Commission (UCR)	(20,674)	(5,260)	(20,674)	(5,260)
	298,095	316,896	298,095	316,896
	1,586,435	1,613,242	1,586,435	1,613,242

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
37. OTHER OPERATING AND ADMINISTRATION EXPENSES				
Audit Fees	7,625	6,989	3,900	3,900
Audit Related Fees	2,233	1,639	2,095	1,000
Fees for Non Audit Services	4,990	115,754	4,740	12,645
Depreciation	1,610,235	1,494,717	378,523	385,994
Amortization of Intangible Assets	57,157	46,812	49,179	43,471
Amortization of Advanced Lease Premium	4,781	4,766	-	-
Amortization of Leasehold Land	269	848	269	269
Staff Benefits	3,523,641	3,988,233	3,062,774	2,093,475

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
38. INCOME TAX EXPENSE				
38.1 Amounts Recognized in Profit or Loss				
Current Tax Expenses				
Current Tax Year	3,164,542	2,822,581	1,355,731	1,308,460
Over Provision in Previous Year	46,411	(36,878)	-	-
	3,210,953	2,785,703	1,355,731	1,308,460
Deferred Tax Expenses				
Origination/(Reversal) of Temporary Differences	246,688	27,751	25,689	(192,334)
Income Tax Expenses Reported in the Income Statement	3,457,641	2,813,454	1,381,420	1,116,126

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
38.2 Amount Recognized in OCI				
Remeasurement of defined benefit liability	2,354	35,313	(3,013)	34,205
Revaluation of Property, Plant & Equipment	47,081	(3,683)	47,081	47,081
Fair value changes in Available-For-Sale financial assets	(8,824)	-	(8,824)	-
	40,611	31,630	35,244	81,286
38.3 Income Tax Reconciliation				
Profit or loss before tax	12,043,461	11,153,122	4,820,776	4,373,139
Consolidation adjustments	545,551	308,793	-	-
	12,589,012	11,461,915	4,820,776	4,373,139
Less: Income excluded/exempt	(1,178,885)	(1,621,972)	(930,374)	(625,737)
Tax Deductible Expenses	(3,244,323)	(2,838,695)	(1,103,280)	(1,058,598)
Income from other sources	(415,322)	(488,913)	-	-
Add: Disallowable expenses	4,418,929	1,311,777	3,035,722	223,269
Tax Profit from Business	12,169,411	7,824,112	4,841,896	2,912,073
Add: Income from other sources	349,837	488,913	-	-
Less: Tax loss claimed during the year	(107,550)	(24,843)	-	-
Qualifying payments	(130,006)	(98,110)	-	-
Taxable Income	12,281,692	8,190,072	4,481,896	2,912,073
Tax on Business Income @28%	3,064,503	2,721,912	1,355,731	1,308,460
@ 12%	50,059	-	-	-
Tax on Non Business Income @ 28%	49,980	100,668	-	-
@ 12 %	-	-	-	-
Income Tax Expense	3,164,542	2,822,581	1,355,731	1,308,460

	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
38.4 Tax loss Analysis				
Balance as at 01st January	214,750	162,948	-	-
Tax loss incurred during the year	114,253	125,536	-	-
Tax loss claimed during the year	(50,325)	(73,734)	-	-
Balance as at 31st December	278,678	214,750	-	-

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

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

Litro Gas Lanka Ltd is liable to income tax at 28% in terms of Inland Revenue Act No. 10 of 2006.

The Lanka Hospitals Corporation PLC is liable to income tax at 12% on business profit and 28% on other income. They have claimed qualifying payment relief in terms of Section 34 (2) (s) of the Inland Revenue (Amendment) Act No.8 of 2012 on the investments made in fixed assets in the expansion of its business. Business activity of The Lanka Hospitals Corporation PLC is captured under Section 16C of the said amendment Act. Accordingly, out of the total qualified investment, they have already claimed Rs. 84,151,965/-, Rs.85,010,023 and Rs. 115,442,875/- for the year of assessment 2013/14,2014/2015 and 2015/2016 respectively. They have a carried forward unclaimed investment relief of Rs. 128,595,959/- as of 31st December 2015.

Sinolanka Hotels & Spa (Pvt) Ltd, under the Strategic Development Projects Act No.14 of 2008, the provisions of the Inland Revenue Act relating to income tax shall not apply to the profits from business of the Company for a period of 10 years. The tax exemption period will commence from the first year in which the Company makes taxable profits or 3 years after commencement of commercial operations, whichever comes first.

On expiry of the tax exemption period, profits and income of the Sinolanka Hotels & Spa (Pvt) Ltd shall be charged at the rate of 6% or at 50% of the prevailing tax rate for the hotel industry, whichever is lower. These tax rates will be effective for a period of 15 years immediately succeeding the exemption period. After the expiration of the aforesaid period, profits and income of the Sinolanka Hotels & Spa (Pvt) Ltd shall be taxed in terms of provisions in the Inland Revenue Act in force at that time.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

39. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

	Consolidated		Company	
	2015	2014	2015	2014
Amounts Used as the Numerators				
Net Profit Attributable to Ordinary Shareholders (Rs. '000)	8,162,284	8,037,407	3,439,356	3,257,013
Number of Ordinary Shares Used as Denominators				
Weighted Average Number of Ordinary Shares in Issue (000')	600,000	600,000	600,000	600,000
Basic Earnings per share (Rs.)	13.60	13.40	5.73	5.43

	Consolidated		Company	
	2015	2014	2015	2014
40. DIVIDEND PAID AND PROPOSED				
Dividend Paid/Proposed (Rs. '000)	2,003,142	2,003,142	2,003,142	2,003,142
Weighted Average Number of Ordinary Shares in Issue (000')	600,000	600,000	600,000	600,000
Dividend per Share (Rs.)	3.34	3.34	3.34	3.34

41. FINANCIAL ASSETS AND LIABILITIES

41.1 Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 December		2015					
Consolidated	Note	Fair-Value- -Through- Profit or Loss Rs. '000	Available For Sale Rs. '000	Held-To- Maturity Rs. '000	Loans & Receivables Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Financial Assets measured at fair value							
Listed Shares	5	6,756,655	31,894,169	-	-	38,650,824	38,650,824
Unlisted shares	5	-	20,754	-	-	20,754	20,754
Unit Trusts	5	4,334,483	1,043,587	-	-	5,378,070	5,378,070
Listed Debentures	5	-	15,228,277	-	-	15,228,277	15,228,277
Treasury Bonds	5	-	5,119,315	-	-	5,119,315	5,119,315
Financial Assets not measured at fair value							
Treasury Bills & Bonds	5	-	-	41,085,278	-	41,085,278	41,346,657
Unlisted Debentures	5	-	-	-	541,698	541,698	527,647
Term Deposits	5	-	-	-	20,944,087	20,944,087	20,944,087
Development Bonds	5	-	-	-	6,815,995	6,815,995	6,815,995
Trust Certificates		-	-	-	-	-	-
Loans to Life Policyholders	12	-	-	-	1,569,342	1,569,342	1,569,342
Reinsurance Receivable	13	-	-	-	1,275,104	1,275,104	1,275,104
Premium Receivable	14	-	-	-	3,229,376	3,229,376	3,229,376
Other Receivables	16	-	-	-	5,961,703	5,961,703	5,961,703
Cash and Cash Equivalents	17	-	-	-	17,108,358	17,108,358	17,108,358
Total Financial Assets		11,091,138	53,306,102	41,085,278	57,445,663	162,928,181	163,175,509
Financial Liabilities not measured at fair value							
Reinsurance Payable		-	-	-	1,000,368	1,000,368	1,000,368
Trade Payable		-	-	-	3,686,250	3,686,250	3,686,250
Bank Overdraft		-	-	-	1,234,138	1,234,138	1,234,138
Total Financial Liabilities		-	-	-	5,920,756	5,920,756	5,920,756

NOTES TO THE FINANCIAL STATEMENTS CONTD.

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting Classifications and Fair Values (contd.)

As at 31 December

Consolidated	Note	Fair-Value- -Through- Profit or Loss Rs. '000	Available For Sale Rs. '000	2014		Carrying Value Rs. '000	Fair Value Rs. '000
				Held-To- Maturity Rs. '000	Loans & Receivables Rs. '000		
Financial Assets measured at fair value							
Listed Shares	5	5,538,347	35,711,339	-	-	41,249,686	41,249,686
Unlisted Shares	5	-	20,832	-	-	20,832	20,832
Unit Trusts	5	-	1,146,236	-	-	1,146,236	1,146,236
Listed Debentures	5	-	11,880,406	-	-	11,880,406	11,880,406
Treasury Bonds	5	-	4,387,187	-	-	4,387,187	4,387,187
Financial Assets not measured at fair value							
Treasury Bills & Bonds	5	-	-	26,361,966	-	26,361,966	30,118,069
Unlisted Debentures	5	-	-	-	1,367,206	1,367,206	1,364,944
Term Deposits	5	-	-	-	30,192,697	30,192,697	30,192,697
Development Bonds	5	-	-	-	2,428,326	2,428,326	2,428,326
Trust Certificates		-	-	-	-	-	-
Loans to Life Policyholders	12	-	-	-	1,510,067	1,510,067	1,510,067
Reinsurance Receivable	13	-	-	-	1,206,845	1,206,845	1,206,845
Premium Receivable	14	-	-	-	2,858,302	2,858,302	2,858,302
Other Receivables	16	-	-	-	6,684,373	6,684,373	6,684,373
Cash and Cash Equivalents	17	-	-	-	23,007,083	23,007,083	23,007,083
Total Financial Assets		5,538,347	53,146,000	26,361,966	69,254,899	154,301,212	158,055,053
Financial Liabilities not measured at fair value							
Reinsurance Payable		-	-	-	1,013,511	1,013,511	1,013,511
Trade Payable		-	-	-	1,804,705	1,804,705	1,804,705
Bank Overdraft		-	-	-	599,328	599,328	599,328
Total Financial Liabilities		-	-	-	3,417,544	3,417,544	3,417,544

As at 31st December		2015					
Company	Note	Fair-Value-Through-Profit or Loss Rs. '000	Available-For-Sale Rs. '000	Held-To-Maturity Rs. '000	Loans & Receivables Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Financial assets measured at fair value							
Listed Shares	5	6,756,655	31,894,169	-	-	38,650,824	38,650,824
Unlisted Shares	5	-	20,754	-	-	20,754	20,754
Unit Trusts	5	-	1,043,587	-	-	1,043,587	1,043,587
Listed Debentures	5	-	15,228,277	-	-	15,228,277	15,228,277
Treasury Bonds	5	-	5,119,315	-	-	5,119,315	5,119,315
Financial assets not measured at fair value							
Treasury Bills & Bonds	5	-	-	38,964,539	-	38,964,539	39,225,918
Unlisted Debentures	5	-	-	-	541,698	541,698	527,647
Term Deposits	5	-	-	-	17,309,842	17,309,842	17,309,842
Development Bonds	5	-	-	-	6,815,995	6,815,995	6,815,995
Loans to Life Policyholders	12	-	-	-	1,569,342	1,569,342	1,569,342
Reinsurance Receivable	13	-	-	-	1,275,104	1,275,104	1,275,104
Premium Receivable	14	-	-	-	3,229,376	3,229,376	3,229,376
Other Receivables	16	-	-	-	5,961,703	5,961,703	5,961,703
Cash and Cash Equivalents	17	-	-	-	17,108,358	17,108,358	17,108,358
Total Financial Assets		6,756,655	53,306,102	38,964,539	53,811,418	152,838,714	153,086,042
Financial Liabilities not measured at fair value							
Reinsurance Payable		-	-	-	1,000,368	1,000,368	1,000,368
Trade Payable	27	-	-	-	3,686,250	3,686,250	3,686,250
Bank Overdraft	28	-	-	-	1,234,138	1,234,138	1,234,138
Total Financial Liabilities		-	-	-	5,920,756	5,920,756	5,920,756

NOTES TO THE FINANCIAL STATEMENTS CONTD.

41. FINANCIAL ASSETS AND LIABILITIES (CONTD.)

41.1 Accounting Classifications and Fair Values (contd.)

As at 31st December

Company	Note	Fair-Value- -Through- Profit or Loss Rs. '000	Available For Sale Rs. '000	2014			
				Held-To- Maturity Rs. '000	Loans & Receivables Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Financial assets measured at fair value							
Listed Shares	5	5,538,347	35,711,339	-	-	41,249,686	41,249,686
Unlisted shares	5	-	20,832	-	-	20,832	20,832
Unit Trusts	5	-	1,146,236	-	-	1,146,236	1,146,236
Listed Debentures	5	-	11,880,406	-	-	11,880,406	11,880,406
Treasury Bonds	5	-	4,387,187	-	-	4,387,187	4,387,187
Financial assets not measured at fair value							
Treasury Bills & Bonds	5	-	-	26,076,867	-	26,076,867	29,832,970
Unlisted Debentures	5	-	-	-	1,367,206	1,367,206	1,364,944
Term Deposits	5	-	-	-	27,945,441	27,945,441	27,945,441
Development Bonds	5	-	-	-	2,428,326	2,428,326	2,428,326
Loans to Life Policyholders	12	-	-	-	1,510,067	1,510,067	1,510,067
Reinsurance Receivable	13	-	-	-	1,206,845	1,206,845	1,206,845
Premium Receivable	14	-	-	-	2,858,302	2,858,302	2,858,302
Other Receivables	16	-	-	-	6,684,373	6,684,373	6,684,373
Cash and Cash Equivalents	18	-	-	-	23,007,083	23,007,083	23,007,083
Total Financial Assets		5,538,347	53,146,000	26,076,867	67,007,643	151,768,857	155,522,698
Financial liabilities not measured at fair value **							
Reinsurance Payable		-	-	-	1,013,511	1,013,511	1,013,511
Trade Payable	27	-	-	-	1,804,705	1,804,705	1,804,705
Bank Overdraft	28	-	-	-	599,328	599,328	599,328
Total Financial Liabilities		-	-	-	3,417,544	3,417,544	3,417,544

41.2 Fair Value Hierarchy for Assets Carried at Fair Value

The Group uses the fair value hierarchy in determining and disclosing the fair value of financial instruments. Following note shows an analysis of financial investments recorded at fair value by level of the fair value hierarchy.

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

As at 31 December 2015	Group				Company			
	Level 1 Rs. 000'	Level 2 Rs. 000'	Level 3 Rs. 000'	Total Fair Value Rs. 000'	Level 1 Rs. 000'	Level 2 Rs. 000'	Level 3 Rs. 000'	Total Fair Value Rs. 000'
Available-For-Sale (AFS) Financial Assets								
Listed Shares	31,894,169	-	-	31,894,169	31,894,169	-	-	31,894,169
Unlisted Shares	-	-	20,754	20,754	-	-	20,754	20,754
Unit Trusts	1,043,587	-	-	1,043,587	1,043,587	-	-	1,043,587
Listed Debentures	11,622,951	3,605,326	-	15,228,277	11,622,951	3,605,326	-	15,228,277
Treasury Bonds	5,119,315	-	-	5,119,315	5,119,315	-	-	5,119,315
Total	49,680,022	3,605,326	20,754	53,306,102	49,680,022	3,605,326	20,754	53,306,102
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets								
Listed Shares	6,756,655	-	-	6,756,655	6,756,655	-	-	6,756,655
Unit Trusts	4,334,483	4,334,483	-	-	-	-	-	-
Total	11,091,138	-	-	11,091,138	6,756,655	-	-	6,756,655
Held-To-Maturity (HTM) Financial Assets								
Treasury Bills	2,610,189	-	-	2,610,189	489,450	-	-	489,450
Treasury Bonds	38,736,468	-	-	38,736,468	38,736,468	-	-	38,736,468
Total	41,346,657	-	-	41,346,657	39,225,918	-	-	39,225,918
Loans & Receivables (L & R) Financial Assets								
Unlisted Debentures	-	527,647	-	527,647	-	527,647	-	527,647
Term deposits	-	20,944,087	-	20,944,087	-	17,309,842	-	17,309,842
Development Bonds	-	6,815,995	-	6,815,995	-	6,815,995	-	6,815,995
Total	-	28,287,729	-	28,287,729	-	24,653,484	-	24,653,484
Total Financial Assets	102,117,817	31,893,055	20,754	134,031,626	95,662,595	28,258,810	20,754	123,942,159

NOTES TO THE FINANCIAL STATEMENTS CONTD.

41. Financial Assets and Liabilities (Contd.)

41.2 Fair value hierarchy for assets carried at fair value (Contd.)

As at 31 December 2014	Group				Company			
	Level 1 Rs. 000'	Level 2 Rs. 000'	Level 3 Rs. 000'	Total Fair Value Rs. 000'	Level 1 Rs. 000'	Level 2 Rs. 000'	Level 3 Rs. 000'	Total Fair Value Rs. 000'
Available-For-Sale (AFS) Financial Assets								
Listed Shares	35,711,339	-	-	35,711,339	35,711,339	-	-	35,711,339
Unlisted Shares	-	-	20,832	20,832	-	-	20,832	20,832
Unit Trusts	1,146,236	-	-	1,146,236	1,146,236	-	-	1,146,236
Listed Debentures	11,880,406	-	-	11,880,406	11,880,406	-	-	11,880,406
Treasury Bonds	4,387,187	-	-	4,387,187	4,387,187	-	-	4,387,187
Total	53,125,168	-	20,832	53,146,000	53,125,168	-	20,832	53,146,000
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets								
Listed Shares	5,538,347	-	-	5,538,347	5,538,347	-	-	5,538,347
Total	5,538,347	-	-	5,538,347	5,538,347	-	-	5,538,347
Held-To-Maturity (HTM) Financial Assets								
Treasury Bills	775,549	-	-	775,549	490,450	-	-	490,450
Treasury Bonds	29,342,520	-	-	29,342,520	29,342,520	-	-	29,342,520
Total	30,118,069	-	-	30,118,069	29,832,970	-	-	29,832,970
Loans & Receivables (L & R) Financial Assets								
Unlisted Debentures	-	1,364,944	-	1,364,944	-	1,364,944	-	1,364,944
Term deposits	-	30,192,697	-	30,192,697	-	27,945,442	-	27,945,442
Development Bonds	-	2,428,326	-	2,428,326	-	2,428,326	-	2,428,326
Total	-	33,985,967	-	33,985,967	-	31,738,712	-	31,738,712
Total Financial Assets	88,781,584	33,985,967	20,832	122,788,383	88,496,485	31,738,712	20,832	120,256,029

41.3 Valuation Techniques Used in determining Fair Values

1. The fair values of Listed Shares, Treasury Bills and Treasury Bonds are based on their market prices as they are traded in active markets.
2. The fair values of Unlisted Floating Rate Debentures and Development Bonds are estimated to be equal to their amortized cost.
3. The fair values of Term Deposits are estimated to be equal to their amortized cost as maturities do not exceed one year.
4. The fair values of Unlisted Fixed Rate Debentures are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
5. The fair values of Listed Debentures, which are traded in active markets, are based on their market prices.
6. The fair values of Listed Debentures, which are not traded in active markets, are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
7. The fair values of Unit Trusts are based on their bid prices as quoted by the Unit Trust management companies.
8. The fair values of Unlisted Shares are based on their Net Asset Values (NAV) as NAV reflects the fair value.

41.4 Reconciliation of Movements in Level 3 Financial Instruments Measured at Fair Value

	Balance as at 1/1/2015	Total Gains/ (Losses) in Income Statement	Total Gains/ (Losses) in OCI	Purchases	Sales	Transfers from Level 1 & 2	Balance as at 31/12/2015	Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available-For-Sale (AFS) Financial Assets								
Unlisted Shares	20,832	188	(78)				20,754	109

	Balance as at 1/1/2014	Total Gains/ (Losses) in Income Statement	Total Gains/ (Losses) in OCI	Purchases	Sales	Transfers from Level 1 & 2	Balance as at 31/12/2014	Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available-For-Sale (AFS) Financial Assets								
Unlisted Shares	18,753	169	2,079				20,832	2,248

41.5 Transfers between Level 1 and Level 2

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

42. ALL OUTSTANDING BALANCES WITH GOVERNMENT RELATED ENTITIES WHICH ARE SIGNIFICANT FOR THE USERS OF THIS ANNUAL REPORT ARE LISTED BELOW

Outstanding Balances as at 31st December 2015

Nature of the Transaction/ Name of the Company/Entity	Bank of Ceylon Rs. '000	People's Bank Rs. '000	National Savings Bank Rs. '000	Regional Development Bank Rs. '000	People's Leasing & Finance PLC Rs. '000	MBSL Rs. '000
Reverse Repos	45,330	-	-	-	-	-
Listed Debentures	1,651,260	-	-	-	1,702,825	120,729
Unlisted Debentures	-	-	-	-	-	-
Term Deposits	5,633,245	2,936,710	3,720,161	63,627	-	-
Unit Trusts	-	-	-	-	-	-
Unlisted Shares	-	-	-	-	-	-
Listed Shares	-	-	-	-	88,726	-
Advance given	-	-	-	-	-	-
	7,329,835	2,936,710	3,720,161	63,627	1,791,551	120,729

Outstanding Balances as at 31st December 2014

Nature of the Transaction/ Name of the Company/Entity	Bank of Ceylon Rs. '000	People's Bank Rs. '000	National Savings Bank Rs. '000	Regional Development Bank Rs. '000	People's Leasing & Finance PLC Rs. '000	MBSL Rs. '000
Reverse Repos	15,585	-	3,631,940	-	-	-
Listed Debentures	1,377,402	-	-	-	1,664,300	106,660
Unlisted Debentures	-	-	-	-	-	-
Term Deposits	9,613,466	9,756,344	5,863,385	50,418	-	-
Unit Trusts	-	-	-	-	-	-
Unlisted Shares	-	-	-	-	-	-
Listed Shares	-	-	-	-	-	-
Advance given	-	-	-	-	-	-
	11,006,452	9,756,344	9,495,325	50,418	1,664,300	106,660

The direct holding of 99.97% of the voting rights of the SLIC is owned by Secretary to the Treasury and the rest is owned by employees and ex-employees of the Company. Therefore, Secretary to Treasury has controlling power over the financial and operating policies of the Company.

The Company has considered the Secretary to the Treasury and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as Related Parties according to LKAS 24 - "Related Party Disclosures".

In accordance with the LKAS 24 - "Related Party Disclosures", transactions in relation to insurance premiums and claims are not being disclosed due to the impracticability of capturing and disclosure of the same.

Urban Development Authority Rs. '000	People's Merchant Finance PLC Rs. '000	Sri Lanka Telecom PLC Rs. '000	HDFC Bank Rs. '000	Associated Newspapers of Ceylon Ltd Rs. '000	Lanka Cement PLC Rs. '000	Department of Treasury Rs. '000
-	-	-	-	-	-	-
-	-	-	124,660	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	6,707	-	-
-	30	95,952	-	-	4,027	-
-	-	-	-	-	-	1,000,000
-	30	95,952	124,660	6,707	4,027	1,000,000

Urban Development Authority Rs. '000	People's Merchant Finance PLC Rs. '000	Sri Lanka Telecom PLC Rs. '000	HDFC Bank Rs. '000	Associated Newspapers of Ceylon Ltd Rs. '000	Lanka Cement PLC Rs. '000	Department of Treasury Rs. '000
-	-	-	-	-	-	-
774,833	-	-	119,540	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,671	-	-
-	38	1,000,315	-	-	3,415	-
-	-	-	-	-	-	-
774,833	38	1,000,315	119,540	5,671	3,415	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

43. RELATED PARTY DISCLOSURES

43.1 Transactions with Key Management Personnel

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

43.1.1 Key Management Personnel compensation

Key management personnel compensation comprised the following:

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Salaries and Short Term Employee Benefits	63,797	123,464	17,205	21,085
Post Employment Benefits	-	-	-	-
Consultation Fee	12,169	7,143	-	-

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

43.1.2 Key Management Personnel Transactions

For the year ended 31st December	Consolidated		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Sale of Goods and Services	476	-	476	-

43.2 Transactions with Subsidiary Companies

Name of the Company	Nature of the Relationship	Nature of Transactions	Transactions with SLIC		Transactions with Group Companies	
			2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Management Services Rakshana (Pvt) Ltd	Subsidiary	Loan granted **	18,586	4,454	18,586	4,454
		Payment of Emoluments ***	323,376	295,904	323,376	295,904
The Lanka Hospitals Corporation PLC	Subsidiary	Insurance Premium	11,777	23,571	11,777	23,571
		Claims paid *	6,684	2,496	6,684	2,496
		Auditorium hiring charges	13,152	-	13,152	-
Litro Gas Lanka Ltd	Subsidiary	Rent charged	16,446	15,741	16,446	15,741
		Insurance Premium	60,718	35,063	60,718	35,063
		Vehicle hiring charges	321	-	321	-
		Claims paid	-	4,621	-	4,621
		Throughput fee	-	-	1,593,743	1,141,033
		Reimbursement of expenses	-	-	51,000	41,981
		Repayment for the services	-	-	18,689	9,762

Name of the Company	Nature of the Relationship	Nature of Transactions	Transactions with SLIC		Transactions with Group Companies	
			2015 Rs.'000	2014 Rs. '000	2015 Rs.'000	2014 Rs. '000
Litro Gas Terminal Lanka (Pvt) Ltd	Subsidiary	Insurance Premium	18,669	19,260	18,669	19,260
		Claims paid	-	-	-	-
		Other Receivables	-	18,178	-	18,178
		Throughput fee	-	-	1,593,743	1,141,033
		Reimbursement of expenses	-	-	18,652	9,742
		Repayment for the services	-	-	51,197	41,442
Canwill Holdings (Pvt) Ltd	Subsidiary	Insurance Premium	-	2,928	-	2,928
		Claims paid	-	-	-	-
		Utilities	-	-	4,156	513
		Reimbursement of expenses	-	-	54,664	54,994
		Staff salaries & allowances	-	-	86,821	11,077
		Fund transfers	-	-	13,725	-
		Cash settlement	-	-	109,067	61,442
		Proceed on share issue	-	-	-	2,500,000
Canowin Hotels and Spas (Pvt) Ltd	Subsidiary	Insurance Premium	438	885	438	885
		Claims paid	-	-	-	-
		Cash settlement	-	-	6,913	35
		Reimbursement of expenses	-	-	621	2,883
		Utilities	-	-	194	-
Sinolanka Hotels & Spa (Pvt) Ltd	Subsidiary	Insurance Premium	34,134	-	34,134	-
		Claims paid *	490	-	490	-
		Reimbursement of expenses	-	-	24,543	64,864
		Tax paid	-	-	2,306	-
		Fund transfers	80	-	3,347	-
		Cash settlement	-	-	-	14,429
Helanco Hotels & Spa (Pvt) Ltd	Subsidiary	Reimbursement of expenses	-	-	16,680	23,172
		Settlements	-	-	3,267	14,429
Lanka Hospitals Diagnostics (Pvt) Ltd	Subsidiary	Laboratory Services provided	-	-	536,710	223,006
		Amount paid	-	-	415,050	125,000
		Reimbursement of expenses & rent income received	-	-	68,456	66,145
		Amount received	-	-	2,137	3,150
		Share issued	-	-	64,000	300,000

NOTES TO THE FINANCIAL STATEMENTS CONTD.

43. RELATED PARTY DISCLOSURES (CONTD.)

43.3 Transactions with Other Related Companies

Name of the Company	Nature of the Relationship	Nature of Transactions	Transactions with SLIC		Transactions with Group Companies	
			2015 Rs.'000	2014 Rs. '000	2015 Rs.'000	2014 Rs. '000
Seylan Bank PLC	Affiliate	Insurance Premium received	2,100	2,222	2,100	2,222
		Claims paid	1,002	1,752	1,002	1,752
Ceybank Asset Management Ltd	Affiliate	Investments in Unit Trusts	505,066	549,100	505,066	549,100
		Claims paid	-	83	-	83
		Insurance Premium received	826	2,555	826	2,555
		Investment in equity shares	119,715	99,925	119,715	99,925
Ceylon Asset Management Company Ltd	Affiliate	Investments in Unit Trusts	538,521	597,136	538,521	597,136
		Investment in equity shares	8,375	22,500	8,375	22,500
Super Religre Laboratories Ltd	Affiliate	Technical services provided to Lanka Hospital Diagnostics (Pvt) Ltd	-	-	61,326	34,725
		Amounts paid	-	-	45,859	33,230
People's Bank	Affiliate	Investments made	-	-	-	752,667
		Trade Services	-	-	-	1,053,976
		Bank Charges	-	-	-	480
		Others	-	-	-	22,110
Inreach Hotels & Spa (Pvt) Ltd	Affiliate	Expenses paid	-	-	-	294
Nilyan Hotels & Spa (Pvt) Ltd	Affiliate	Expenses paid	-	-	-	355
		Cash received	-	-	5	-

43.4 Amount due from Related Parties

Amount due from subsidiaries	Balances with SLIC		Balances with Group Companies	
	2015 Rs.'000	2014 Rs. '000	2015 Rs.'000	2014 Rs. '000
Management Services Rakshana (Pvt) Ltd**	19,277	28,900	19,277	28,900
The Lanka Hospitals Corporation PLC	7,905	7,388	7,905	7,388
Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	69,456	66,137
Litro Gas Lanka Ltd	37,609	22,829	161,303	141,867
Litro Gas Terminal Lanka (Pvt) Ltd	20,671	18,178	20,671	18,178
Canwill Holdings (Pvt) Ltd	-	-	2,079	-
Canowin Hotels and Spas (Pvt) Ltd	1,389	-	9,596	1,916
Sinolanka Hotels & Spa (Pvt) Ltd	1,522	-	18,098	226
Helanco Hotels & Spa (Pvt) Ltd	-	-	2,574	11,273
	88,373	77,295	310,959	275,885

	Balances with SLIC		Balances with Group Companies	
	2015 Rs.'000	2014 Rs. '000	2015 Rs.'000	2014 Rs. '000
Amount due from other related companies				
Seylan Bank PLC	113	-	113	-
Sri Lanka Investment Holdings Ltd	-	-	100,260	100,260
Inreach Hotels & Spa (Pvt) Ltd	-	-	-	613
Nilyan Hotels & Spa (Pvt) Ltd	-	-	5	355
People's Bank	-	-	-	583,464
	113	-	100,378	684,692

43.5 Amount due to related parties

	Balances with SLIC		Balances with Group Companies	
	2015 Rs.'000	2014 Rs. '000	2015 Rs.'000	2014 Rs. '000
Amount due from subsidiaries				
Management Services Rakshana (Pvt) Ltd	35,589	26,216	36,946	27,573
The Lanka Hospitals Corporation PLC*	75,737	-	75,737	-
Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	219,666	98,006
Litro Gas Terminal Lanka (Pvt) Ltd	-	-	123,694	118,804
Canwill Holdings (Pvt) Ltd	-	-	15,591	22,019
Canowin Hotels and Spas (Pvt) Ltd*	75	-	269	-
Sinolanka Hotels & Spa (Pvt) Ltd*	6,059	-	13,007	8,862
Helanco Hotels & Spa (Pvt) Ltd	-	-	-	226
	117,460	26,216	484,910	275,490

	Balances with SLIC		Balances with Group Companies	
	2015 Rs.'000	2014 Rs. '000	2015 Rs.'000	2014 Rs. '000
Amount due from other related companies				
Seylan Bank PLC	915	-	915	-
Super Religre Laboratories Ltd	-	-	23,712	8,245
	915	-	24,627	8,245

* Insurance claims paid during the year and claims outstanding as at the reporting date arising in the normal course of business have not been eliminated in consolidated financial statements due to differences arising from reinsurance components attributable to claims and the claims outstanding estimates which are assessed from the individual company's point of view and need not be the same as provision determined by the insurer.

** The amounts reflect staff loans granted during the year by SLIC to the seconded employees of Management Services Rakshana (Pvt) Ltd and the outstanding balance of the same.

*** The gratuity charges invoiced by MSRL has not been eliminated due to timing differences in recording the same by SLIC and also differences arising from the treatment for VAT amounts in SLIC books has not been considered in elimination.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from insurance business and from financial instruments:

- Insurance Risk
- Market Risk
- Credit Risk
- Liquidity Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks as required by the SLFRS 4 and SLFRS 7 together with the quantitative disclosures relating to the same.

Risk Management Framework

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

44.1 Insurance Risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

44.1.1 Life Insurance Contracts

The following paragraph describes the concentration of life insurance based on the nature of the contract;

Concentration of Insurance Risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

1. From a market risk perspective, although the Company has invested significantly in the financial sector, our portfolio is diversified and contains huge margins.
2. From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that SLIC is not exposed to significant concentrations of insurance risk.

The risks associated with life insurance include:

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

The Group has established procedures and processes to evaluate the above risks which if not properly controlled and managed can impact its operations. The procedures are in place to cover all critical stages from product development to benefit administration. In addition to all, all life financial streams are modeled and profit testing is produced by the Actuary thus mitigating product design and pricing risk. Also the Group uses matching instruments to back liabilities (ALM), if available.

Sensitivity Analysis for Life Insurance Risk

Provide assumptions used in determining life insurance contract liability

Assumption	Description
Mortality	Guidelines provided by RII Act No 43 of 2000, which are; A67/70 for non annuity business a(90) m for male annuitants and (90)f for female business
Investment return	Guidelines provided by RII Act No 43 of 2000, minimum interest used for 2015.12.31 valuation is 3.5% which is consistent with last 5 years valuation.

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

SLIC participated in the RBC parallel run during 2015 and results as at 2015.12.31 are as follows. The total net liability set up under RBC guidelines for best estimated assumption is Rs.16,370Mn.

Assumption	Change in Assumption	Impact on Liability
Mortality	10% -10%	Rs. 684Mn Rs. (689)Mn
Investment return	Up shock scenario under RBC Down shock scenario under RBC	Rs. (5,626)Mn Rs. 8,326Mn

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.1 Insurance Risk (contd.)

44.1.1 Life Insurance Contracts (contd.)

Segregation of Policy Liability based on Product Category

31st December	2015			2014		
	Insurance Liabilities (with profits) Rs. '000	Insurance Liabilities (without profits) Rs. '000	Total Gross Insurance Liabilities Rs. '000	Insurance Liabilities (with profits) Rs. '000	Insurance Liabilities (without profits) Rs. '000	Total Gross Insurance Liabilities Rs. '000
Whole Life	60,127	37,372	97,499	59,752	37,203	96,955
Endowment Assurance	41,008,719	1,646,665	42,655,384	38,338,641	1,327,033	39,665,674
Term Assurance	-	1,820,843	1,820,843	-	1,061,883	1,061,883
Annuity	18,855,901	387,272	19,243,173	17,799,408	436,238	18,235,646
Rider Benefits	1,006,970	121,953	1,128,923	1,005,940	41,361	1,047,301
Total	60,931,717	4,014,105	64,945,822	57,203,741	2,903,718	60,107,459

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

Participating Fund vs Non-Participating Fund	Participating	Non-Participating	Total
	Rs. '000	Rs. '000	Rs. '000
2015	73,844,279	4,014,105	77,858,384
Percentage	94.84%	5.16%	
2014	71,802,345	2,903,718	74,706,063
Percentage	96.11%	3.89%	

44.1.2 Non - Life Insurance Contracts

General Insurance Risk

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of occurrence of insured events as well as in the severity of the resulting claims.

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

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

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

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

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

2015 Class	GWP Rs. '000	Reinsurance Rs. '000	NWP Rs. '000	%
Motor	9,022,487	175,931	8,846,556	76.12
Fire	1,345,963	1,098,400	247,563	2.13
Marine	457,924	297,727	160,197	1.38
Other	3,223,559	855,304	2,368,255	20.38
	14,049,933	2,427,362	11,622,571	100.00

2014 Class	GWP Rs. '000	Reinsurance Rs. '000	NWP Rs. '000	%
Motor	7,205,255	164,882	7,040,373	71.58
Fire	1,553,151	1,394,799	158,352	1.61
Marine	402,134	280,430	121,704	1.24
Other	3,384,285	868,905	2,515,380	25.57
	12,544,825	2,709,016	9,835,809	100.00

Reinsurance Risk

The Group purchases reinsurance as a part of its risks mitigation programme. It protects against significantly large claims or disasters, allowing the insurance company to cover more individuals without fear of bankruptcy should a disaster occur, resulting in multiple policyholders filing claims at one time.

Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Group net exposure to large single and catastrophic losses. Retention limits on the excess-of-loss reinsurance programmes vary by product line.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.1 Insurance Risk (contd.)

The following table shows the credit ratings of the reinsurance companies with whom the Group has arrangements:

44.1.2 Non - Life Insurance Contracts (contd.)

Name of the Company	Debit FSS Rating	Credit Credit Rating	Rating Agency
Zurich Insurance Company - Australian	A+	A+	S & P
UNIQA Österreich Versicherungen AG	A	A	S & P
Trust International Insurance and Reinsurance	A-	A-	A.M.Best
Aviabel S.A. Brussels, Belgium	A-	A-	S & P
Huatai Property & Casualty Insurance Co. Ltd	A-		Fitch Ratings
PICC Property & Casualty Company Ltd	A1		Moody's
AXA Corporate Solutions Assurance SA, Aviation Division, Paris, France	A+	A	S & P
Generali osiguranje d.d.	BBB+	BBB+	S & P
HDI Gerling Insurance company Hannover, Germany	A	A+	A.M.Best
HDI - Gerling Industrie Versicherung AG,	A	A+	A.M.Best
International insurance company of Hannover Ltd	A+	AA-	A.M.Best
Württembergische Versicherung AG	A-	A-	S & P
TM Tryggingamidstodin hf	BBB-	BBB-	S & P
General Insurance Corporation of India, Mumbai, India	A-	A-	A.M.Best
The New India Assurance Company Ltd, Mumbai, India	A-	A-	A.M.Best
Partner Reinsurance Europe SE, Dublin, Ireland per Zurich branch	A+	AA-	A.M.Best
Tokio Marine & Nichido Fire Insurance Co. Ltd, Tokyo, Japan	A++	AA+	A.M. Best
Malaysian Re	A-	A-	A.M.Best
African Reinsurance Corporation, Lagos, Nigeria per Mauritius branch	A-	A-	A.M.Best
Delta Lloyd Schadeverzekering N.V	A	A	S & P
Korean Reinsurance Company, Seoul, Korea	A	A	A.M.Best
Samsung Fire & Marine Insurance Co, Ltd, Seoul, Korea	A++	AA+	A.M.Best
Allianz GCS	A++	AA-	A.M.Best
Asia Capital Reinsurance Group Pte. Ltd	A-	A-	A.M.Best
Catlin Singapore Pte Ltd	A	A	A.M.Best
First Capital Insurance Ltd	A	A	A.M.Best
India International	A-	A-	S & P
Starr International Insurance Singapore Pte. Limited	A	A	A.M.Best
XL Insurance Co- Ltd	A	A+	A.M.Best
Markel Syndicate Management Limited	A	A+	A.M.Best
Sirius International Insurance Corporation (publ) Stockholm, Sweden per Zurich branch	A	A	A.M.Best
Helvetia Schweizerische Versicherungsgesellschaft AG	A	A	S & P
Zurich Insurance Company - Switzerland	A+	AA-	A.M.Best
Abu Dhabi National Insurance Company - UAE	A	A	A.M.Best
American Home Assurance Co-Dubai	A	A	A.M.Best
Oman Insurance Co. (PSC)Dubai, UAE	A	A	A.M.Best
Royal and Sun Alliance	A-	A-	S & P
ACE European Group Ltd, London, England	AA	AA	S & P
ACE Underwriting Agencies Limited	A	A+	A.M.Best
AEGIS Managing Agency Limited	A	A+	A.M.Best
AIG Europe Limited	A	A	A.M.Best

Name of the Company	Debit FSS Rating	Credit Credit Rating	Rating Agency
Allianz Global Corporate & Speciality SE Munich,Germany per London Branch	A+	AA-	A.M.Best
Amlin Underwriting Limited	A	A+	A.M.Best
Antares Managing Agency Limited	A	A+	A.M.Best
Ascot Underwriting Limited	A	A+	A.M.Best
Aspen Managing Agency Limited	A	A+	A.M.Best
Assicurazioni Generali S P A ,Global Risk, Trieste, Italy per London branch	A	A	A.M.Best
Asta Managing Agency Limited	A	A+	A.M.Best
Atrium Underwriters Limited	A	A+	A.M.Best
AXIS Specialty Europe SE, Dublin Ireland per London branch	A+	A+	S & P
Barbican Managing Agency Limited	A	A+	A.M.Best
Beazley Furlonge Limited	A	A+	A.M.Best
Brit Syndicates Limited	A	A+	A.M.Best
Catlin Insurance Company (UK) Ltd, London,England	A	A	A.M.Best
Catlin Underwriting Agencies Limited	A	A+	A.M.Best
Chubb Managing Agent Ltd	A	A+	A.M.Best
Global Aerospace Underwriting Managers Limited, 'A" London, England	A	A+	A.M.Best
Hardy (Underwriting Agencies) Limited	A	A+	A.M.Best
HCC International Insurance Company PLC	AA		S & P
Liberty Syndicate Management Limited	A	A+	A.M.Best
Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited	A	A+	A.M.Best
Novae Syndicates Limited	A	A+	A.M.Best
QBE Underwriting Limited	A	A+	A.M.Best
Talbot Underwriting Ltd	A	A+	A.M.Best
The Channel Managing Agency Ltd	A	A+	A.M.Best
Torus Underwriting Management Ltd	A	A+	A.M.Best
Travelers Syndicate Management Limited	A	A+	A.M.Best
W R Berkley Syndicate Management Limited	A	A+	A.M.Best
XL London Market Ltd	A	A+	A.M.Best
Chaucer Syndicates Limited	A	A+	A.M.Best

Financial Risks

The investment activities of the Group are exposed to the financial risks which include the credit risks, liquidity risks and market risks. The Investment Committee is responsible in mitigating those risks and optimizing the investment returns.

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.2 Market Risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is maintaining the maximum exposure limit for the equity in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

Company	Rise of market		Fall of market	
	Impact on Profit Rs. '000	Impact on OCI Rs. '000	Impact on Profit Rs. '000	Impact on OCI Rs. '000
As at 31st December 2015				
Shock Level:				
5%	337,833	1,594,708	(337,833)	(1,594,708)
10%	675,666	3,189,417	(675,666)	(3,189,417)
	1,013,498	4,784,125	(1,013,498)	(4,784,125)
As at 31st December 2014				
Shock Level:				
5%	276,917	1,785,567	(276,917)	(1,785,567)
10%	553,835	3,571,134	(553,835)	(3,571,134)
	830,752	5,356,701	(830,752)	(5,356,701)

44.2.1 Interest Rate Risk

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

Interest rate risk is managed over each major maturity bucket with adherence to the aggregated positions with risk limits. The Investment Committee proactively managed the fixed income portfolio by strategically shifting from low-yielding investments to relatively high-yielding ones, mitigating the pressure on interest income while closely monitoring the duration mismatches.

Further the Group has adopted the following policies to mitigate the interest rate risk:

1. A considerable portion of the investments are made in risk free investments of government securities with adherence to the rules and regulations issued by the IBSL in maintaining the risk free investments.
2. The major part of the investment portfolio is made in rated financial institutions or in rated instruments.
3. Investment Committee makes the investment decisions and approval from the Board of Directors is sought wherever necessary.

Exposure to Interest Rate Risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows.

31st December Company	2015 Rs. '000	2014 Rs. '000
Fixed Rate Instruments		
Held-To-Maturity (HTM)		
Treasury Bills	488,795	487,576
Treasury Bonds	38,475,744	25,589,291
Loans & Receivables (L&R)		
Unlisted Debentures	141,608	191,944
Term Deposits	17,309,842	27,945,442
Available-For-Sale (AFS)		
Listed Debentures	14,618,680	11,526,578
Treasury Bonds	5,119,315	4,387,187
	76,153,983	70,128,018
Floating Rate Instruments		
Loans & Receivables (L&R)		
Development Bonds	6,815,995	2,428,326
Unlisted Debentures	400,090	1,175,262
Available-For-Sale (AFS)		
Listed Debentures	609,597	353,828
	7,825,683	3,957,415
	83,979,667	74,085,433

Sensitivity Analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and interest income by the amounts shown below.

31st December 2015 Company	100bps Upward Parallel Shift of Yield Curve		100bps Downward Parallel Shift of Yield Curve	
	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000
Financial Investments				
Held-To-Maturity (HTM)	-	-	-	-
Loans & Receivables (L&R)	71,478	-	(71,478)	-
Available-For-Sale (AFS)	5,981	(560,791)	(5,981)	158,804
Fair-Value-Through-Profit-or-Loss (FVTPL)	-	-	-	-
	77,460	(560,791)	(77,460)	158,804

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.2 Market Risk

44.2.1 Interest Rate Risk (contd.)

Sensitivity Analysis (contd.)

31st December 2014 Company	100bps Upward Parallel Shift of Yield Curve		100bps Downward Parallel Shift of Yield Curve	
	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000
Financial Investments				
Held-To-Maturity (HTM)	-	-	-	-
Loans & Receivables (L&R)	33,158	-	(33,158)	-
Available-For-Sale (AFS)	3,481	(125,828)	(3,481)	765,548
Fair-Value-Through-Profit-or-Loss (FVTPL)	-	-	-	-
	36,639	(125,828)	(36,639)	765,548

* In case of a shift in yield curve, there is:

No impact to the interest income or to the equity for the fixed rate debt instruments classified under HTM and L&R.

An impact to the interest income but no impact to the equity for the floating rate debt instruments classified under HTM and L&R.

No impact to the interest income but there is an impact to the equity for the fixed rate debt instruments classified under AFS.

An impact to the interest income but no impact to the equity for the floating rate debt instruments classified under AFS.

* No floating rate debt instruments have been classified under HTM as at 31/12/2015.

* No debt instruments have been classified under FVTPL as at 31/12/2015.

44.2.2 Foreign Currency Risk

The Group is exposed to currency risk on investments in financial assets that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which these transactions primarily denominated are United States Dollars (USD), Euros (EUR), Australian Dollars (AUD) and Sterling Pound. (GBP).

Exposure to Currency Risk

The Group's exposure to foreign currency risk was as follows based on notional amounts;

Company	2015 Carrying Value Rs. '000	2014 Carrying Value Rs. '000
Development Bonds:		
USD	6,815,995	2,428,326
Term Deposits:		
USD	1,441,637	4,616,334
GBP	1,077,675	998,116
AUD	1,901,388	1,888,969
EUR	23,487	8,012
MVR	-	93,682
	11,260,183	10,033,439

The following significant exchange rates were applicable during the year;

	Average Rate		Reporting date spot rate	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
USD	136.00	129.78	142.00	130.00
GBP	205.55	207.20	209.50	201.60
AUD	104.05	110.09	102.35	105.74
EUR	155.43	159.97	153.92	156.95

Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD,GBP,EURO,AUD at 31st December 2015 would have increased/ (decreased) the forex gain/loss and interest income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

As at 31st December 2015 Company	Exchange Rate Shock Level		
	1.0% Rs. '000	1.5% Rs. '000	2.0% Rs. '000
Impact on Forex Gain/Loss			
Floating Rate Instruments			
USD	68,160	102,240	136,320
Fixed Rate Instruments			
USD	14,416	21,625	28,833
GBP	10,777	16,165	21,553
AUD	19,014	28,521	38,028
EUR	235	352	470
MVR	-	-	-
	112,602	168,903	225,204

As at 31st December 2015	Exchange Rate Shock Level		
	1.0% Rs. '000	1.5% Rs. '000	2.0% Rs. '000
Impact on Interest Income			
Floating Rate Instruments			
USD	2,341	3,511	4,681
Fixed Rate Instruments			
USD	951	1,427	1,902
GBP	406	608	811
AUD	720	1,080	1,439
EUR	2	3	5
MVR	-	-	-
	4,419	6,629	8,839

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.2 Market Risk (contd.)

44.2.2 Foreign Currency Risk (contd.)

Sensitivity Analysis (contd.)

As at 31st December 2014 Company	Exchange Rate Shock Level		
	1.0% Rs. '000	1.5% Rs. '000	2.0% Rs. '000
Impact on Forex Gain/Loss			
Floating Rate Instruments			
USD	24,050	36,075	48,100
Fixed Rate Instruments			
USD	46,163	69,245	92,327
GBP	9,981	14,972	19,962
AUD	18,890	28,335	37,779
EUR	80	120	160
MVR	937	1,405	1,874
	100,101	150,152	200,202
Impact on Interest Income			
Floating Rate Instruments			
USD	1,779	2,669	3,558
Fixed Rate Instruments			
USD	351	526	701
GBP	38	56	75
AUD	80	120	161
EUR	0	0	0
MVR	28	41	55
	2,275	3,413	4,551

42.2.3 Market Rate Risk

The Group is maintaining maximum exposure limits for equities in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

Portfolio Diversification of Equity Risks

Sri Lanka Insurance Corporation Ltd - Life Insurance Business

Sector	Industry Group	2015		2014	
		Market Value Rs. '000	%	Market Value Rs. '000	%
Financials	Banks	19,718,009	72.89	21,789,402	76.99
	Diversified Financials	442,654	1.64	310,721	1.10
	Real Estate	108,327	0.40	91,321	0.32
Financials		20,268,990	74.92	22,191,444	78.41
Consumer Discretionary	Consumer Services	2,081,563	7.69	2,376,721	8.40
	Consumer Durables & Apparel	391,600	1.45	-	0.00
	Retailing	43,246	0.16	50,578	0.18
	Automobiles & Components	9,930	0.04	-	0.00
Consumer Discretionary		2,526,339	9.34	2,427,299	8.58
Industrials	Capital Goods	1,872,511	6.9	1,272,716	4.50
Health Care*	Health Care Equipment & Services	1,457,914	5.39	1,457,914	5.15
Telecommunication Services	Telecommunication Services	843,246	3.12	894,544	3.1
Consumer Staples	Food & Staples Retailing	54,390	0.20	54,390	0.19
Materials	Materials	29,450	0.11	3,415	0.01
Information Technology	Technology Hardware & Equipment	263	0.00	263	0.00
Energy	Energy	162	0.00	158	0.00
Total		27,053,263	100	28,302,143	100

Sri Lanka Insurance Corporation Ltd - General Insurance Business

Sector	Industry Group	2015		2014	
		Market Value Rs. '000	%	Market Value Rs. '000	%
Financials	Banks	11,916,563	81.45	13,171,271	82.42
	Diversified Financials	88,756	0.61	38	0.00
Financials		12,005,319	82.06	13,171,309	82.42
Consumer Discretionary	Consumer Durables & Apparel	12,671	0.09	19,006	0.12
	Retailing	12,066	0.08	10,316	0.06
Consumer Discretionary		24,737	0.17	29,323	0.18
Health Care*	Health Care Equipment & Services	1,575,156	10.77	1,575,156	9.86
Industrials	Capital Goods	929,303	6.35	1,098,898	6.88
Telecommunication Services	Telecommunication Services	95,952	0.66	105,771	0.66
Energy	Energy	162	0.00	158	0.00
Total		14,630,630	100	15,980,614	100

*Including Lanka Hospitals Corporation PLC which is a subsidiary of SLIC

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.3 Credit Risk

Credit risk is the risk of financial loss to the Group if investee companies, reinsurers and any other counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

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

No investment has been made in term deposits other than in Licensed Commercial Banks and Licensed Specialized Banks.

Investment grade credit rating for both the entity and the instrument by a recognized credit rating agency is expected for all investments in corporate debentures and commercial papers.

No debt investment has been made in any of the related companies.

A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

The Maximum Exposure to Credit risk

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

As at 31st December	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Held-To-Maturity (HTM)	5	41,085,278	26,361,966	38,964,539	26,076,867
Loans & Receivables (L&R)	5	7,357,693	3,795,532	7,357,693	3,795,532
Available-For-Sale (AFS)	5	20,347,592	16,267,593	20,347,592	16,267,593
Loans to policyholders	12	1,569,342	1,510,067	1,569,342	1,510,067
Reinsurance receivable	13	1,275,104	1,206,845	1,275,104	1,206,845
Premium	14	3,229,376	2,858,302	3,229,376	2,858,302
Other assets	16	4,489,505	4,661,637	3,262,082	3,475,056
Cash and cash equivalents	18	17,108,358	23,007,083	3,324,978	5,768,427
		96,462,248	79,699,025	79,330,706	60,958,689

Government Securities

Government securities consist of investments in Treasury Bills, Treasury Bonds, Development Bonds and Reverse Repos which are referred to as risk free instruments in its nature.

Corporate Debt Securities

The corporate debt securities consist of corporate debentures which are listed in Colombo Stock Exchange and are guaranteed by local and foreign credit rating agencies. An analysis of credit ratings of the issuers of debt securities are given in this note.

Loans to Policyholders

Credit risk related to the policyholder loans is the financial losses could arise due to non - settlement of loans by policyholders.

The Group has issued loans to policyholders considering the surrender value of the policy as collateral. As at the reporting date, the carrying value of the policy loans granted amounted to Rs. 1.569Mn (2014 - Rs. 1.510Mn) and its related surrender value is Rs. 2,582Mn (2014 - Rs. 2.809Mn).

Reinsurance Receivable

This is the risk of reinsurers failing to fulfil their financial obligations towards the Group.

Management assesses the creditworthiness of reinsurers on a regular basis and ascertains the suitable allowance for impairment of reinsurance assets.

The Board of Directors has assessed the potential impairment loss of reinsurance receivables and provide the Rs. 66.296Mn (2014 - Rs. 22.322Mn) to financial statements as at the reporting date in respect to the reinsurance receivable.

Premium Receivable

This consist of premium receivables from policyholders and intermediaries that create the risk of financial losses due to non settlement of dues or taking substantial time to settle dues.

In life insurance, credit risk is minimal since premium is collected before the policy is issued. In General Insurance Business, the premium warranty clause which state that a claim is not payable if the premium is not settled within 60 days, has reduced the credit risk to a greater extent.

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

Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Cash and Cash Equivalents

This consists of short term investments, cash at bank and cash in hand as at reporting date. Short term deposits include term deposits and call deposits placed in both banks and financial institutions. Further, the cash at bank is mainly consists of favourable balances in saving and current accounts of private and government commercial banks.

The Group has selected its bankers by considering the credit ratings of the rating agencies and efficiency in transaction processing by them. The Group held cash and cash equivalents of Rs. 17.108Mn as at 31st December 2015 (Rs. 23.007Mn as at 31st December 2014) which represent its maximum credit exposure on these assets.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.3 Credit Risk (contd.)

Credit Risk Exposure - Life Insurance Business

As at 31st December	2015 Rs. '000	% of Allocation	2014 Rs. '000	% of Allocation
Financial Investments				
Debt Securities - Loans & Receivables	10,638,306	43%	19,485,506	63%
Debt Securities - Available-For-Sale	14,109,511	57%	11,671,181	37%
	24,747,817	100%	31,156,687	100%

Credit Risk Exposure - General Insurance Business

As at 31st December	2015 Rs. '000	% of Allocation	2014 Rs. '000	% of Allocation
Financial Investments				
Debt Securities - Loans & Receivables	7,213,234	87%	9,827,141	97.92%
Debt Securities - Available-For-Sale	1,118,766	13%	209,225	2.08%
	8,332,000	100.0%	10,036,367	100%

Debt Securities Allocation according to Credit Ratings

Life Insurance Business

As at 31st December Rating	2015		2014	
	Rs. million	% of Total	Rs. million	% of Total
AAA	5,760	23.28%	4,454	14.16%
AA+	2,304	9.31%	12,968	41.05%
AA	1,799	7.27%	1,393	4.41%
AA-	5,759	23.27%	4,273	13.58%
A+	3,047	12.31%	3,157	9.95%
A	1,636	6.61%	206	0.65%
A-	776	3.13%	1,070	3.39%
BBB+	1,444	5.83%	1,515	4.80%
BBB	695	2.81%	307	0.97%
BBB-	248	1.00%	38	0.12%
Unrated	1,280	5.17%	2,078	6.58%
Total	24,748	100.00%	31,457	100%

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

General Insurance Business

As at 31st December Rating	2015		2014	
	Rs. million	% of Total	Rs. million	% of Total
AAA	3,606	43.28	1,422	14.17
AA+	632	7.59	6,402	63.79
A+	55	0.66	174	1.40
AA	2,022	24.27	141	9.61
AA-	574	6.89	964	1.73
A-	1,140	13.68	733	7.3
BBB+	302	3.63	200	1.99
Total	8,332	99.99	10,036	100

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

44.4 Liquidity Risk

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

Maturity Analysis

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

As at 31st December 2015 Company	Carrying Value Rs. '000	No fixed tenure Rs. '000	Up to 1 Year Rs. '000	1 to 2 Years Rs. '000	2 to 5 Years Rs. '000	5 to 10 Years Rs. '000	Over 10 Years Rs. '000	Total Rs. '000
Financial Assets								
Held-To-Maturity (HTM) Financial Assets	38,964,539	-	900,000	3,900,000	12,986,230	5,250,000	14,050,000	37,086,230
Loans & Receivables (L&R)	24,667,536	-	19,740,198	497,000	6,106,450	-	-	26,343,648
Available-For-Sale (AFS) Financial Assets	53,306,102	31,894,168	1,584,548	1,754,780	12,842,771	4,035,191	100,000	52,211,459
Fair-Value-Through-Profit-or-Loss (FVTPL)								
Financial Assets	6,756,655	6,756,655	-	-	-	-	-	6,756,655
Loans to policyholders	1,569,342	-	1,569,342	-	-	-	-	1,569,342
Reinsurance receivable	1,275,104	-	1,215,142	17,449	40,586	1,908	19	1,275,104
Premium receivable	3,229,376	-	3,229,376	-	-	-	-	3,229,376
Other assets	3,371,903	-	3,371,903	-	-	-	-	3,371,903
Cash and cash equivalents	3,324,978	-	3,324,978	-	-	-	-	3,324,978
	136,465,535	38,650,823	34,935,487	6,169,229	31,976,037	9,287,099	14,150,019	135,168,695
Financial Liabilities								
Reinsurance payable	1,000,368	-	845,612	96,867	5,471	1,906	7,233	957,089
Current tax liabilities	706,956	-	706,956	-	-	-	-	706,956
Other liabilities	3,533,715	-	3,533,715	-	-	-	-	3,533,715
Financial liabilities	989,060	-	989,060	-	-	-	-	989,060
	6,230,099	-	6,075,343	96,867	5,471	1,906	7,233	6,186,820

NOTES TO THE FINANCIAL STATEMENTS CONTD.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

44.4 Liquidity Risk (contd.)

Maturity Analysis (contd.)

As at 31st December 2014	Carrying Value	No fixed tenure	Up to 1 Year	1 to 2 Years	2 to 5 Years	5 to 10 Years	Over 10 Years	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Investments								
Held-To-Maturity (HTM) Financial Assets	26,076,867	-	1,150,000	400,000	15,936,230	2,000,000	6,900,000	26,386,230
Loans & Receivables (L&R)	31,740,973	-	34,997,660	525,000	455,000	-	-	35,977,660
Available-For-Sale (AFS) Financial Assets	53,146,000	35,711,339	2,321,480	1,584,548	9,649,987	2,935,191	-	52,202,545
Fair-Value-Through-Profit-or-Loss (FVTPL)								
Financial Assets	5,538,348	5,538,348	-	-	-	-	-	5,538,348
Loans to policyholders	1,510,067	-	1,510,067	-	-	-	-	1,510,067
Reinsurance receivable	1,206,845	-	1,206,845	-	-	-	-	1,206,845
Premium receivable	2,858,302	-	2,858,302	-	-	-	-	2,858,302
Other assets	3,577,108	-	3,577,108	-	-	-	-	3,577,108
Cash and cash equivalents	5,768,427	-	5,768,427	-	-	-	-	5,768,427
	131,422,937	41,249,687	53,389,889	2,509,548	26,041,217	4,935,191	6,900,000	135,025,532
Financial Liabilities								
Reinsurance payable	1,013,511	-	1,013,511	-	-	-	-	1,013,511
Current tax liabilities	963,165	-	963,165	-	-	-	-	963,165
Other liabilities	3,748,759	-	3,748,759	-	-	-	-	3,748,759
Financial liabilities	388,907	-	388,907	-	-	-	-	388,907
	6,114,342	-	6,114,342	-	-	-	-	6,114,342

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES

45.1 Commitments

The Group does not have significant capital commitments as at the reporting date other than described below.

(A) Litro Gas Lanka Ltd

The capital expenditure approved by the Board and contracted for as at 31st December 2015 is Rs. 603Mn. (2014 - Rs.251Mn)

(B) Litro Gas Terminal Lanka (Pvt) Ltd

Operating lease commitments

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

	2015 Rs.	2014 Rs.
Lease payment for land at Kerawalapitiya	5,341,962	5,355,389
Lease payment for storage facility at Hambantota	696,064	746,763

(C) The Lanka Hospitals Corporation PLC

Commitment on Land Lease

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

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

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

	2015 Rs. '000	2014 Rs. '000
No Later than 1 Year	18,546	18,546
Later than 1 Year and no Later than 5 Years	74,186	74,186
Later than 5 Years	102,006	120,552
	194,738	213,284

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(D) *Approximate Amount Contracted for but not Incurred*

	2015 Rs. '000	2014 Rs. '000
Sinolanka Hotels and Spa (Pvt) Ltd	3,107,893	4,299,627
Helanco Hotels & Spa (Pvt) Ltd	-	462,777
The Lanka Hospitals Corporation PLC	194,739	43,000

45.2 Contingent Liabilities and Guarantees

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

45.2.1 Contingent Liabilities

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

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

The company has filed valid appeals against these assessments. The Board of Review by letter dated 21st July 2010 determined that the assessments are valid. The Company is making an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the Liability of Rs. 345Mn pending the decision of the Court of Appeal.

On 2nd April 2013 Commissioner General of Inland Revenue has issued a Value Added Tax Assessment on Financial Services for the Taxable Periods from 1st January 2010 to 31st December 2010 amounting to Rs. 2,363Mn. The Company has already made valid appeals against the assessments by our letters dated May 03, 2013. Appeals have been lodged against the assessments issued on incorrect reasons; and Commissioner General has determined the above liability as valid on 10th April 2015 and informed on 05th May 2015. The Company has notified to the Tax Appeal Commission of the intention of preferring an appeal to the Commission against the determination of the Commissioner General on 13th May 2015. Accordingly, the Company filed an appeal before Tax Appeal Commission on 15th July 2015.

The Lanka Hospitals Corporation PLC

Pending litigation against the Lanka Hospitals Corporation PLC, a subsidiary company of SLIC a maximum liability of Rs. 182Mn, exist as at the reporting date. Based on the information currently available and the current status of the above cases, the management is of the view that the ultimate resolution of such legal procedures are not likely to have a material adverse effect on the result of the operations and the financial position or liquidity of the subsidiary company. Accordingly, no provision for any liability has been made in these consolidated financial statements in this regard.

45.2.2 Guarantees

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

According to LKAS 17, the standard requires lease payments under operating lease to be recognized as an expense on a straight line basis over the lease term unless other systematic basis is more representative of the time pattern of the user's benefit. Litro Gas Terminal Lanka (Pvt) Ltd has an operating lease arrangement with Land Reclamation Board where the lease term is 50 years and the rental increases by 175% every 5 years. However, the Litro Gas Terminal Lanka (Pvt) Ltd does not recognize the said lease on a straight line basis since the directors are of the view that this represents a more systematic basis of the time pattern of the benefit. The said arrangement commenced in 1996.

46. EVENTS AFTER THE REPORTING DATE

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

The Board of Directors have proposed a final dividend of Rs. 3.34/- per share for the year ended 31st December 2015 which is to be approved by the shareholders at the Annual General Meeting. As required by the Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed the Company satisfies the 'Solvency Test'. In accordance with LKAS 10 - "Events after the reporting period", the proposed dividend has not been recognised as a liability in the financial statements.

47. THE SEGREGATION OF THE LIFE AND GENERAL INSURANCE BUSINESS

As stipulated in the Amendment to the Insurance Act, No. 03 of 2011, composite insurance companies are required to segregate the long-term insurance business and the general insurance business carried on by it, into two separately established companies and the said compliance was to be effective by 11th February 2015. The Company is currently discussing with the relevant ministries to agree a methodology to satisfy the legal framework.

48. USE OF TERMINAL FACILITY

Litro Gas Terminal Lanka (Pvt) Ltd provides bulk storage facilities for LPG and distribution of the same to Litro Gas Lanka Ltd. In performing this function, the Litro Gas Terminal Lanka (Pvt) Ltd uses its own storage tanks, pipelines and pumping stations and receives a 'throughput fee' from Litro Gas Lanka Ltd for the facilities provided. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, thus, constitute a finance lease arrangement as per the terms of the contract. However, in view of the storage facility of the terminal being available for other importers as well as the management's intention to enter into contracts with other importers to store LPG, the said storage facilities have not been derecognized in the books of account of the Litro Gas Terminal Lanka (Pvt) Ltd. However, during the year under review no agreement was entered into lease out the facilities in the absence of any favourable proposal from prospective importers.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

49. Comparative information

The following comparative figures have been reclassified in the 2015 Financial Statements to maintain comparability of Financial Statements in order to provide a better presentation.

Group/Company	Note	As previously reported	As reported in 2015	Net reclassification
Statement of financial position				
Financial investments	a & b	116,624,612	119,034,542	2,409,930
Investment in associates (Company)	a	-	122,425	122,425
Cash and cash equivalents	b	25,539,438	23,007,083	(2,532,355)
Property, plant and equipment	c	35,583,199	35,754,938	171,739
Leasehold property	c	357,003	185,264	(171,739)
Statement of profit or loss				
Investment income	d	11,708,619	11,617,291	(91,328)
Other income	d	1,178,527	1,269,855	91,328
Net reclassification				-

- (a) Investment in unlisted shares previously recognised under financial investments are reclassified as investment in associates.
- (b) Short term investments previously classified under cash and cash equivalents are reclassified under financial investments, to be consistent with the parent company
- (c) Property under finance lease previously classified under lease hold property are reclassified under property, plant and equipment.
- (d) Rent income from investment property previously classified under investment income is reclassified under other income for better presentation.

ADDITIONAL INFORMATION

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STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE

As at 31st December	Notes	2015 Rs. '000	2014 Rs. '000
Assets			
Financial Investments	A	95,538,340	91,456,550
Investments in Subsidiaries	B	1,457,914	1,457,914
Property, Plant and Equipment	E	41,659	42,172
Loans to Policyholders	C	1,569,342	1,510,067
Reinsurance Receivable		69,318	29,080
Premium Receivable from Policyholders		324,935	270,208
Deferred Tax Assets		95,158	86,630
Other Assets	D	2,537,192	1,606,799
Cash and Cash Equivalents		1,459,462	2,638,102
Total Assets		103,093,320	99,097,521
Equity			
Available-For-Sale Reserve	F	14,733,830	17,493,276
Revenue Reserves	G	4,852,402	4,434,340
Policyholder Reserve Fund	H	(410,517)	(3,328,929)
Revaluation Reserve		27,877	27,877
Total Equity Attributable to Equity Holders of The Company		19,203,592	18,626,565
Liabilities			
Insurance Contract Liabilities (Provision) - Life	I	80,650,583	77,254,498
Reinsurance Creditors		43,277	-
Tax Liability		459,083	800,664
Provision for Retirement Benefits		349,605	319,660
Other Liabilities	J	1,893,082	1,925,815
Financial Liabilities (Bank overdraft)		494,098	170,319
Total Liabilities		83,889,728	80,470,956
Total Equity and Liabilities		103,093,320	99,097,521

NOTES TO THE FINANCIAL STATEMENTS

LIFE INSURANCE FUND

As at 31st December

	Note	2015		2014	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
A. Financial Investments					
Held-To-Maturity (HTM)	A.1	37,932,189	38,232,489	26,029,372	29,781,688
Loans & Receivables (L&R)	A.2	13,103,420	13,089,369	21,697,982	21,695,721
Available-For-Sale (AFS)	A.3	38,226,634	38,226,634	38,606,810	38,606,810
Fair-Value-Through-Profit-or-Loss (FVTPL)	A.4	6,276,097	6,276,097	5,122,386	5,122,386
		95,538,340	95,824,589	91,456,550	95,206,605
A.1 Held-To-Maturity (HTM)					
Treasury Bills		488,795	489,450	487,576	490,450
Treasury Bonds		37,443,394	37,743,039	25,541,796	29,291,238
		37,932,189	38,232,489	26,029,372	29,781,688
A.2 Loans & Receivables (L&R)					
Unlisted Debentures	A.2.1	241,630	227,579	1,067,143	1,064,882
Term Deposits		10,396,676	10,396,676	18,418,363	18,418,363
Development Bonds		2,465,114	2,465,114	2,212,476	2,212,476
		13,103,420	13,089,369	21,697,982	21,695,721
A.3 Available-For-Sale (AFS)					
Listed Shares	A.3.1	19,319,253	19,319,253	21,721,843	21,721,843
Unit Trusts	A.3.2	822,538	822,538	900,350	900,350
Listed Debentures	A.3.3	14,109,511	14,109,511	11,671,181	11,671,181
Treasury Bonds		3,975,333	3,975,333	4,313,436	4,313,436
		38,226,634	38,226,634	38,606,810	38,606,810
A.4 Fair-Value-Through-Profit-or-Loss (FVTPL)					
Listed Shares	A.4.1	6,276,097	6,276,097	5,122,386	5,122,386
		6,276,097	6,276,097	5,122,386	5,122,386

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

NOTES TO THE FINANCIAL STATEMENTS

LIFE INSURANCE FUND CONTD.

As at 31st December	2015				2014			
	Maturity Date	Face Value	Carrying Value	Fair Value	Maturity Date	Face Value	Carrying Value	Fair Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
A.2.1 Unlisted Debentures								
Commercial Bank of Ceylon PLC	15.05.2016	125,000	141,608	127,557	15.05.2016	125,000	141,608	134,834
Singer (Sri Lanka) PLC	30.04.2015	-	-	-	30.04.2015	250,000	254,040	254,040
Central Finance PLC	24.05.2015	-	-	-	24.05.2015	500,000	521,138	521,138
Siyapatha Finance PLC	17.12.2015	-	-	-	17.12.2015	50,000	50,336	54,848
National Development Bank PLC	30.06.2016	100,000	100,022	100,022	30.06.2016	100,000	100,021	100,021
		225,000	241,630	227,579		1,025,000	1,067,143	1,064,882

	2015			2014		
	No. of Shares	Carrying Value	Fair Value	No. of Shares	Carrying Value	Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
A.3.1 Listed Shares						
Financials						
Banks						
Commercial Bank of Ceylon PLC	41,260,840	5,797,148	5,797,148	40,851,867	6,985,669	6,985,669
DFCC Bank PLC	26,509,832	4,477,511	4,477,511	26,509,832	5,805,653	5,805,653
Seylan Bank PLC	8,798,869	835,893	835,893	8,798,869	835,893	835,893
Hatton National Bank PLC	31,503,954	6,678,838	6,678,838	31,503,954	6,143,271	6,143,271
National Development Bank PLC	7,805,426	1,529,863	1,529,863	7,805,426	1,951,357	1,951,357
		19,319,253	19,319,253		21,721,843	21,721,843

	2015			2014		
	No. of Units	Carrying Value	Fair Value	No. of Units	Carrying Value	Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
A.3.2 Unit Trusts						
Ceybank Unit Trust	18,200,565	505,066	505,066	17,000,000	549,100	549,100
Ceylon Income Fund	23,241,000	317,472	317,472	25,000,000	351,250	351,250
		822,538	822,538		900,350	900,350

As at 31st December	2015				2014			
	Maturity Date	Face Value	Carrying Value	Fair Value	Maturity Date	Face Value	Carrying Value	Fair Value
		Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000
A.3.3 Listed Debentures								
Financials								
Banks								
Bank of Ceylon	29.11.2017	500,000	506,995	506,995	29.11.2017	500,000	507,014	507,014
Bank of Ceylon	24.10.2018	287,970	319,892	319,892	24.10.2018	287,970	294,944	294,944
Bank of Ceylon	21.09.2019	500,000	488,568	488,568	21.09.2019	500,000	510,768	510,768
Bank of Ceylon	24.10.2023	67,050	80,376	80,376	24.10.2023	67,050	80,381	80,381
Bank of Ceylon	06.10.2020	250,000	255,429	255,429	-	-	-	-
Hatton National Bank PLC	12.06.2018	316,717	382,045	382,045	12.06.2018	316,717	341,256	341,256
Hatton National Bank PLC	14.12.2019	500,000	468,940	468,940	14.12.2019	500,000	501,805	501,805
Hatton National Bank PLC	31.03.2021	478,459	285,927	285,927	31.03.2021	478,459	249,130	249,130
Hatton National Bank PLC	30.08.2023	126,888	108,286	108,286	30.08.2023	126,888	92,435	92,435
Hatton National Bank PLC	31.03.2024	1,362,794	554,930	554,930	31.03.2024	1,362,794	508,121	508,121
Commercial Bank of Ceylon PLC	18.12.2016	250,000	297,100	297,100	18.12.2016	250,000	285,032	285,032
National Development Bank PLC	19.12.2023	750,000	982,125	982,125	19.12.2023	750,000	984,600	984,600
National Development Bank PLC	24.06.2020	444,000	473,122	473,122	-	-	-	-
Seylan Bank PLC	21.02.2018	449,520	473,905	473,905	21.02.2018	449,520	473,905	473,905
Seylan Bank PLC	22.12.2019	500,000	501,010	501,010	22.12.2019	500,000	501,060	501,060
Sampath Bank PLC	11.10.2017	36,600	45,201	45,201	11.10.2017	36,600	45,201	45,201
Sampath Bank PLC	04.12.2018	340,190	362,484	362,484	04.12.2018	340,190	362,484	362,484
Sampath Bank PLC	14.12.2019	500,000	490,816	490,816	14.12.2019	500,000	501,886	501,886
Sampath Bank PLC	18.11.2020	300,000	303,190	303,190	-	-	-	-
Nations Trust Bank PLC	03.08.2016	200,000	211,161	211,161	03.08.2016	200,000	209,041	209,041
DFCC Bank PLC	07.09.2016	74,074	74,093	74,093	07.09.2016	74,074	74,090	74,090
DFCC Bank PLC	10.06.2020	250,000	266,799	266,799	-	-	-	-
Pan Asia Banking Corporation PLC	18.03.2017	200,000	205,984	205,984	18.03.2017	200,000	205,647	205,647
Pan Asia Banking Corporation PLC	29.09.2018	300,000	307,340	307,340	-	-	-	-
The Housing Development Finance Corporation Bank of Sri Lanka	23.10.2018	100,000	124,660	124,660	23.10.2018	100,000	122,470	122,470
The Housing Development Finance Corporation Bank of Sri Lanka	20.11.2025	150,000	152,066	152,066	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

LIFE INSURANCE FUND CONTD.

As at 31st December	2015				2014			
	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Maturity Date	Face Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
A.3.3 Listed Debentures (contd.)								
Diversified Financials								
Merchant Bank of Sri Lanka PLC	11.12.2019	113,520	120,729	120,729	11.12.2019	113,520	114,892	114,892
People's Leasing & Finance PLC	23.09.2017	750,000	745,950	745,950	23.09.2017	750,000	767,800	767,800
People's Leasing & Finance PLC	26.03.2018	105,900	134,688	134,688	26.03.2018	105,900	135,863	135,863
People's Leasing & Finance PLC	23.09.2018	750,000	822,188	822,188	23.09.2018	750,000	769,580	769,580
LB Finance PLC	28.11.2018	220,670	265,443	265,443	28.11.2018	220,670	236,800	236,800
Lanka ORIX Leasing Company PLC	-	-	-	-	30.06.2015	100,000	105,846	105,846
Senkadagala Finance PLC	10.12.2018	100,000	111,133	111,133	10.12.2018	100,000	100,853	100,853
Citizens Development Business Finance PLC	19.12.2018	37,350	42,270	42,270	19.12.2018	37,350	37,556	37,556
Softlogic Finance PLC ¹	29.08.2019	12,600	12,989	12,989	29.08.2019	12,600	13,061	13,061
Central Finance Company PLC	01.06.2020	225,000	240,146	240,146	-	-	-	-
Commercial Leasing & Finance PLC	21.07.2020	250,000	260,952	260,952	-	-	-	-
Commercial Credit & Finance PLC ²	10.12.2020	400,000	402,507	402,507	-	-	-	-
Commercial Credit & Finance PLC ³	01.06.2020	43,345	44,843	44,843	-	-	-	-
Vallibel Finance PLC ³	31.03.2020	100,000	102,584	102,584	-	-	-	-
Real Estate								
Urban Development Authority ⁴	-	-	-	-	05.10.2015	871,480	893,808	893,808
Industrials								
Capital Goods								
Hayleys PLC	09.07.2016	80,800	86,328	86,328	09.07.2016	80,800	83,702	83,702
Hayleys PLC	06.03.2020	200,000	205,033	205,033	-	-	-	-
Hemas Holdings PLC	29.04.2019	119,970	125,900	125,900	29.04.2019	119,970	125,900	125,900
Richard Pieris and Company PLC	16.05.2017	29,580	30,739	30,739	16.05.2017	29,580	30,739	30,739
MTD Walkers PLC	30.09.2018	200,000	204,968	204,968	-	-	-	-
Health Care								
Health Care Equipment & Services								
Nawaloka Hospitals PLC	30.09.2021	150,000	173,485	173,485	30.09.2021	150,000	155,425	155,425
Consumer Discretionary								
Consumer Durables & Apparel								
Abans PLC	20.12.2018	400,000	499,558	499,558	20.12.2018	400,000	481,798	481,798
Consumer Staples								
Food, Beverage & Tobacco								
The Lion Brewery Ceylon PLC	17.06.2016	105,600	115,211	115,211	17.06.2016	105,600	109,193	109,193
The Lion Brewery Ceylon PLC	17.06.2017	105,600	109,260	109,260	17.06.2017	105,600	109,260	109,260
The Lion Brewery Ceylon PLC	17.06.2018	140,800	145,769	145,769	17.06.2018	140,800	145,769	145,769
The Lion Brewery Ceylon PLC	08.12.2019	400,000	384,395	384,395	08.12.2019	400,000	402,065	402,065
		14,274,996	14,109,511	14,109,511		12,134,132	11,671,181	11,671,181

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

2. Guaranteed equally by HNB & Sampath Bank.

3. Guaranteed by HNB.

4. Guaranteed by Government Treasury.

As at 31st December	2015			2014		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
A.4.1 Listed Shares						
Consumer Discretionary						
Consumer Durables & Apparel						
Textured Jersey Lanka PLC	11,000,000	391,600	391,600	-	-	-
Retailing						
C M Holdings PLC	392,076	43,246	43,246	392,076	50,578	50,578
Consumer Services						
Aitken Spence Hotel Holdings PLC	5,518,727	375,273	375,273	5,518,727	435,979	435,979
Asian Hotels & Properties PLC	10,055,900	593,298	593,298	10,055,900	688,829	688,829
John Keells Hotels PLC	4,340,333	774,749	774,749	71,622,800	1,231,912	1,231,912
Anilana Hotels & Properties Ltd	2,500,000	10,000	10,000	2,500,000	20,000	20,000
Keells Hotels PLC	71,622,800	1,102,991	1,102,991	-	-	-
Automobiles & Components						
Kelani Tyres PLC	128,128	9,930	9,930	-	-	-
Consumer Staples						
Food & Staples Retailing						
TESS Agro PLC	33,993,806	54,390	54,390	33,993,806	54,390	54,390
Energy						
Energy						
Laugfs Gas PLC	3,900	162	162	3,900	158	158
Financials						
Diversified Financials						
LB Finance PLC	3,685,800	439,716	439,716	1,842,900	305,921	305,921
Nation Lanka Finance PLC	979,500	2,939	2,939	979,500	4,800	4,800
Banks						
Sampath Bank PLC	1,595,024	398,756	398,756	287,487	67,559	67,559
Real Estate						
Overseas Reality (Ceylon) PLC	4,649,218	108,327	108,327	3,472,300	91,321	91,321

NOTES TO THE FINANCIAL STATEMENTS

LIFE INSURANCE FUND CONTD.

As at 31st December	2015			2014		
	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000	No. of Shares	Carrying Value Rs. '000	Fair Value Rs. '000
A.4.1 Listed Shares (contd.)						
Industrials						
Capital Goods						
Renuka Holdings PLC	1,526,316	41,974	41,974	1,526,316	47,926	47,926
John Keells Holdings PLC				611,176	152,794	152,794
Vallibel One PLC	65,900	1,423	1,423	65,900	1,582	1,582
ACL Cables PLC	558,557	67,585	67,585	558,557	42,618	42,618
Royal Ceramics PLC	1,353,186	150,204	150,204	1,353,186	158,323	158,323
Lanka Walltiles PLC	807,600	88,028	88,028	807,600	79,064	79,064
Brown & Company PLC	906,990	91,787	91,787	906,990	97,048	97,048
Colombo Dockyard PLC	3,592,548	549,660	549,660	3,592,548	693,362	693,362
Heyleys PLC	347,162	107,099	107,099	-	-	-
Information Technology						
Technology Hardware & Equipment						
PC House PLC	876,700	263	263	876,700	263	263
Materials						
Materials						
Lanka Cement PLC	509,700	4,027	4,027	509,700	3,415	3,415
Tokyo Cement Company (Lanka) PLC	333,932	16,363	16,363	-	-	-
Lanka Aluminium Industries PLC	83,660	9,060	9,060	-	-	-
Telecommunication Services						
Telecommunication Services						
Dialog Axiata PLC	1,000,000	10,700	10,700	-	-	-
Sri Lanka Telecom PLC	17,713,735	832,546	832,546	17,713,735	894,544	894,544
		6,276,097	6,276,097		5,122,386	5,122,386

As at 31st December				2015	2014
				Rs. '000	Rs. '000

B. Investments in Subsidiaries

				1,457,914	1,457,914
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	Note	2015		2014	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
At Cost					
Listed Subsidiaries	B.1	1,457,914	4,058,377	1,457,914	3,172,673
		1,457,914	4,058,377	1,457,914	3,172,673

	Note	2015		2014	
		No. of Shares	Carrying Value Rs. '000	No. of Shares	Carrying Value Rs. '000
B.1 Listed Subsidiaries					
The Lanka Hospitals Corporation PLC		66,097,350	1,457,914	66,097,350	1,457,914
			1,457,914		1,457,914

				2015	2014
				Rs. '000	Rs. '000

C. Loans to Life Policyholders

Policyholder loans				1,569,342	1,510,067
				1,569,342	1,510,067

				2015	2014
				Rs. '000	Rs. '000

D. Other Assets

Inventories				32,902	10,743
Other Debtors and Receivables				199,867	162,905
Other Loans				1,277,013	1,273,391
Amount Due from General Division				680,311	-
Prepaid Benefit on Loans				347,099	159,759
				2,537,192	1,606,799

NOTES TO THE FINANCIAL STATEMENTS

LIFE INSURANCE FUND CONTD.

As at 31st December	Land Rs. '000	Building Rs. '000	Total Rs. '000
E. Property, Plant and Equipment			
Freehold			
Cost			
Balance as at 01.01.2015	31,902	10,269	42,171
Additions	-	-	-
Revaluation	-	-	-
Balance as at 31.12.2015	31,902	10,269	42,171
Accumulated Depreciation			
Balance as at 01.01.2015	-	-	-
Depreciation charge for the period	-	512	512
Transferred to Revaluation Reserve	-	-	-
Balance as at 31.12.2015	-	512	512
Carrying Amount			
As at 31st December 2015	31,902	9,757	41,659

F. Available-For-Sale Reserve

Life Policyholders are entitled to Rs. 8,692,622,741/- and Shareholders are entitled for Rs.1,579,451,199/- respectively.

	2015 Rs. '000	2014 Rs. '000
G. Revenue Reserve		
General Reserve	42,101	42,101
Reserve on actuarial gain/(loss) on retirement benefit	(54,719)	(58,424)
Surplus from Life Insurance	G.1 4,865,020	4,450,664
	4,852,402	4,434,340
G.1. Surplus from Life Insurance		
Balance as at 01st January	4,450,664	4,528,867
Surplus attributable to Shareholders from Life Insurance	925,302	1,612,402
Super Gain Tax	(10,946)	-
Transferred to Shareholders	(500,000)	(1,690,605)
Balance as at 31st December	4,865,020	4,450,664

	2015 Rs. '000	2014 Rs. '000
H. Policyholder Reserve Fund		
Balance as at 01st January	(3,328,928)	(510,888)
Change in Fair Value measurements applicable to Life Contract liability	2,918,411	(2,818,040)
Balance as at 31st December	(410,517)	(3,328,929)

	2015 Rs. '000	2014 Rs. '000
I. Insurance Contract Liabilities - Life		
Life Assurance Fund	74,706,065	66,511,608
Movement of the Fund	7,765,544	6,988,818
Supper Gain Tax	(769,509)	-
Transferred from Life Policyholders Reserve Fund	(2,918,411)	2,818,040
Transfers of Surplus from Long Term Insurance Business	(925,303)	(1,612,402)
	77,858,386	74,706,065
Policyholder Outstanding claims	2,792,196	2,548,432
	80,650,582	77,254,498

	2015 Rs. '000	2014 Rs. '000
J. Other Liabilities		
Agency Commission Payable	232,196	166,251
Premium Received in Advance	318,840	373,422
Amount Due to General Division	-	92,630
Trade Creditors & Accrued Expenses	1,342,046	1,293,512
	1,893,082	1,925,815

TEN YEAR SUMMARY

	SLFRS /LKAS				
	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	Restated 2012 Rs.'000	Restated 2011 Rs.'000
STATEMENT OF INCOME					
Non- Life					
Gross Written Premium	14,049,934	12,544,828	12,953,151	12,803,592	11,477,600
Net Earned Premiums	10,086,240	9,820,149	9,504,974	9,487,217	7,828,645
Net Claims Incurred	(6,628,963)	(6,205,796)	(4,934,074)	(6,194,011)	(4,970,962)
Operating & administration Expenses	(2,877,500)	(3,977,357)	(2,850,951)	(2,008,614)	(2,129,670)
Investment and Other Income	2,472,763	2,224,732	2,516,799	2,064,835	(245,498)
Interest Expense	(1)	(14)	(51)	(110)	(12)
Profit before Taxation	3,052,539	1,861,713	3,736,069	2,829,411	158,513
Taxation	(538,488)	(217,101)	(803,033)	(900,971)	(407,432)
Profit after Taxation	2,514,051	1,644,612	2,933,035	1,928,440	(248,919)
Long Term					
Gross Written Premium	10,470,079	8,121,159	8,397,718	7,369,032	6,743,073
Net Written Premium	10,307,235	7,984,758	8,300,082	7,281,225	6,593,457
Investment and Other Income	8,290,528	9,272,341	7,658,997	6,811,040	3,236,025
Claims Incurred	(6,304,646)	(5,733,524)	(4,870,410)	(4,089,232)	(3,592,818)
Commission Expenses	(1,240,955)	(1,127,919)	(1,053,299)	(1,088,644)	(933,627)
Management Expenses	(2,443,684)	(2,507,814)	(2,306,933)	(2,146,961)	(2,129,210)
Increase in Life Fund before Taxation	8,608,478	7,887,842	7,728,350	6,767,312	3,173,803
Taxation	(842,932)	(899,025)	(897,006)	(726,442)	(813,114)
Increase in Life Fund	7,765,546	6,988,817	6,831,344	6,040,870	2,360,689
TOTAL BUSINESS					
Revenue	31,156,767	29,301,980	27,890,852	25,644,316	17,207,927
Gross Written Premium	24,520,012	20,665,987	21,350,869	20,172,624	18,220,673
Net Earned Premiums	20,393,475	17,804,905	17,805,056	16,768,442	14,422,101
Benefits, losses and expenses	(21,360,285)	(18,928,978)	(16,467,961)	(15,625,260)	(7,718,624)
Investment and Other Income	10,763,292	11,497,075	10,175,796	8,875,874	2,785,827
Operating & administrative expenses	(4,975,705)	(5,999,863)	(5,158,022)	(4,155,798)	(4,054,218)
Profit before Taxation	4,820,777	4,373,139	6,354,869	5,863,255	5,435,086
Taxation	(1,381,420)	(1,116,126)	(1,700,039)	(1,627,413)	(1,220,547)
Profit after Taxation	3,439,357	3,257,013	4,654,830	4,235,842	4,214,539

SLASs

2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000	2006 Rs.'000
9,266,637	8,764,542	9,140,844	8,845,352	6,643,634
6,034,185	6,592,541	6,478,099	5,262,586	4,031,808
(2,885,793)	(5,379,207)	(4,819,146)	(3,866,706)	(3,509,847)
(1,917,779)	(2,186,107)	(2,006,750)	(2,217,357)	(1,443,369)
10,112,693	1,940,038	1,202,306	974,643	1,475,458
(98)	(1,935)	(16,225)	-	-
11,343,207	965,330	838,283	153,167	554,051
(843,740)	(233,096)	(254,598)	83,336	5,652
10,499,467	732,232	583,685	236,503	559,703
6,009,859	4,819,860	4,497,919	4,477,632	3,923,374
5,945,561	4,769,590	4,381,490	4,356,180	3,848,363
13,026,350	7,227,092	5,398,818	4,480,740	3,908,694
(4,957,675)	(3,831,985)	(3,289,846)	(2,502,466)	(2,188,818)
(648,033)	(547,848)	(552,689)	(492,431)	(395,926)
(1,483,218)	(1,317,279)	(2,037,946)	(1,679,168)	(1,294,991)
11,882,985	6,299,570	3,899,827	4,162,855	3,877,322
(1,151,175)	(1,075,883)	(793,213)	(634,884)	(556,641)
10,731,810	5,223,687	3,106,614	3,527,971	3,320,681
43,777,495	22,306,632	17,460,713	15,074,148	13,264,324
15,239,001	13,584,399	13,638,763	13,322,984	10,567,008
11,942,251	11,362,130	10,859,589	9,618,766	7,880,171
(22,203,564)	(16,673,008)	(13,450,368)	(12,537,143)	(10,683,110)
28,538,494	10,945,554	6,601,124	5,455,383	5,384,152
(3,185,346)	(2,776,014)	(2,248,664)	(1,748,956)	(1,470,521)
15,130,395	2,851,431	1,631,497	788,051	1,110,692
(1,860,560)	(1,322,893)	(1,047,811)	(551,548)	(550,989)
13,269,836	1,528,566	583,685	236,503	559,703

TEN YEAR SUMMARY CONTD.

	SLFRSs/LKASs				
	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	Restated 2012 Rs.'000	Restated 2011 Rs.'000
BALANCE SHEET					
Assets					
Property, Plant and Equipment	38,266,023	35,754,938	32,337,013	27,909,258	16,531,061
Investments	133,912,388	119,156,967	94,771,272	88,784,965	93,335,443
Other Assets	34,307,578	40,171,009	45,113,975	36,136,924	21,494,742
Total Assets	206,485,989	195,082,914	172,222,260	152,831,147	131,361,246
EQUITY AND LIABILITIES					
Share Capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	8,523,861	8,681,951	8,738,238	9,161,368	4,638,021
General Reserve	643,442	643,442	643,442	643,442	643,442
Available-For-Sale Reserve	22,390,664	26,525,252	15,364,711	12,521,041	13,190,776
Revenue Reserve	44,611,275	37,499,812	32,651,211	25,022,161	19,046,744
Non-Controlling Interest	7,509,450	7,246,077	7,056,139	1,647,284	1,522,687
Total Capital and Reserves	89,678,692	86,596,534	70,453,741	54,995,296	45,041,670
LIABILITIES					
Insurance Provision-Long Term	80,650,581	77,254,496	69,079,061	62,526,048	58,494,522
Insurance Provision-Non-Life	14,916,652	13,195,783	13,288,956	14,297,803	13,132,830
Other Liabilities	21,240,064	18,036,101	19,400,502	21,012,000	14,692,223
Total Liabilities	116,807,297	108,486,380	101,768,519	97,835,851	86,319,575
Total Equity and Liabilities	206,485,989	195,082,914	172,222,260	152,831,147	131,361,245
LONG TERM - Supplemental ASSETS					
Property, Plant and Equipment	41,658	42,172	55,969	57,012	46,553
Investments	96,996,254	92,914,463	73,643,020	73,029,822	72,799,868
Other Assets	6,055,405	6,140,884	12,553,679	9,497,112	4,850,532
Total Assets	103,093,317	99,097,519	86,196,699	82,583,945	77,696,953
LIABILITIES					
Long Term Insurance Funds	77,858,384	74,706,062	69,079,806	62,526,048	58,494,521
Other Liabilities	6,031,340	5,764,890	2,743,847	2,510,653	2,575,067
Equity Attributable to Shareholders					
Capital Reserve	27,877	27,877	40,892	40,892	16,106
Revenue Reserve	19,175,716	18,598,689	14,332,153	17,506,352	16,611,259
Total Liabilities	103,093,317	99,097,519	86,196,699	82,583,945	77,696,953

SLASs				
Restated 2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000	2006 Rs.'000
15,955,573	6,926,428	4,748,020	3,785,584	3,826,497
98,061,820	56,626,575	43,191,685	40,303,650	32,919,361
25,282,852	11,545,918	16,818,869	14,008,393	15,813,698
139,300,245	75,098,921	64,758,574	58,097,627	52,559,556
6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
5,359,282	1,457,507	1,448,135	536,339	536,339
643,442	643,442	601,342	601,342	601,342
25,704,419	-	-	-	-
20,990,007	3,481,934	1,487,222	1,095,375	1,258,871
2,041,104	911,246	-	-	-
60,738,254	12,494,129	9,536,699	8,233,056	8,396,552
52,573,602	43,956,012	39,470,887	35,654,300	31,947,127
11,772,953	11,804,983	10,636,192	9,887,724	8,342,175
14,215,436	6,843,796	5,114,796	4,322,547	35,820,829
78,561,991	62,604,792	55,221,875	49,864,571	44,163,004
139,300,245	75,098,921	64,758,574	58,097,627	52,559,556
53,343	63,305	107,748	134,488	140,960
74,540,011	42,219,092	30,815,851	28,201,706	21,325,082
11,865,314	6,216,560	11,054,551	9,079,332	11,993,334
86,458,668	48,498,957	41,978,150	37,415,526	33,459,376
52,573,602	43,956,013	39,470,892	35,654,300	31,947,127
2,589,100	2,978,417	2,516,258	1,761,226	1,512,249
16,106	9,372	-	-	-
31,279,861	1,555,156	-	-	-
86,458,669	48,498,957	41,987,150	37,415,526	33,459,376

BRANCH OFFICES

- 1. Akkaraipattu**
143, Main Street,
Akkaraipattu -2
Tel: 067-2279627
- 2. Akuressa**
40 2/1, Matara Road
Tel. 041-2283590
- 3. Ambalangoda**
299, Wickramasuriya Road,
Tel. 091-2258339
- 4. Ambalantota**
No. 195, Main Street,
Tel. 047 -2223235
- 5. Ampara**
01, Inginiyagala Road,
Tel. 063-2222073
- 6. Anamaduwa**
70, Puttalam Road,
Tel. 032-2263033
- 7. Anuradhapura**
248, Maithripala Senanayaka
Mawatha,
Tel. 025-2222167
- 8. Avissawella**
77, Ratnapura Road,
Tel. 036-2222311
- 9. Baddegama**
60/1/1, Galle Road,
Tel. 091-2292303
- 10. Badulla**
14, R.H. Gunawardena Mawatha,
Tel. 055-2230972
- 11. Balangoda**
60/1/1,
Barns Ratwatte Mawatha
Tel. 045-2287670
- 12. Bambalapitiya**
316, Galle Road,
Tel. 011-5632790
- 13. Bandaragama**
72, Jayakody Building,
Horana Road
Tel. 038-2293940
- 14. Bandarawela**
250/1/A, Badulla Road
Tel. 057-2223526
- 15. Batticaloa**
30, Pioneer Road,
Tel. 065-2224470
- 16. Battaramulla**
119, Pannipitiya Road,
Tel. 011-2866357
- 17. Beliatta**
74, Tangalle Road,
Tel. 047-2243211
- 18. Beruwala**
167/1, Galle Road,
Tel. 034-2276409
- 19. Bibile**
Opposite R.S. Office,
Tel. 055-5675673
- 20. Borella**
14th Floor,
SLICL Head Office
- 21. Chankanai**
45, Ponnalai Road,
(Main Street)
Tel. 021-2250462
- 22. Chavakachcheri**
A/09 Road,
Tel. 021-2270711
- 23. Chilaw**
431/1, Kurunegala Road,
Tel. 032-2222371
- 24. City Office**
288, Union Place,
Colombo 02
Tel. 011-2357562
- 25. Dambulla**
642, Anuradhapura Road,
Tel. 066-2284616
- 26. Dehiattakandiya**
No. 256, Mahaweli Uyana,
Tel: 027-2250318
- 27. Dehiwala**
121, 1/1, Ramanayaka Auto
Mobile (Pvt) Ltd.
121, 1/1, Galle Road,
Tel. 011-2713702
- 28. Deniyaya**
122, Rathna Mahal,
Main Street
Tel. 041-2273565
- 29. Dikwella**
95, Matara Road,
Tel. 041-2255630
- 30. Digana**
42, Gonawala Road,
Digana, Rajawella
Tel. 081-5630744
- 31. Eheliyagoda**
281/1, Fancy Mahal Building,
Main Street
Tel: 036-2259014
- 32. Elpitiya**
1st Floor, Royal Building,
Ambalangoda Road,
Tel: 091-2291365
- 33. Embilipitiya**
67, Pallegama
Tel: 047-2230389
- 34. Fort**
No. 24, Paul V1 Centre,
3rd Floor, Front Street, Colombo 11
Tel: 011-5741820
- 35. Galewela**
59-A, Kurunegala Road
Tel: 066-2289285
- 36. Galgamuwa**
121, Anuradhapura Road,
Tel: 037-2254141
- 37. Galle**
50 A, Havelock Road
Tel: 091-2234531
- 38. Gampaha**
14, Holy Cross Road
Tel: 033-2222676
- 39. Gampola**
176/A, Kandy Road,
Tel: 081-2351709
- 40. Giriulla**
101, Negombo Road
Tel: 037-2288304
- 41. Hakmana**
New Predesheeya Sbha Building,
Matara Road,
Tel: 041-5670600
- 42. Hatton**
175/1/1, Dambula Road,
Tel: 051-2222196
- 43. Hambantota**
59, Main Street,
Tel: 047-2222572
- 44. Hingurakgoda**
59, 3rd Cross Street,
Tel: 027-2246345
- 45. Homagama**
64, High Level Road,
Tel: 011-2893426

- 46. Horana**
50/09/C,
Graceland Circular Road,
Tel: 034-2261351
- 47. Horowpothana**
Rest House Junction,
Tel: 025-2278600
- 48. Ja-Ela**
205/1/1, Negombo Road
Tel: 011-2233169
- 49. Jaffna**
571, Hospital Road,
Tel: 021-2222023
- 50. Kadawatha**
151/5, Kandy Road
Tel: 011-2921567
- 51. Kaduruwela**
720, Batticaloa Road,
Polonnaruwa
Tel: 027-2222954
- 52. Kaduwela**
482/8, Colombo Road
Tel: 011-2579976
- 53. Kahawatta**
46/1A, Walauwatta Road
Tel: 045-2270160
- 54. Kalawana**
56, Sampath Bank Building,
Matugama Road, Manana
Tel: 045-2255930
- 55. Kalmunai**
102/1, Police Station Road
Tel: 067-2229912
- 56. Kalutara**
55 1/1, Paranagama Building,
Galle Road
Tel: 034-2222474
- 57. Kandana**
54, Negombo Road
Tel: 011-2228848
- 58. Kandy-1**
25, Hill Street
Tel: 081-2234296
- 59. Kandy – FBD**
No. 6, Wadugodapitiya Road
Tel: 081-5627274
- 60. Kandy – 2**
06, Wadugodapitiya Street
Tel: 081-2224246
- 61. Kantale**
62/P, Main Street
Tel: 026-2234043
- 62. Katunayaka – EPZ**
Unit – No. 03, BOI Plaza Building,
EPZ Katunayaka
Tel: 011-2251394
- 63. Kegalle**
450 A, Meepitiya,
Tel: 035-2222531
- 64. Kekirawa**
81, Thalawa Road
Tel: 025-2264573
- 65. Kilinochchi**
31, A-09 Road, Karadippokku
Tel: 021-2280031
- 66. Kiribathgoda**
101/1, Galaha Junction,
Kandy Road,
Tel: 011-5554485
- 67. Kirulapone**
88, 1/1, 1st Floor,
High Level Road
Tel: 011-2514348
- 68. Kochchikade**
96, Chilaw Road
Tel: 031-2274626
- 69. Kotahena**
4th Floor, 178, Gold Tower,
George R. De Silva Mawatha
Tel: 011-5673345
- 70. Kuliapitiya**
74/A, Hettipola Road
Tel: 037-2281304
- 71. Kurunegala**
16/1, Dambulla Road
Tel: 037-2222376, 037-2227433
- 72. Kurunegala City**
63/1, Rajapihilla Road
Tel: 037-2234176
- 73. Maharagama**
128, Opposite Elhena Road,
Tel: 011-2843563
- 74. Mahiyanganaya**
14, Samanala Building,
1st Floor, Kandy Road
Tel: 055-2257179
- 75. Malabe**
821/3C, New Kandy Road
Tel: 011-2762312
- 76. Mannar**
Station Road,
(Opposite Pakiya Studio)
Tel: 023-2223236
- 77. Marawila**
83A, Negombo Road
Tel: 032-2254297
- 78. Matale**
134, Dharmapala Mawatha
Tel: 066-2233989
- 79. Matara**
5A, Hakmana Road,
Tel: 041-2227962
- 80. Mathugama**
79/1/1, Kalutara Road
Tel : 034-2247510, 034-5674654
- 81. Mawanella**
238, 1/1, Kandy Road
Tel: 035-2249335
- 82. Melsiripura**
197/1, Dambulla Road
Tel: 037-2250459
- 83. Minuwangoda**
21/B, M.P. De Z. Siriwardhana
Mawatha
Tel: 011-2280870
- 84. Monaragala**
114/1, Wellawaya Road
Tel: 055-2276145
- 85. Moratuwa**
710, Galle Road
Idama,
Tel: 011-5554451
- 86. Mullative**
Main Street,
Tel: 021 – 2290089
- 87. Narammala**
159/A, Supper City Building,
U.B. Wijekoon Mawatha,
Kurunegala Road
Tel: 037-2248920
- 88. Nawalapitiya**
79, Kothmale Road
Tel: 054-2222019
- 89. Negombo**
20, Rajapaksha Broadway
Tel: 031-2231374

BRANCH OFFICES CONTD.

90. Nelliadi

Main Street
Opposite People's Bank,
Tel: 021-2264686

91. Nikaweratiya

196, Puttalam Road
Tel: 037-2260279

92. Nittambuwa

New Super Market Complex
Tel: 033-2289709

93. Nugegoda

Sausiri Building, 4th Floor,
High Level Road
Tel: 011-2817739, 011-2826364,
011-5635464

94. Nuwara Eliya

60/1, Park Road
Tel: 052-2222759

95. Panadura

534, Galle Road
Tel: 038-2234736

96. Pilimathalawa

211/C, Colombo Road
Tel: 081-2575444

97. Piliyandala

34, Vidyala Mawatha,
Tel: 011-2613976

98. Pitakotte

463, Kotte Road
Tel : 011-2866755

99. Puttalam

80, Kurunegala Road
Tel: 032-2265324, 032-5672749

100. Ratmalana

143/2/4, Mount City, Galle Road,
Tel: 011-5635475

101. Ratnapura

258, Main Street
Tel: 045- 2222433

102. Rikillagaskada

68, Ragala Road
Tel: 081-2365279

103. Talgaswala

New Town
Tel: 091-2296268

104. Thambuttegama

137, Rajina Junction,
Kurunegala Road
Tel: 025-2275088

105. Tangalle

12, Indipokunagoda Road,
Tel: 047-2242514

106. Tissamaharama

211 B, Kachcheriyagama
Tel: 047-2237152

107. Trincomalee

46, Main Street
Tel: 026-2222434

108. Udugama

Pasans New Building,
Mavi Dola, Bar Junction
Tel: 091-2285097

109. Vavuniya

119/1, Kandy Road
Tel: 024-2222380

110. Veyangoda

166, Negombo Road
Tel: 033-2288027

111. Warakapola

459, Main Street
Tel: 035-2267747

112. Wariyapola

29/1, Adhikari Mawatha
Tel: 037-2267451

113. Wattala

396, Negombo Road
Tel: 011-5355531

114. Weligama

352/2,
Galle - Matara Middle Road
Tel: 041-2250647

115. Welimada

15 2/1, 2nd Floor,
New Shopping Complex,
Badulla Road,
Tel: 057-2245174

116. Wellawaya

145/1/1, Hambantota Road
Tel: 055-2274133

117. Wennappuwa

236/3/A, Chilaw Road
Tel: 031-2253319

CUSTOMER SERVICE CENTERS – 15

1. Divulapitiya

71/1, Diulapitiya Plaza,
Colombo Road
Tel : 031-5674774

2. Ganemulla

187/A/8, Main Street,
Tel: 033-5621208

3. Habaraduwa

Near the Petrol Shed,
Matara Road
Tel: 091-2282605

4. Hikkaduwa

231, Galle Road
Tel: 091-5627494

5. Imaduwa

New Shopping Complex,
Main Street
Tel: 091-5678781

6. Kamburupitiya

154 A/1, Matara Road,
Tel: 041-5670291

7. Karapitiya

Hirimbura Road
Tel: 091-2247191

8. Kirindiwela

27/8/1, Colombo Road,
Tel: 033-5621192

9. Medirigiriya

26, Main Street
Tel: 071-8600247

10. Middeniya

Walasmulla Road,
Tel: 047-5670437

11. Mirigama

Opposite Police Station
Tel: 033-2273441

12. Narahenpita

Department of Motor Traffic,
P.O. Box 533,
011-5746530

13. Pugoda

40/1, Kospitiyana
Tel: 033-5621223

14. Thanipolgaha

290, Henry Pedris Mawatha
Tel: 091-2227041

15. Urubokka

2nd Floor,
Shopping Complex,
Main Street
Tel: 041-5670420

CORPORATE INFORMATION

Name of the Company & Registered Office

Sri Lanka Insurance Corporation Ltd.
No. 21, Vauxhall Street, Colombo 2.
Tel : +94 11 2357457
Fax : +94 11 2447742
Web : www.srilankainsurance.com

Company Registration Number

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

Board of Directors

Mr. H. F. Imal S. Fonseka resigned w.e.f 06th November 2015. Mr. Keith D. Bernard and Mr. Asela S. Padmaperuma were appointed w.e.f 17th November 2015. Mr. P. P. J. Perera ceased to be a director w.e.f 30th March 2016 and accordingly, Mr. Pradeep A. Liyanamana was appointed to the Board w.e.f 30th March 2016.

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

Mr. Hemaka D.S. Amarasuriya
Mr. T.M.R. Bangsa Jayah
Prof. L.G. Chandrasena
Mr. P. Algama
Mr. Keith D. Bernard
Mr. A. Sanjaya Padmaperuma
Mr. Pradeep Liyanamana

Legal Form

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

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

Tax Payer Identification Number (TIN)

294001590

VAT Registration Number

294001590-7000

Company 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 (Formerly known as Sri Lanka Insurance Resorts and Spas (Pvt) Ltd)

Sub-Subsidiaries

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

Auditors

Auditor General

Bankers

People's Bank
Commercial Bank of Ceylon PLC
Nations Trust Bank PLC
DFCC Bank PLC
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 - Life

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

Actuary - Non-Life

M/s NMG Financial Services Consulting
65, Chulia Street
#37-07/08 OCBC Centre
Singapore 049513

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of SRI LANKA INSURANCE CORPORATION LTD will be held at the Auditorium of the Company at its Registered Office at No.21, Vauxhall Street, Colombo 02 on Thursday, 30th June 2016, at 10.00 a.m. for the following purposes:

01. Notice of the meeting and approval of shorter Notice.
02. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st December 2015 and the Report of the Auditors thereon.
03. To declare a First and Final Dividend of Rs. 3.34 per share amounting to Rs. 2,003,142,288.00 for the year ended 31st December, 2015, as recommended by the Directors.
04. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the appointment of Mr. Hemaka D. S. Amarasuriya, as a Director of the Company:

That the age limit of seventy years stipulated in section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. Hemaka D. S. Amarasuriya, who at the date of this resolution, is 72 years of age (having reached 70 years of age on 19th November 2013), and accordingly that Mr. Hemaka D. S. Amarasuriya be and is hereby appointed as a Director of Sri Lanka Insurance Corporation Ltd, in terms of section 211 of the Companies Act, No. 07 of 2007.

05. To elect Mr. Keith D. Bernard who retires in terms of Article 98 of the Articles of Association as a Director of the Company.
06. To elect Mr. Asela S. Padmaperuma who retires in terms of Article 98 of the Articles of Association as a Director of the Company.
07. To elect Mr. Pradeep A. Liyanamana who retires in terms of Article 98 of the Articles of Association as a Director of the Company.
08. To re-elect Professor L. G. Chandrasena who retires in terms of Article 92 of the Articles of Association as a Director of the Company.
09. To authorise the Directors to determine donations for the year 2016 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,

(Sgd.)

Varners International (Pvt) Ltd
Level 14, West Tower,
World Trade Center,
Colombo 01.

09th June 2016
Colombo

FORM OF PROXY

I/We* Of
 being a member /members* of Sri Lanka Insurance Corporation Ltd.

here by appoint: of of failing him/her*

Mr. Hemaka D. S. Amarasuriya of Colombo or failing him
 Mr. T. M. R. Bangsa Jayah of Colombo or failing him
 Prof. L. G. Chandrasena of Colombo or failing him
 Mr. P. Algama of Colombo or failing him
 Mr. Keith D. Bernard of Colombo or failing him
 Mr. Asela S. Padmaperuma of Colombo or failing him
 Mr. Pradeep A. Liyanamana

As my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our behalf at the Forty Two Annual General Meeting of the Company to be held on 30th June 2016 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

Resolutions	For	Against
1. Notice of the meeting and approval of shorter notice	<input type="checkbox"/>	<input type="checkbox"/>
2. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st December 2015 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
3. To declare a First and Final Dividend of Rs. 3.34 per share amounting to Rs. 2,003,142,288.00/- for the year ended 31st December, 2015 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. Hemaka D.S. Amarasuriya, Director who retires in terms of Sec.210 of the Companies Act having attained the age of 70 years on 19/11/2013, as a Director by passing the Ordinary Resolution set out in the notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr. Keith D. Bernard, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Mr. Asela S. Padmaperuma, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect Mr. Pradeep A. Liyanamana, Director who retires in terms of Article 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-elect Prof. L.G. Chandrasena, Director who retires in terms of Article 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorize the Directors to determine donations for the year 2016 and upto the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

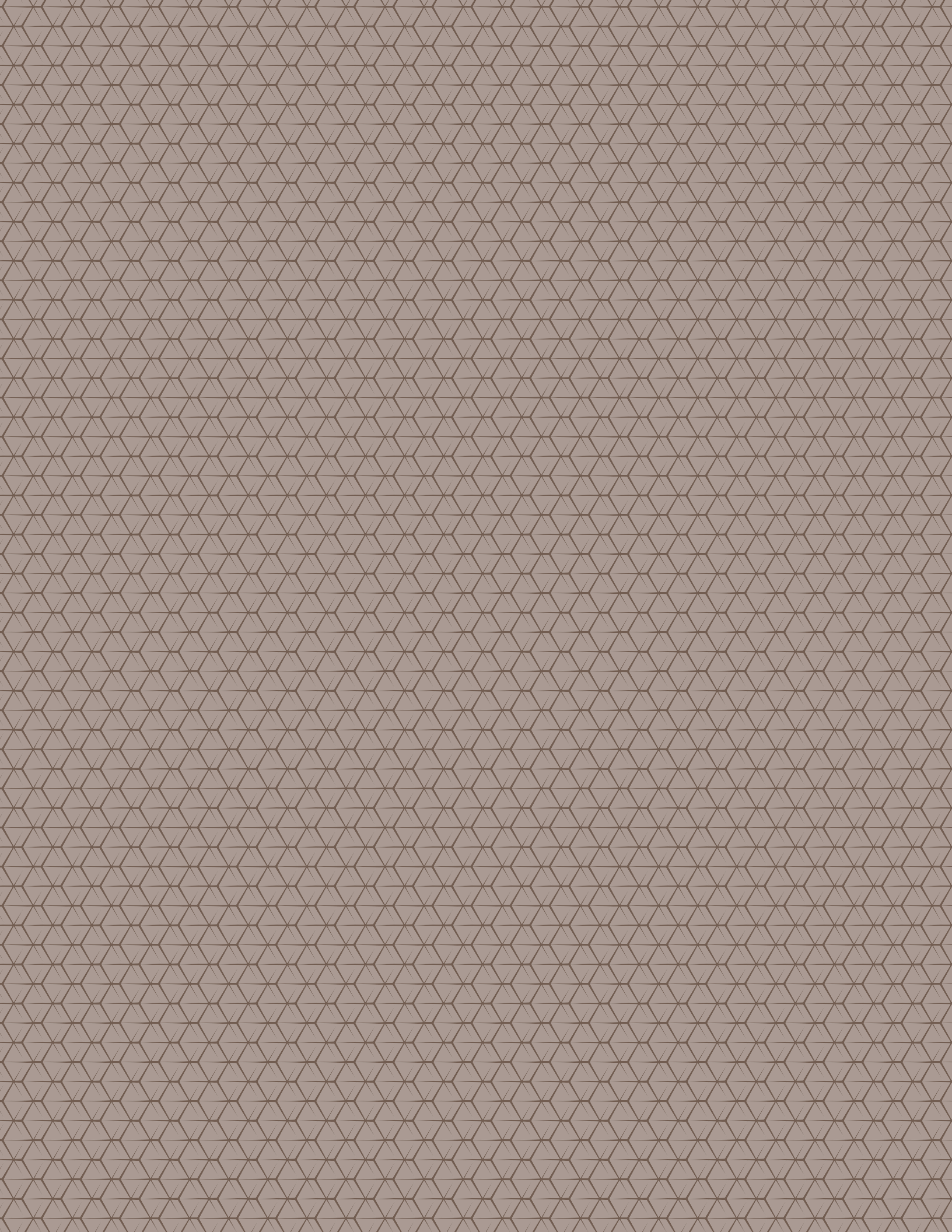
Signed this day of 2016

.....
 Signature of Shareholder/s

*Please delete the inappropriate words.

Note:

- (1) A Member Entitled to Attend and Vote at The Meeting is Entitled to Appoint a Proxy to Attend and Vote Instead of Him.
- (2) A Proxy Need not be a Member of the Company.
- (3) The Completed Form of Proxy Must be Deposited at the Registered Office of the Company at the Company Secretariat, Sri Lanka Insurance Corporation Ltd, 08th Floor, No. 21, Vauxhall Street, Colombo 02, Not Less Than 48 Hours Before The Time Fixed For The Meeting.





Sri Lanka Insurance

Like a father - Like a mother

"Rakshana Mandiraya"

No.21, Vauxhall Street, Colombo 2, Sri Lanka.

www.srilankainsurance.com