LIFE INSURANCE CORPORATION (LANKA) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2024

DNG/SJS/DM

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 ("Company"), which comprise the statement of financial position as at 31 December 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 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 for Professional Accountants 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.

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.

(Contd…2/)

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 SLAuSs, 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.

- 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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

(Contd...3/)

Shape the future
with confidence

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the 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.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000, 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.

As further discussed in Note 4.7.1 in the financial statements, the Company had not met the Solvency Margin (Risk Based Capital Rules) in the 1st and 2nd quarters of 2024 (Total Available Capital Rs. 304,657,702 and 238,450,000 respectively) as per the Regulation of Insurance Industry Act No 43 of 2000 ("Act") and amendments thereto for the year ended 31st December 2024. Total Available Capital has been complied for the 3rd and 4th quarter of the year 2024.

08 April 2025
Colombo

Life Insurance Corporation (Lanka) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 Rs.	2023 Rs.
Assets			
Property, plant and equipment	5	14,561,469	17,199,345
Right of use asset	6	42,026,448	9,065,659
Investment property	7	601,000,000	546,000,000
Intangible assets	8	47,234,271	71,014,247
Financial investments	9	3,738,111,195	3,010,591,759
Loans to life policyholders	10	74,362,871	75,917,123
Premium receivables	11	19,037,678	15,149,904
Deferred tax asset	26.3	32,713,102	32,713,102
Other assets	12	67,907,268	72,057,693
Cash and cash equivalents	13	70,192,084	23,934,211
Total assets		4,707,146,386	3,873,643,043
Equity and liabilities			
Equity			
Stated capital	14	1,970,000,000	1,470,000,000
Accumulated losses		(1,789,003,888)	(1,159,463,665)
Available for sale reserve		44,379,228	19,317,080
Revaluation reserve		61,899,216	61,899,216
Stated capital in advance		71,340,000	71,340,000
Total equity		358,614,556	463,092,631
Liabilities			
Insurance contract liabilities	15	4,064,444,622	3,264,003,787
Retirement benefits obligations	16	35,308,689	25,004,689
Premium deposits	17	6,520,429	9,130,989
Trade and other payables	18	173,394,181	50,067,450
Bank overdraft	13	68,863,909	62,343,496
Total liabilities		4,348,531,830	3,410,550,412
Total equity and liabilities		4,707,146,386	3,873,643,043

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

………………………………
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the Board,

……………………………. ……………………..
Director Director

The accounting policies and notes on pages 08 through 59 form an integral part of the financial statements.

08 April 2025
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Gross written premiums	19	955,562,712	925,972,156
Premiums ceded to reinsurers		(8,248,818)	(3,201,011)
Net earned premiums		947,313,894	922,771,145
Other revenue			
Investment income	20	423,730,074	366,575,421
Realised gains	21	9,617,273	19,208,857
Fair value gains	22	94,328,615	1,968,688
Fair value gain on investment property	7	55,000,000	112,032,775
Other income	23	18,840,525	16,661,628
Other revenue		601,516,487	516,447,370
Net income		1,548,830,381	1,439,218,514
Net benefit and claims			
Gross benefits and claims paid	24	(780,548,227)	(903,309,403)
Gross change in contract liabilities and retained surplus	15	(800,440,835)	(656,140,142)
Underwriting and net acquisition costs		(58,487,380)	(67,440,660)
Other operating and administrative expenses	25	(469,724,657)	(407,444,279)
Finance cost		(63,473,050)	(44,076,042)
Total benefits claims and other expenses		(2,172,674,149)	(2,078,410,527)
Profit/ (loss) before tax		(623,843,768)	(639,192,013)
Income tax expense	26	-	-
Profit/ (loss) for the year		(623,843,768)	(639,192,013)
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	25,062,149	114,579,196
Items that will not be reclassified to profit or loss			
- Actuarial gains/(losses) on defined benefit plans	16.1	(5,696,455)	(3,579,849)
Total other comprehensive income/(loss) for the year, net of income tax		19,365,694	110,999,347
Total comprehensive income/(loss) for the year		(604,478,074)	(528,192,667)
Basic and diluted earnings/(loss) per share (Rs.)	27	(0.66)	(0.70)

The accounting policies and notes on pages 08 through 59 form an integral part of the financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Stated capital	Revaluation reserve	Available for sale reserves	Money received in advance for issue of shares	Accumulated losses	Total
	Rs.	Rs.	Rs.		Rs.	Rs.
Balance as at 01 January 2023	870,000,000	61,899,216	(95,262,116)		(516,691,802)	319,945,298
Total comprehensive income for the year						
Profit for the year	-	-	-		(639,192,014)	(639,192,014)
Other comprehensive income for the year						-
-Net change in fair value of available-for-sale financial assets	-	-	114,579,196		-	114,579,196
-Related tax	-	-	-		-	-
-Actuarial gains / loss on defined benefit plans	-	-	-		(3,579,849)	(3,579,849)
Shares issued during the year	600,000,000	-	-		-	600,000,000
Advance for Share Capital				71,340,000		71,340,000
Total other comprehensive income/(loss) for the year	600,000,000	-	114,579,196	71,340,000	(3,579,849)	782,339,347
Total comprehensive income/(loss) for the year	600,000,000	-	114,579,196	71,340,000	(642,771,863)	143,147,332
Balance as at 31st December 2023	1,470,000,000	61,899,216	19,317,080	71,340,000	(1,159,463,665)	463,092,631
Balance as at 01 January 2024	1,470,000,000	61,899,216	19,317,080	71,340,000	(1,159,463,665)	463,092,631
Total comprehensive income for the year	-	-	-		-	-
Loss for the period	-	-	-		(623,843,768)	(623,843,768)
Other comprehensive income for the year	-	-			-	-
-Net change in fair value of available-for-sale financial assets	-	-	25,062,149		-	25,062,149
-Actuarial gains on defined benefit plans	-	-	-		(5,696,455)	(5,696,455)
Total other comprehensive income/(loss) for the year	-	-	25,062,149	-	(5,696,455)	19,365,694
Advance for Share capital						-
Issue of shares	500,000,000	-	-		-	500,000,000
Total comprehensive income/(loss) for the year	500,000,000	-	25,062,149	-	(629,540,223)	(104,478,074)
Balance as at 31st December 2024	1,970,000,000	61,899,216	44,379,228	71,340,000	(1,789,003,888)	358,614,556

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.

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

The accounting policies and notes on pages 08 through 59 form an integral part of the financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Cash flow from operating activities			
Profit/ (loss) before tax		(623,843,768)	(639,192,013)
Adjustments for:			
Interest income	20	(408,791,371)	(357,340,583)
Dividend income	20	(14,938,704)	(9,234,838)
Amortisation of intangible assets	8	23,779,976	325,753
Depreciation of property, plant and equipment	5	7,969,599	7,308,204
Depreciation of right of use asset	6	(18,704,024)	4,236,472
Interest on lease liability	18	3,774,426	3,160,956
Provision for employee benefits	16	5,342,623	4,876,291
Net fair value (gain)/losses	22	(94,328,615)	(1,968,688)
Fair value gain - investment property	7	(55,000,000)	(112,032,775)
Net realized gain on investments at fair value through profit or loss	21	(9,617,273)	(19,208,857)
Adjustments		-	(1,480,087)
Loss/(Gain) on sale of property, plant and equipment	23	(104,024)	122,682
		(1,184,461,154)	(1,120,427,484)
Changes in working capital			
(Increase)/Decrease in loans to life policyholders	10	1,554,252	35,017,102
(Increase)/Decrease in premium receivables	11	(3,887,774)	(1,446,349)
(Increase)/Decrease in other assets	12	4,150,425	(6,072,449)
Increase/(Decrease) in other liabilities	18	80,882,753	(37,877,067)
Increase/(Decrease) in insurance contract liabilities	15	800,440,835	656,140,142
Increase/(decrease) in premium deposits	17	(2,610,560)	(7,511,854)
Increase /(decrease) in agency commission and allowance payable		93,590	(75,656)
Cash flow from operating activities		(303,837,633)	(482,253,616)
Gratuity paid	16	(735,078)	(620,156)
Net cash used in operating activities		(304,572,711)	(482,873,772)
Cash flow from investing activities			
Net acquisition of investment securities	9	(561,103,350)	(494,800,476)
Interest received		408,791,371	354,084,609
Dividend received	20	14,938,704	9,234,838
Acquisition of property, plant and equipment	5	(5,338,599)	(11,679,156)
Acquisition of Investment Property		-	(8,967,225)
Proceeds from the sale of property, plant and equipment		110,900	-
Net cash generated from investing activities		(142,600,975)	(152,127,410)
Cash flow from financing activities			
Proceeds on share issue	14	500,000,000	600,000,000
Repayments of lease liability	18	(13,088,853)	(5,589,550)
Net cash generated from/ (used in) financing activities		486,911,147	594,410,450
Net increase/ (decrease) in cash and cash equivalents		39,737,461	(40,590,729)
Cash and cash equivalents at the beginning of the year		(38,409,285)	2,181,444
Cash and cash equivalents at the end of the year	13	1,328,176	(38,409,285)

The accounting policies and notes on pages 08 through 59 form an integral part of the financial statements.
Figures in brackets indicate deductions.

1. CORPORATE INFORMATION

1.1 Reporting entity

Life Insurance Corporation (Lanka) Limited, (“the Company”) is a public company incorporated on 7 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 2024.

1.3 Parent Entity and Ultimate Parent Entity

The Company is 93.75% 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, 2024 was 99 (2023 was 104).

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 2024 were authorized for issue by the Directors on 08 April 2025.

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)
- Fair value 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)

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 2024 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 2024 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 recognized 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.

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 recognized 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.

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 recognized reinsurers through formal reinsurance arrangements.

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

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the 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-recognized 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 recognized 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.

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 recognized 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.

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

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	3years
Lease hold improvements (Fixtures)	Based on Lease Agreement period

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.

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.

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.

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.

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 2026 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 the earlier of 2023 or adopting the revised SLFRS 4, which is currently expected to commence in 2023. 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.

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.

	2024 (Rs. '000)	2023 Rs. (Rs.'000)
Insurance contract liabilities	3,955,400	3,226,975
Premium deposits	6,520	9,131
Amount due to GIC	6,336	4,032
Outstanding maturity & survival benefit claims	13,109	4,522
Agency commission & allowance payable	599	505
Total Liabilities	4,311,503	3,373,522
Predominance ratio	92%	96%

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	190,793,001	Amortized Cost	190,793,001	-
Fixed Deposits	L & R	1,566,941,740	Amortized Cost	1,566,941,740	-
Treasury Bond	AFS	434,676,335	FVOCI	434,676,335	-
Treasury Bond	HTM	1,330,709,668	Amortized Cost	1,330,709,668	-
Equity Shares	FVTPL	214,990,451	FVTPL	214,990,451	-

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 a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 *Insurance Contracts* (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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.

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
  - ✓ 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.

4.3 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 insurance business

Description	Insurance contract liabilities As at 31 December 2024 (Rs'000)	Insurance contract liabilities As at 31 December 2023 (Rs'000)
Participating	1,931,202	1,548,880
Non-participating	2,024,199	1,606,080
Life insurance fund-Surplus Created due to Change in Valuation	109,043	109,043
Total	**4,064,444**	**3,264,003**

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 2024 or 2023, 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 2024

Assumption	Change in assumptions	Impact on liabilities
Mortality	+10%	100.11%
	-10%	99.88%
Discount rate	+50 basis points	98.44%
	-50 basis points	101.61%

4.4 Financial Risk

4.4.1 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

4.4.2 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	2024 Rs.'000	% of Allocation	2023 Rs.'000	% of Allocation
Financial Investments				
Debt securities - Held to maturity	1,330,709	38%	1,405,242	51%
Debt securities - Loans and Receivables	1,757,735	50%	1,068,552	38%
Debt securities - Available for sale	434,676	12%	306,350	11%
Total debt securities	**3,553,120**	**100%**	**2,780,145**	**100%**
Life Policyholders loans	74,362	46%	75,917	56%
Premiums receivable	19,038	12%	15,150	11%
Other financial assets	67,907	42%	43,127	33%
Cash and cash equivalents	1,328	1% -	-	-
Total credit risk exposure	**162,635**	**100%**	**136,514**	**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	2024		2023	
	Rs.000	% of total	Rs.000	% of total
Government securities and related institutions	1,765,386	90%	1,711,593	90%
Corporate debt securities.	190,793	10%	189,111	10%

Table F: Corporate debt security allocation - credit rating wise

As at 31 December	2024		2023	
Rating	**Rs.000**	**% of total**	**Rs.000**	**% of total**
AAA+	-	-	-	-
AAA	-	-	-	-
AAA-	-	-	-	-
AA+	-	-	-	-
AA	30,934	16%	30,927	16%
AA-	-	-	21,622	11%
A+	21,060	11%	36,003	19%
A	29,043	15%	29,037	15%
A-	109,755	57.52%	71,522	38%
BBB+	-	-	-	-
BBB	-	-	-	-
BBB-	-	-	-	-
Total	**190,793**	**100%**	**189,111**	**100%**

4.4.3 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.

4.4.4 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	2024 (Rs.'000)	2023 (Rs.'000)
Policyholders	74,362	75,917
Staff loans	14,612	21,875
Loans to agents	335	662
Total	**89,309**	**98,454**

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.17.13 million (2023 –Rs.19.6 million).

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.

4.4.5 Credit Risk relating to Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 1.32Mn as at 31st December 2024 (2022: Rs. 38Mn overdraft), which presents its maximum credit exposure on these assets.

4.5 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 2024	**Carrying Amount Rs' 000**	**Current Rs' 000**	**Non Current Rs' 000**	**No Maturity Date Rs' 000**	**Total Rs. '000**
Financial investments					
Held to maturity	1,330,709	-	1,330,709	-	1,330,709
Loans and receivables	1,757,735	-	1,757,735	-	1,757,735
Available-for-sale	434,676	-	434,676	-	434,676
Financial assets at fair value through profit or Loss	214,990	-	-	214,990	214,990
Life Policyholders loans	74,362	-	74,362	-	74,362

31 December 2024	**Carrying Amount Rs' 000**	**Current Rs' 000**	**Non Current Rs' 000**	**No Maturity Date Rs' 000**	**Total Rs. '000**
Premiums receivable	19,037	19,037	-	-	19,037
Other financial assets	67,907	67,907	-	-	67,907
Cash and cash Equivalents	1,328	1,328	-	-	1,328
Total undiscounted Assets	**3,900,744**	**88,272**	**3,597,482**	**214,990**	**3,900,744**
Insurance cract liabilities – life	3,955,400	-	3,955,400	-	3,955,400
Reinsurance payable	6,336	6,336	-	-	6,336
Other financial liabilities	-	-	-	-	-
Lease liability	46,789	46,789	-	-	46,789
Total undiscounted Liabilities	**4,008,525**	**53,125**	**3,955,400**	**0**	**4,008,525**
Total liquidity Excess/ (Deficit)	**(107,781)**	**35,147**	**(357,918)**	**214,990**	**(107,781)**

31 December 2023	**Carrying Amount Rs' 000**	**Current Rs' 000**	**Non Current Rs' 000**	**No Maturity Date Rs' 000**	**Total Rs' 000**
Financial investments					
Held to maturity	1,405,243	-	1,405,243	-	1,405,243
Loans and receivables	1,068,552	-	1,068,552	-	1,068,552

31 December 2023	Carrying Amount Rs' 000	Current Rs' 000	Non Current Rs' 000	No Maturity Date Rs' 000	Total Rs' 000
Available-for-sale	306,350	-	306,350	-	306,350
Financial assets at fair value through profit or Loss	230,446	-	-	230,446	230,446
Life Policyholders loans	75,917	-	75,917	-	75,917
Premiums receivable	15,150	15,150	-	-	15,150
Other financial assets	43,127	43,127	-	-	43,127
Cash and cash Equivalents	-	-	-	-	-
Total undiscounted Assets	**3,144,785**	**58,277**	**2,856,062**	**230,449**	**3,144,785**
Insurance contract liabilities – life	3,265,065	-	3,265,065	-	3,265,065
Reinsurance payable	4,033	4,033	-	-	4,033
Other financial liabilities	-	-	-	-	-
Lease liability	4,439	4,439	-	-	4,439
Total undiscounted Liabilities	**3,273,537**	**8,472**	**3,265,065**	-	**3,273,537**
Total liquidity excess/(deficit)	**(128,752)**	**49,805**	**(409,003)**	**230,446**	**(128,752)**

4.6 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.

4.6.1 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 2024 with the comparatives are as follows;

Table I: Listed Equity Investment

Segment	2024 Rs.'000	2023 Rs.'000
Investment in equity shares	214,990	230,446
Total	**214,990**	**230,446**

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	2024		2023	
	Rs.'000	%of total	Rs.'000	%of total
Banks Finance and Insurance	5,362	2.49%	11,870	5.15%
Beverage Food and Tobacco	159,671	74.27%	99,059	42.99%
Diversified Finance	13,604	6.33%	18,683	8.11%
Energy	-	-	3,060	1.33%
Materials	-	-	16,870	7.32%
Manufacturing	-	-	-	-
Auto mobile	-	-	1,588	0.69%
Commercial & Pr	2,502	1.16%	2,497	1.08%
Software	4,271	1.99%	4,025	1.75%
Capital Goods	1,949	0.91%	48,439	21.02%
Consumer	2,965	1.38%	3,646	1.58%
Hotel Travel	-	-	-	-
Household & Personal	6,002	2.79%	6001	2.60%
Real Estate	6,169	2.87%	2,077	0.90%
Food and Staples	12,495	5.81%	10,659	4.63%
Health Care	-	-	400	0.17%
Motors	-	-	-	-
Telecommunications	-	-	557	0.24%
Retails	-	-	1,015	0.44%
Power	-	-	-	-
Total	**214,990**	**100%**	**230,446**	**100%**

Table K: Sensitivity

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

2024	5% increase in market price	5% decrease in market price
	P&L Impact (Rs)	**P&L Impact (Rs)**
Financial assets held for Trading	10,749,522	(10,749,522)
2023	**5% increase in market price**	**5% decrease in market price**
	P&L Impact (Rs)	**P&L Impact (Rs)**
Financial assets held for Trading	11,522,320	(11,522,320)

4.6.2 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.

4.6.3 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 at 31 December 2024 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.

4.7 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.

4.7.1 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	2024 (Rs 000')	2023 (Rs 000')
Total Available Capital	505,182	568,061
Risk Based Capital Requirement	379,177	376,775
Risk Based Capital Adequacy Ratio	133%	151%
Minimum Capital Requirement	500,000	500,000
Capital Adequacy Satisfied	Yes	Yes

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

As at 31 December	Q 1 (Rs 000')	Q 2 (Rs 000')	Q 3 (Rs 000')	Q 4 (Rs 000')
Total Available Capital	304,353	238,450	769,447	505,182
Risk Based Capital Requirement	353,469	344,782	409,358	379,177
Risk Based Capital Adequacy Ratio	86%	69%	188%	133%
Minimum Capital Requirement	500,000	500,000	500,000	500,000
Capital Adequacy Satisfied	No	No	Yes	Yes

4.8 Current economic condition

As at 31st December 2024, Sri Lanka experienced a deflation rate of 1.7% year-on-year, as measured by the Colombo Consumer Price Index (CCPI). This indicates a decrease in the general price level compared to the previous year.

In this challenging economic environment, the Company has implemented several strategic measures to safeguard its business continuity and ensure ongoing operations:

- Reviewed its product portfolio and initiated the process of replacing loss-making products with non-par products to enhance profitability. Additionally, a special revival campaign was launched to reinstate lapsed policies, contributing positively to the overall income.

- Closely monitored branch performance and implemented remedial actions to address underperforming locations.

- Reassessed the expense structure in light of rising commodity prices and implemented cost-cutting measures to maintain operational expenses at a bare minimum without compromising service delivery.

- Conducted continuous reviews of the investment portfolio, resulting in significant improvement in investment income through prudent and timely decisions.

- Undertook market analysis to understand customer behavior and emerging product trends. The Company remains vigilant to detect market changes and capitalize on new opportunities to optimize performance.

- The prevailing economic situation has adversely affected the Group Gratuity segment. A sharp decline in renewals and contributions was observed, as existing customers face financial constraints, and potential clients defer decision-making amid volatile interest rates.

Management remains committed to ensuring the Company's ability to continue as a going concern. The Company continuously evaluates macroeconomic indicators, business risks, and internal performance metrics to make informed decisions. These considerations are reflected in the assumptions and judgments used in preparing the financial statements.

5. PROPERTY PLANT AND EQUIPMENT

	Furniture and fittings	Motor vehicles	Computers	Office equipments	Name boards and sign boards	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost						
Balance as at 1 January 2023	28,108,119	28,349,500	12,898,504	15,395,577	3,258,841	88,010,541
Additions during the year	3,901,803	-	2,508,664	3,926,339	1,342,350	11,679,156
Disposals during the year	(1,450,259)	-	(630,516)	(1,283,949)	(966,551)	(4,331,275)
Balance as at 31 December 2023	30,559,663	28,349,500	14,776,652	18,037,967	3,634,640	95,358,422
Accumulated depreciation						
Balance as at 1 January 2023	22,017,680	27,866,016	10,680,559	11,544,009	2,951,203	75,059,466
Charge for the year	2,768,287	483,484	1,493,855	2,089,577	473,001	7,308,204
Disposals during the year	(1,362,030)	-	(630,516)	(1,266,116)	(949,931)	(4,208,593)
Balance as at 31 December 2023	23,423,937	28,349,500	11,543,898	12,367,470	2,474,273	78,159,077
Carrying Value						
As at 31 December 2023	7,135,726	-	3,232,754	5,670,497	1,160,367	17,199,345
Cost						
Balance as at 1 January 2024	30,559,663	28,349,500	14,776,652	18,037,967	3,634,640	95,358,422
Additions during the year	582,400		3,274,000	1,309,199	173,000	5,338,599
Disposals during the year	(309,472)		(29,156)	(80,200)	(86,420)	(505,248)
Balance as at 31 December 2024	30,832,591	28,349,500	18,021,496	19,266,966	3,721,220	100,191,773
Accumulated depreciation						
Balance as at 1 January 2024	23,423,937	28,349,500	11,543,898	12,367,470	2,474,273	78,159,077
Charge for the year	2,562,535	-	2,576,254	2,265,308	565,502	7,969,599
Disposals	(309,472)		(22,280)	(80,200)	(86,420)	(498,372)
Balance as at 31 December 2024	25,677,000	28,349,500	14,097,872	14,552,578	2,953,355	85,630,304
Carrying Value						
As at 31 December 2024	5,155,591	-	3,923,624	4,714,388	767,865	14,561,469

5. PROPERTY PLANT AND EQUIPMENT (Contd…)

5.1 Fully depreciated assets

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 72.36 Mn (2023 - Rs.60.64 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

	2024 Rs.	2023 Rs.
Carrying Amounts		
Balance as at 1 January	9,065,659	11,822,044
Additions during the year	51,664,813	-
Amortisation charge during the year	(18,704,024)	(4,236,472)
Adjustments during the year	-	1,480,087
Balance as at 31 December	42,026,448	9,065,659
Carrying value		
As at 31 December	42,026,448	9,065,659

The Company leases buildings for branch operations.

7. INVESTMENT PROPERTY

	Investment property		2024	2023
	Land	Building	Total	Total
	Rs.	Rs.	Rs.	Rs.
Opening Balance	85,785,000	460,215,000	546,000,000	425,000,000
Reversal during the year	-		-	
Change in fair value	27,090,000	27,910,000	55,000,000	112,032,775
Acquisitions during the year	-		-	8,967,225
Closing Balance	112,875,000	488,125,000	601,000,000	546,000,000

7. INVESTMENT PROPERTY (Contd…)

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. 3,750,000/- Building - per average sqft Rs. 16,301	31-Dec-24

Valuation technique and significant unobservable inputs

Description	Fair value as at 31st December 2024	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	**112,875,000**	Market Comparable 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	**488,125,000**			

8. INTANGIBLE ASSETS

	2024 Rs.	2023 Rs.
Computer software		
Cost		
Balance as at 1 January	74,134,770	2,794,770
Acquisition /Capitalised during the period	-	71,340,000
Balance as at 31 December	74,134,770	74,134,770
Accumulated amortisation		
Balance as at 1 January	3,120,523	2,794,770
Amortisation for the year	23,779,976	325,753
Balance as at 31 December	26,900,499	3,120,523
Carrying amount as at 31 December	47,234,271	71,014,247

9. FINANCIAL INVESTMENTS

	Note	2024 Rs.	2023 Rs.
Held to maturity (HTM)	9.1	1,330,709,668	1,405,242,946
Loans and receivables (L & R)	9.2	1,757,734,741	1,068,552,212
Available for sale (AFS)	9.3	434,676,335	306,350,194
Fair value through profit or loss (FVTPL)	9.4	214,990,451	230,446,407
Total financial investments		3,738,111,195	3,010,591,759

9.1 Financial investments - Held to maturity (HTM)

		2024 Rs.	2023 Rs.
Treasury bonds	9.1.1	1,330,709,668	1,405,242,946
		1,330,709,668	1,405,242,946

9.1.1 Government of Sri Lanka - Treasury bonds

	2024		2023	
Year of Maturity	**Face value**	**Amortised cost**	**Face value**	**Amortised cost**
	Rs.	**Rs.**	**Rs.**	**Rs.**
2024	-	-	81,466,400	91,769,369
2026	295,200,000	287,622,314	295,200,000	277,589,226
2027	50,000,000	47,296,058	50,000,000	45,883,782
2028	65,000,000	64,219,135	65,000,000	62,865,878
2029	33,000,000	39,129,830	33,000,000	40,121,789
2030	117,783,290	116,652,384	117,783,290	116,275,632
2032	452,900,000	391,750,812	352,900,000	384,230,929
2033	177,000,000	186,803,093	177,000,000	187,039,925
2041	40,000,000	41,775,612	40,000,000	41,753,537
2043	79,750,000	62,927,571	79,750,000	62,656,934
2044	50,000,000	57,950,048	50,000,000	58,035,837
2045	32,250,000	36,981,272	32,250,000	37,020,107
	1,392,883,290	1,333,108,129	1,374,349,690	1,405,242,946

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

		Amortised cost 2024	Amortised cost 2023
Fixed deposits	9.2.2	1,566,941,740	879,441,038
Quoted debentures	9.2.1	190,793,001	189,111,175
		1,757,734,741	1,068,552,212

9. FINANCIAL INVESTMENTS (Contd…)

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

9.2.1 Quoted debentures

	Issue ratings	Date of maturity	No of debentures	Amortized cost 2024	Amortized cost 2023
				-	-
				-	-
Commercial Bank PLC	AA	25-Feb-26	150,000	15,580,747	15,576,948
Commercial Bank PLC	AA	28-Oct-26	50,000	5,105,858	5,104,436
Sri Lanka Telecom PLC	A	19-Apr-28	85,000	8,714,445	8,712,250
Siyapath Finance PLC	A-	8-Aug-24	166,700	-	17,514,004
Hatton National Bank PLC	AA-	23-Sep-24	100,100	-	10,330,460
HNB Finance PLC	AA-	30-Dec-24	100,000	-	11,291,347
First Capital PLC	A+	30-Jan-25	200,000	21,060,153	21,056,175
Commercial Leasing & Finance PLC	A-	24-Sep-25	500,000	56,645,042	54,007,962
DFCC Bank PLC	A	23-Oct-25	200,000	20,329,199	20,325,204
People Leasing Finance PLC	A+	9-Aug-24	145,000	-	14,947,011
Commercial Bank PLC	AA	21-Sep-26	100,000	10,247,437	10,245,378
Seylan Bank	A-	10-Jul-31	50,000,000	53,110,118	-
				190,793,001	189,111,175

9.2.2 Fixed deposits

	Issue ratings	2024	2023
Banks			
Commercial Bank PLC		93,854,262	103,173,744
Sampath Bank PLC		67,402,596	57,283,935
DFCC Bank PLC		29,385,841	38,461,522
NDB PLC		-	62,308,140
Finance Companies	**Issue ratings**		
Commercial Leasing and Finance PLC	**A-**	-	129,320,137
Commercial Credit and Finance PLC	**BBB**	212,978,440	187,636,735
Lanka Orix Leasing Finance PLC	**A-**	949,853,373	256,477,239
Siyapatha Finance PLC	**A-**	11,254,072	9,594,387
LB Finance PLC	**A-**	40,730,150	35,185,199
Siera Cables PLC	**A+**	161,483,006	-
		1,566,941,740	879,441,038

9.3 Financial investments - Available for sale (AFS)

Government of Sri Lanka Treasury bonds

Year of Maturity	Face value	2024		2023	
		Amortized cost	Fair value	Amortized cost	Fair value
2026	9,000,000	8,770,133	8,789,553	8,464,858	7,819,875
2027	100,000,000	89,292,784	129,931,500	85,403,160	123,801,400
2030	73,216,710	73,160,307	74,982,404	74,388,721	67,613,948
2031	100,000,000	99,407,657	106,068,002		
2032	4,300,000	309,350	270,996	309,029	236,602
2041	10,000,000	10,779,243	11,310,460	12,188,066	10,377,850
2045	90,000,000	111,512,800	103,323,420	111,753,241	96,500,520
		393,232,274	434,676,335	292,507,076	306,350,194

9. FINANCIAL INVESTMENTS (Contd…)

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

	2024		2023	
	Cost	Fair value	Cost	Fair value
- Equity shares (Note 9.4.1)	133,333,457	214,990,451	233,042,929	230,446,407
	133,333,457	214,990,451	233,042,929	230,446,407

9.4.1 Equity shares

	2024			2023		
Name of the Investee	No. of shares	Cost (Rs.)	Fair value (Rs.)	No. of shares	Cost (Rs.)	Fair value (Rs.)
Access Engineering PLC	-	-	-	271,479	5,130,953	5,511,024
ACL Cables PLC	-	-	-	275,000	19,552,500	18,920,000
ACL Plastics PLC	500	182,625	285,500	500	182,625	172,750
Agalawatte Plantation PLC	-	-	-	80,000	2,256,000	2,608,000
Agstar PLC	-	-	-	40,000	336,000	340,000
Alumex PLC	-	-	-	260,000	2,184,000	2,106,000
BROWNS INVESTMENTS PLC	-	-	-	1,000,000	4,900,000	4,700,000
BUKIT DARAH PLC	-	-	-	29	10,777	11,165
Capital Alliance PLC	-	-	-	40,000	2,552,000	2,124,000
Cargills (Ceylon) PLC	411	149,604	172,620	411	149,604	139,124
Carson Cumberbatch PLC	743	259,456	272,124	5,925	1,540,500	1,435,331
Central Finance PLC	-	-	-	106,000	11,108,788	11,156,500
Ceylon Beverage Holding PLC	-	-	-	646	792,642	859,180
Ceylinco Holdings PLC	300		900,000	-	-	-
Ceylon Cold Stores PLC	1,744,120	73,253,040	145,808,432	1,944,120	81,653,040	82,430,688
Ceylon Guardians Investment Trust PLC	52,500	8,447,875	8,268,750	1,000	85,952	83,300
Ceylon Tobaco Company PLC	6,211	5,962,560	8,678,320	6,211	5,962,560	5,923,741
Colombo City Holdings	65,000	3,198,000	3,445,000	-	-	-
C T HOLDINGS PLC	37,370	9,491,980	12,322,758	37,370	9,491,980	10,519,655
Chemanex PLC	-	-	-	5,000	326,112	343,000
Citizens Development Business	-	-	-	743	141,671	148,600
Commercial Credit & Finance PLC	-	-	-	52,500	1,636,361	1,527,750
DISTILLERIES COMPANY OF SRI LANKA	100,000	3,943,680	3,900,000	-	-	-
Dipped Products PLC	-	-	-	380,000	10,906,000	10,602,000
Eden Hotel Lanka PLC				150,000	1,590,000	1,515,000
Elpitiya Plantation PLC	-	-	-	8,914	730,948	757,690
ENTRUST PLC	-	-	-	12,500	-	-
Ex-pack corrugated cartons PLC	-	-	-	50,000	630,000	620,000
First Capital Holdings PLC	41,000	1,328,400	1,631,800	41,000	1,328,400	1,152,100
Hatton National Bank PLC	-	-	-	8,000	1,331,112	1,354,000
Haycarb PLC	-	-	-	27,500	1,732,500	1,768,250
Hayleys PLC	-	-	-	60,000	4,500,000	4,284,000
HELA APPAREL PLC	44,200	247,520	260,780	44,200	247,520	221,000
Hemas Holdings PLC	-	-	-	10,000	688,627	667,000
Hsenid Business Solutions PLC	350,000	4,235,000	4,270,000	350,000	4,235,000	4,025,000
Janashakthi Insurance PLC	-	-	-	12,414	481,182	477,939
Jat Holdings PLC	-	-	-	60,000	924,000	918,000
Kapruka Holdings PLC	-	-	-	100,000	730,000	750,000
Kelani Cables PLC	-	-	-	4,500	1,155,375	1,098,000
Kelani Tyres PLC	-	-	-	25,000	1,600,000	1,587,500
Lanka Credit and Business Finance PLC	500,000	950,000	1,350,000	500,000	950,000	850,000
Lanka IOC PLC	-	-	-	30,000	3,052,500	3,060,000
Lanka Reality Investment PLC	196,000	2,097,200	2,724,400	196,000	2,097,200	2,077,600
LOLC Finance PLC	292,223	1,344,226	1,957,894	292,223	1,344,226	1,344,225.80
		115,091,166	196,248,377		190,248,655	190,189,113

Equity investments are carried to next page.

9. FINANCIAL INVESTMENTS (Contd…)

9.4.1 Equity shares

	2024			2023		
Name of the Investee	**No. of shares**	**Cost (Rs.)**	**Fair value (Rs.)**	**No. of shares**	**Cost (Rs.)**	**Fair value (Rs.)**
LION BREWERY (CEYLON) PLC	500	604,805	592,625	-	-	-
Madulsima Plantations PLC	30,000	327,000	420,000	30,000	327,000	333,000
Nat.Dev.Bank PLC	-	-	-	27,963	1,901,484	1,814,799
Nawaloka Hospitals PLC	-	-	-	100,000	400,000	400,000
PRINTCARE PLC	55,000	2,612,500	2,502,500	55,000	2,612,500	2,497,000
Regnis (LANKA) PLC	-	-	-	925	39,590	36,908
Richard Pieris & Company PLC	65,000	1,254,500	1,664,000	65,000	1,254,500	1,332,500
Roiyal Ceramics Lanka PLC	-	-	-	375,000	10,200,000	9,900,000
S M B LEASING PLC	494,011	296,407	395,209	494,011	296,407	296,407
SINGER (Sri Lanka) PLC	-	-	-	10,000	129,000	120,000
Softlogic Capital PLC	500,000	4,100,000	3,000,000	500,000	4,100,000	3,250,000
Softlogic Holdings PLC	-	-	-	150,000	2,187,823	1,350,000
Softlogic Life Insurance PLC	-	-	-	69,211	4,096,439	3,723,552
Sri Lanka Telecom PLC	-	-	-	6,000	582,451	557,400
Swadeshi Industries Works PLC	400	6,001,400	6,001,400	400	6,001,400	6,001,400
Teejay Lanka PLC	51,600	1,795,680	2,703,840	51,600	1,795,680	1,873,080
Union Bank PLC	125,000	1,250,000	1,462,500	125,000	1,250,000	1,250,000
United Motors Lanka PLC	-	-	-	2,500	160,000	145,250
Vallibel one PLC	-	-	-	140,000	5,460,000	5,376,000
		133,333,457	214,990,451		233,042,929	230,446,407

10. LOANS TO LIFE POLICYHOLDERS

	2024 Rs.	2023 Rs.
Balance as at 1st January	55,749,709	89,996,394
Loans granted during the year	17,129,600	19,553,615
Repayments during the year	(18,970,766)	(53,800,300)
	53,908,543	55,749,709
Add. Interest receivable	20,454,328	20,167,414
Balance as at 31st December	74,362,871	75,917,123

The Company made an assessment of the recoverability of the loans to life policy holders as at 31 December 2024. As a result, it was concluded that no provision for impairment is required.

11. PREMIUM RECEIVABLES

	Note	2024 Rs.	2023 Rs.
Premium receivables	11.1	21,767,752	17,879,978
Provision for premium receivables	11.2	(2,730,074)	(2,730,074)
		19,037,678	15,149,904

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 2024. Based on the assessment, adequate impairment provision has been made in the financial statements as at the reporting date in respect of premium receivable.

12. OTHER ASSETS

	2024 Rs.	2023 Rs.
Advance and deposits	10,636,458	11,954,638
WHT Receivables	17,117,392	14,785,324
Staff loans	14,612,030	21,874,727
Other receivables	25,541,388	23,443,003
	67,907,268	72,057,693

13. CASH AND CAH EQUIVALENTS

	Note	2024 Rs.	2023 Rs.
Cash in hand		288,005	321,595
Cash at bank	13.1	69,904,079	23,612,616
		70,192,084	23,934,211
Bank overdraft	13.1	(68,863,909)	(62,343,496)
Cash and cash equivalents as per statement of cash flow		1,328,176	(38,409,285)

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

14. STATED CAPITAL

	No of Shares	2024 Rs.	2023 Rs.
Opening Balance	147,000,000	1,470,000,000	870,000,000
Shares issued during the year	50,000,000	500,000,000	600,000,000
Closing Balance	197,000,000	1,970,000,000	1,470,000,000

(Shares Issued during the year to LIC of India)

14.1 Weighted average number of ordinary shares

	2024 No. of shares	2023 No. of shares
No of shares at the beginning of the period	930,000,000	870,000,000
Add: weighted average number of shares issued	20,833,333	47,766,250
Weighted average number of shares as at 31st December	950,833,333	917,766,250

15.	**INSURANCE CONTRACT LIABILITIES**	**Note**	**2024 Rs.**	**2023 Rs.**
	Life insurance fund	15.1	4,064,444,622	3,264,003,787
			4,064,444,622	3,264,003,787
15.1	The movement in the life insurance fund is as follows:			
	Balance as at 1 January	15.2	3,264,003,787	2,607,863,645
	Increase/ (decrease) in life insurance fund		800,440,835	656,140,142
	Balance as at 31 December		4,064,444,622	3,264,003,787

15.1.1	**Reconciliation to the life insurance contract liability as at 31 December**	**2024 Rs.**	**2023 Rs.**
	Net Liability	3,955,400,948	3,154,960,113
	Surplus created due to change in valuation method from NPV to GPV	109,043,674	109,043,674
	Total Life Fund	4,064,444,622	3,264,003,787

15.2 Change in contract liabilities

	2024	2023
Life Insurance Obligation -1 January	3,264,003,787	2,607,863,645
Life Insurance Obligation -31 December	4,064,444,622	3,264,003,787
Charge to profit or loss	800,440,835	656,140,142

The valuation of the Life Insurance business as at 31 December 2024 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.4,064 Million (2023 - Rs.3,264 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 2024 under the regulation of Insurance Industry Act, No. 43 of 2000 as Rs.4,064 Million.

As approved by the actuary, the Company has a Risk Based Capital Adequacy ratio of 133% (2023 - 151%)

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 benefits 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 2024 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 2024. No additional provision was required against the LAT as at 31 December 2024.

16. EMPLOYEE BENEFIT OBLIGATION

16.1 Defined contribution plans

	2024 Rs.	2023 Rs.
Balance as at 1 January	25,004,689	17,168,705
Current service cost	2,386,165	1,841,738
Interest charge for the year	2,956,458	3,034,553
Remeasurement of defined benefit obligation	5,696,455	3,579,849
Payments during the year	(735,078)	(620,156)
	35,308,689	25,004,689

Expenses on defined benefit obligation

	2024 Rs.	2023 Rs.
Recognised in profit or loss		
Current service cost	2,386,165	1,841,738
Interest cost	2,956,458	3,034,553
	5,342,623	4,876,291
Recognized in other comprehensive income		
Defined benefit plan actuarial (gains)/losses	5,696,455	3,579,849
	5,696,455	3,579,849

As at 31 December 2024, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S Prime Actuaries (Consultants & Actuaries) as required by Sri Lanka Accounting Standard (LKAS) 19 - Employee Benefits.

16.2 Principal assumptions as at reporting date

	2024	2023
Discount rate as at 31 December	10.00%	12.00%
Future Salary increase	10.00%	10.00%
Retirement age (years)	60	60

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.

2024	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(3,179,256)	3,678,346
Salary increment rate	1.00%	3,642,613	(3,206,460)

2023	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(2,142,556)	2,467,802
Salary increment rate	1.00%	2,491,659	(2,197,515)

17. PREMIUM DEPOSITS

	2024 Rs.	2023 Rs.
Premium Deposit (Proposal and policy)	2,963,760	4,776,214
Army Deposit	3,547,613	4,345,719
P and GS premium deposit	9,056	9,056
	6,520,429	9,130,989

18. TRADE AND OTHER LIABILITIES

	Note	2024 Rs.	2023 Rs.
Amount due to General Insurance Corporation (GIC)		6,336,586	4,032,572
Outstanding maturity & survival benefit claims		13,109,107	4,521,731
Death claims outstanding		1,593,879	1,061,305
Other sundry creditors		53,113,968	35,507,244
Lease liability	18.1	46,789,460	4,439,073
Repo Loan		51,852,065	-
Agency commission and allowance payable		599,116	505,526
		173,394,181	50,067,450

18.1 Lease liability

	2024 Rs.	2023 Rs.
Movement		
Balance as at 1 January	4,439,073	6,867,667
Additions during the year	51,664,813	-
Interest on lease liability	3,774,426	3,160,956
Repayments of lease liability	(13,088,853)	(5,589,550)
	46,789,460	4,439,073
Lease liabilities included in the Statement of financial position	46,789,460	4,439,073
Current	9,835,918	4,439,073
Non Current	36,953,542	-
Amounts recognised in profit or loss		
Interest on lease liabilities	3,774,426	3,160,956
Depreciation	18,704,024	3,282,772
Amounts recognised in statement of cash flows		
Total cash outflow for leases	13,088,853	5,589,550

19. GROSS WRITTEN PREMIUM

	2024 Rs.	2023 Rs.
Individual policies	955,562,712	925,972,156
	955,562,712	925,972,156

The Company records Life Insurance premium on an accrual basis.

20. NET INVESTMENT INCOME

	Note	2024 Rs.	2023 Rs.
Net interest income	20.1	408,791,371	357,340,583
Dividend income	20.2	14,938,704	9,234,838
		423,730,074	366,575,421

20.1 Net interest income

	2024 Rs.	2023 Rs.
Interest income from held to maturity investments and available for sale investments		
- Treasury bonds	217,543,580	200,969,899
	217,543,580	200,969,899
Interest income from loans and receivables		
- Fixed deposits	151,258,011	106,231,237
- Staff, agents and policy loans	11,316,833	15,313,925
- Debentures	25,677,172	21,983,649
	188,252,016	143,528,812
Interest income from cash and cash equivalents	2,995,774	12,841,873
	408,791,371	357,340,583

20.2 Dividend income

	2024 Rs.	2023 Rs.
- Equity shares	14,938,704	9,234,838
	14,938,704	9,234,838

21. NET REALISED GAINS

	2024 Rs.	2023 Rs.
- Equity shares	9,617,273	19,208,857
	9,617,273	19,208,857

22. NET FAIR VALUE GAINS /(LOSSES)

	2024 Rs.	2023 Rs.
- Equity securities	94,328,615	1,968,688
	94,328,615	1,968,688

23. OTHER OPERATING REVENUE

	Note	2024 Rs.	2023 Rs.
Loss on sale of property, plant and equipment		104,024	(122,682)
Other Income	23.1	18,736,501	16,784,310
		18,840,525	16,661,628

23.1 Other income

	2024	2023
Registration fees/Rebet on premium/duplicate policy bond fee	163,928	88,821
Discount Received from Maturity Claims	2,217,638	6,146,327
Rent Income - Building	7,522,600	4,763,260
Interest on Premiums	3,380,413	2,988,043
Interest on Staff Loans	2,251,781	2,133,314
Other income	3,200,140	664,545
	18,736,501	16,784,310

24. GROSS INSURANCE BENEFITS AND CLAIMS PAID

	2024 Rs.	2023 Rs.
Claim - death, disability and accident benefit	20,130,009	6,449,960
Surrenders	25,580,449	75,409,965
Maturity claims	521,421,046	593,013,097
Periodical endowment benefits	125,957,000	128,260,000
Interim bonus/loyalty additions/medical support benefits/term rider benefits	4,101,086	6,019,396
Gratuity claim paid	83,758,637	94,156,985
Claims recovered from reinsurer	(400,000)	-
	780,548,227	903,309,403

25. OTHER OPERATING AND ADMINISTRATION EXPENSES

	Note	2024 Rs.	2023 Rs.
Staff expenses	25.1	160,434,894	136,448,671
Administration and establishment expense		111,281,851	108,312,457
Selling expenses		75,031,940	88,809,339
Amortisation of intangible assets		23,779,976	325,753
Depreciation of property plant and equipment		7,969,599	7,308,204
Internal Auditors fees and expenses		350,000	-
External Auditors fees and under provision		3,713,286	1,800,000
Directors' emoluments and post employment benefits		39,534,321	31,488,591
Legal fees & professional charges		47,628,789	32,951,264
		469,724,657	407,444,279

25.1 Staff expenses

	2024	2023
Staff salaries	104,786,123	84,757,808
Defined contribution plan costs - EPF and ETF	11,077,686	9,676,052
Defined benefit plan costs - employee benefits	5,342,623	4,876,292
Other staff costs (travelling, over-time, bonus etc.)	39,228,462	37,138,519
	160,434,894	136,448,671

26. TAX EXPENSES

The major components of income tax expense for the years ended 31 December are as follows :

	2024 Rs.	2023 Rs.
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	-	-
	-	-

26.1 Tax reconciliation statement

	2024	2023
Surplus distributed to the policyholders who participate in Company's Profit	17,729,000	16,001,000
Investment income of shareholders' fund	(2,007,989)	36,024,855
Total Amount derived	15,721,011	52,025,855
Less:	-	-
-Exempt income	-	-
-Final withholding payments	-	-
Net Amount derived	15,721,011	52,025,855
Brought forward tax loss - set off during the year	(15,721,011)	(52,025,855)
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 aggregate 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 2024 is Rs. 743 million (2021: Rs. 758 million) is made up as follows:

26.2 Tax loss analysis

	2024 Rs.	2023 Rs.
Balance as at 1 January	758,846,296	810,872,151
Tax losses incurred/ (claimed) during the year	(15,721,011)	(52,025,855)
Balance as at 31 December	743,125,285	758,846,296

26. TAX EXPENSES

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 asset/ (liabilities)

	Assets		Liabilities		Net	
as at,	**31.12.2024**	**31.12.2023**	**31.12.2024**	**31.12.2023**	**31.12.2024**	**31.12.2023**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Tax losses	32,713,102	32,713,102	-	-	32,713,102	32,713,102
	32,713,102	32,713,102	-	-	32,713,102	32,713,102

Movement in temporary differences during the year

	Balance as at 01.01.2024	Recognised in profit or loss	Recognised in OCI	Balance as at 31.12.2024
	Rs.	**Rs.**	**Rs.**	**Rs.**
Tax losses	32,713,102	-	-	32,713,102
	32,713,102	-	-	32,713,102

26.4 Un-recognized deferred tax assets

The breakdown of un-recognized deferred tax assets is given below;	**2024** **Rs.**	**2023** **Rs.**
On tax Losses	190,224,483	194,940,787
Total	190,224,483	194,940,787

27. BASIC EARNINGS PER SHARE

	2024 **Rs.**	**2023** **Rs.**
Profit for the year	(623,843,768)	(639,192,013)
Weighted average number of shares in issue	950,833,333	917,766,250
Basic earnings per share (Rs.)	(0.66)	(0.70)

27.1 Weighted average number of ordinary shares

	2024 **No. of shares**	**2023** **No. of shares**
No of shares at the beginning of the period	930,000,000	870,000,000
Add: weighted average number of shares issued	20,833,333	47,766,250
Weighted average number of shares as at 31st December	950,833,333	870,000,000

The computation of the basic Earning/(Losses) per Ordinary Share has been done based on net profit/(Loss) attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares in issue as at the Balance sheet date and calculated.

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

2024	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	214,990,451	434,676,335	-	-	649,666,786
Measured at amortised cost	9.1 & 9.2	-	-	1,330,709,668	1,757,734,741	3,088,444,409
Loans to life policyholders	10	-	-	-	74,362,871	74,362,871
Premium receivables	11	-	-	-	19,037,678	19,037,678
Staff loans and other receivables	12	-	-	-	50,789,876	50,789,876
Total financial assets		214,990,451	434,676,335	1,330,709,668	1,901,925,167	3,882,301,620

2023	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	230,446,407	306,350,194	-	-	536,796,601
Measured at amortised cost	9.1 & 9.2	-	-	1,405,242,945	1,068,552,213	2,473,795,158
Loans to life policyholders	10	-	-	-	75,917,123	75,917,123
Premium receivables	11	-	-	-	15,149,904	15,149,904
Staff loans and other receivables	12	-	-	-	57,272,368	57,272,368
Total financial assets		230,446,407	306,350,194	1,405,242,945	1,216,891,608	3,158,931,155

28.1.b Financial liabilities

2024	Note	Fair value through profit or loss	Other financial liabilities	Total
		Rs.	Rs.	Rs.
Amounts due to GIC	18	-	6,336,586	6,336,586
Other liabilities	18	-	66,223,075	66,223,075
Repo Loan	18	-	51,852,065	51,852,065
Premium deposits		-	6,520,429	6,520,429
Agency commission and allowance payable		-	599,116	599,116
Lease liability	18		46,789,460	46,789,460
Total financial liabilities		-	178,320,730	178,320,730

2023	Note	Fair value through profit or loss	Other financial liabilities	Total
		Rs.	Rs.	Rs.
Amounts due to GIC	18	-	4,032,572	4,032,572
Other liabilities	18	-	40,028,975	40,028,975
Redeemable preference shares	18	-	-	-
Premium deposits		-	9,130,989	9,130,989
Agency commission and allowance payable		-	505,526	505,526
Lease liability	18		4,439,073	4,439,073
Total financial liabilities		-	58,137,135	58,137,135

28. FINANCIAL ASSETS AND LIABILITIES

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 2024					
Fair value through profit or loss					
- Unit trusts: close ended	9.4		-	-	-
- Equity shares	9.4	214,990,451	-	-	214,990,451
Available for sale					
- Treasury bonds	9.3	434,676,335	-	-	434,676,335
Total financial assets		649,666,786	-	-	649,666,786
31st December 2023					
Fair value through profit or loss					
- Equity shares	9.4	230,446,407	-	-	230,446,407
Available for sale					
- Treasury bonds	9.3	306,350,194	-	-	306,350,194
Total financial assets		536,796,601	-	-	536,796,601

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		2024		2023	
		Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets					
Financial investments					
Measured at amortised cost	9	3,088,444,409	1,707,931.00	2,473,795,158	2,776,892,000
Loans to life policyholders	10	74,362,871	74,362,871	75,917,123	75,917,123
Premium receivables	11	19,037,678	19,037,678	15,149,904	15,149,904
Staff and agent loans	12	14,612,030	14,612,030	21,874,727	21,874,727
Cash and cash equivalents	13	70,192,084	70,192,084	23,934,211	23,934,211
Financial liabilities					
Amount due to GIC	18	6,336,586	6,336,586	4,032,572	4,032,572
Other liabilities	18	66,822,191	66,822,191	40,534,501	40,534,501
Lease Liability	18.1	46,789,460	46,789,460	4,439,073	4,439,073
Repo Loan		51,852,065	51,852,065	-	-
		3,438,449,374	351,712,896	2,659,677,268	2,962,774,111

28. FINANCIAL ASSETS AND LIABILITIES (Contd…)

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. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain reclassifications have been made to the comparative figures to improve the comparability and fair presentation of these financial statements. As a result, following balances have been amended in the statement of financial position as shown below. These reclassifications have not resulted in changes to the total net assets previously reported as at 31 December 2023.

	Note	As previously reported Rs.	Adjustment Rs.	Reclassified Amount Rs.
Insurance contract liabilities		3,265,065,092	(1,061,305)	3,264,003,787
Trade and other payables		49,006,145	1,061,305	50,067,450

Death claims outstanding of Rs. 1,061,305 has been reclassified under trade & other payable.

30. RELATED PARTY TRANSACTION

30.1 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.

	2024 Rs.	2023 Rs.
Short term employee benefits	39,534,321	31,488,591
Post employment benefits	Nil	Nil

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

30.2 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 2024 (Rs.)	Transaction amount 2023 (Rs.)
Bartleet Religare Securities (Pvt) Ltd	Affiliated to a shareholder	Brokerage Fee	2,584,148	3,919,668
		Receivable / (P'ble)	1,217,061	(15,615,263)
LIC India	Parent	Share Advance	-	-
		Receivable / (P'ble)	-	-

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

31. 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.

32. EVENTS OCCURING AFTER THE REPORTING DATE

There are no significant events that have occurred since the reporting date which would require adjustments to or disclosures in the financial statements.

33. 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.

34. GOING CONCERN

The Company has recorded accumulated losses of Rs.1,789,003,882 (2023 - Rs.1,159,463,665) as at 31 December 2024. The Company has also incurred a net loss of Rs.623,843,769 (2023- Rs.482,873,772) and recorded negative operating cashflows of Rs. 303,837,663 (2023 Rs. 482,873,772) for the year ended 31 December 2024. The net assets of the Company are less than half of its stated capital resulting in a serious loss of capital situation as at 31st December 2024 as per the section 220 of the Companies Act No 07 of 2007. Further, the company maintained a Total Available Capital (TAC) of Rs. Five Hundred Million as at the year ended 31 December 2024 except for 1st and 2nd quarters (Rs.304,658,000 and Rs.238,450,000 respectively) as stipulated in the "Solvency Margin (Risk Based Capital) Rules 2015". These events and conditions may indicate that a material uncertainty related to going concern may exist.

However, the Board of Directors of the Company are fully aware of the situation of the Company and took the following remedial actions so far in order to mitigate the effects of the aforesaid events and conditions on its ability to continue as a

- We have reviewed the product portfolio and initiated the process of replacing loss-making products with non-par products to enhance profitability. Additionally, a special revival campaign was launched to reinstate lapsed policies, contributing positively to the overall income.
- We have closely monitored branch performance and implemented remedial actions to address underperforming locations.
- We have reassessed the expense structure in light of rising commodity prices and implemented cost-cutting measures to maintain operational expenses at a bare minimum without compromising service delivery.
- We have conducted continuous reviews of the investment portfolio, resulting in significant improvement in investment income through prudent and timely decisions.
- we have undertook market analysis to understand customer behavior and emerging product trends. The Company remains vigilant to detect market changes and capitalize on new opportunities to optimize performance.

Furthermore, subject to the approval of Insurance Regulatory and Development Authority of India (IRDAI) and Central Bank of Sri Lanka (CBSL), our Parent i.e., Life Insurance Corporation of India (LIC), plans to infuse capital to the Company to provide financial support as necessary.

Accordingly, based on the assesment of the Company’s ability to continue as a going concern, the Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

35. DIRECTORS’ RESPONSIBILITY STATEMENT

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