LIFE INSURANCE CORPORATION (LANKA) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LIFE INSURANCE CORPORATION (LANKA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Life Insurance Corporation (Lanka) Limited ("the Company"), which comprise the statement of financial position as at 31st December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 8 to 57.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 33 to the financial statements, which indicates that the Company recorded accumulated losses of Rs.516,691,801- as at 31 December 2022. The Company reported negative operating cash flows of Rs. 636,221,070/- as at that date. Further, the Company has not maintained the Total Available Capital (TAC) of Rs. Five Hundred Million as at 31st December 2022 as stipulated in the "Solvency Margin (Risk Based Capital) Rules 2015". As stated in Note 33, these events or conditions, along with other matters as set forth in said note, indicate that a material uncertainty exists that may cast substantial doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. These financial statements do not include any other information.
Our opinion on the financial statements does not cover any other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained allthe information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

However, it should be noted that the Company's net assets are less than half of its stated capital resulting in a serious loss of capital situation as per the section 220 of the Companies Act No. 07 of 2007 for which the actions prescribed the said Act are pending.

As required by section 47(2) of the Regulations of Insurance Industry Act, No. 43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

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CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
27th April 2023

As at 31 December,	Note	2022 Rs.	2021 Rs.
Assets			
Property, plant and eqnipment	5	**12,951,073**	20,994,880
Right of use asset	6	**11,822,044**	25,470,824
Investment property	7	**425,000,000**	300,000,000
Intangible assets	8	-	-
Financial investments	9	**2,374,825,542**	2,837,601,801
Loans to life policyholders	10	**110,934,225**	96,313,986
Premium receivables	11	**13,703,555**	11,696,637
Deferred tax asset	26.3	**32,713,102**	20,450,096
Other assets	12	**65,985,244**	51,672,133
Cash and cash equivalents	13	**85,897,275**	134,334,622
Total assets		**3,133,832,060**	3,498,534,979
Equity and liabilities			
Equity			
Stated capital	14	**870,000,000**	839,015,838
Accumulated losses		**(516,691,801)**	(555,877,171)
Available for sale reserve		**(95,262,116)**	(14,670,975)
Revaluation reserve		**61,899,216**	61,899,216
Total equity		**319,945,299**	330,366,909
Liabilities			
Insurance contract liabilities	15	**2,609,479,412**	2,929,298,352
Retirement benefits obligations	16	**17,168,705**	20,533,557
Premium deposits	17	**16,642,843**	57,502,188
Trade and other payables	18	**86,879,970**	116,213,914
Bank overdraft	13	**83,715,831**	44,620,060
Total liabilities		**2,813,886,761**	3,168,168,071
Total equity and liabilities		**3,133,832,060**	3,498,534,979

The Notes to the Financial Statements form an integral part of these Financial Statements.

These financial statements are in compliance with the requirments of the Companies Act No. 07 of 2007.

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Finance Manager

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

Signed for and on behalf of the Board,

....
Director

....
Director

Colombo, Sri Lanka
27 April 2023

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For the year ended 31 December,	Note	2022 Rs.	2021 Rs.
Gross written premiums	19	**753,996,958**	1,004,700,367
Premiums ceded to reinsurers		**(2,048,495)**	(3,954,321)
Net earned premiums		**751,948,463**	1,000,746,046
Other revenue			
Investment income	20	**271,763,752**	273,961,087
Realised gains	21	**30,224,643**	45,538,043
Fair value losses	22	**(165,694,184)**	(45,269,446)
Fair value gain on investment property	7	**127,986,311**	57,889,762
Other income	23	**7,420,880**	8,523,084
Other revenue		**271,701,403**	340,642,530
Net income		**1,023,649,866**	1,341,388,575
Net benefit and claims			
Gross benefits and claims paid	24	**(858,299,318)**	(879,021,847)
Gross change in contract liabilities and retained surplus	15	**320,438,694**	57,133,778
Underwritting and net acquisition costs		**(64,206,572)**	(89,149,325)
Other operating and administrative expenses	25	**(350,895,854)**	(256,666,914)
Finance cost		**(51,199,033)**	(33,565,825)
Total benefits claims and other expenses		**(1,004,162,083)**	(1,201,270,134)
Profit/ (loss) before tax		**19,487,782**	140,118,440
Income tax expense	26	**12,263,006**	-
Profit/ (loss) for the year		**31,750,788**	140,118,440
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
- Net change in fair value of available-for-sale financial assets	9.3	**(80,591,141)**	(59,029,705)
Items that will not be reclassified to profit or loss			
- Actuarial gains/(losses) on defined benefit plans	16.1	**7,434,581**	(579,286)
Total other comprehensive income/(loss) for the year, net of income tax		**(73,156,560)**	(59,608,991)
Total comprehensive income/(loss) for the year		**(41,405,772)**	**80,509,449**
Basic and diluted earnings/(loss) per share (Rs.)	27	**0.38**	2.16

The Notes to the financial statements form an integral part of these financial statements.
Figures in brackets indicate deductions.

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LIFE INSURANCE CORPORATION (LANKA) LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Stated capital	Revaluation reserve	Available for sale reserves	Accumulated losses	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2021	650,000,000	61,899,216	44,358,730	(695,416,325)	60,841,621
Total comprehensive income for the year					
Loss for the year	-	-	-	140,118,440	140,118,440
Other comprehensive income for the year					-
-Net change in fair value of available-for-sale financial assets	-	-	(59,029,705)	-	(59,029,705)
-Related tax	-	-	-	-	-
-Actuarial gains / loss on defined benefit plans	-	-	-	(579,286)	(579,286)
Shares issued during the year	189,015,838	-	-	-	189,015,838
Total other comprehensive income/(loss) for the year	189,015,838	-	(59,029,705)	(579,286)	129,406,847
Total comprehensive income/(loss) for the year	189,015,838	-	(59,029,705)	139,539,154	269,525,288
Balance as at 31st December 2021	839,015,838	61,899,216	(14,670,975)	(555,877,171)	330,366,909
Balance as at 01 January 2022	**839,015,838**	**61,899,216**	**(14,670,975)**	**(555,877,171)**	**330,366,909**
Total comprehensive income for the year	-	-	-	-	-
Profit for the period	-	-	-	**31,750,788**	**31,750,788**
Other comprehensive income for the year	-	-		-	-
-Net change in fair value of available-for-sale financial assets	-	-	**(80,591,141)**	-	**(80,591,141)**
-Actuarial gains on defined benefit plans	-	-	-	**7,434,581**	**7,434,581**
Total other comprehensive income/(loss) for the year	-	-	**(80,591,141)**	**7,434,581**	**(73,156,560)**
Issue of shares	**30,984,162**	-	-	-	**30,984,162**
Total comprehensive income/(loss) for the year	**30,984,162**	-	**(80,591,141)**	**39,185,369**	**(10,421,610)**
Balance as at 31st December 2022	**870,000,000**	**61,899,216**	**(95,262,116)**	**(516,691,801)**	**319,945,299**

Nature and purpose of reserves

a. Revaluation reserve - The revaluation reserve relates to the revaluation of land and building immediately before its reclassification as investment property. Refer note 7.1.1

b. Available for sale reserve - The cumulative net change in the fair value of AFS investments

The Notes to the financial statements form an integral part of these financial statements.

Figures in brackets indicate deductions.

For the Year Ended 31 December,	Note	2022 Rs.	2021 Rs.
Cash flow from operating activities			
Profit/ (loss) before tax		**19,487,782**	140,118,440
Adjustments for:			
Interest income	**20**	**(263,456,566)**	(262,225,292)
Dividend income	**20**	**(8,307,186)**	(11,735,795)
Amortisation of intangible assets	**8**	**-**	291,509
Depreciation of property, plant and equipment	**5**	**10,368,671**	9,782,754
Depreciation of right of use asset	**6**	**13,648,781**	16,107,390
Interest on lease liability	**18**	**1,862,519**	2,908,936
Provision for employee benefits	**16**	**4,124,084**	4,041,977
Net fair value (gain)/losses	**22**	**165,694,184**	45,269,446
Fair value gain - investment property	**7**	**(127,986,311)**	(57,889,762)
Net realized gain on investments at fair value through profit or loss	**21**	**(30,224,643)**	(45,538,043)
Adjustments			
Loss on sale of property, plant and equipment	**23**	**194,224**	166,546
		(214,594,463)	(158,701,894)
Changes in working capital			
(Increase)/Decrease in loans to life policyholders	**10**	**(14,620,239)**	54,503,160
(Increase)/Decrease in premium receivables	**11**	**(2,006,918)**	(4,021,643)
(Increase)/Decrease in other assets	**12**	**(14,313,111)**	(1,937,668)
Increase/(Decrease) in other liabilities	**18**	**(29,337,185)**	(97,761,428)
Increase/(Decrease) in insurance contract liabilities	**15**	**(320,438,694)**	(57,133,778)
Increase/(decrease) in premium deposits	**17**	**(40,859,345)**	47,708,253
Increase /(decrease) in agency commission and allowance payable		**3,240**	-
Cash flow from operating activities		**(636,166,715)**	(217,344,998)
Gratuity paid	**16**	**(54,355)**	(198,785)
Net cash used in operating activities		**(636,221,070)**	(217,543,783)
Cash flow from investing activities			
Net acquisition of investment securities	**9**	**222,230,487**	(145,031,284)
Interest received		**305,200,275**	216,809,743
Dividend received	**20**	**8,307,186**	11,735,795
Acquisition of property, plant and equipment	**5**	**(2,519,088)**	(8,690,360)
Proceeds from the sale of property, plant and equipment		**1,500**	44,100
Net cash generated from investing activities		**533,220,360**	74,867,995
Cash flow from financing activities			
Proceeds on share issue	**14**	**30,984,162**	189,015,838
Repayments of lease liability	**18**	**(15,516,570)**	(28,839,785)
Net cash generated from/ (used in) financing activities		15,467,592	160,176,053
Net increase/ (decrease) in cash and cash equivalents		**(87,533,115)**	17,500,265
Cash and cash equivalents at the beginning of the year		**89,714,559**	72,214,294
Cash and cash equivalents at the end of the year	**13**	**2,181,444**	89,714,559

The Notes to the Financial Statements form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

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1. CORPORATE INFORMATION

1.1 Reporting entity

Life Insurance Corporation (Lanka) Limited, ("the Company") is a public company incorporated on 7th October 2002 and domiciled in Sri Lanka. The registered office is situated at No. 65, Braybrooke Place, Colombo 02 and the principal place of business is situated at 29/2, Sharnell Building, Visaka Road, Colombo 04.

1.2 Principal Activities and Nature of Operations

The Principal activity of the Company is life insurance business.

There were no significant changes in the nature of the principal activities of the Company during the financial year ended 31 December 2022.

1.3 Parent Entity and Ultimate Parent Entity

The Company is 80% owned by Life Insurance Corporation of India which is the immediate and ultimate holding company.

1.4 Number of employees

The staff strength of the Company as at December 31, 2022 was 103 (2021 was 99).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

Approval of financial statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs and LKASs).

The financial statements for the year ended 31 December 2022 were authorized for issue by the directors on 27 April 2023.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following;

- Financial instruments classified as fair value through profit or loss are measured at fair value (Note 3.2)
- Available-for-sale financial assets are measured at fair value (Note 3.2)
- Life insurance fund has been measured at actuarially determined values (Note 3.9)
- Liability for defined benefit obligations is recognized at the present value of the defined benefit Obligation (Note 3.10.3)
- Re-valuation of land and building held as investment property. (Note 3.6)
- Going concern basis for accounting

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency.

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the relevant notes as follows;

2.4.1 Significant accounting judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in these Financial Statements are as follows:

- Lease terms-Extension option- (Note 3.5)
- Classification of financial assets (Note 3.2)
- Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features (Note 3.1)

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2.4.2 Accounting assumptions and estimate uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments for the year ended 31 December 2022 are included in the following notes. Insurance contract liabilities and key actuarial assumptions (Note 3.9)

- Liability Adequacy Test (LAT) (Note 3.9)
- Fair value of land and building classified as investment property (Note 07)
- Measurement of defined benefit obligation: key actuarial assumptions (Note 3.10.3)
- Recognition of deferred tax asset (Note 3.19.2)

2.4.3 Insurance Contract Liabilities

The valuation of the Long-Term insurance business as at 31st December 2022 was carried out by the Consultant Actuary based on the assumptions set out in Note 15.1 to the Financial Statements.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standards.

2.6 Foreign currency transactions

All foreign exchange transactions are converted to the functional currency, at the rates of exchange prevailing at the time the transactions were affected. Insurance contracts which were underwritten in foreign currency are converted to functional currency at the rates of exchange prevailing at the time of underwriting and Revenue is recognised accordingly.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 Insurance contracts

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

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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 Company (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 policy holders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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

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

All the products sold by the 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 balance sheet date.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

3.2 Financial instruments

The Company classifies on-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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

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3.2.1 Non-derivative financial assets and financial liabilities – Recognition and de- recognition

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

3.2.2 Non-derivative financial assets –Measurement

Financial assets at fair value through profit or loss	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.
Held-to-maturity financial assets	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.
Loans and receivable	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. Loans and receivables comprise cash and cash equivalents, staff loans, and policy holder loans, including related party receivables. Quoted debentures have been classified as loans and receivables by considering the inactive nature, i.e. breadth and depth of the market.
Available-for-sale financial assets	These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Reinsurance

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

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

Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

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

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

Reinsurance assets or liabilities are de-recognised 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.

The Company decided to account for life insurance premiums on accrual basis in accordance with Sri Lanka Accounting Standards. Accordingly, due Life Insurance premiums (only the premiums due in the 30day 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

3.2.3 Non-derivative financial liabilities –Measurement

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

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

3.2.4 Fair Value Measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following,

1. the particular asset or liability that is the subject of the measurement
2. for an on-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
3. the principal (or most advantageous) market for the asset or liability
4. the valuation technique(s)appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3.2.5 Determination of Fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

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Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2-Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices); and

Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3.2.6 Amortised cost measurement

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

3.2.7 Reclassification

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted following initial recognition.

Held for trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity. Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognized in shareholder's equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

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3.3 Impairment

3.3.1 Non-derivative financial assets.

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, 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; or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost	The Company 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.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the 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 statement of profit or loss; otherwise, it is reversed through OCI.

3.3.2 Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than 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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

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

3.4 Property, Plant and Equipment

3.4.1 Recognition and measurement

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Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

3.4.2 Subsequent costs

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

3.4.3 Depreciation

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

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

Furniture and fittings	5 years
Office equipment	5 years
Name boards and signboards	3 years
Motor vehicles	4 years
Computer hardware	3 years
Electric fittings	3 years
Lease hold improvements (Fixtures)	Based on Lease Agreement period

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The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3.4.4 De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de- recognition of an item of Property, Plant and Equipment is included in profit or loss when the item is de-recognised.

3.4.5 Revaluation

Land and building owned by the Company is re-valued to ensure the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognized in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the statement of comprehensive income. Any decrease in the carrying amount is recognized as an expense in the statement of comprehensive income or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. As a practice company doing the valuation every year.

3.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- The contract involves the use of an identified asset—this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplies has substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lease, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re- measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets that do not meet the definition of investment properly in right-to-use asset and lease liabilities in trade and other payables in the statement of financial position.

Short-term leases and leases with low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short- term leases that have a lease term of 12 months or less and leases of low-value assets, if any. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.6 Investment Property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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

3.7 Intangible assets -Software

3.7.1 Basis of recognition

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

All computer software cost incurred, licensed to be used by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the balance sheet under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.7.2 Subsequent Expenditure

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

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3.7.3 Amortisation

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

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

3.7.4 De-recognition

An Intangible Asset is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such Intangible Assets is included in profit or loss when the item is derecognized.

3.8 Stated Capital

3.8.1 Ordinary Share Capital

Ordinary Shares are classified as equity.

3.9 Insurance contract liabilities

3.9.1 Insurance Provision – Life Insurance

Life insurance liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium Valuation method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) based on the recommendation of the Independent 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 IRCSL specified guidelines and current assumptions which vary based on the contract.

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

3.9.2 One Off Surplus Arising From Change In Policy Liability Valuation

Based on the letter issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) dated 30 December 2016, all insurance companies have been instructed to maintain the one- off surplus arising from change in policy liability valuation as at 31/12/2015 within the long- term insurance fund/insurance contract liabilities identified separately. Accordingly, the one- off surplus is identified separately within the insurance contract liabilities as "Surplus created due to changes in valuation method from NPV to GPV" and will not be transferred/distributed until specific instructions are issued by IRCSL.

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3.10 Employee benefits

3.10.1 Short-term benefits

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

3.10.2 Defined contribution plans

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

Employee Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to EPF.

Employees Trust Fund

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

3.10.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is calculated annually by the Company, using internally generated method. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The assumptions based on which the results of the valuation were determined are included in the note 16 to the Financial Statements.

The Company has obtained an insurance policy to meet the future defined benefit obligation. Based on the insurance policy the Company has recognised its right to reimbursement as a separate asset. The insurance policy obtained is structured to meet the employee benefit obligation.

The Company recognizes all actuarial gains and losses arising from defined benefit plan in othercomprehensiveincomeandexpensesrelatedtodefinedbenefitplansinstaffexpenses in profit or loss.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19. However, 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.

3.11 Provisions

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

3.12 Capital Commitments and Contingencies

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

3.13 Revenue recognition

3.13.1 Insurance Premiums

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

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

3.13.2 Reinsurance premiums

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

3.14 Interest income

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

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

3.15 Dividends

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

3.16 Reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

3.17 Benefits, claims and expenses

3.17.1 Gross benefits and claims

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

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

3.17.2 Reinsurance claims recoveries

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

3.17.3 Acquisition Costs

All acquisition cost are recognised as an expense when incurred.

3.18 Other Expenses

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

3.19 Income Tax expense

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

3.19.1 Current income tax

The Inland Revenue Department has issued Inland Revenue Act No. 24 of 2017 which replaced the Inland Revenue Act, No.10 of 2006. The new Act was effective from 01st April 2018.

3.19.2 Deferred tax

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

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Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the Statement of Financial Position, the Company has deferred tax liabilities arising from land revaluation, Property Plant and Equipment and the gain on available for sale financial investments.

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

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

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3.20 Events Occurring after the Reporting Date

All material subsequent events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.21 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

3.22 Earnings Per Share (EPS)

The Company presents basic (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.23 Statement of Cash Flow

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, Cash Flow Statements.

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

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

3.24 Standards Issued but Not yet Effective

3.24.1 Standards issued but not yet effective which may have an Impact

SLFRS 9 Financial Instruments and Amendments to SLFRS 4 Insurance Contracts

SLFRS 9, issued in 2014, 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, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual periods beginning on or after 1 January 2025 for insurance companies.

Based on the proposed amendments to SLFRS 4 'Insurance contracts', the entities whose predominant activity is issuing insurance contracts are permitted to defer the full application of SLFRS 9 until its mandatory effective date or adopting the revised SLFRS 4, which is currently expected to commence in 2025. An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

(a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss

(b) its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date.

The Company will decide on appropriate classification of its investments under SLFRS 9 closer to the time of adopting the revised SLFRS 4 and so is not able to fully quantify the impact of adopting SLFRS 9 on its financial statements as at reporting date. It is not anticipated however that it will significantly change the company's total equity.

Assessment for qualifying for the temporary exemptions

Based on SLFRS 17 - Insurance Contracts, the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria:

1. The Company has not applied SLFRS 9 before; and
2. Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance, including investment contracts measured at fair value through profit or loss, compared with total liabilities which is greater than 90%. Accordingly, the Company qualifies as a pure insurance Company.

	31 Dec 2022 (Rs'000)	**31 Dec 2021 (Rs'000)**
Insurance contract liabilities	2,609,479	2,929,298
Premium deposits	16,643	57,502
Amount due to GIC	4,680	10,198
Outstanding maturity & survival benefit claims	5,303	22,313
Agency commission and allowance payable	581	578
Total liabilities	**2,813,887**	**3,168,168**
Predominance ratio	**94%**	**95%**

Disclosures to Provide Comparability

Business Model Assessment

The Company will make an assessment of the objective of the business model when a financial asset is held at a portfolio level since this best reflects the way the business is managed and information flow to the management.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

i. Classification - Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects characteristics of cashflows of assets and the business model in which assets are managed.

SLFRS 9 includes three principal classification categories for financial assets; measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). It replaces the existing four categories under LKAS 39 of held to maturity (HTM), loans and receivables (L&R), fair value through profit or loss (FVTPL) and available for sale (AFS).

The table below provides an initial assessment made by the Company on its financial assets portfolio;

Financial assets that meet the SPPI Test, Solely Payment of Principal and Interest (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current classification	Carrying value Under LKAS 39 (Rs'000)	Classification under SLFRS 9	Carrying value (Rs'000)	Changes in Carrying value (Rs.000)
Quoted debentures	L&R	229,859,297	Amortized Cost	229,859,297	-
Fixed deposits	L&R	562,659,679	Amortized Cost	562,659,679	-
Treasury bonds	AFS	108,283,294	FVOCI	108,283,294	-
Treasury bonds	HTM	1,248,636,617	Amortized Cost	1,248,636,617	-
Equity shares	FVTPL	225,386,655	FVTPL	225,386,655	-

All other financial assets (that meet the definition of held for trading or managed and evaluated on a fair value basis)

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance.
- The equity investment securities that are classified as fair value through profit or loss under LKAS 39 will be remained under FVTPL and measured at fair value under SLFRS 9.

ii. Impairment - Financial Assets, Loan Commitments and Financial Guarantee Contracts

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL), which will be determined on a probability weighted basis.

The new impairment model applies to financial assets that are debt instruments, that are not measured at FVTPL.

SLFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company will recognise loss-allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs.

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.

Impact Assessment

- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance.
- The equity investment securities that are classified as fair value through profit or loss under LKAS 39 will be remained under FVTPL and measured at fair value under SLFRS 9.

Debt investment securities that are determined to have low credit risk at the reporting date. The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade'; and

Other financial instruments for which credit risk has not increased significantly since initial recognition

Based on the internal assessment, there would have been no significant impact on the financial statement had the Company adopted SLFRS 9 as at reporting date.

SLFRS 17 Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01st January 2025. Early adoption is permitted along with the adoption of SLFRS 9 and SLFRS 15. SLFRS 17 supersedes SLFRS 4 Insurance contracts. The Company is intended to adopt the new standard on its mandatory effective date.

SLFRS 17 requires liabilities for insurance contracts to be recognized as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day – one gain arising on initial recognition. Losses are recognized directly to the income statement. For the measurement purposes contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contacts under SLFRS 17 is represented by the recognition of the service provided to policy holders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit.

SLFRS 17 is expected to have a substantial changes in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition.

SLFRS 15 – Revenue from Contracts with Customers

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

3.24.2 Standard Issued but Not Yet Adopted Which May Not Have a Significant Impact

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Definition of Accounting Estimates (Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
- Disclosure Initiative: Accounting Policies – (Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgements)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to LKAS 12 Income Taxes)
- Classification of liabilities as Current or Non - Current and Non - Current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements)

4 Management of Insurance and Financial Risk

4.1 Introduction and Overview

The Company has implemented a risk management framework in order to identify, measure, mitigate and manage the various risks falling within credit, liquidity, market, operational and insurance categories. Risk reporting entails not only accounting but also the activities of risk management. The disclosures in the risk report largely adopt an economic view.

The Company has exposure to the following risks;

- Insurance risk
- Financial risk
    - ✓ Credit risk

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- ✓ Liquidity risk
- ✓ Market risk
- ✓ Operational risk

This section deals in detail with the various risks from insurance contracts and describe uncertainties in measuring them. In accordance with the requirements of SLFRS 4, the effects of a change in the assumptions underlying the measurement of insurance contracts and / or in the market environment are also quantified. In relation to financial instruments, SLFRS 7 stipulates that the disclosures must comprise information on the maximum credit risk exposure, the remaining terms, the rating, and a sensitivity analysis regarding the market risk. This information is also relevant for assessing the risk stemming from financial instruments.

4.2 Insurance Risk

By the very nature of an insurance contract, risk is based on fortuity and is therefore unpredictable. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces is that the actual claim and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Table A: Risk management procedures adopted by the Company to manage insurance risk

Area	Risk management procedure
Underwriting discipline	• Limits are set on underwriting capacity, and authority granted to individuals based on their specific expertise. • Only registered laboratories are used when obtaining medical reports and medical reports are sent to General Insurance Corporation (Re- Insurer) when the sum assured is above the threshold determined in the agreement. • Appropriate pricing guidelines have been set, with a focus on consistent technical pricing across the organization.

Reinsurance The Company obtains reinsurance to limit its exposure to individual risks and aggregation of risks arising from individual large claims and catastrophe events. The types of reinsurance obtained are as follows; ✓ Excess of loss reinsurance obtained to protect a range of individual inwards contracts which could give rise to individually large claims. ✓ Facultative reinsurance obtained to reduce risk relating to an individual specific inwards contract.	• Review adequacy of reinsurance support for catastrophe / extreme events on a regular basis. • Re- Insurance is done with the General Insurance Corporation of India.
Claims The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.	• Obtaining adequate reinsurance cover. • Adequate information is gathered to confirm the event occurred prior to processing the claim. • Management closely monitors claim reserves.

4.2.1 Life Insurance Contracts

Concentration risk

The Company defines concentration risk in the life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and /or obligations.

A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of risks.

Any potential change in the mix of the portfolio could significantly alter the nature of the overall risk. Hence the Executive Committee reviews risks inherent in all new business propositions against the risk appetite of the life business.

Risk Management–

Life insurance products include protection and annuity covers.

Protection product scarry mortality, longevity and morbidity risks as well as market and credit risk. The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premiums are differentiated, where permitted, for example by product, age, gender and smoker status. The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.
In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increase in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Company is exposed to policy holder behavior and expense risks. Policyholder behavior risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

Certain life insurance contracts contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees.

The Company is exposed to two main types of concentration risks in its life business:

- Market risk: Interest rate guarantees expose the Company to financial losses that may arise as a result of adverse movements in financial markets.

- Insurance risk: Main factors include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk.

Accordingly having a well-diversified portfolio of products reduces risk associated with the life business.

The Company's exposure to life insurance risks varies significantly by the product lines and may change over time.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

Table B: Concentration risk within the life business

Description	Insurance contract liabilities As at 31 December 2022 (Rs'000)	Insurance contract liabilities As at 31 December 2021 (Rs'000)
Participating	1,434,006	1,349,472
Non-participating	1,064,814	1,469,787
Life insurance fund-Surplus Created due to Change in Valuation	109,044	109,044
Total	**2,607,864**	**2,928,303**

Assumptions in Determining Life Insurance Contract Liabilities

Life insurance contracts, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

Sensitivity Analysis

The table C presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. For liabilities under life insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment.

No adjustments were required in 2022 or 2021, based on the results of the liability adequacy test. The table C indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Table C: Sensitivity of the value of insurance liabilities for the year ended 31 December 2022

Assumption	Change in assumptions	Impact on liabilities
Mortality	+10%	100.19%
	-10%	99.82%
Discount rate	+50 basis points	98.83%
	-50 basis points	101.49%

4.3 Financial Risk

4.3.1 Introduction and overview

The Company is exposed to a range of financial risks through its;

- Financial assets
- Financial liabilities
- Reinsurance receivable sand
- Insurance liabilities

In particular, the key financial risk is investment proceeds not being sufficient to fund the obligations arising from insurance contracts. The key risk categories are;

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

4.3.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's credit risk could mainly arise from;

- Financial investments in debt securities
- Reinsurance receivable
- Premiums receivable
- Life policyholders and others
- Cash and cash equivalents and
- Other financial receivables

The Company manages credit risk exposure within parameters that reflect the Company's strategic objectives and risk tolerance. Sources of credit risk are identified, assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories.

Credit Risk Exposure

The Company's exposure to credit risk as at the balance sheet date is given in table D with the comparative figures and has been derived as per the company risk management policy of using the carrying values in the statement of financial Positions.

Table D: Credit risk exposure

As at 31 December	2022 Rs.'000	% of allocation	2021 Rs.'000	% of allocation
Financial Investments				
Debt securities - Held to maturity	1,248,636	58%	1,167,219	48%
Debt securities - Loans and receivables	792,519	37%	1,065,891	44%
Debt securities - Available for sale	108,283	5%	189,254	8%
Total debt securities	**2,149,438**	**100%**	**2,422,365**	**100%**
Life Policyholders loans	110,934	65%	96,313	41%
Premiums receivable	13,704	9%	11,697	5%
Other financial assets	43,127	25%	32,473	14%
Cash and cash equivalents	2,181	1%	89,715	40%
Total credit risk exposure	**169,946**	**100%**	**230,198**	**100%**

The Company is exposed to credit risk on securities issued by third parties. The Company limits its exposure by analyzing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue. The debt security investments are broadly categorized into investments in government securities and investments in corporate debt securities.

Table E: Credit risk - financial investments in Debt securities

As at 31 December	2022		2021	
	Rs.000	**% of total**	**Rs.000**	**% of total**
Government securities and related institutions	1,356,919	85%	1,356,473	85%
Corporate debt securities.	229,859	15%	234,878	15%
Total	**1,586,778**	**100%**	**1,591,351**	**100%**

Table F: Corporate debt security allocation - credit rating wise

As at 31 December	2022		2021	
Rating	**Rs.000**	**% of total**	**Rs.000**	**% of total**
AAA+			-	-
AAA			46,436	20%
AAA-			-	-
AA+			-	-
AA	35,543	15%	-	-

AA-	33,212	14%	41,145	17%
A+	51,804	23%	35,274	15%
A	29,040	13%	108,396	46%
A-	80,260	35%	116,002	49%
BBB+			3,627	2%
BBB			-	-
BBB-			-	-
Total	**229,859**	**100%**	**234,878**	**100%**

4.3.2.1 Credit risk relating to Reinsurance Receivable

As part of its overall risk management strategy, The Company cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes the Company to credit risk.

Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews.

4.3.2.2 Credit Risk relating to Loans to Life Policyholders and Others

The credit risk exposure arising from loans granted to policyholders, staff and field staff are as follows;

Table G

Loan category	2022 Rs.'000	2021 Rs.'000
Policyholders	110,934	96,313
Staff loans	17,315	10,192
Loans to agents	573	764
Total	**128,822**	**107,269**

A loan issued by an insurance company considers the surrender value of the life policy as collateral. As at the reporting date, the value of policy loans granted amounted toRs.46million (2021 –Rs.15million).

The Company grants loan facilities to staff including field staff after a robust process of evaluating the credit worthiness of the individual, value of the facility and the related collateral.

4.3.2.3 Credit Risk relating to Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs.2.2Mn as at 31st December 2022 (2021: Rs. 89.7Mn), which presents its maximum credit exposure on these assets.

4.3.3 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic/ unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.
The following policies and procedures are in place to mitigate the exposure to liquidity risk:

- The Investment Committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity Profiles

The table H summaries the maturity profiles of non-derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable.
For insurance contracts liabilities and reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Table H: Maturity Profile

31 December 2022	Carrying Amount 000'	Current 000'	Non Current 000'	No Maturity Date 000'	Total 000'
Financial investments					
Held to maturity	1,248,636	-	1,248,636	-	1,248,636
Loans and receivables	792,519	-	792,519	-	792,519
Available-for-sale	108,283	-	108,283	-	108,283
Financial assets at fair value through profit or loss	225,387	-	-	225,387	225,387
Life Policyholders loans	110,934	-	110,934	-	110,934
Premiums receivable	13,704	13,704	-	-	13,704
Other financial assets	43,127	43,127	-	-	43,127
Cash and cash equivalents	2,181	2,181	-	-	2,181
Total undiscounted assets	**2,544,770**	**59,012**	**2,260,372**	**225,386**	**2,544,770**
Insurance contract liabilities - life	2,609,478	-	2,609,478	-	2,609,478
Reinsurance payable	4,680	4,680	-	-	4,680
Other financial liabilities	75,332	75,332	-	-	75,332
Lease liability	6,867	10,630		-	10,630
Total undiscounted liabilities	**2,696,357**	**90,642**	**2,609,478**	-	**3,044,977**
Total liquidity excess	**(151,587)**	**(31,630)**	**(349,106)**	**225,386**	**(500,207)**

31 December 2021	Carrying Amount 000'	Current 000'	Non Current 000'	No Maturity Date 000'	Total 000'
Financial investments					
Held to maturity	1,167,219	-	1,167,219	-	1,167,219
Loans and receivables	1,065,891	-	1,065,891	-	1,065,891
Available-for-sale	189,254	-	189,254	-	189,254
Financial assets at fair value through profit or loss	415,237	-	-	415,237	415,237
Life Policyholders loans	96,313	-	96,313	-	96,313
Premiums receivable	11,697	11,697	-	-	11,697
Other financial assets	32,473	32,473	-	-	32,473
Cash and cash equivalents	89,714	89,714	-	-	89,714
Total undiscounted assets	**3,067,798**	**134,154**	**2,518,677**	**415,237**	**3,067,798**
Insurance contract liabilities - life	2,929,298	-	2,929,298	-	2,929,298
Reinsurance payable	3,954	3,954	-	-	3,954
Other financial liabilities	87,440	87,440	-	-	87,440
Lease liability	20,522	4,479	16,042	-	20,522
Total undiscounted liabilities	**3,041,214**	**95,873**	**2,945,340**	-	**3,041,214**
Total liquidity deficit	**26,584**	**38,281**	**(426,663)**	**415,237**	**26,584**

4.3.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks:

- Equity price risk
- Foreign exchange risk and
- Interest rate risk

Exposure to market risk on these products is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

4.3.4.1 Equity Price Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments. The Company's equity risk management policies are;

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance

The risk exposure to listed equity securities as at 31st December 2022 with the comparatives are as follows;

Table I: Listed Equity Investment

Segment	2022 Rs.'000	2021 Rs.'000
Investment in equity shares	225,386	327,403
Total	**225,386**	**327,403**

The Company has no significant concentration of equity price risk as it has a diversified portfolio. The table J shows the sector diversity of quoted equity investments of the Company.

Table J: Portfolio diversification of equity investments

Sector	2022		2021	
	Rs.'000	%of total	Rs.'000	%of total
Banks Finance and Insurance	50,505	22.4%	81,539	25%
Beverage Food and Tobacco	108,012	47.9%	114,258	35%
Chemical Pharms			1,920	0.05%
Constructions			5,258	1.6%
Diversified Holdings			45,571	14%
Manufacturing	16,643	7.38%	34,824	11%
Auto mobile	1,450	0.64%	-	-
Commercial & Pr	1,918	0.85%	-	-
Software	5,950	2.64%	-	-
Capital Goods	28,593	12.69%	-	-
Consumer	2,115	0.94%	-	-
Hotel Travel	368	0.16%	23,975	7%
Household & Personal	6,001	2.66%	1,586	-
Real Estate	3,059	1.36%	-	-
Trading			7,467	0.04%
Investment & Trust			10,772	3.3%
Motors	152	0.07%	233	0.007%
Power	630	0.28%	-	-
Total	**225,386**	**100%**	**327,403**	**100%**

Table K: Sensitivity

The following table demonstrates the sensitivity of the Company's equity portfolio.

2022	5% increase in market price	5% decrease in market price
	P&L Impact (Rs)	**P&L Impact (Rs)**
Financial assets held for trading	11,269,333	(11,269,333)
2021	**5% increase in market price**	**5% decrease in market price**
	P&L Impact (Rs)	**P&L Impact (Rs)**

Financial assets held for trading	32,740,299	(32,740,299)

4.3.4.2 Foreign Exchange Risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Company's principal operation is based in Sri Lanka, therefore it is not exposed to the financial impact arising from changes in the exchange rates of various currencies.

4.3.4.3 Interest Rate Risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates.
The Company has adopted the following policies to manage interest rate risk.

- The Investment Committee members keep a regular track of macroeconomic scenarios and their likely impact on interest rates
- Initial recognition of investments is closely monitored

Floating rate instruments expose the company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

As at31 December 2022 there were no cash flow interest rate exposures, as the Company did not have any floating rate investments. However, The Company is exposed to fair value fluctuations on fixed rate investments which are measured at fair value.

4.3.5 Operating Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, Operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

Controls to manage the Operational Risk includes effective segregations of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risk such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

4.3.6 Regulatory capital - Risk Based Capital (RBC)Framework

As a regulator of the industry, Insurance Regulatory Commission of Sri Lanka has implemented a Risk Based Capital (RBC) Framework to monitor insurance companies in the country.

This framework, based on emerging international standards and good practices in developed countries, is risk focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities, will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of the Company.

Risks involved in order to comply with new RBC Framework

- Changing business strategy to align with the new regulatory environment
- Increase in compliance cost Risk

response to capital management

- In preparation for the adoption of the RBC Framework, the Company already uses appointed actuaries service.
- Closely follow up RBC guideline issued by IRCSL.

Summary of Company's compliances to the RBC framework describe as following table.

As at 31 December	2022 (Rs 000')	2021 (Rs 000')
Total Available Capital	254,098	565,340
Risk Based Capital Requirement	472,386	309,810
Risk Based Capital Adequacy Ration	54%	182%
Minimum Capital Requirement	500,000	500,000
Capital Adequacy Satisfied	No	Yes

4.4 Current economic condition

As at 31st December 2022 inflation rate was 57.2%. Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year financial statements since the conditions that gave rise to the gain/(loss) did not exist as of 31st December 2022.

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

Even though the economic crisis in the country, the Company has managed to survive in the industry while safeguard its customers and employees. The Company has taken the following measures in addition to the actions disclosed in note 33 to the financial statements.

- Manage to grow the business through acquiring new business opportunities while maintain the existing business portfolio
- Provide better client service and faster claim settlements
- Optimize the investment income with well managed investment portfolio and healthy cash flow position
- Implement cost controls and managed overhead expenses despite high inflation affect all areas of the economy.
- Prudent enterprise risk management policy and identifies business risk well in advance and makes corrective and precautionary actions to avoid possible losses.
- Current economic situation has badly affected purchasing power of people of Sri Lanka, also large number of people have lost their jobs/ Business resulting in less money in their hand to take new policies & also to pay renewal premiums.
- Due to the ongoing situation existing customers of Group Gratuity policies are also effected. Renewal and contribution of Group Gratuity policies are affected. Also, new customers because of cash crunch are delaying their finalization of their Group Gratuity policies.

The management of the entity continues to monitor the potential impact to the continuity of the business. Accordingly, macroeconomic variables are evaluated while making assumptions and judgments when preparing financial statements.

5 Property plant and equipment

	Furniture and fittings Rs.	Motor vehicles Rs.	Computers Rs.	Office equipments Rs.	Name boards and sign boards Rs.	Total Rs.
Cost						
Balance as at 1 January 2021	26,842,463	28,349,500	11,637,482	17,067,828	4,023,986	87,921,25
Additions during the year	5,782,900	-	1,862,100	711,080	334,280	8,690,36
Disposals during the year	(4,674,381)	-	(1,847,078)	(3,081,284)	(1,254,425)	(10,857,16
Balance as at 31 December 2021	**27,950,982**	**28,349,500**	**11,652,504**	**14,697,626**	**3,103,841**	**85,754,45**
Accumualted depreciation						
Balance as at 1 January 2021	21,920,295	18,071,267	11,332,099	11,036,195	3,263,484	65,623,33
Charge for the year	2,219,411	4,897,374	380,953	1,824,394	460,622	9,782,75
Disposals during the year	(4,560,349)	-	(1,838,931)	(3,076,196)	(1,171,046)	(10,646,52
Balance as at 31 December 2021	**19,579,357**	**22,968,641**	**9,874,121**	**9,784,393**	**2,553,060**	**64,759,57**
Carrying Value						
As at 31 December 2021	8,371,625	5,380,859	1,778,383	4,913,233	550,781	20,994,88
Cost						
Balance as at 1 January 2022	**27,950,982**	**28,349,500**	**11,652,504**	**14,697,626**	**3,103,841**	**85,754,45**
Additions during the year	**185,137**	-	**1,481,000**	**697,951**	**155,000**	**2,519,08**
Disposals during the year	**(28,000)**	-	**(235,000)**	-	-	**(263,00**
Balance as at 31 December 2022	**28,108,119**	**28,349,500**	**12,898,504**	**15,395,577**	**3,258,841**	**88,010,53**
Accumulated depreciation						
Balance as at 1 January 2022	**19,579,357**	**22,968,641**	**9,874,121**	**9,784,393**	**2,553,060**	**64,759,57**
Charge for the year	**2,466,323**	**4,897,375**	**847,214**	**1,759,616**	**398,143**	**10,368,67**
Disposals	**(28,000)**	-	**(40,776)**	-	-	**(68,77**
Balance as at 31 December 2022	**22,017,680**	**27,866,016**	**10,680,559**	**11,544,009**	**2,951,203**	**75,059,46**
Carrying Value						
As at 31 December 2022	**6,090,439**	**483,484**	**2,217,945**	**3,851,568**	**307,638**	**12,951,07**

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5.1 Fully depreciated assets

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 36.94 Mn (2019 - Rs.46.75 Mn).

5.2 The title restrictions on property plant and equipment

There were no restrictions on the title of the property, plant and equipment of the Company as at the reporting date.

5.3 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities of the Company as at the reporting date.

6 Right of use asset

	2022 Rs.	2021 Rs.
Cost		
Balance as at 1 January	**85,033,363**	85,033,363
Additions during the year	-	-
Balance as at 31 December	**85,033,363**	85,033,363
Accumulate depreciation		
Balance as at 1 January	**59,562,538**	43,455,148
Depreciation during the year	**13,648,781**	16,107,390
Balance as at 31 December	**73,211,319**	59,562,538
Carrying value		
As at 31 December	**11,822,044**	25,470,824

The Company leases buildings for branch operations.

7 Investment property

	Investment property Land Rs.	Investment property Building Rs.	2022 Total Rs.	2021 Total Rs.
Opening Balance	52,675,000	247,325,000	**300,000,000**	240,000,000
Reversal during the year	-	(2,986,311)	**(2,986,311)**	-
Change in fair value	7,525,000	120,461,311	**127,986,311**	57,889,762
Acquisitions during the year	-	-	-	2,110,238
Closing Balance	**60,200,000**	**364,800,000**	**425,000,000**	300,000,000

7.1 Measurement of Fair Values

7.1.1 Fair Value Hierarchy

The carrying amount of investment property is the fair value of property as determined by an external, independent property valuer, having an appropriate recognized professional qualification and recent experience in the location and the category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Company's investment properties.

The fair value measurement for the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

Address	Extent	Name of the Valuer	Market Value Rs.	Date of the valuation
LIC Tower, No 34-36, Sir Vaithiyalingam Thuraisamy Road, Jaffna	**Land - 30.1P Building - 29,982 Sqft**	Mr S Jeganathan B.Sc (Special) E.M.V (SL) F.I.V (SL)	Land - per perch Rs. 2,000,000/- Building - per average sqft Rs. 12,167	31-Dec-22

Valuation technique and significant unobservable inputs

Description	Fair value as at 31st December 2022	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	60,200,000	Income Approach	Outgoings RRIM - 10% Capitalisation 6% Rent per sqft.	The estimated fair value would increase / decrease if Repairs was lower / higher Rates was higher / lower Insurance was lower / higher Capitalisation rate was lower / higher
Building	364,800,000			

Amounts recognised in profit or loss

Monthly Rental Income of Rs 2,576,600 will be recognised in profit or loss under other income

As at 31 December,	Note	2022 Rs.	2021 Rs.
8 Intangible assets			
Computer software			
Cost			
Balance as at 1 January		**2,794,770**	2,794,770
Balance as at 31 December		**2,794,770**	2,794,770
Accumulated amortisation			
Balance as at 1 January		**2,794,770**	2,503,261
Amortisation for the year		**-**	291,509
Balance as at 31 December		**2,794,770**	2,794,770
Carrying amount as at 31 December		**-**	-
9 Financial investments			
Held to maturity (HTM)	**9.1**	**1,248,636,617**	1,167,219,176
Loans and receivables (L & R)	**9.2**	**792,518,976**	1,065,891,313
Available for sale (AFS)	**9.3**	**108,283,294**	189,254,605
Fair value through profit or loss (FVTPL)	**9.4**	**225,386,655**	415,236,707
Total financial investments		**2,374,825,542**	2,837,601,801
9.1 Financial investments - Held to maturity (HTM)			
Treasury bonds	**9.1.1**	**1,248,636,617**	1,167,219,176
		1,248,636,617	1,167,219,176

9.1.1 Government of Sri Lanka - Treasury bonds

	2022		2021	
Year of Maturity	**Face value**	**Amortised cost**	Face value	Amortised cost
	Rs.	Rs.	Rs.	Rs.
2023	**128,870,752**	**137,854,634**	68,484,277	68,298,078
2026	**295,200,000**	**268,520,670**	295,200,000	260,260,366
2028	**15,000,000**	**13,589,404**	15,000,000	13,361,195
2029	**33,000,000**	**41,044,484**	33,000,000	41,894,342
2030	**117,783,290**	**115,976,679**	117,783,290	115,761,842
2032	**352,900,000**	**284,964,614**	352,900,000	280,839,115
2033	**177,000,000**	**187,307,367**	177,000,000	187,552,771
2041	**40,000,000**	**41,746,725**	40,000,000	41,688,712
2043	**79,750,000**	**62,435,892**	79,750,000	62,239,081
2044	**50,000,000**	**58,130,383**	50,000,000	58,214,879
2045	**32,250,000**	**37,065,765**	32,250,000	37,108,794
	1,321,754,042	**1,248,636,617**	1,261,367,567	1,167,219,176

As at 31 December,

9 Financial investments (cont.)

9.2 Financial investments - Loans and receivables (L & R)

		Amortised cost 2022	Amortised cost 2021
Fixed deposits	9.2.2	562,659,679	831,013,033
Quoted debentures	9.2.1	229,859,297	234,878,280
		792,518,976	1,065,891,313

9.2.1 Quoted debentures

	Issue ratings	Date of maturity	No of debentures	Amortized cost 2022	Amortized cost 2021
Hatton National Bank PLC	AA-	30-Aug-23	112,930	11,587,603	11,590,510
Bank of Ceylon	AA	11-Jun-23	70,000	7,137,661	7,138,117
Commercial Bank PLC	AA	25-Feb-26	150,000	15,577,963	15,578,873
Seylan Bank PLC	A-	15-Jul-23	34,100	3,626,585	3,626,734
Commercial Bank PLC	AA	28-Oct-26	50,000	5,104,835	5,105,190
Hatton National Bank PLC	AA-	1-Nov-23	25,300	2,581,443	2,581,549
Samapth Bank PLC	AA-	21-Dec-22	50,000	-	5,017,046
Sri Lanka Telecom PLC	A	19-Apr-28	85,000	8,713,258	8,714,149
LOLC Finance PLC	A+	30-Jul-23	150,000	15,798,075	15,799,065
Siyapath Finance PLC	A-	8-Aug-24	166,700	17,517,398	17,520,394
Hatton National Bank PLC	AA-	23-Sep-24	100,100	10,331,427	10,332,288
HNB Finance PLC	AA-	30-Dec-24	100,000	11,292,921	11,294,315
First Capital PLC	A+	30-Jan-25	200,000	21,059,357	21,062,170
Commercial Leasing & Finance PLC	A-	24-Sep-25	500,000	54,011,460	53,997,000
DFCC Bank PLC	A	23-Oct-25	200,000	20,326,335	20,327,373
People Leasing Finance PLC	A+	9-Aug-24	145,000	14,947,011	14,947,011
Commercial Bank PLC	AA	21-Sep-26	100,000	10,245,963	10,246,498
				229,859,297	234,878,280

9.2.2 Fixed deposits

As at 31 December,	Issue ratings	2022	2021
Banks			
Commercial Bank PLC		92,574,028	162,744,853
Samapth Bank PLC		46,951,000	58,652,000
DFCC Bank PLC		34,366,651	30,903,000
NDB PLC		60,594,000	68,501,180
Finance Companies			
Commercial Leasing and Finance PLC	A-	213,137,000	156,026,000
Commercial Credit and Finance PLC	BBB	47,946,000	164,354,000
Lanka Orix Leasing Finance PLC	AA	26,883,000	79,320,000
Siyapatha Finance PLC	A-	9,800,000	25,112,000
LB Finance PLC	A-	30,408,000	56,911,000
Browan & Co PLC	A	-	28,489,000
		562,659,679	831,013,033

9.3 Financial investments - Available for sale (AFS)

Government of Sri Lanka Treasury bonds

Year of Maturity	Face value	2022 Amortized cost	2022 Fair value	2021 Amortized cost	2021 Fair value
2026	9,000,000	8,188,704	5,236,551	7,936,964	7,583,459
2030	73,216,710	72,890,563	41,511,385	72,787,939	72.037,182
2032	4,300,000	308,799	132,400	308,586	248.383
2041	10,000,000	10,784,811	6,725,910	10,788,654	10.819.739
2045	90,000,000	112,001,367	54,677,048	112,226,085	98.565.842
		204,174,244	108,283,294	204,048,229	189,254,605

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As at 31 December,

9 Financial investments (cont.)

9.4 Financial investments - Fair value through profit or loss (FVTPL)

	2022		2021	
	Cost	Fair value	Cost	Fair value
- Equity shares (Note 9.4.1)	228,954,273	225,386,655	309,916,738	327,402,993
- Unit trusts	-	-	80,000,000	87,833,713
	228,954,273	225,386,655	389,916,738	415,236,707

9.4.1 Equity shares

	2022			2021		
Name of the Investee	No. of shares	Cost (Rs.)	Fair value (Rs.)	No. of shares	Cost (Rs.)	Fair value (Rs.)
Access Engineering PLC	126,000	1,285,200	1,348,200	50,000	1,668,480	1,595,000
ACL Cables PLC	65,000	5,440,500	4,556,500	100,000	10,106,255	10,025,000
ACL Plastics PLC	500	227,500	182,500	-	-	-
Agalawatte Plantation PLC	80,000	2,536,000	2,552,000	-	-	-
Agstar PLC	-	-	-	150,000	1,515,000	1,590,000
Alumex PLC	260,000	2,054,000	1,872,000	-	-	-
AMBEON CAPITAL PLC	1,000	8,600	9,900	-	-	-
Bogala Graphite Lanka PLC	17,500	880,250	801,500	22,500	2,734,201	2,289,375
BUKIT DARAH PLC	2,931	893,955	855,119			
C T HOLDINGS PLC	37,370	6,166,050	6,539,750	37,370	6,166,050	6,222,105
Capital Alliance PLC	-	-	-	50,000	909,188	900,000
Cargi Boat Development Company PLC	-	-	-	1,000	68,762	68,000
Cargills (Ceylon) PLC	411	89,187	96,482	411	86,516	88,468
Carson Cumberbatch PLC	5,282	1,472,358	1,424,820	1,000	300,000	307,000
Central Finance PLC	22,500	1,487,250	1,305,000	-	-	-
Central Finance Co. PLC	-	-	-	314,990	28,946,935	29,294,070
Central Industries PLC	-	-	-	25,000	5,686,549	5,293,750
Ceylon Beverage Holding PLC	49,750	3,034,750	3,124,300	3,159	2,276,060	2,606,965
Ceylon Cold Stores PLC	1,944,120	73,876,560	71,738,028	195,657	103,698,210	103,698,210
Ceylon Grain Elevatoros PLC	85,415	7,567,769	6,875,908	-	-	-
Ceylon Guardians Investment Trust PLC	-	-	-	34,500	3,260,250	3,588,000
Ceylon Hotel Corporation PLC	-	-	-	100,090	1,577,320	1,841,656
Ceylon Tobaco Company PLC	6,211	3,731,258	3,881,875	6,211	5,557,292	5,453,258
CHEMANEX PLC	26,774	1,930,405	1,927,728	-	-	-
CIC PLC	-	-	-	150,000	8,235,000	9,750,000
Colombo Land PLC	14,310	231,822	224,667	-	-	-
DFCC Bank PLC	-	-	-	12,500	750,000	750,000
Dipped Products PLC	310,000	8,990,000	9,021,000	265,000	13,847,557	13,435,500
Distilleries Company of Sri Lanka PLC	-	-	-	100,000	1,680,000	1,700,000
ENTRUST PLC	12,500	-	-	-	-	-
Ex-pack corrugated cartons PLC	50,000	725,000	655,000	-	-	-
Hatton National Bank PLC	112,500	8,707,500	8,876,250	10,000	1,239,630	1,222,500
Haycarb PLC	25,000	1,477,500	1,440,000	25,000	1,865,000	1,920,000
Hayleys Leisure PLC	-	-	-	20,000	420,000	450,000
Hayleys PLC	82,500	6,105,000	5,610,000	-	-	-
HELA APPAREL PLC	44,200	411,060	375,700	-	-	-
Hemas Holdings PLC	125,000	7,025,000	7,050,000	200,000	13,660,000	13,380,000
Hatton National Bank PLC	-	-	-	90,000	12,987,160	12,150,000
Hnb Assurance PLC	92,000	3,588,000	3,946,800	175,000	7,534,230	8,470,000
HDFC Bank PLC	38,397	1,029,040	1,067,437	-	-	-
Hsenid Business Solutions PLC	350,000	5,950,000	5,950,000	10,700	133,750	370,220
Jat Holdings PLC	60,000	768,000	744,000	-	-	-
John Keels Holdings PLC	-	-	-	100,000	14,250,000	15,000,000
Kapruka Holdings PLC	100,000	880,000	850,000	-	-	-
Kelani Cables PLC	4,500	1,346,625	1,168,875	-	-	-
Kelani Tyres PLC	25,000	1,500,000	1,450,000	-	-	-
Kelsey Developments PLC	-	-	-	92,184	2,666,711	3,254,095
		161,416,139	157,521,338		265,014,102	265,683,172

Equity investments are carried to next page.

As at 31 December,

09 Financial investments (cont.)

9.4.1 Equity shares

Name of the Investee	2022 No. of shares	2022 Cost (Rs.)	2022 Fair value (Rs.)	2021 No. of shares	2021 Cost (Rs.)	2021 Fair value (Rs.)
L O L C Holdings PLC	10,500	4,318,125	4,179,000	-	-	-
Lanka Credit and Businees Finance PLC	500,000	1,050,000	1,150,000	500,000	1,850,000	1,950,000
Lanka Reality Investment PLC	196,000	2,156,000	1,979,600	100,000	2,732,262	2,600,000
Lion Brewary Ceylon PLC	-	-	-	895	494,264	492,250
LOLC Ceylon Holdings PLC	-	-	-	1,500	1,481,798	1,743,000
LOLC Finance PLC	292,223	2,279,339	2,396,229	-	-	-
Madulsima Plantations PLC	30,000	336,000	339,000	-	-	-
Maskeliya Plantation PLC	1,000	40,100	41,000	-	-	-
Melstacorp PLC	-	-	-	100,000	5,420,000	5,610,000
Nat Dev Bank PLC	26,608	923,298	851,456	25,000	1,752,500	1,722,500
Nestle Lanka PLC	-	-	-	1,000	1,213,440	1,215,500
Palm Garden Hotels PLC	1,000	55,200	55,300	-	-	-
People Leasing and Finance PLC	250,000	1,325,000	1,250,000	600,000	6,470,879	6,420,000
PRINTCARE PLC	35,000	2,271,500	1,918,000	-	-	-
R I L Property PLC	937	5,154	5,341	-	-	-
Regnis (LANKA) PLC	925	46,250	38,943	-	-	-
Renuka City Hotels PLC	1,000	373,250	368,750	15,722	4,634,939	5,557,727
Resus Energy Plc	-	-	-	10,000	394,367	409,000
Richard Pieris & Company PLC	50,000	1,130,000	1,205,000	-	-	-
Roiyal Ceramics Lanka PLC	270,000	8,262,000	7,641,000	-	-	-
S M B LEASING PLC	494,011	444,610	395,209	-	-	-
Sampath Bank PLC	-	-	-	150,000	8,055,000	7,815,000
Serindib Hoel PLC	-	-	-	20,498	207,362	235,727
Seylan Bank PLC	53,488	1,551,152	1,690,221	10,000	443,462	440,000
Seylan Bank PLC	105,571	1,689,136	1,710,250	59,984	2,048,162	1,997,467
SINGER (Sri Lanka) PLC	10,000	91,000	84,000	-	-	-
Softlogic Capital PLC	287,576	1,667,941	2,904,518	-	-	-
Softlogic Holdings PLC	121,000	2,202,200	1,923,900	-	-	-
Softlogic Life Insurance PLC	60,000	3,066,000	5,196,000	-	-	-
Sunshine Holdings PLC	370,000	14,043,924	12,876,000	350,000	-	15,890,000
Swadeshi Industries Works PLC	400	6,001,400	6,001,400	400	6,001,400	6,001,400
Teejay Lanka PLC	51,600	1,697,640	1,635,720	-	-	-
Union Bank PLC	125,000	937,500	825,000	125,000	1,450,000	1,387,500
United Motors Lanka PLC	2,500	155,750	152,250	2,500	252,800	232,750
Vallibel one PLC	140,000	4,522,000	4,214,000	-	-	-
Vallibel Power PLC	100,000	660,000	630,000	-	-	-
Watawalla Plantation PLC	56,868	4,236,666	4,208,232	-	-	-
		228,954,273	225,386,656		309,916,738	327,402,993

10 Loans to life policyholders

	2022 Rs.	2021 Rs.
Balance as at 1st January	71,076,222	108,871,233
Loans granted during the year	46,431,217	14,902,486
Repayments during the year	(27,511,045)	(52,697,497)
	89,996,394	71,076,222
Add Interest receivable	20,937,831	25,237,764
Provision for impairment	-	-
Balance as at 31st December	110,934,225	96,313,986

The Company made an assesment of the recoverability of the loans to life policy holders as at 31 December 2022. As a result, it was concluded that no provision for impairment is required

As at 31 December,		Note	2022 Rs.	2021 Rs.
11	**Premium receivables**			
	Premium receivables	11.1	**16,433,629**	13,983,520
	Provision for premium receivables	11.2	**(2,730,074)**	(2,286,883)
			13,703,555	11,696,637

11.1 Premium receivables

The Company has opted to record the life insurance premium on an accrual basis in accordance with SLFRS 4 - Insurance Contracts from 1 January 2014. The life insurance premiums for policies within the 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analyzing the default history.

11.2 Impairment losses on premium receivables

The Board of Directors has assessed potential impairment loss of premium receivables as at 31 December 2022. Based on the assessment, adequate impairment provision has been made in the financial statements as at the reporting date in respect of premium receivable.

As at 31 December,		Note	2022 Rs.	2021 Rs.
12	**Other assets**			
	Advance and deposits		**12,187,146**	8,441,780
	WHT Receivables		**13,838,539**	13,838,537
	Staff loans		**17,315,393**	10,191,797
	Insurance contract asset		**17,101,786**	11,925,200
	Other receivables		**5,542,380**	7,274,820
			65,985,244	51,672,133
13	**Cash and cah equivalents**			
	Cash in hand		**331,595**	181,804
	Cash at bank	13.1	**85,565,680**	134,152,818
			85,897,275	134,334,622
	Bank overdraft	13.1	**(83,715,831)**	(44,620,060)
	Cash and cash equivalents as per statement of cash flow		**2,181,444**	89,714,562

13.1 All acounts Under Commercial bank of Ceylon PLC (Fitch rating - AA)

		No of Shares		
14	**Stated capital**			
	Opening Balance	**83,901,584**	**839,015,838**	650,000,000
	Shares issued during the year	**3,098,416**	**30,984,162**	189,015,838
	Closing Balance	**87,000,000**	**870,000,000**	839,015,838
	(Shares Issude during the year to LIC of India)			

		Note	2022 Rs.	2021 Rs.
15	**Insurance contract liabilities**			
	Life insurance fund	15.1	**2,607,863,645**	2,928,302,339
	Death claims outstanding		**1,615,767**	996,013
			2,609,479,412	2,929,298,352

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As at 31 December,	Note	2022 Rs.	2021 Rs.
15 Insurance contract liabilities (cont.)			
15.1 The movement in the life insurance fund is as follows:			
Balance as at 1 January	15.2	**2,928,302,339**	2,985,436,117
Increase/ (decrease) in life insurance fund		**(320,438,694)**	(57,133,778)
Balance as at 31 December		**2,607,863,645**	2,928,302,339

15.1.1 Reconciliation to the life insurance contract liability as at 31 December

	2022 Rs.	2021 Rs.
Net Liability	**2,498,819,971**	2,819,258,665
Surplus created due to change in valuation method from NPV to GPV	**109,043,674**	109,043,674
Total Life Fund	**2,607,863,645**	2,928,302,339

15.2 Change in contract liabilities

	2022	2021
Life Insurance Obligation -1 January	**2,928,302,339**	2,985,436,117
Life Insurance Obligation -31 December	**2,607,863,645**	2,928,302,339
Charge to profit or loss	**(320,438,694)**	(57,133,778)

The valuation of the Life Insurance business as at 31 December 2022 was performed by M/S K.A.Pandit (Consultants & Actuaries). In accordance with the Consultant Actuary's report, the reserve for the year amounted to Rs.2,607 Million (2021 - Rs.2,928 Million). In the opinion of the Consultant Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance business.

The actuary has estimated that the solvency margin required (including the solvency margin for the new reversionary bonus allotted as at 31 December 2022 under the regulation of Insurance Industry Act, No. 43 of 2000 as Rs.2,607 Million.

As approved by the actuary, the Company has a Risk Based Capital Adequacy ratio of 54%.

15.3.a The assumptions used for the insurance contracts disclosed in this note are as follows;

Assumption	Description
Mortality	The Mortality table used was the A67/70 (60%) ultimate for all assurances and deferred annuities before vesting and,a (90%) ultimate table of annuitants vesting.
Investment returns	Investments returns affect the assumed level of future benfits due to the contract holders and the selection of discount rate set out by IRCSL.

15.3.b Liability adequacy testing (LAT)

A Liability adequacy test ("LAT") for Life Insurance contract liability was carried out by M/S K.A.Pandit (Consultants & Actuaries) as at 31 December 2022 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, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2022. No additional provision was required against the LAT as at 31 December 2022.

As at 31 December,

		2022	2021
16	**Employee benefit obligation**	**Rs.**	Rs.
16.1	**Defined contribution plans**		
	Balance as at 1 January	**20,533,557**	16,111,079
	Current service cost	**2,278,510**	1,905,763
	Past service cost	**-**	695,162
	Interest charge for the year	**1,845,574**	1,441,052
	Remeasurement of defined benefit obligation	**(7,434,581)**	579,286
	Payments during the year	**(54,355)**	(198,785)
		17,168,705	20,533,557
	Expenses on defined benefit obligation		
	Recognised in profit or loss		
	Current service cost	**2,278,510**	1,905,763
	Past service cost	**-**	695,162
	Interest cost	**1,845,574**	1,441,052
		4,124,084	4,041,977
	Recognized in other comprehensive income		
	Defined benefit plan actuarial (gains)/losses	**(7,434,581)**	579,286
		(7,434,581)	579,286

As at 31 December 2022, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S K.A.Pandit (Consultants & Actuaries) as required by Sri Lanka Accounting Standard (LKAS) 19 - Employee Benefits.

		2022	2021
16.2	**Prinicpal assumptions as at reporting date**		
	Discount rate as at 31 December	**18.00%**	9.00%
	Future Salary increase	**15.00%**	10.00%
	Retirement age (years)	**60**	60

The discount rate has been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee Benefit obligations as per LKAS 19. Assumptions regarding the future mortality are based on published statistics and mortality table.

As at 31 December,

16 Employee benefit obligation (cont.)

16.3 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of profit or loss and other comprehensive income statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

2022	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(1,417,616)	1,624,466
Salary increment rate	1.00%	1,654,489	(1,464,030)

2021	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(1,483,460)	1,716,335
Salary increment rate	1.00%	1,682,991	(1,483,534)

As at 31 December,

		2022 Rs.	2021 Rs.
17 Premium deposits			
Premium Deposit (Proposal and policy)		**11,823,469**	6,323,900
Army Deposit		**4,814,095**	5,741,849
P and GS premium deposit		**5,279**	3,029
Gratuity Deposit		-	45,433,410
		16,642,843	57,502,188
18 Trade and other liablities	**Note**		
Amount due to General Insurance Corporation (GIC)		**4,680,057**	10,198,237
Outstanding maturity & survival benefit claims		**5,303,470**	22,312,781
Other sundry creditors		**69,447,594**	12,603,235
Lease liability	**18.1**	**6,867,667**	20,521,718
Redeemable preference Shares		-	50,000,000
Agency commision and allowance payable		**581,182**	577,942
		86,879,970	116,213,914

18.1 Lease liability

	2022 Rs.	2021 Rs.
Movement		
Balance as at 1 January	**20,521,718**	46,452,567
Interest on lease liability	**1,862,519**	2,908,936
Repayments of lease liability	**(15,516,570)**	(28,839,785)
	6,867,667	20,521,718
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**10,630,386**	18,534,303
One to five years	-	17,091,093
Total undiscounted liabilities as at 31 December	**10,630,386**	35,625,396

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As at 31 December,	Note	2022 Rs.	2021 Rs.
18.1 Lease liability (Continued)			
Lease liabilities included in the Statement of financial position		**6,867,667**	20,521,718
Current		**6,867,667**	4,479,446
Non Current		-	16,042,273
Amounts recognised in profit or loss			
Interest on lease liabilities		**1,862,519**	2,908,936
Depreciation		**9,782,754**	9,782,754
Amounts recognised in statement of cash flows			
Total cash outflow for leases		**15,516,570**	28,839,785

For the year ended 31 December,	Note	2022 Rs.	2021 Rs.
19 Gross written premium			
Individual policies		**753,996,958**	1,004,700,367
		753,996,958	1,004,700,367
The Company records Life Insurance premium on an accrual basis.			
20 Net investment income			
Net interest income	**20.1**	**263,456,566**	262,225,293
Dividend income	**20.2**	**8,307,186**	11,735,795
		271,763,752	273,961,087
20.1 Net interest income			
Interest income from held to maturity investments and available for sale investments			
- Treasury bonds		**151,733,684**	137,454,412
		151,733,684	137,454,412
Interest income from loans and receivables			
- Fixed deposits		**71,324,011**	83,816,030
- Staff, agents and policy loans		**8,477,100**	11,703,410
- Debentures		**26,968,822**	25,152,951
		106,769,934	120,672,391
Interest income from cash and cash equivalents		**4,952,948**	4,098,489
		263,456,566	262,225,292
20.2 Dividend income			
- Equity shares		**8,307,186**	11,735,795
		8,307,186	11,735,795
21 Net realised gains			
Realised gains			
- Equity shares		**30,224,643**	45,538,043
		30,224,643	45,538,043
22 Net fair value gains /(losses)			
Unrealised losses			
- Equity securities		**(165,694,184)**	(45,269,446)
		(165,694,184)	(45,269,446)
23 Other operating revenue			
Loss on sale of property, plant and equipment		**(194,224)**	(166,546)
Other Income	**23.1**	**7,615,104**	8,689,630
		7,420,880	8,523,084
23.1 Other income			
Registation fees/Rebet on premium/duplicate policy bond fee		**378,483**	1,304,773
Rent Income - Building		**2,576,600**	1,341,000
Interest on Premiums		**2,483,352**	2,459,487
Interest on Staff Loans		**1,299,227**	986,513
Other income		**877,442**	2,597,857
		7,615,104	8,689,630

For the Year Ended 31 December,		Note	2022	2021
			Rs.	Rs.
24	**Gross insurance benefits and claims paid**			
	Claim - death, disability and accident benefit		**27,311,501**	4,626,495
	Surrenders		**31,103,579**	47,740,646
	Maturity claims		**548,310,027**	417,583,959
	Periodical endowment benefits		**84,090,710**	78,921,691
	Interim bonus/loyalty additions/medical support benefits/term rider benefits		**5,959,693**	9,428,033
	Gratuity claim paid		**161,523,808**	320,721,023
			858,299,318	879,021,847
25	**Other operating and administration expenses**			
	Staff expenses	**25.1**	**116,254,506**	81,621,562
	Administration and establishment expense		**93,807,793**	56,242,190
	Selling expenses		**73,930,417**	87,390,760
	Amortisation of intangible assets		**-**	291,509
	Depreciation of property plant and equipment		**10,368,670**	9,782,754
	Auditors fees and expenses		**2,125,000**	1,700,000
	Directors' emoluments and post employment benefits		**42,284,838**	9,855,409
	Legal fees & professional charges		**12,124,630**	9,782,730
			350,895,854	256,666,913
25.1	**Staff expenses**			
	Staff salaries		**70,499,856**	63,395,203
	Defined contribution plan costs - EPF and ETF		**8,162,570**	7,335,917
	Defined benefit plan costs - employee benefits		**4,124,084**	4,041,977
	Other staff costs (travelling, over-time, bonus etc.)		**33,467,995**	6,848,465
			116,254,506	81,621,562

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For the Year Ended 31 December,

26 Tax expenses

	2022 Rs.	2021 Rs.
The major components of income tax expense for the years ended 31 December are as follows :		
Current tax		
Income tax on current year's profits	-	-
Under/(over) provision of current taxes in respect of prior years	-	-
	-	-
Deferred tax		
Origination of deferred tax	12,263,006	-
	12,263,006	-

26.1 Tax reconciliation statement

	2022	2021
Amounts dervied that are effectively connected to business	**16,311,000**	10,182,139
Other income	**14,610,801**	12,737,170
Less: Management expenses	**(5,600,000)**	(1,200,000)
Underwriting and net acquisition costs	-	-
Total Amount dervied	**25,321,801**	21,719,309
Less:	-	-
-Exempt income	-	-
-Final withholding payments	-	-
Net Amount dervied	**25,321,801**	21,719,309
Brought forward tax loss - set off during the year	**(25,321,801)**	(21,719,309)
Taxable income/ (loss)	-	-

The Inland Revenue Act No. 24 of 2017 and amendments thereto are applied in determining the taxable income/loss of the Company.

The Business income of the Life insurance business shall be ascertained in terms of section 67 of the new Inland Revenue Act No 24 of 2017 and subsequent amendments thereto. As per this section the gains and profits on which tax is payable is agregate of;

. Surplus distributed to shareholders from the Life Insurance Policyholders fund as certified by the actuary at a rate of 30%

. Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 30%

. Surplus distributed to a Life Insurance Policyholders at a rate of 30%.

The tax loss carried forward as at 31st December 2022 is Rs. 810 million (2021: Rs. 836 million) is made up as follows:

26.2 Tax loss analysis

	2022 Rs.	2021 Rs.
Balance as at 1 January	**836,193,952**	814,474,643
Tax losses incurred/ (claimed) during the year	**(25,321,801)**	(21,719,309)
Balance as at 31 December	**810,872,151**	836,193,952

For the Year Ended 31 December,

26.3 Deferred taxation

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that is probable that future taxable profits will be available against which they can be used. One off surplus will be taxed at the point of distribution, therefore management can recognize a deferred tax asset on tax losses up to the extent of liability arising out of the one-off surplus, regardless of whether the Company will have future taxable profits. This is because as soon as the one-off surplus is distributed, the Company will be subject to tax at the stipulated rates, which then can be claimed against the carried forward tax losses. Therefore a deferred tax asset has been recognized to this extent. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. 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 realized; such reductions are reversed when the probability of future taxable profits improve. Any unrecognized deferred tax is disclosed in note 26.4

The Company is of the view that there will not be material temporary differences arising, which will result in a deferred tax liability.

Deferred tax assets and liabilities are off set when there is a legally enforceable right to off set tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority. The off set amounts are as follows:

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
as at,	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Tax losses	**32,713,102**	20,450,096	-	-	**32,713,102**	20,450,096
	32,713,102	20,450,096	-	-	**32,713,102**	20,450,096

Movement in temporary differences during the year

	Balance as at 01.01.2022	Recognised in profit or loss	Recognised in OCI	Balance as at 31.12.2022
	Rs.	Rs.	Rs.	Rs.
Tax losses	20,450,096	12,263,006	-	**32,713,102**
	20,450,096	12,263,006	-	**32,713,102**

As at 31st December,

	2022	2021
	Rs.	Rs.

26.4 Un-recognized deferred tax assets

The breakdown of un-recognized deferred tax assets is given below;

	2022 Rs.	2021 Rs.
On tax Losses	**210,548,543**	214,555,549
Total	**210,548,543**	214,555,549

27 Basic & diluted earnings per share

	2022 Rs.	2021 Rs.
Profit for the year	**31,750,788**	140,119,115
Weighted average number of shares in issue	**83,901,584**	65,000,000
Basic and diluted earnings per share (Rs.)	**0.38**	2.16

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown above.

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As at 31 December,

28 Financial assets and liabilities

28.1 Accounting classifications and fair value

The table below sets out the carrying amounts and fair values of the Company's financial assets and financial liabilities:

28.1.a Financial assets

2022	Note	Fair value through profit or loss	Available for sales	Held to Maturity	Loans and Receivables	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Financial investments						
Measured at fair value	9.3 & 9.4	225,386,655	108,283,294	-	-	333,669,949
Measured at amortised cost	9.1 & 9.2	-	-	1,248,636,617	792,518,976	2,041,155,593
Loans to life policyholders	10	-	-	-	110,934,225	110,934,225
Premium receivables	11	-	-	-	13,703,555	13,703,555
Staff loans and other receivables	12	-	-	-	52,146,705	52,146,705
Total financial assets		225,386,655	108,283,294	1,248,636,617	969,303,461	2,551,610,028

2021	Note	Fair value through profit or loss	Available for sales	Held to maturity	Loans and Receivables	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Financial investments						
Measured at fair value	9.3 & 9.4	415,236,707	189,254,605	-	-	604,491,312
Measured at amortised cost	9.1 & 9.2	-	-	1,167,219,175	1,065,891,313	2,233,110,489
Loans to life policyholders	10	-	-	-	96,313,986	96,313,986
Premium receivables	11	-	-	-	11,696,637	11,696,637
Staff loans and other receivables	12	-	-	-	37,833,596	37,833,596
Total financial assets		415,236,707	189,254,605	1,167,219,175	1,211,735,532	2,983,446,019

28.1.b Financial liabilities

2022	Note	Fair value through profit or loss	Other financial liabilities	Total
		Rs.	Rs.	Rs.
Amounts due to GIC	18	-	4,680,057	4,680,057
Other liabilities	18	-	74,751,064	74,751,064
Redeemable preference shares	18	-	-	-
Premium deposits		-	16,642,843	16,642,843
Agency commission and allowance payable		-	581,182	581,182
Lease liability	18		6,867,667	6,867,667
Total financial liabilities		-	103,522,813	103,522,813

2021	Note	Fair value through profit or loss	Other financial liabilities	Total
		Rs.	Rs.	Rs.
Amounts due to GIC	18	-	10,198,237	10,198,237
Other liabilities	18	-	34,916,018	34,916,018
Redeemable preference shares	18	-	50,000,000	50,000,000
Premium deposits		-	57,502,188	57,502,188
Agency commission and allowance payable		-	577,942	577,942
Lease liability	18		20,521,718	20,521,718
Total financial liabilities		-	173,716,103	173,716,103

As at 31 December,

28 Financial assets and liabilities (Cont.)

28.2 Fair value hierarchy for assets carried at fair value

The table below analyses financial investments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
31st December 2022					
Fair value through profit or loss					
- Unit trusts: close ended	9.4	-	-	-	-
- Equity shares	9.4	225,386,655	-	-	225,386,655
Available for sale					
- Treasury bonds	9.3	108,283,294	-	-	108,283,294
Total financial assets		333,669,949	-	-	333,669,949
31st December 2021					
Fair value through profit or loss					
- Unit trusts: close ended	9.4	87,833,713	-	-	87,833,713
- Equity shares	9.4	327,402,993	-	-	327,402,993
Available for sale					
- Treasury bonds	9.3	189,254,605	-	-	189,254,605
Total financial assets		604,491,311	-	-	604,491,311

28.3 Fair values of financial assets and liabilities carried at amortized cost

The following table summarises the carrying amounts and the company's estimate of fair values of those financial assets and liabilities not presented on the Company's statement of financial position at fair value. The fair value in the table below may be different from the actual amounts that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions which are not observable in the market.

As at 31 December		2022		2021	
		Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets					
Financial investments					
Measured at amortised cost	9	2,041,155,593	1,707,931.00	2,233,110,489	2,479,551
Loans to life policyholders	10	110,934,225	110,934,225	96,313,986	96,313,986
Premium receivables	11	13,703,555	13,703,555	11,696,637	11,696,637
Staff and agent loans	12	17,315,393	17,315,393	10,191,797	10,191,797
Cash and cash equivalents	13	85,897,275	85,897,275	89,714,562	89,714,562
Financial liabilities					
Amount due to GIC	18	4,680,057	4,680,057	10,198,237	10,198,237
Other liabilities	18	75,332,247	75,332,247	45,114,253	45,114,253
Lease Liability	18.1	6,867,667	6,867,667	20,521,718	20,521,718
Redeemable preference shares		-	-	50,000,000	50,000,000
		2,355,886,012	316,438,350	2,566,861,679	336,230,741

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As at 31 December,

28 Financial assets and liabilities (Cont.)

Given below is the basis adapted by the company in order to establish the fair values of the financial instruments which are shown above.

28.4.a. Financial investments

- Reverse repurchase agreements
The fair values of money market placements and reverse repurchase agreements with maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

- Financial investments held-to-maturity
The fair values of financial investments held-to-maturity are estimated based on current market yields.

- The fair values of listed debentures are calculated based on published market prices. The fair value of unlisted variable rate debentures equals carrying value due to inability to reliably predict future cash flows and unlisted fixed rate corporate debts are based on discounted cash flow method using current market yields of treasury bonds or treasury bills for similar maturity plus A risk premium determined based on the credit rating of the instrument.

- The fair value of term deposits have been ascertained to be equal to the amortised cost.

27.4.b. Cash and balances with banks – The carrying amount of cash and bank balances approximate fair value due to the relatively short maturity of the financial instruments.

27.4.c. For all the other items the carrying value has been considered as the fair value due to the short term nature of the cash flows.

29 Related party transaction

29.1 Transactions with key management personnel

The board of directors of the Company have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly, the Board of directors of the Company have been identified as the key management personnel ("KMP") of the Company.

The emoluments paid to the KMP of the Company are disclosed as follow.

	2022	2021
	Rs.	Rs.
Short term employee benefits	42,284,838	9,855,409
Post employment benefits	Nil	Nil

Fees and remunerations paid to directors are disclosed in note 25.

29.2 Transactions with related parties

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 "Related Party Disclosures". The details are as follows:

Company	**Relationship**	**Nature of Transaction**	**Transaction amount 2022 (Rs.)**	Transaction amount 2021 (Rs.)
Bartleet Religare Securities (Pvt) Ltd	**Affiliated to a shareholder**	Brokerage Fee	**7,689,345**	7,733,481
		Receivable / (P'ble)	**(49,567,328)**	(552,256)
LIC India	**Parent**	Share Advance	-	-
		Receivable / (P'ble)	-	-

All outstanding balances with these related parties are priced on arm's length basis.

As at 31 December,

30 Commitments

As at the year end, there were no capital expenditure approved by the Board and contracted for which require a provision in the Financial Statements.

31 Events occuring after the reporting date

Parent company (LIC of India) further invested amounts of Rs 600Mn in the Company for which shares issued March and April 2023.
There are no significant events that have occurred since the reporting date which would require adjustments to or disclosures in the financial statements.

32 Contingencies

In the opinion of the Directors, and in consultation with the Company Lawyers, litigation currently pending against the Company would not have a material impact on the reported financial position of the Company.

All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

33 Going concern

The Company has reported a profit of Rs. 31,750,788/- (2021: Rs. 140,118,440/-) during the year ended 31st December 2022 which was inclusive of the fair value gain on investment property amounting to Rs. 127,986,311/-. The total gross written premium for the year has also reduced by 25% compared to previous year due to the fact that a key customer's policy got matured during the year 2022. The Company has accumulated losses of Rs. 516,691,801/- (2021: Rs. 555, 877,171/-) as at 31st December 2022 and recorded negative operating cashflows of Rs. 636,221,070/- (2021 –Rs. 217,543,783/-). Further, the Company was not able to maintain the Total Available Capital (TAC) of Rs. Five Hundred Million as at 31st December 2022 as stipulated in the "Solvency Margin (Risk Based Capital) Rules 2015" during the year as well. Further, the net assets of the Company are less than half of its stated capital resulting in a serious loss of capital situation as at that date as per the section 220 of the Companies Act No 07 of 2007.

However, the Board of the Company are fully aware of the situation of the Company and took the following remedial actions so far in order to address the going concern difficulties and to stabilize the operations of the Company with the support of the Parent's company

- We have reviewed the loss making products and replaced them with favorable products. We also carried out special revival campaign to revive the lapsed policies to increase our profitability. A new single premium product was introduced during the year to keep np to the market expectations and trends.
- We have been monitoring the loss making branches along and set remedial actions for those identified branches. We will continue to monitor closely.
- We have evaluated the expenses structure of the Company and we have cutdown expenses from April onwards considering the fact that the commodities have becomes expensive due to high inflation. We have formulated steps to keep the expenses at a bare minimum.
- We have performed market analysis and study of product popularity in country in order to understand customer behaviour and market trends carefully. We will continue to remain alert to identify any new developments in advance to ensure maximum profitability.
- We prepared the budget for the year 2023 considering the previous year budgets and actual results, current economic condition, industry behavior and the above mentioned plans. The Company has achieved approximately 14% of its total premium target in the first quarter of 2023 which is higher than in 2022. The management is confident that the budget can be achieved with the above mentioned plans.

The Company received additional capital infusion amounting to Rs. 240 Mn on 27th February 2023, Rs. 331.95 Mn on 4th April 2023 and Rs. 28.05 Mn on 10th April 2023 after the reporting date in addition to the amount of Rs. 30.98 Mn infused during the year. We have issued shares for these capital infusions as of the dates. These have cured the serious loss of capital situation and the Total Available Capital requirement.

Considering these factors, the Company understands that the material uncertainty related to the entity's ability to continue as a going concern has not resolved completely so far. This is mainly due to the accumulated losses and the current economic condition. However, with the aforementioned actions and events, the management is confident that the Company would be able to overcome these matters during the year 2023 and will have adequate resources to continue in operational existence for the foreseeable futnre.

34 DIRECTORS' RESPONSIBILITY STATEMENT

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

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