

LIVE YOUR
LiFE

SOFTLOGIC LIFE INSURANCE PLC

Integrated Annual Report 2016

LIVE YOUR LIFE

LIVE YOUR LIFE

Softlogic Life is poised to become Sri Lanka's leader in life insurance, as a dynamic company backed by the strength and reputation of the fast expanding Softlogic Group.

Formerly known as Asian Alliance Insurance PLC, Softlogic Life is now powerfully positioned to continue delivering unmatched value to the many stakeholders we partner, through innovative insurance, state of the art technologies and the responsive customer service ethic we have made our very own.

The cover of this annual report features our new brand imagery. This transformation also translates into our new vision to Revolutionize Insurance in Sri Lanka through World-Class Innovations, and deliver Extraordinary Stakeholder Value.

In October 2016, the shareholders of Asian Alliance Insurance approved a special resolution to change the Company's name to Softlogic Life Insurance PLC, according to a stock exchange filing. Softlogic Life had Gross Written Premiums amounting to LKR 5.6 billion (LKR 4.1 billion in 2015), a 38% increase over the previous year.

Softlogic Group entered the Insurance sector in 2012, and Softlogic Life Insurance PLC is on track to remain one of the fastest growing insurance businesses in the country. Softlogic Holdings PLC is one of Sri Lanka's dynamic conglomerates, with leading market positions in the country's growing economic sectors; Retail, Healthcare, ICT, Automobiles, Leisure and Financial Services. Significant stakeholders in the Company also include FMO and DEG, who are rated 'AAA' development financial institution from the Netherlands and Germany, respectively.

softlogic
LiFE

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View our report online

You can find more detailed information regarding Softlogic Life's performance from our online Annual Report. Providing our reports online allows us to reduce the paper we print and distribute.

Visit at www.softlogiclife.lk

ABOUT OUR INTEGRATED REPORT

The Report discusses the Company's economic, environmental and social performance in a comprehensive manner and is carefully structured to present material information where it is most relevant

Introduction

This is the fourth integrated Annual Report of Softlogic Life Insurance PLC (SLI) which provides a comprehensive but concise account of how the Company has created value for its shareholders and other stakeholders in 2017 in its 17th year of Life operations. The report is themed around our chosen key stakeholder partnerships that maximise our ability to generate competitive sustainable value. Softlogic Life acknowledges its dependency on the availability of capital resources and sustainable utilisation thereof in the conduct of its plans. The board considers financial, human, intellectual as well as social and relationship (brand trust) capitals as the most significant. Softlogic Life is not a significant consumer of natural resources. However, it is committed through its investment criteria to promote responsible natural resource utilisation.

The Report discusses the Company's economic, environmental and social performance in a comprehensive manner and is carefully structured to present material information where it is most relevant.

Boundary and Scope

The integrated report covers the performance of Softlogic Life Insurance PLC (SLI) for the year ended 31st December 2016 and material events up to the approval of the report by the Company's Board of Directors on 9th March 2017.

Our annual integrated report aims to present a balanced and succinct analysis and an overview of Softlogic Life and its external environment, Strategy and Resource allocation, Business model, Performance, Governance and prospects of the Company. In determining the content to be included in this report, we consider the pertinent developments and initiatives and the related performance indicators and future expectations that relate to our material issues. We report on our management of capital resources and our ability to replenish them through qualitative commentary, supported by assured key indicators.

Reporting Framework Integrated Reporting

- International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC) in December 2013
- The preparer guide to integrated corporate reporting in year 2015, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Financial Reporting

- The Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- The Regulation of Insurance Industry Act No. 43 of 2000 as amended
- Statement of Recommended Practice (SoRP) and rules

- Regulations and Directions issued by the Insurance Board of Sri Lanka (IBSL)

Corporate Governance Reporting

- Laws and Regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange

Sustainability Reporting

- "In accordance" – Core of Global Reporting Initiative (GRI) and the Financial Services Sector Disclosures published by GRI

We will continue to embrace the guiding principles and fundamental concepts contained in the International (IR) Framework to best serve the information needs of our stakeholders.

Materiality Determination

We focus our reporting on material aspects that impact our ability to be commercially viable and socially relevant in the communities in which we operate. Material aspects are defined as our material issues and any significant developments that would influence an assessment of SLI's performance or opportunities. In achieving our vision, various capital resources are consumed. Based on our leadership engagement, governance processes, and our formal and informal stakeholder engagement initiatives, particularly with investors, we are confident that all material matters have been identified and disclosed in this report. Details of materiality determination

and material aspects are provided on pages 64 to 67 in this report.

This report informs you about our business, the 2016 performance compared to our previously stated ambitions and our plans for the future.

Our Integrated Thinking

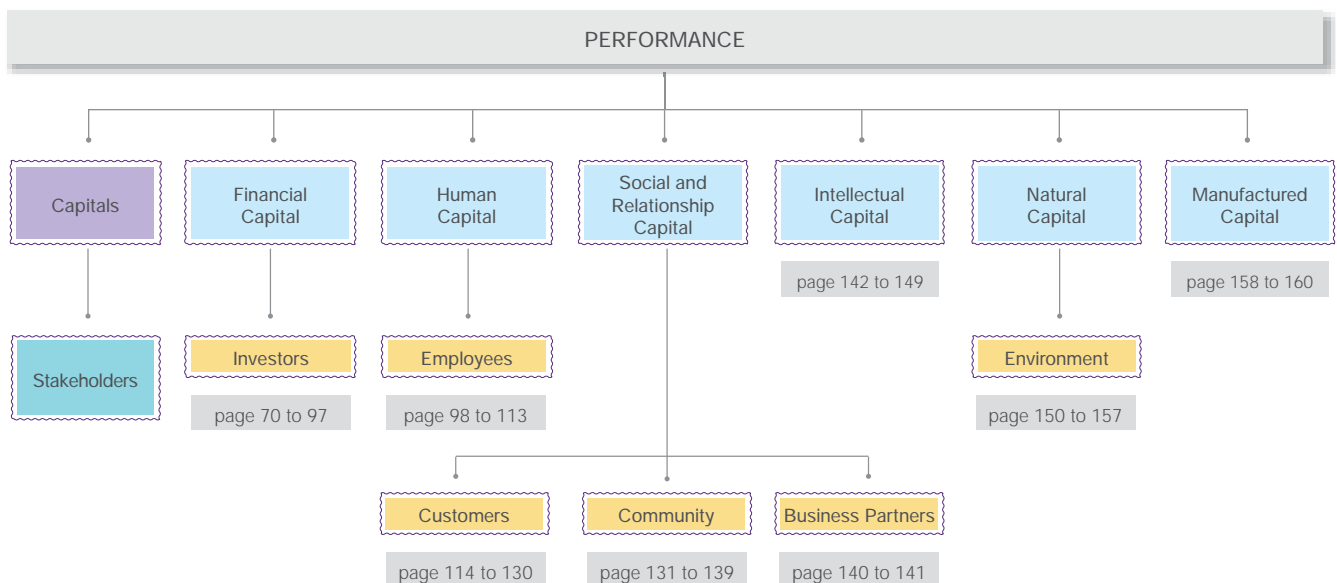
Our strategy and resource allocation, set out on pages 52 to 57, provides the construct that bridges our commercial and social relevance, our opportunities and our obligations. It reconciles our pursuit of profit in competitive markets,

with our role as a catalyst of economic agency and socially beneficial outcomes for all our stakeholders.

We believe that our strategy represents a consistent and considered level of integrated thinking, which continues to deepen as we implement our strategy within our organisation. This process has required that each of our business units and enabling functions align their strategies and plans to Softlogic Life's purpose, vision and values. This reorientation is driving a greater integration between our business

units and key functions such as risk, compliance, internal audit, advocacy and sustainability, which are fundamentals for the trust our stakeholders have in us and to defend our legitimacy.

Ultimately, we recognise that embedding integrated thinking at every level of our organisation forms part of our longer-term work to create a culture in which risk, compliance, ethics and social responsibility are harmonised with the effective and innovative fulfilment of customers needs. Details of discussion of the report is summarised as follows;



About Our Integrated Report

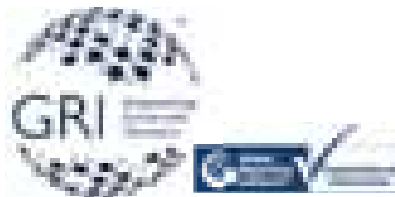
We apply the capitals model to manage and assess our ability to create value over time. We recognise that the various forms of capitals are interrelated and fundamental to the long term viability of our business. Intellectual capital is integrated into the human, financial and manufactured capitals as this better reflects the nature of our business as an insurance services organisation.

Outlook statements and Management Discussion and Analysis may contain insights which are based on management interpretation of current and future events and the reader is advised to take cognisance of the same

Assurance

The Company recognised the importance of obtaining an independent assurance from a competent professional firm. The Financial Statements and Notes to the Financial Statements and Sustainability Section included in this report have been audited by Messrs. KPMG Sri Lanka, who have expressed an opinion on the true and fair view of the Annual Financial Statements as shown on pages 253 in this report and reasonable assurance on the Financial Highlights on pages 18 to 19 and limited assurance on the Performance Summary on page 162.

Our Annual Report combines financial, corporate citizenship and environmental reporting into a single comprehensive report, which adheres to the Global Reporting Initiative (GRI), an internationally recognised standard for sustainability reporting. This report was submitted to GRI for a Materiality disclosures services and was confirmed that at the time of publication of the G4



Guidelines-based report, the General Standard Disclosures G4-17 to G4-27 were correctly located in both the Content Index and in the text of the final report as per the GRI G4 - "In Accordance"

- Core Option and our sustainability assurance as provided on pages 162 to 167 of this report. For a comprehensive understanding of the assurance carried out and our sustainability performance, please refer the capital reports on pages 69 to 160.

The Board has ensured that the information contained herein is accurate and that the report provides an honest view of the Company's performance and strategic priorities to investors and other stakeholders.

Awards and Recognitions for the 2015 Integrated Report

Our most recent report, which was compiled under the Global Reporting Initiative (G4) guidelines, turned a golden page in our annals. Many awards and accolades were brought our way through this report, which includes the pinnacle of

being awarded 'GOLD' for the Insurance Sector. Details of awards are as follows:

Each year consistently, we have been raising the bar with regard to the quality of our reports. We humbly acknowledge that these awards and accolades were granted to us due to our unwavering commitment to present relevant, reliable and balanced reports. We pledge that the same, if not greater commitment underscores each page of this report, and that this commitment will endure into the future as well.

Commitment to Natural Resources

As part of our ongoing commitment to conserve our natural resources, we printed limited copies of this report which are available on request. However, all shareholders will receive this report in the form of a CD-ROM. The report will also be accessible on our website www.softlogiclife.lk



- The Gold Award for the Insurance Sector and among the top 10 Annual reports of the country at the Annual Report Awards 2015, presented by the institute of Chartered Accountants of Sri Lanka.



- Award for Insurance Sector at South Asian Region at SAFA best presented Annual report Awards 2015 organized by South Asian Federation of Accountants.



- Ranked among the top ten Companies in Sri Lanka- Excellence in Integrated Reporting Awards organized by the Chartered Management Accountants of Sri Lanka



- Gold Award Winner up to \$100 Mn Category and ranked 45th overall at Spotlight Awards 2016.

Feedback

We welcome the views of our stakeholders on the Integrated Annual Report and the way in which we approach our strategic priorities. Please contact under mentioned officer with your feedback.

Address : Nuwan Pushpakumara
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 Softlogic Life Insurance PLC
 Head Office, No. 283
 R. A. De Mel Mawatha
 Colombo 03
 Contact : +94 0112315769
 Email : nuwan.withanage@softlogiclife.lk

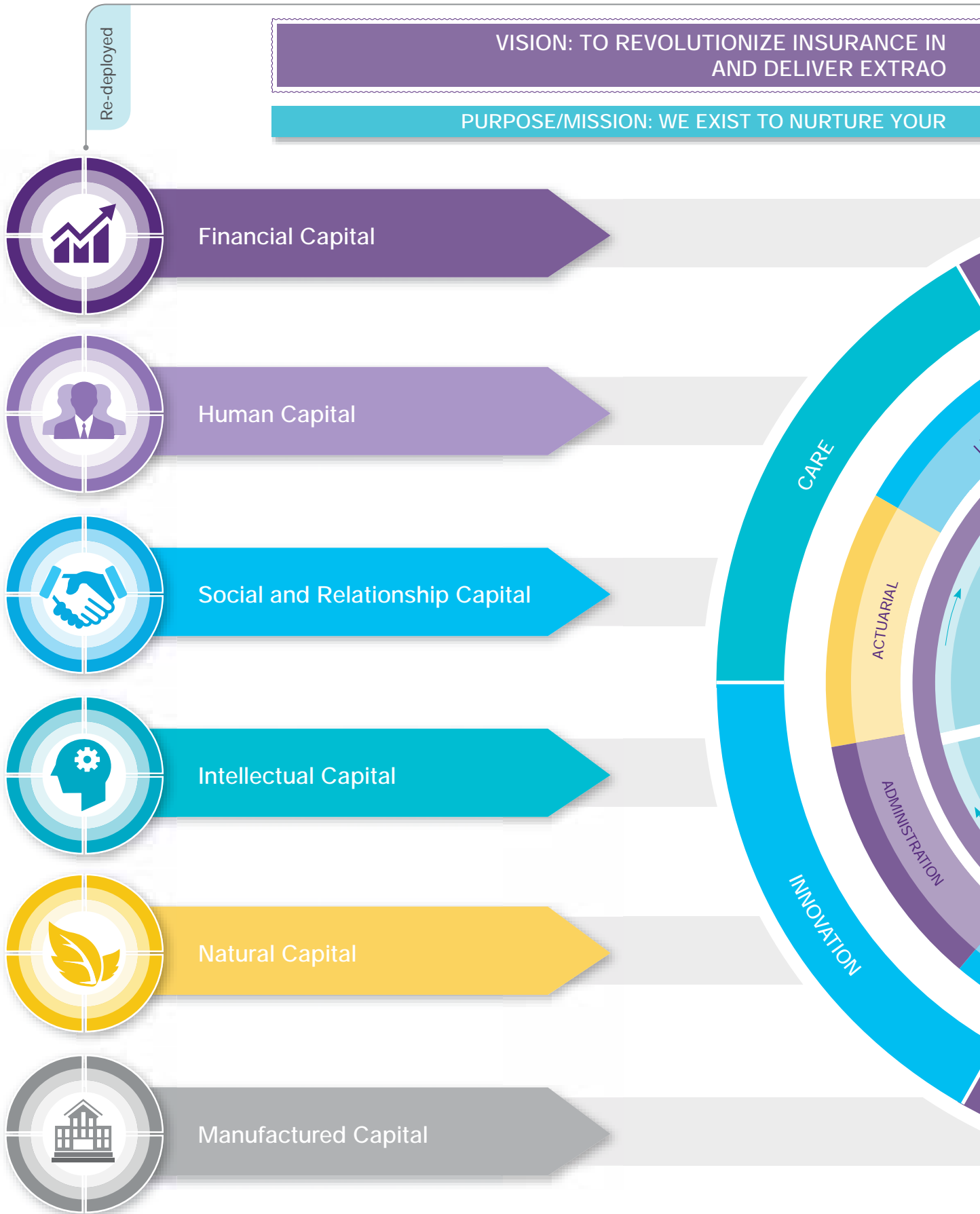
A feedback form is attached with this report on page 393.



LifeUP

Mobile App
facility

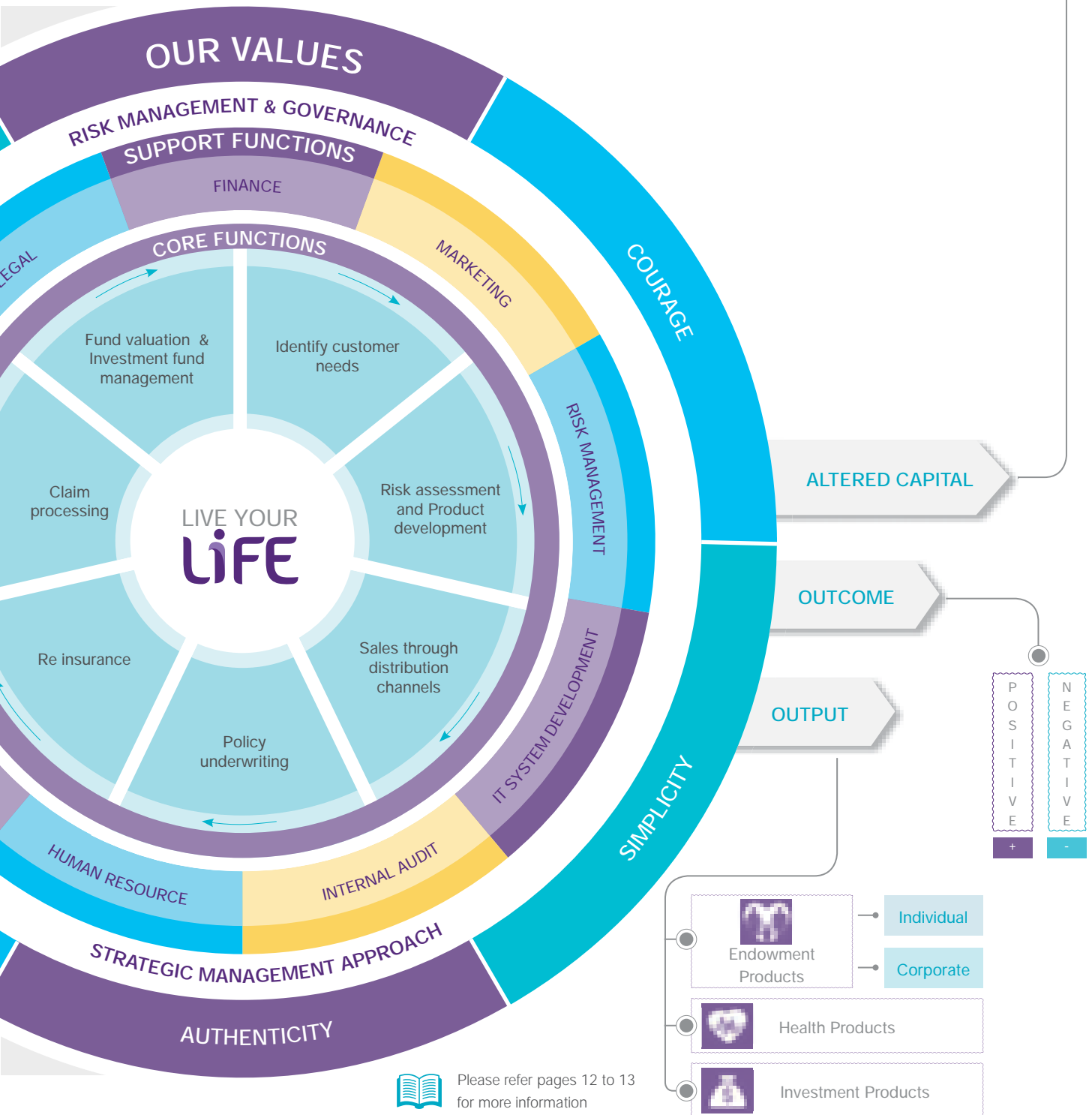
OUR SUSTAINABLE BUSINESS MODEL



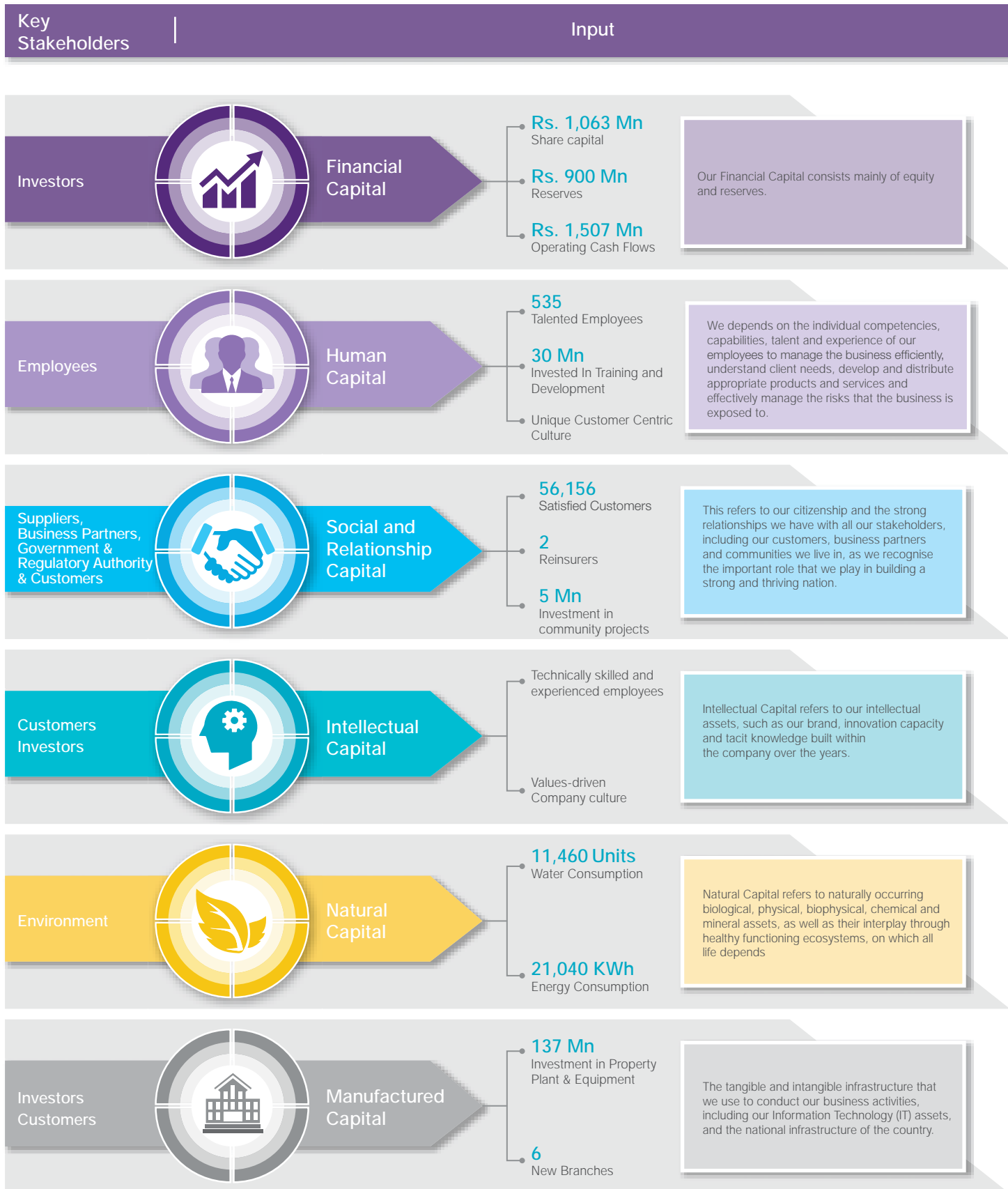
SRI LANKA THROUGH WORLD-CLASS INNOVATIONS,
ORDINARY STAKEHOLDER VALUE

WELLBEING SO YOU CAN ENJOY LIFE TODAY

Re-deployed



BUSINESS MODEL VALUE DRIVE



Stakeholder engagement is discussed in detailed on pages 58 to 63.

Capitals are discussed in detailed on pages 69 to 160.

Six capital inputs are used to process activities and competencies and provide product and services that create value for our stakeholders

Core Activities and Competencies

Customer Needs Analysis

Understanding customer expectation from an insurance policy is vital to us before introducing a product. Therefore, we always take efforts to identify their needs through interaction at every step.

Risk Assessment and Product Development

Product features are set by the product development committee as per the understanding received from customer needs analysis. Risk assessment is done by internal actuaries and product information is submitted to IBSL for approval. In the meantime, changes required to documentation and IT systems are carried out by relevant departments.

Sales Through Distribution Channels

Focus trainings are provided to all sales staff on features of Products. On completion of training, sales staff take the product to customers to be launched.

Underwriting

Underwriting team evaluates the proposals received based on the criterion set and underwrites policies accordingly.

Reinsurance

Reinsurance department discuss the product features with reinsurers and agree on the reinsurance premium and conditions. Also, they monitor reinsurance claims and reinsurance payments.

Claim Processing

The team validates the facts with the policy conditions and immediately processes the claim payment if no breach of conditions are found.

Fund Valuation and Investment Management

Funds collected are carefully invested by Treasury department to generate high returns. This function is monitored by the Board Investment Committee. On a quarterly basis, the company values its life fund to assess Liability Adequacy and reports to the board.

Output

Output is our product portfolio which can broadly be categorised as follows:



Endowment products

It provides guaranteed insurance protection for the entire life of the insured, otherwise known as permanent coverage. The premiums are usually level for the life of the insured and the death benefit is guaranteed for the insured's lifetime.



Health products

Primarily aimed to cover day-to-day medical expenses as well as hospitalization cover for planned surgery, emergency treatment, maternity cover, outpatient care and dental plans, depending on the level of cover the customer chooses.



Investment products

This is designed to combine the traditional protection and savings features of whole life insurance with the growth potential of investment funds.

Outcome

GWP Growth

↑ 38%

Profitability

↓ 3%

Return on Equity

↑ 48.1%

Dividend Yield

↑ 13.14%

Share Price Growth

↑ 28%

Capital Adequacy Ratio

↑ 195%

New Employee Recruits

↑ 33%

Employee Retention

↑ 81%

Customer Retention

↑ 83%

Commission Paid to Field Staff

↑ 28%

Value creation (output and outcome)

📖 Detailed product portfolio is provided on pages 120 -123

ABOUT US

Softlogic Life gave a new face to insurance business on the Wellness, Fitness and Nutrition platform, which benefits the customer in the ‘here and now’, so that they live life with a greater purpose and enjoy life and be care free.

Softlogic Life Insurance PLC (SLI), a respected Life insurance solutions provider, has grown rapidly to become a force to be reckoned with in the insurance industry. It is positioned as the fifth-largest entity in the insurance industry. Softlogic Life is also considered to be the fastest-growing insurance company in the country. Its meteoric rise within a short period of 17 years has been nothing short of awe-inspiring. In the last five years, the Company has consistently doubled its revenue growth benchmarks in comparison to industry average growth, which reflects the efficacy of its systems and processes.

The Company’s credentials were further strengthened after the acquisition of 59% stake in the Company by the Softlogic Group. Softlogic Holdings is a diversified conglomerate with interests in retail, healthcare, IT, leisure, financial

services and automotive industries. The joint group synergies have given rise to immense opportunities for Softlogic Life, especially in the healthcare sector, as the market leader and group company, the Asiri Group of hospitals, accounts for over 60% of the total private healthcare market in the country.

DEG (Deutsche Investitions und Entwicklungsgesellschaft mbH) of Germany and FMO (Netherlands Financierings Maatschappij voor Ontwikkelingslanden N.V.) of Netherlands also jointly hold a 38% stake in Softlogic Life, which reflects the significance and viability of the insurer to high profile overseas investors.

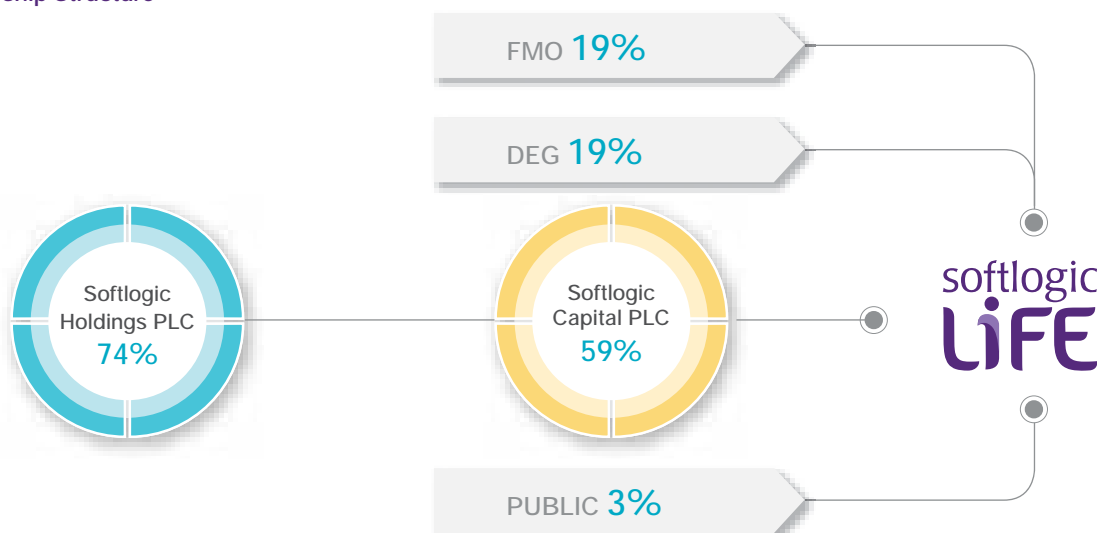
Softlogic Life has introduced a new ethos in the market. More commonly, life insurance is known to be associated with death and other unfortunate

circumstances, but Softlogic Life gave a new face to insurance business on the Wellness, Fitness and Nutrition platform, which benefits the customer in the ‘here and now’, so that they live life with a greater purpose and enjoy life and be care free.

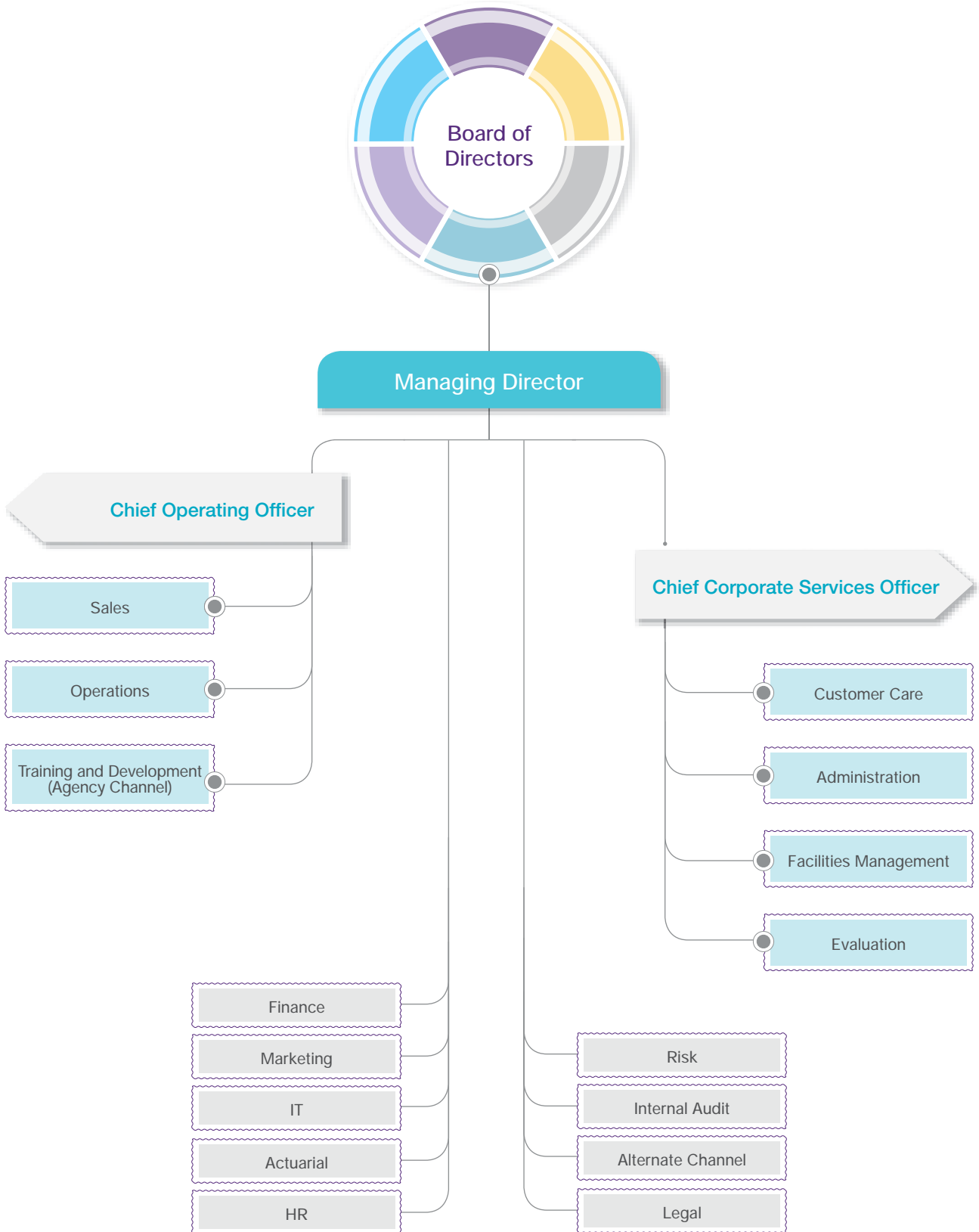
The Company has embraced creativity and disruptive innovation to elevate the standards of Sri Lanka by bringing together world-class solutions that enhance quality of life for customers. Its diverse solutions give customers the freedom and the opportunity to “Live life to the fullest”.

A quoted Company listed on the Colombo Stock Exchange (CSE) in 2000, Softlogic Life is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto.

Ownership Structure

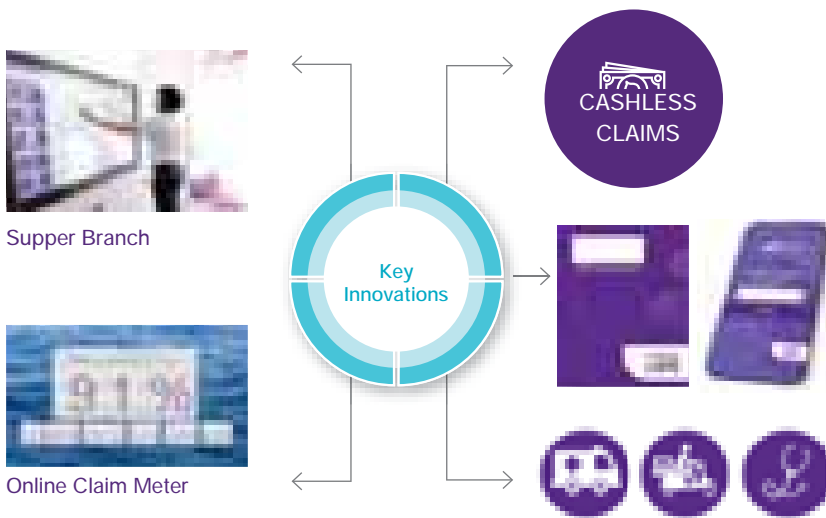


The Organisational Structure



YEAR AT A GLANCE

We concluded the year on an exuberant note, recording the highest-ever top line and bottom line numbers, by leveraging on our strategic business pillars to deliver excellent outcomes for our stakeholder community.



Supper Branch



Online Claim Meter



June 2016 Winner in the 'Social Empowerment' Category

Softlogic Life Insurance PLC has been internationally recognized and rewarded as a winner in the 'Social Empowerment' category at the prestigious Asia Responsible Entrepreneurship Awards (AREA) 2016. At the high-profile event at Resort World Sentosa, Singapore, to present the awards to the winners, Softlogic Life Insurance shared the stage with 170 nominees from the region.

February 2016 Launch of USD 1 Million Health Cover

Softlogic Life Insurance became the first Sri Lankan Insurer to launch a USD 1 Million Health Cover to the local market.



April 2016 Awarded 'Great Place to Work' Accolade

Softlogic Life Insurance was selected as one of the "Top 25 Best Companies to Work for in Sri Lanka - 2016".

May 2016 Innovation of LifeUp

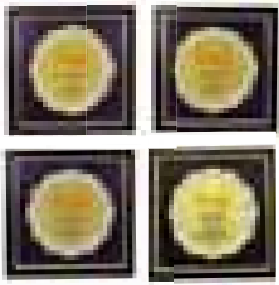
"LifeUp" - the latest technological innovation from Softlogic Life Insurance has simplified and streamlined a range of functions for Life Advisors.



July 2016 Achievement of 4 Awards at Insurance Industry Awards of Sri Lanka 2016

Softlogic Life gained major honours by winning 4 Top Awards at the inaugural "Insurance Industry Awards of Sri Lanka 2016" that was organized by the Insurance Association of Sri Lanka (IASL) and Fintelekt.

- Excellence in Agency Distribution – Life Insurance
- Excellence in Growth – Life Insurance
- Excellence in Growth - Motor Insurance
- Technology Innovation - General Insurance



CMA Award for Annual Report 2015

Softlogic Life Insurance PLC won an award for its 2015 Annual Report, in the "Ten Best Integrated Reports" category at the CMA Excellence in Integrated Reporting Awards 2015.



**August 2016
Cashless Hospitalization for 60 Hospitals Island-Wide**

Softlogic Life Insurance extended cashless hospitalization for 60 Hospitals Island wide. This Facility provides convenience to customers by eliminating the need for them to settle the hospital bill at the point of being discharged and get it reimbursed subsequently by going through the traditional reimbursement process.

**September 2016
Sale of Asian Alliance General Insurance Limited to the Fairfax Group**

Softlogic life Insurance PLC has transferred by way of sale, all the shares it held in Asian Alliance General Insurance Limited to the Fairfax Group.



**October 2016
Rebranded to Softlogic Life Insurance PLC**

The name of our company has been changed from Asian Alliance Insurance PLC to Softlogic Life Insurance PLC with effect from 24th October 2016. We gave a new face to our insurance business considering the wellness, fitness and nutrition of a person's life which benefits the customer now and while they live, with a greater purpose where we exist to nurture the wellbeing so that everyone can enjoy life today



**November 2016
Launch of Bundled Innovative Solutions**

Doctor's Visit to Your Doorstep; This service is available at any time of the day to examine a medical condition that has been covered by Softlogic Life. This will offer one free visit per policy year.

Emergency Medical Facilities and Medical Tests at Your Doorstep: Home Nursing & Swift Care will provide medical investigations which can be performed at your residence, and in the case of a medical emergency, an ambulance will be rushed to the required location.

Delivery of Prescription Medicines to Your Doorstep: This offers the facility to order medicines by sending the Medical Prescription via "LifeUp App" on Viber or WhatsApp - and the medicines will be delivered to the required location. Payment will be required on delivery.



**December 2016
Awarded the Gold Award in the Insurance Category**

Softlogic Life won the Gold Award in the Insurance Category and was also in the Top 10 across all Corporates at the most prestigious 52nd Annual Report Awards held by the Institute of Chartered Accountants of Sri Lanka.



Softlogic Life was awarded under insurance sector at SAFA best presented annual report awards 2015.

Recorded Highest-ever Revenue

Softlogic Life recorded Gross Written Premium Income of Rs. 5.6 billion and Profitability of Rs. 967 million. We concluded the year on an exuberant note, recording the highest-ever top line and bottom line numbers, by leveraging on our strategic business pillars to deliver excellent outcomes for our stakeholder community.

PERFORMANCE HIGHLIGHTS

Financial Highlights- Three Year Performance

Financial Performance and Ratios		2016	2015	(%)	2014
Gross Written Premium	Rs.million	5,636	4,091	38	3,048
Net Earned Premium	Rs.million	5,003	3,590	39	2,817
Profit After Tax - Company	Rs.million	967	993	(3)	840
Profit Before Tax - Group	Rs.million	1,040	893	16	768
Profit After Tax - Group	Rs.million	1,036	924	12	755
Dividends	Rs.million	1,010	-	100	375
Basic Earnings Per Share	Rs.	2.58	2.65	(3)	2.01
Diluted Earnings Per Share	Rs.	2.58	2.65	(3)	2.01

Financial Position and Ratios		2016	2015	(%)	2014
Total Assets	Rs.million	9,918	9,815	1	7,623
Financial Investments	Rs.million	8,218	7,744	6	6,643
Life Insurance Fund	Rs.million	6,935	6,569	6	5,224
Equity and Reserves	Rs.million	1,962	2,062	(5)	1,852
Total Liability	Rs.million	7,955	7,753	3	6,220
Total Debt	Rs.million	Nil	Nil	-	Nil
Net Assets Per Share	Rs.	5.23	5.50	(5)	4.94

Investor Ratios		2016	2015	(%)	2014
Share Price as at 31 December	Rs.	20.5	16.0	28	14.30
Price to Book Value Per Share	Times	3.92	2.91	35	2.26
Price Earnings Ratio Per Share	Times	7.95	6.04	31	7.11
Return on Equity	%	48.1	44.8	7	41.4
Pre-tax Return on Capital Employed (ROCE)	%	48.1	44.8	7	41.4
No. of Shares in Issue	million	375	375	-	375
Market Capitalisation	Rs.million	7,688	6,000	28	5,363
Dividend Payout	%	104	Nil	100	44.6
Dividend Yield	%	13.14	Nil	100	6.99
Dividend Per Share	Rs.	2.69	Nil	100	1

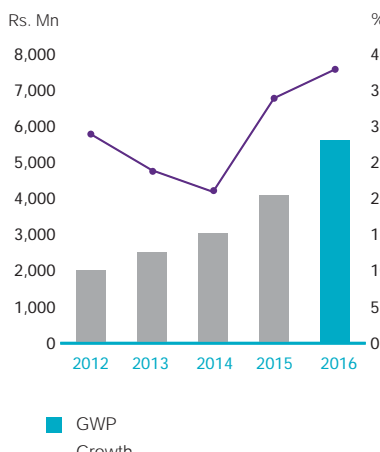
Key Value Drivers		2016	2015	(%)	2014
Annualised New Business Premium	Rs.million	2,182	1,725	27	1,246
Average Premium Per Policy	Rs.	99,573	86,667	15	81,639
Premium Persistency Ratio Year 1	%	83	82	1	79
Premium Persistency Ratio Year 2	%	66	63	5	58
Premium Persistency Ratio Year 3	%	57	52	10	48

Industry specific ratios		2016	2015	(%)	2014
Claim ratio	%	21	12	75	11
Expense ratio	%	60	50	20	61
Combined ratio	%	84	69	22	69
Reinsurance Expense Ratio	%	11	12	(8)	8
Capital Adequacy Ratio (Minimum requirement 120%)	%	195	226	(14)	-
Determination Ratio (Minimum requirement 100%)	%	105	111	(5)	105
Investment in Government Securities (Minimum 30%)	%	66	64	3	56

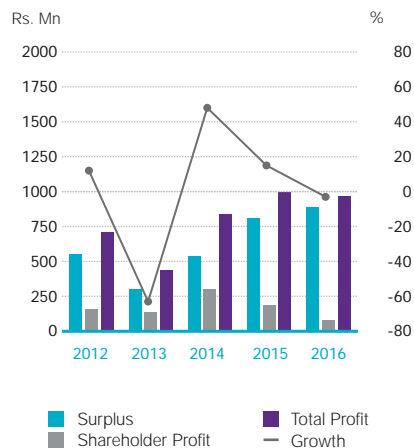
Financial Goals and Achievements

Indicator (%)	Goal	Achievement		
		2016	2015	2014
Gross Written Premium Growth	Over 20%	38	34	21
ANBP Growth	Over 25%	26	38	15
Profit After Tax growth	Over 10%	(3)	18	94
Return On Equity	Over 20%	48.1	44.8	40

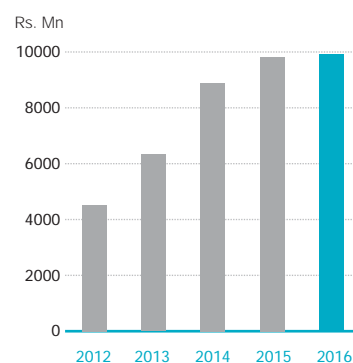
Gross Written Premium



Profit After Taxation



Total Assets



Performance Highlights

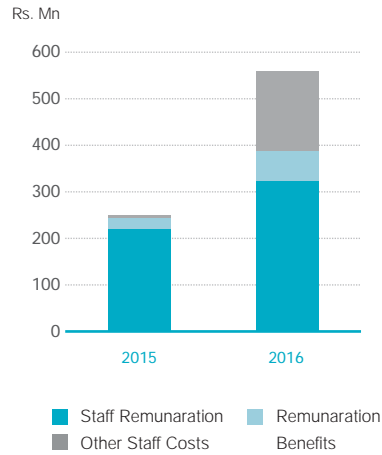
Non Financial Highlights - Two Year Performance

Indicator		2016	2015
Financial Capital			
EC1	Economic Value Addition (Rs.million)	3,683	3,460
Human Capital			
	Number of Employees	535	463
	Gross Written Premium Per Employee (Rs.million)	10.53	8.8
	Profit Per Employee (Rs.million)	1.8	2.14
EC3	Employee Benefit Liability (Rs.million)	73.4	45.7
LA1	No of New Employee Hires	175	113
LA3	Return to Work After Parantel Leave (%)	91%	100%
LA9	Average Hours of Training per Employee	9	9
	Investment in Training and Development	30	6
LA11	Employees receiving Performance Reviews (%)	100	100
HR3	Incidents of Discremination	Nil	Nil
HR5	Incidents of Child Labour	Nil	Nil
Social and Relationship Capital			
Customers			
	No of Policyholders	56,301	59,123
	Claims and Benefits Paid (Rs.million)	1,452	676
	No of Branches	61	65
PR8	Breaches of Customer Privacy	Nil	Nil
PR9	Non-compliance with Laws and Regulations	Nil	Nil
Business Partners			
	Reinsurance Expense (Rs.million)	633	501
	Reinsurance Recoveries (Rs.million)	379	265
	Fees and Commission Paid (Rs.million)	1,580	993
Government Institutions			
	Investment in Government Securities (Rs.million)	4,138	4,163
Community			
	Community Investments	5	4
	No of People benefited from WIN programme and health camp	491	106
SO5	Insidents of Corruption	Nil	Nil
SO8	Compliance with Laws and Regulations	Nil	Nil
Natural Capital			
EN3	Non Renewable Energy Consumption (Joules)	174,015	742,216
	No of Customers Signed up to "LifeUp" App	1,595	Nil

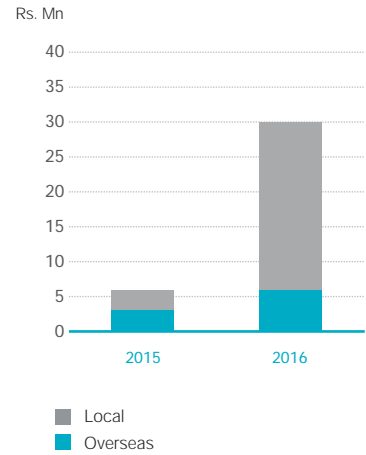
Details of highlights are provided on pages 69 to 160 under capital reports.

Value Created for Employees

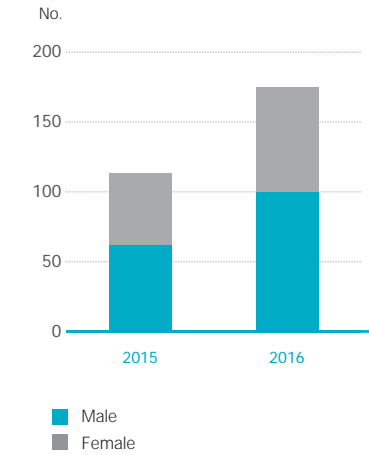
Total Staff Cost



Investment in Training and Development

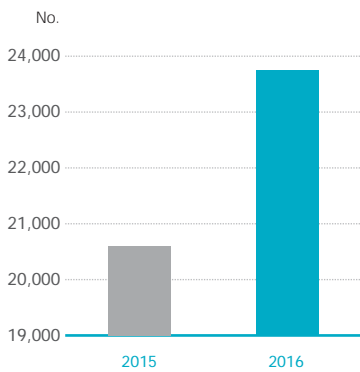


New Employee Recruits

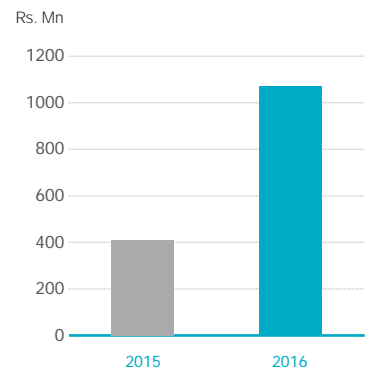


Value Created for Customers

New Policies

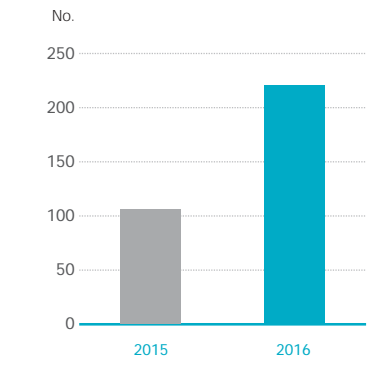


Claim Paid to Customers



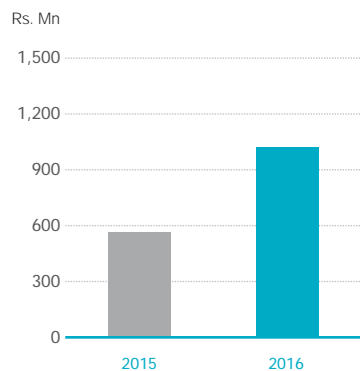
Value Created for Community

Youth WIN Programme Participants

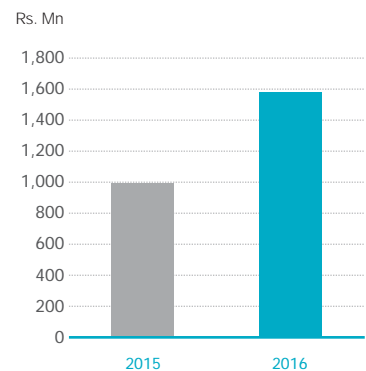


Value Created for Suppliers /Business Partners

Total Expenses Paid to Suppliers

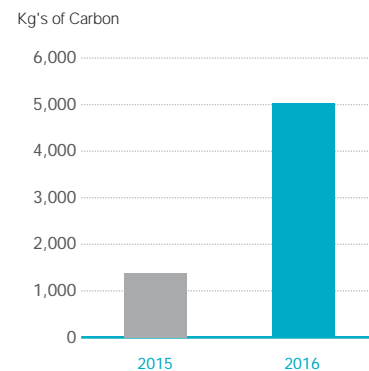


Comission Paid to Agents



Value Created for Environment

Reduction of Green House Gas Emission



CHAIRMAN'S MESSAGE



Creativity combined with a spirited culture has kept us in the forefront of innovative insurance solutions with numerous industry-firsts in Sri Lanka.

Your Company achieved yet another outstanding year in 2016, earning GWP of Rs 5.6 billion, which marks a growth of 38% and translates to PAT of Rs 967 million. We continue to maintain our focus on quality which has secured some of the best retention rates in the industry for Softlogic Life.

It is with great pleasure that we welcome you to the 18th Annual General Meeting of Softlogic Life Insurance PLC. The name change of the company to Softlogic Life Insurance PLC reflects the Softlogic Group's commitment to growth and dynamism to be the 'best in the business'. The Company has once again produced impressive results given recent economic conditions. Your Company's performance is rooted in the quality of the products and services which our talented staff and valuable agents provide to the customers. Creativity combined with a spirited culture has kept us in the forefront of innovative insurance solutions with numerous industry-firsts in Sri Lanka. Our quality propositions drive the returns we provide to our shareholders and underscore the role we play in the industry.

Our new strategic direction inspires customers with the message - 'Live Your Life'. This exhortation encourages customers to enjoy their life by opting for a healthy and fulfilling lifestyle enabled by our feature-rich customer solutions. Our group synergies in healthcare empower us to support our customers to tread a path that ensures their health and well-being at all times.

A New Chapter

We launched our brand, 'Softlogic Life' in October with the campaign, "Choose your Life". Your Company has excelled in Life Insurance solutions since 2001 and this brand launch is centered towards our customers who can engage in their daily affairs with peace of mind since mortality risk is now being shouldered by Softlogic Life. Softlogic Life Insurance is unarguably, one of the most preferred insurance provider to policyholders in Sri Lanka.

Our Integrated Thinking

This is our fourth integrated Annual Report which has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council which focuses on the reporting of the Company's value creation process. I trust our report will provide you with an in-depth understanding of this process and how we connect with the stakeholder centric strategies and actions, which are built on compliance, conformance, good governance, ethical conduct and sustainable development.

Economic Backdrop

Macroeconomic challenges to global headwinds are nothing new to Softlogic Life. We have mastered the storms many times throughout our 17-year history. We remain well-positioned across our operations to cushion such challenges. Sri Lanka is identified as an emerging economy ahead of its peers in the South Asian region. Sri Lanka's economy which had a slow start in 2016 with the global crisis trickling when exports and remittances declined with the decreasing oil prices. According to the World Bank Report, the Sri Lankan economy which grew at 4.08% in first nine month of 2016 is expected to grow at 5.71% in 2017 and 5.1% in 2018. Policy reforms and tightened monetary policy should pave way for fiscal consolidation and better macroeconomic stability. The insurance sector is one of the few to benefit from higher interest rates on its investment portfolio where the benchmark 12-month Treasury Bill rate rose 287 basis points to 10.17% by end 2016.

Performance of the Company

We are pleased to inform you that your Company achieved yet another

Profit After Tax

Rs.

967 Mn

Market capitalization



28%

Chairman's Message

outstanding year in 2016, earning GWP of Rs 5.6 billion, which marks a growth of 38% and translates to PAT of Rs 967 million. We continue to maintain our focus on quality which has secured some of the best retention rates in the industry for Softlogic Life. Your Company's Life Fund rose to Rs. 6.9 billion amidst challenging systemic conditions. Your Company achieved a Return on Equity of 48.1% and an Earnings per share of Rs. 2.58.

Some of the key financial highlights of our operating performance during the year under review were;

- Total GWP increased by 38% to Rs. 5.6 billion. Group Profit After Tax increased to Rs. 1,036 million which is 12% increase compared to year 2015.
- Profit of the Company reached to Rs. 967 million.
- Total Assets of the Company increased to Rs. 9.9 Billion.
- Return on Equity (ROE) increased to 48.1% in 2016 from 44.8% in 2015.
- Our shareholders earned the benefits of our strong performance, with Earning per share of the Company to Rs. 2.58 from Rs. 2.65.
- The Company's financial position, which was reflected in its market capitalization increasing by 28% to Rs. 7.7 billion from Rs. 6.0 billion

A Strict Focus

A critical evaluation of our forward strategy led us to divest the general insurance business so that we focus strictly on the fast growing Life business. Consequently, Asian Alliance General Insurance Ltd. was sold to Fairfax Group. We also executed a ten-year exclusive agreement between Softlogic and Fairfax in regard to General Insurance products. With the divestment of the loss-making

subsidiary, due to intense market competition in the general insurance arena, your Company's sole focus in Life business will allow it to grow from strength to strength. We are hopeful for the prospects of Life Insurance in Sri Lanka, where current penetration is around 0.5%, with the regional average almost four times that, reflecting the enormous potential that now seems to be coming through with Life Industry growth of 19% recorded in 2016, as opposed to single digit growth in the prior years.

Regulatory Changes and Stability

The new Capital Adequacy requirement is now in accordance with the concept of Risk Based Capital. This new regime encourages efficient use of capital to improve returns based on the risk exposure and provides incentives for strengthening risk management practices, which will lead to robust standards. This will contribute to an enhanced international image for Sri Lanka's insurance industry.

We are also pleased to note that during the year, we changed our Appointed Actuary to Messrs Willis Towers Watson, a firm with international exposure and impeccable credentials with major market share in the country, whom we felt was best suited to guide the Company through the new RBC and GPV regime change.

We have noted that further industry changes are in the offing with the regulator in the process of bringing in

Gross Written Premium



Rs.
5,636Mn

Return on Equity



48.1%



new guidelines for segregation and maintenance of insurance funds. We also welcome further measures that are being sought by the regulator to improve corporate governance and ensure fair treatment of customers.

The Most Awarded Insurer

We have been greatly encouraged by the accolades that we received during the year, where our company won the most number of awards at the Inaugural Sri Lanka Insurance Industry Awards 2016 and was adjudged “Excellence in Agency Distribution – Life Insurance” and “Excellence in Growth – Life Insurance” whilst being selected as one of the Top 25 Great Places to Work in the Country for 2016 by The Great Place to Work Institute. We also won the Gold Award for our 2015 Integrated Annual Report in the Insurance Category at the Institute of Chartered Accountants 52nd Annual Report Awards and SAFA Award amongst all Insurers in the SAARC region.

Sustainable Strategy

Softlogic Life has been able to leverage the strengths of the Softlogic Group with the latter’s value proposition and diversity powerfully impacting the growth of the business of the Company. Softlogic Life has strategically focused on health related products, where the Group’s Healthcare Sector, Asiri Health, plays a pivotal role in developing customer centric insurance solutions with an emphasis on technology-backed innovation in product and service delivery. We want to engage our customers on the platforms of Wellness, Fitness and Nutrition and



are in the process of developing a comprehensive digital offering that will take care of them, allowing them to ‘Choose their Life’.

Corporate Governance

A Company’s corporate governance is an indicator of how well-placed the company is to win the race in the long run. There can be no real financial success if a good governance framework does not exist.

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Further details on Compliance can be found in the Corporate Governance Commentary of this Report.

Corporate Social Responsibility

Our Sustainability philosophy is an integral part of our business strategy. Therefore, we strongly believe in giving back to the communities who need a helping hand and make a difference in people’s lives. We carry out a wide-ranging and highly impactful CSR activities primarily directed towards the WIN program, where we aim to empower more than 5,000 underprivileged but outstanding youth, enabling a valuable contribution to the rural economy. This programme takes place on a monthly basis, where the valuable aspects of building self-confidence and developing their personalities are brought about through a structured programme, thereby enabling the sustainable development of these communities.

Dividends

Growing shareholder wealth remains a core function of the Company. Your Board declared the first and second interim dividends for the year which were Rs. 0.53 per share and Rs. 2.16 per share respectively.

Future Outlook

We are investing substantially in the nation’s growth and want to play a

catalytic role in its development. We are confident that with innovation and conservative outlook, Financial Services Industry and Insurance in particular will have great prospects.

Acknowledgements

I would like to take this opportunity to sincerely thank the Chairperson and Director General of the Insurance Board of Sri Lanka (IBSL) and their staff for their outstanding efforts and contributions made to the sustainability and progression of this industry. The services rendered by the Insurance Ombudsman ensure that public confidence is maintained by providing an efficient and independent grievance redressing mechanism that is greatly appreciated. Our relationship with the regulators and supervisors forms the base which makes us serve the customers’ needs in a much effective manner.

My colleagues on the Board, to whom I am immensely grateful, are drawn from different disciplines that significantly enrich their overall contribution. We believe that we have accumulated some outstanding resources that combine to form the Management Team of this Company, and the Managing Director and all staff of the Company are to be commended for their dedication and commitment towards delivering some great results this year. With their continued commitment, I am certain that we can look to the future with confidence.

Our customers are the main forte of this Company and everything we do is built around creating and delivering valuable insurance solutions to them, so that they can ‘Choose Their Life’. We look towards their patronage and we commit to uphold their trust always.



Ashok Pathirage
Chairman

MANAGING DIRECTOR'S MESSAGE

The period under review was a watershed in the Company's history as it marked a new dawn for our Life operations. Having exited our general insurance business and embracing a new brand identity as Softlogic Life Insurance, the year proved to be an eventful one. The changes wrought during the year have us eagerly looking forward to the exciting possibilities of expanding our position in the Life insurance sector on our new platform of Wellness, Fitness and Nutrition, while ensuring customers earn returns on their investment in the "here and now." Our financial solutions will be directed towards helping customers maximize their health and wellness to 'Live Life to the Fullest'. The new brand name and brand focus has put the Company on the path to greater innovation that will be required to embed this new approach to selling Life insurance in a competitive industry.

This, our fourth Integrated Annual Report, reflects much of this rejuvenation of the Company and sets out before the reader the extensive strategies that helped us achieve our strong financial and operational results during the year. This report explains in detail how we are nurturing and building our key capitals, namely, Financial, Human, Social, Intellectual, Relationship, Natural and Manufactured. Our stakeholders strengthen our ability to cater to their needs through close engagement and by harnessing our resources to move with focus towards our strategic objectives.

Our focus on consolidating our various capitals has given us a clear 2020 vision for how we will achieve our aspiration to become a leader in the business. Softlogic Life has long established its dynamism and innovative approach to spearhead technology-backed solutions in the insurance industry. This year too was no exception, as during the year we introduced several digital initiatives that empower our customers and employees to transact while on-the-go. By doing this we are putting our customers in control of how, where and when they wish to transact with us.

Company Performance

Softlogic Life recorded a strong GWP growth of 38%, to reach Rs. 5,636 million, which once again sets a new benchmark in the industry. Our first-year premium growth stood at 49% at year-end, which positions us at the top 3 level in the industry. Our ability to remain focused on the numbers while at the same time sharpening our performance in other operational areas has been exceptional. More importantly, we have not allowed external factors to weigh us down and despite facing a challenging investment climate, we stepped up our core business performance by several notches.

Performance of the Key value drivers

Annualised New Business Premium	Rs. 2,182 Mn
Average Premium Per Policy	Rs. 99,573
Premium Persistency Ratio Year 1	83%
Premium Persistency Ratio Year 2	66%

We foresee immense opportunities in growing our Life business and towards this end, we continued our branch expansion activity during 2016, adding 6 new branches at Batticaloa, Mathale, Bandarawela, Ambalanthota, Negombo and Malabe locations to better reach communities in these regions. This careful study and analysis of prospective locations for new branches is fuelling our organic growth.

The year 2016 also saw the introduction of the new Risk Based Capital (RBC) regime introduced by Insurance Board of Sri Lanka (IBSL), which encourages efficient use of capital to improve returns based on the risk exposure of each Company. I am glad to report that our Company is comfortably positioned at 195%, which is well above the required standard of 120%. Overall, the Company has made a smooth transition to the new regime.

Key Strategic Priorities

Our substantial expertise in IT-enabled multi-channels has boosted our ability to leverage on greater efficiencies and

GWP Growth



38%

First Year Persistency



83%



During 2016, Softlogic Life was awarded the Gold Award in the Insurance Category at the most prestigious 52nd Annual Report Awards held by the Institute of Chartered Accountants of Sri Lanka. It was also included amongst the Top 10 across all corporates.

Managing Director's Message

helped us deliver flexibility, convenience and vitality to customers, thereby encouraging them to enjoy "life to the fullest".

Our leadership in devising technology-backed solutions was very much in evidence during the year under review as well. "LifeUp" was the latest innovation; 'LifeUp' smart phone application is an unique value-added tool to deliver convenience in the lives of Softlogic Life policyholders. This app enables customers to access their policy details and make necessary amendments, pay premiums, intimation of claims, upload claim documents, view payment history and so on. We were also able to deliver a convenience we have been waiting on for a while –cashless hospitalization for 60 hospitals island-wide. This facility eliminates the need for patients to settle their hospital bill as we pay it directly to the hospital, leaving the patient stress-free.

Customers are always seeking greater value from our Company and we lived up to this reputation in 2016 by rolling out bundled innovative solutions that undeniably reflect our pole position in health insurance. The 'Doctor visit to your doorstep', 'Ambulance visit to your doorstep' and the 'Emergency Medical Facilities and Medical Tests at your doorstep', are services that provide infinite peace of mind for customers in a medical emergency who can turn to us.

Delivering on our promises is a key focus and we extended the One-Day claim settlement promise by settling more than 80% of claims within one day which assists policyholders/ nominees instantly to overcome their financial difficulties. In order to enhance transparency further, the real time claim meter was launched on the company website which will be updated daily. The One-Day Death Claim Settlement became a reality this year. We will now be settling all straightforward death claims within one day in order to assist nominees instantly to overcome their financial difficulties – yet another record in the industry.

Disruptive technology is transforming businesses and we are ahead of the curve by launching the 'Super Branch' concept – a modern branch which is fully equipped with technology to provide superior customer experience as a "one-stop shop" where they can personalize policy features and could also purchase Softlogic Group products.

Another notable development was the introduction of the new DTAP system, which is a fully automated web-based system introduced to our Alternate Business channel which supports the operation of Group Life, Decreasing Term Assurance (DTAP) etc, providing greater convenience to customers by reducing the duration of policy issuance cycle. Softlogic Life is also the first to empower policyholders to customize their own policies, without a one-size-fits-all approach.

Accolades

The Company has been repeatedly recognized and rewarded in the local and international arena in recent years. These accolades have served to inspire us to strive harder. During 2016, Softlogic Life was awarded the Gold Award in the Insurance Category at the most prestigious 52nd Annual Report Awards held by the Institute of Chartered Accountants of Sri Lanka. It was also included amongst the Top 10 across all corporates. This award has given us immense pride and is a testimonial to the efficacy of our exceptional business model and the industry-best talent we have.

The Company was yet again awarded heavily at the inaugural "Insurance Industry Awards of Sri Lanka 2016", organized by Insurance Association of Sri Lanka (IASL) and Fintelekt, winning 4 Top Awards for excellence that included "Excellence in Agency Distribution – Life Insurance" and "Excellence in Growth – Life Insurance". We were also thrilled to have been selected as one of the Top 25 Great Places to Work in the Country for 2016 by the Great Place to Work Institute.

Customer Centricity

Our customers are central to delivering our business strategy and our brand promise. Our close engagement with them strengthens our hand when we design solutions that address their needs and requirements. The new brand promise of the Company to help customers maximizing Wellness, Nutrition and Fitness is an exciting one to which we will keep adding value such that the customer can 'Live Life to the Fullest'. Our product development process is an ongoing one and we remain committed to periodically launching key initiatives to deliver customer value. Meanwhile, our technology leadership position in the industry keeps us on our toes when it comes to pre-empting customer needs, a process we have honed over time, which is precisely why we selected the Wellness, Nutrition and Fitness platform, so that our customers can "Choose" the lives they want to live.

Corporate Sustainability

Softlogic Life's strategic objectives are closely integrated with our sustainability initiatives. The Company was recognized for the impact of its extensive social responsibility projects and internationally recognized and rewarded as a winner in the 'Social Empowerment' category at the prestigious Asia Responsible Entrepreneurship Awards (AREA) 2016 in Singapore.

Our Community development strategy is focused on 'Empowering youth' through development of the Sri Lankan education system through our WIN programme, which empowers the youth to become more employable through confidence building training programmes initiated by the Company.

Protecting our world and providing a healthy environment for people of the nation has been yet another key initiative and during this year as well, we undertook various initiatives for sustainable environment protection, details of which are provided on pages 150.

Challenges Faced

There are inherent risks in the insurance business and as a responsible corporate citizen, we have examined and made adequate provisions to guard against existing and emerging risks. We have in place a robust risk framework and corporate governance teams to supervise our progress on that front.

Our greater competitive advantage is our people and being cognizant of this, we have initiated an array of human resource management policies that helps in the recruitment and retention of staff. Undoubtedly, our reputation for encouraging employees to gain further professional qualifications, conducting regular training, helping them to build career progression while ensuring highly attractive remuneration are few of our strategies to ensure we have the most dynamic and efficient sales force in the industry. The culture of meritocracy and teamwork at Softlogic Life is refreshing and a testimonial of how our people are able to conceptualize and deliver innovative solutions.

Average Premium per Policy



Rs.
99,573

Total Assets



Rs.
9.9Bn

Future Outlook

Innovation will continue to be a winning formula for us in the future and this will be accelerated by leveraging on digitalization and paperless solutions that demonstrates how we use technology as a key differentiator in cost optimization and achieving customer appeal value proposition. This technical competency helps us develop new products and provide unique services to customers. There is a gap in the market for out-of-the-box, new age products and we are proud to spearhead the effort to fill this gap.

We continue to employ various channels through which we gain customer feedback to keep adding value to our customer service. Our strategy of leveraging on technology to provide greater value addition to all stakeholders is showing great success. We are dedicated in achieving exceptional customer service and operational excellence.

Looking ahead, we will strengthen our integrated focus on our sustainable contribution to Community, Environment and Corporate pillars. The Board and management of Softlogic Life is passionate about developing and maintaining strong governance controls and the profile of Board Members reflects their combined years of experience in managing risk and governance aspects.

While macro-economic growth is expected to remain at current levels of 5-6% in the immediate future, we are optimistic about this rate accelerating in the medium term due to various economic initiatives taken by the present government to set the economy on a stronger path. The growing middle class and greater purchasing power gives rise to great expectations for the Life sector, which has a low penetration in Sri Lanka. As the fastest-growing insurance company in Sri Lanka, Softlogic Life is ideally positioned to forge inroads into enhancing its influence in the Life sector and our energies are focused on achieving an improved Life cover.

Appreciation

I would like to thank key partners such as the Chairperson and team of the Insurance Board of Sri Lanka (IBSL) for the expert manner in which they have elevated the industry to be on par with international standards. Softlogic Life fielded new regulations with ease, chiefly due to the help of the IBSL and the guidance of the Board of Directors who steered the Company expertly through a new dawn in the Company's history and a new regime in the industry. I commend the commitment and passion displayed by my team for surmounting the various challenges and developments we faced during the year. The commitment displayed by my team of General Managers, Heads of Divisions, Managers, members of staff, field management and insurance advisors due to whose collective effort we have delivered an historical overall result, needs to be appreciated. I also thank insurance brokers, reinsurers, other strategic partners for their continued support.

Our strategic focus on growth supported by a new operating model coupled with our strong technology and innovation capabilities has revitalized our operations and prepared us to deliver yet another dynamic performance in the days and months ahead.

Iftikar Ahamed
Managing Director

CHIEF OPERATING OFFICER'S MESSAGE



Softlogic Life continued to sustain its leadership position as an insurer that has revolutionized the industry by innovating advanced technology backed solutions products and services.

Softlogic Life Insurance PLC posted yet another exceptional year, recording an increase of 38% revenue growth over the previous financial year, while at the same time achieving remarkable improvement across all key performance indicators.

Softlogic Life Insurance PLC posted yet another exceptional year, recording an increase of 38% revenue growth over the previous financial year, while at the same time achieving remarkable improvement across all key performance indicators, namely new business growth, client retention, market positioning, product mix management, productivity, operational efficiency, expense management and investment management. The Company is now positioned strongly in both qualitative and quantitative terms, having outperformed the industry in business growth consistently for the last 5 years. As in the past, our strategic focus was on striking the right balance between business revenue growth and sustaining the quality standards far above industry norms.

The achievements have set the perfect platform for improved financial and operational results which are attributed to the rapid technology adoption by the Company which enabled us to streamline systems and processes, while maximizing convenience and minimizing time spent on transactions by elevating our customers and employees to the digital platform. This has resulted in improved cost management while delivering operational efficiency and positioning as a trail-blazer when it comes to technology backed insurance solutions.

The Company continues to operate on the unique business model built on strong foundations. The four pillars of success on which we operate are the continued delivery of benefits to customers, employees, shareholders and the society at large. With their blessings by creating value for all these stakeholder groups, we have been able to reach higher with each passing year and to consistently repeat the outstanding performance.

We create value for our customers by delivering our brand promise

We strongly believe that our customers are greatly benefited by being able to access claims at the time they really want it and to reap maturity value at the end of the policy period. Our data on customer retention clearly indicates that our customers are highly satisfied, and we are focused on continuous improvement through the newly developed customer care platform creating regular customer engagement. The new claims management process which was implemented has resulted in over 80% claims being settled within one day.

Our client base is supported strongly by our policy conservation and customer retention units, unique in the industry, because they help engage policy holders with the company on a regular basis, which results in a higher satisfaction rate. These units have boosted client satisfaction rate and helped to retain clients.

We create value for our employees by empowering them with technical skills, knowledge, technology remuneration and rewards

Our people drive our success. With this in mind, we have made good progress in fostering a dynamic work culture that encourages our employees to rise to their true potential and one that attracts industry-best talent. Our team, including the sales force maintain very high productivity levels that have positioned the Company to recruit, develop and retain a diverse and talented workforce with ease.

Our team enjoys above industry income and rapid career progression, and their exceptional contributions are acknowledged and richly rewarded.

Claim Paid

↑
Rs.
1 Bn

ANBP Growth

↑
26%

Chief Operating Officer's Message

Softlogic Life was rated as one of the top 25 organizations in the Great Place to Work Survey 2016.

We create value for our shareholders by safeguarding and growing their wealth in a sustainable manner

As for our shareholders, we ensure they get the best out of their investment, namely, highest profitability, stability and growth, underpinned by ethical management practices. Our financial results have been testimony to our commitment in this area, with ever-growing market share recorded at 9% in 2016, with a growth of 1.2% over last year.

We create value for the communities in which we live and work, in a myriad ways that protect and enhance their environmental and social rights

We have made Corporate Social Responsibility (CSR) part of our business strategy since inception and through the year under review, we engaged in meaningful initiatives that have a direct and measurable impact on developing rural youth and protecting environment for the future generation.

The Company is playing an important role in developing future leaders by supporting underprivileged schools to reward and recognize high achievers amongst students. The Company distributed 97,823 certificates to 97 schools across the country.

Our WIN initiative is also highly encouraging as it is transforming the future of A/L students in villages and small towns in unique ways. The Company conducts training to increase their entry level career prospects so that they are in a confident position to impress thanks to the value addition given to them by the WIN programme. WIN focuses to enhance their interview skills, communication skills and targets other soft skills such as grooming and so on. We are heartened to state that WIN was awarded Asia's Best CSR initiative last year for the sheer impact of the project.

Our technology-backed solutions are transforming the industry

Softlogic Life continued to sustain its leadership position as an insurer that has revolutionized the industry by innovating advanced technology backed solutions products and services. Some key innovations were launched in 2016, namely: LifeUp, an app that offers of customers to transact and perform most service related activities on their mobiles thus eliminating paperwork and physical visits to our branches; E-Advisor, another revolutionary digital innovation by the Company helps our Sales Advisors to focus on business growth and meet total customer needs by completing all required documentation online, also facilitating their day today regular operational requirements rendering them the most productive sales force in the industry. The Hospital Claims App, has enabled customers to transact their healthcare insurance claims online, that triggers one day claim settlement concept.

Further, we are reducing time and cost spent in documentation in the back-office by infusing technology that ensures the paperwork is eliminated and staff have free time to spend on more productive business management functions.

We are into new market segments through diversified distribution channels

Besides sustaining our strategy and leveraging on our unique model in the year, we made a paradigm shift in 2016 to move beyond protection-based insurance to explore new channels of growth - to look at new and emerging trends, such as web-based sales and bancassurance. While these will provide new revenue streams for the Company, they will accommodate prospective client requirements who are more comfortable transacting on these platforms. New products are always being researched and developed by our product development teams in close consultation with sales and marketing teams.

Number of New Policies



23,756

Life Fund



Rs.

6.9 Bn

Launch of Softlogic Life

The team was highly successful in re-branding the Company under the name Softlogic Life Insurance PLC or “Softlogic Life” in 2016. The multi-faceted change process was perfectly managed by the team led by Marketing, creating a smooth transition, that ensured all detailed aspects are carefully looked into to achieve the desired goals of the major change.

Acknowledgement

I would like to first thank our customers who placed their total confidence on us for a rewarding long term business relationship. Next, the entire Softlogic Life team for the commitment they have displayed while focusing on the task at hand by playing their part perfectly. Every customer big and small is important to us and we reiterate our commitment to earning their trust. We are at the number 5 position in the life insurance market presently and we remain committed to sharpening our presence further. I take this opportunity to express my gratitude to the Managing Director and Board of Directors for their visionary leadership. I am confident that our strong brand and talent will continue to drive future success for the Company.



Chula Hettiarachchi
Chief Operating Officer

OUR OPERATING CONTEXT AND STRATEGY

Operating Context and Strategy

Our Business Operating Context	
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OUR BUSINESS OPERATING CONTEXT

REVIEW OF MACRO-ECONOMIC ENVIRONMENT

The World Economy

“Global growth for 2016 is estimated at 3.1 percent”

Growth in 2016 amongst advanced economies has experienced a stronger-than-expected pickup as a result of recovery mainly in manufacturing output. Among advanced economies, activity rebounded strongly in the United States after a weak first half of 2016, and the economy is approaching full employment. Output remains below potential in a number of other advanced economies, notably in the euro zone. Forecasted growth for 2017 onwards has taken into consideration the changing policy mix under a new administration in the United States and its global spillovers.

Table: Highlights of Global Economy

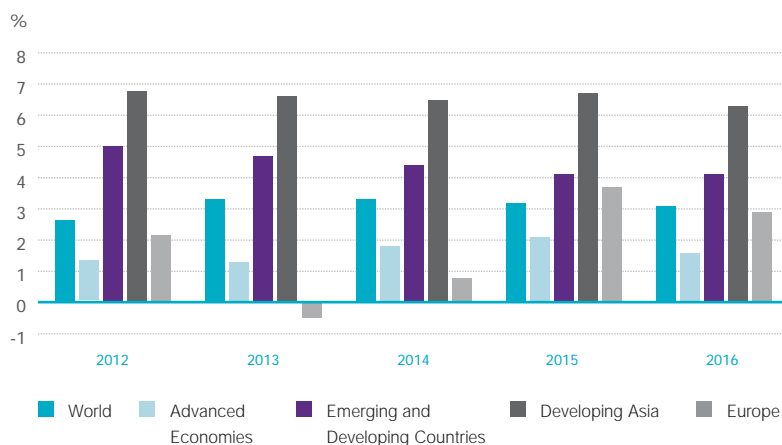
	2018 (F)	2017 (F)	2016 (F)
Global Growth	3.6%	3.4%	3.1%
Advanced Economies	2.0%	1.9%	1.6%
USA	2.5%	2.3%	1.6%
Euro Zone	1.6%	1.6%	1.7%
Emerging Market Economies	4.8%	4.5%	4.1%
China	6.0%	6.5%	6.7%
India	7.7%	7.2%	6.6%

Source: IMF

The Emerging market and developing economies (EMDEs) remains much more diverse. The growth rate in China was a bit stronger than expected, supported by continued policy stimulus. But activity was weaker than expected in some Latin

American countries currently in recession, such as Argentina and Brazil, as well as in Turkey, which faced a sharp contraction in tourism revenues. Activity in Russia was slightly better than expected, in part reflecting firmer oil prices. As such, global growth for 2016 is estimated at 3.1 percent. Details of Global GDP provided in following graph:

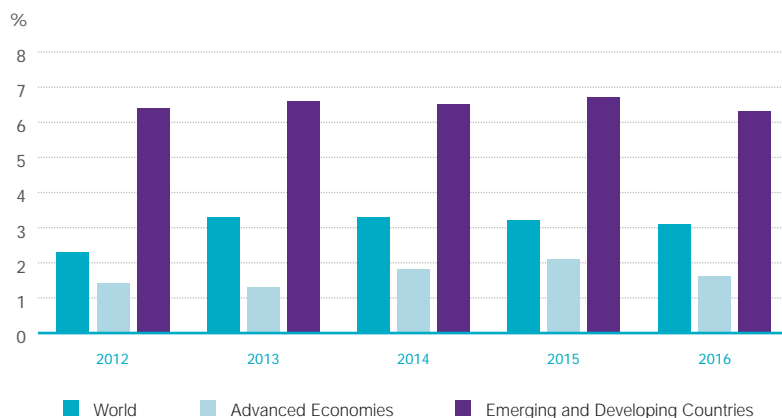
World GDP Growth



Emerging and Developing Asia

In emerging and developing Asia, growth is projected to remain strong. In China, the economy is expected to grow by 6.7 percent in 2016 on the back of policy support, slowing to 6.5 percent in 2017 in the absence of further stimulus. The medium-term forecast assumes that the economy will continue to rebalance from investment to consumption and from industry to services, on the back of reforms to strengthen the social safety net and deregulation of the service sector.

World GDP Growth Vs Developing Asia



Large terms-of-trade gains, positive policy actions, structural reforms including the introduction of an important tax reform and formalization of the inflation-targeting framework and improved confidence are expected to support consumer demand and investment. In the near term, however, private investment will likely be constrained by weakened corporate and public bank balance sheets.

Our Business Operating Context

Sri Lankan Economy

Overview

Since independence, Sri Lanka has gradually evolved from a low income, predominantly agricultural economy, to a more diversified, service oriented, lower middle income economy. This economic transformation has been complemented by many notable developments, especially in the area of social development, such as education and health. Although Sri Lanka has been a success story in development policy circles, the ongoing socioeconomic transformation has given rise to concerns with respect to the sustenance of such developments, especially in the areas of poverty, income inequality and child mal-nutrition. While various challenges persist across all spheres of the economy, studies show that the issues of poverty, income inequality, and child mal-nutrition can severely undermine economic growth and result in social unrest. Therefore, addressing challenges in these three particular areas is necessary to improve the living standards of the people and achieve sustainable economic growth and development.

Table: Key economic indicators

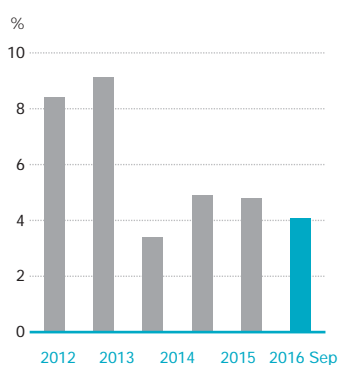
Indicator	2017 (F)	2016	2015
GDP growth	5.5% - 6.0%	4.5% - 5.0% (F)	4.8%
Per Capita GDP (US\$ Mn)	3,768 (F)	3,847 (F)	3,924
Inflation	4.0%-6.0%	4.2%	4.2%
Interest Rates (1 Yr T-Bill)	11.08%	10.17%	7.11%
Government Budget Deficit as a % of GDP	4.70%	5.60%	7.4%
Trade Deficit as a % of GDP	2.82%	1.50%	-2.4%
USD/ LKR (Year End)	153 (F)	149.75	144.06
ASI (Year End)	5,820	6,228.26	6,894.50

Sources: Central Bank Annual Report CBSL Road Map 2017

GDP Growth

The Sri Lankan economy grew 4.08% during the first three quarters of 2016. The highest contribution towards GDP as in previous quarters, was via the Service sector accounting for 58%, whilst the Industry Sector and Agriculture sectors recorded 28% and 8% respectively. Historical growth of GDP is given below

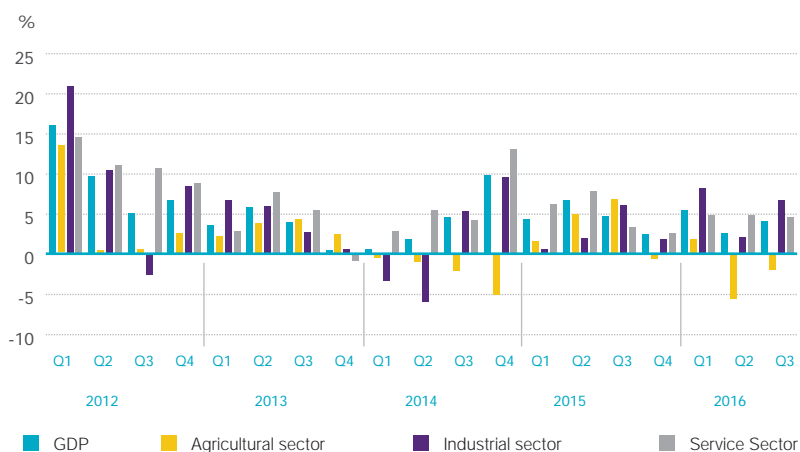
Historical Growth of GDP



Sector Performances

Sub-sectoral growth for the first nine months stood at -2.5% for the agricultural sector, 5.7% for industrial sector and 4.8% for the services sector. Among major sectors, agricultural activities remained subdued, driven by the contraction in the value addition of rice, tea and rubber. Adverse weather

Sector Performance 2012-2016 Q3



The Sri Lankan economy grew 4.08% during the first three quarters of 2016.

conditions during the second half of the year and subdued demand conditions in the major export destinations affected this growth.

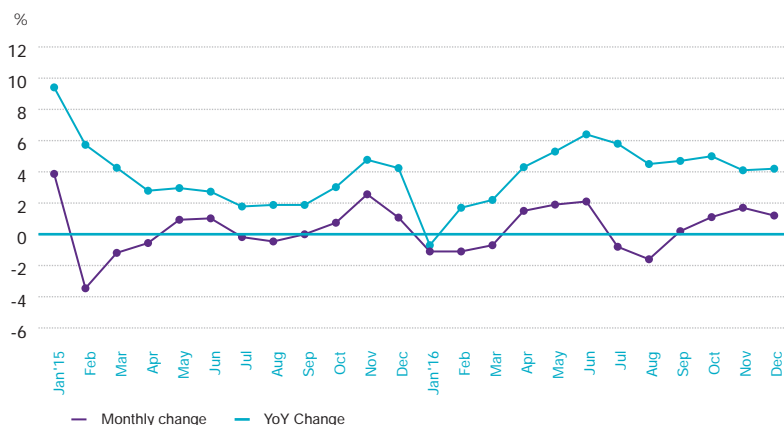
Industry-related activities grew substantially in 2016 with considerable contribution from the recovery of the construction sector. Notable growth was also witnessed in manufacturing of paper and reproduction of media products, manufacture of basic metals and fabricated metal products, manufacture of coke and refined petroleum products and the growth in Sewerage, Waste, treatment and disposal activities.

The Service sector grew 4% for the nine months ended in 2016 led mainly by the Telecommunication sector which grew 19%, the financial service sector which grew 14% and the Insurance Industry which grew 13%.

Inflation

Inflation continued to remain at low levels although there were upward pressures during 2016. Supply side pressures due to adverse weather conditions and revisions to the government tax policy partly contributed to the increase in inflation during the year. The relaxed monetary policy stance pursued in the past and the increase in wages in the economy also exerted some demand pressures on prices. Headline inflation, as measured by the year-on year change in the National Consumer Price Index (NCPI, 2013=100), stood unchanged at 4.2% in December 2016, similar to December 2015. However, core inflation continued its upward trend in 2016 and stood at 6.3% YoY in comparison to 4.5% in 2015, reflecting the firming up of demand conditions in the economy and the revisions made to the tax structure in the latter part of the year.

Monthly Inflation Rate Movement

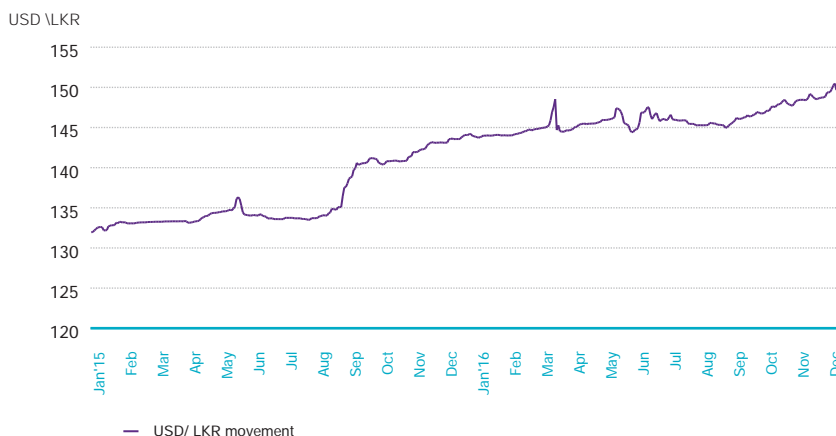


Exchange Rate Movements

The Sri Lankan rupee depreciated against the US Dollar by 3.94 per cent since the beginning of 2016 and stood at Rs. 147.84 (Buy) / Rs. 151.66 (Sell) as at the 30th December 2016.

The government has identified that it is timely to have a new Foreign Exchange Act, as proposed in the Budget 2017. Additionally, the Central bank is also in the process of further relaxing foreign exchange transactions, which could result in a depreciation of the Sri Lanka rupee in 2017.

Exchange Rate Movement



Interest Rates

Interest rates have shown an increasing trend since September 2015. As such, as at the 30th December 2016, AWPR stood at 1.52 per cent, AWDR at 8.7 per cent and 1 Year T-Bill at 10.17 per cent. This was in response to tightening of monetary policy through 2016.

External Sector Performance

Trade Account

On a cumulative basis, export earnings during the first ten months of 2016 reached US dollars 8,618 million, contracted by 2.6 per cent, YoY reflecting lower proceeds from transport equipment and petroleum products. Agricultural exports, such as tea and spices, also contributed to the contraction in exports during this period. However, earnings from textile and garment exports, which account for approximately 48 per cent of total exports, increased during the first ten months of 2016 due to higher exports to both traditional and non-traditional markets

On a cumulative basis, expenditure on imports stood at US dollars 15,852 million during the first ten months of 2016 increasing marginally by 0.2% YoY. Import expenditure declined across all major sectors with sub sectors such as sugar, spices and diamonds seeing an increase in expenditure.

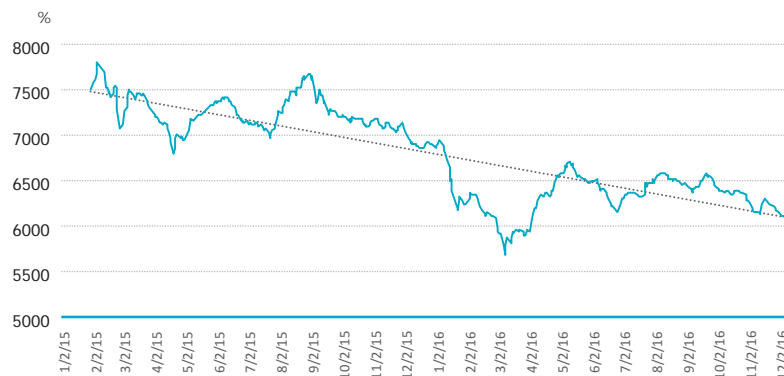
As such, on a cumulative basis, the trade deficit increased by 3.74% YoY to US dollars 7,234 million.

The Share Market

The market closed at 6,228 as at 30th December 2016 a decline of 2.12% since January 2016 and a decline of 9.66% YoY compared to year 2015. Movement in share market overall price index is shown on next page.

Our Business Operating Context

Movement in Share Price



Key Economic Performance Indicators Impact on Softlogic Life

Key Indicator	Impact insurance Industry / Softlogic Life	Impact
GDP growth and increase of per capita Income	<ul style="list-style-type: none"> Increase in per capita income will increase the demand for protection based (Endowment) products as well as investment / Pension related insurance products which allow the life insurance Company's to diversify its portfolio 	●
Rising interest rate scenario	<ul style="list-style-type: none"> Expected positive contribution to the profitability as yield of the investments to increase and also lower actuarial liability value. 	●
Emerging of new Infrastructure development projects	<ul style="list-style-type: none"> Expected to reflect in the people's lifestyle and expected higher demand for life insurance business. 	●
Growth in service sector	<ul style="list-style-type: none"> Expanding prospective customer base could open new avenues of revenue such as group life insurance opportunities etc. 	●
Low inflation and low unemployment rates	<ul style="list-style-type: none"> Increase in the disposable income (real terms) will increase the demand for life insurance related products. Impact to the business profits positively, as well as boosts the share price of the company. When the inflation rate goes down, the company has to incur lower costs on wages and salaries, resulting in higher profits and positive impact on share price of the company. 	●

Global Economic Factors and Impact to Softlogic Life

Factor	Risk
Global Economic Growth Impact on SLI PLC <ul style="list-style-type: none"> The recovery in global growth amongst developed nations and the expected uptick in commodity prices will work in favor of Sri Lankan export performance. However, the building geo political tensions and policy changes in the USA as a result of the recently concluded elections poses a threat globally to economic stability and trade. 	Medium
Interest Rates Impact on SLI PLC <ul style="list-style-type: none"> Interest sensitive investments account for 72% of the Company's total investment portfolio with the bulk of Interest Sensitive Investments consisting of Treasury Bonds. The duration of the T-Bond Portfolio held as at the 30th December 2016 was 6.04% whilst the duration on the corporate debt portfolio was 2.63%. An increasing interest rate environment will therefore create temporary marking to market losses on the fixed income portfolio but will diminish as the portfolio reaches maturity, whilst the reinvestment risk of coupons and other interest income remains low. 	Medium

INSURANCE INDUSTRY OVERVIEW AND ATTRACTIVENESS

Global Insurance Industry Overview

Growth in Life Insurance Premium is significantly stronger than General Insurance industry growth, sustained by robust growth of savings products in emerging markets, particularly in Asia. Life insurers are adjusting product and asset portfolios in a bid to boost profitability.

“Substantially Higher Premium Growth in Life Insurance”

Global life reinsurance premium growth is expected to average 1.5% this year and 1% in the following two years, primarily due to the close to zero growth in the advanced economies where the bulk of cessions originate. Reinsurance premium growth in the emerging markets will be 8% or higher, with a particularly strong contribution from China, where the government has a target to increase the insurance penetration rate. Key Trends are summarized as follows:

A Glance Back and a Look Ahead at Life Insurance in Emerging Regions

Performance 2016	Outlook 2017-2018
<ul style="list-style-type: none"> • Ordinary life and health products led life insurance premiums to surge by around 30% in China. • Premiums continued to strengthen in India, with new group premiums showing a particularly strong upward momentum • Premiums also grew strongly in most Southeast Asia markets including Indonesia, Malaysia and Vietnam. But sales of single-premium savings products through banks in Thailand fell. 	<ul style="list-style-type: none"> • A high base will affect premium growth in China in 2017. • India will see improvement from improving consumer and business sentiment. • Volatility in equity and financial markets will continue to dampen interest in investment-linked products, alongside increasing insurers’ focus on protection products.

Latin America

Performance 2016	Outlook 2017-2018
<ul style="list-style-type: none"> • Life premium growth stable at about 7% in 2016, with variations across markets. • Premiums contracted by an estimated 15% in Venezuela, but expanded in Mexico and Chile. • In Mexico, a new Solvency II-type law has been in place since 1 January 2016, and is expected to boost the demand for reinsurance. 	<ul style="list-style-type: none"> • Weakness in Venezuela is likely to persist, while recent policy reforms should help things improve in Argentina and Brazil. • Premiums in Mexico will benefit from fiscal incentives in health-related expenses and tax deductions for contributions to long-term savings products.

Global premiums grow, but advanced markets remain Sluggish-Emerging Markets

<p>Global life premiums grew by 5.4% in 2016, driven by strong performance in the emerging markets</p>	<p>Global life insurance premiums are estimated to have risen by 5.4% in 2016 in real terms, up from 5% growth in 2015. In advanced markets, premium growth has slowed to 2% in 2016 from 3.4% last year. The emerging markets, in particular, Asia, were the main drivers for the global life sector. Premiums in advanced Asia-Pacific have grown by 3% this year after a 2.2% gain in 2015. Emerging market premiums for the full-year 2016 are projected to have grown by 20.1%, up from a 13.2% increase in 2015.</p>
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Low interest rate environment continues to pose challenges to life insurers

<p>The ongoing low interest rate environment continues to pose problems for life insurers</p>	<p>Low yields affect both sides (Assets as well as Liabilities) of the balance sheet of life insurers. However, net valuation effects often imply lower capital ratios for long-term business, unless assets and liabilities are perfectly matched. Historically low interest rates are likely to persist for a prolonged period and limit the industry’s ability to offer attractive savings products. Moreover, the profitability of in-force business is often severely impaired. Insurers holding old books of business with high interest rate guarantees have to put aside substantial reserves to close the spread between guarantees and investment returns.</p>
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Our Business Operating Context

Central and Eastern Europe

Performance 2016	Outlook 2017-2018
<ul style="list-style-type: none"> Premiums shrank for the fourth consecutive year in 2016 due to weak performance of Poland and the Czech Republic. Premium growth rebounded strongly in Russia. 	<ul style="list-style-type: none"> The weakness in the Czech Republic and Hungary is expected to persist in 2017, while Poland could stage a mild recovery. Premiums in Russia are expected to return to unsustainable growth of around 10% from 2017.

Source: Swiss Re Economic Research & Consulting

Overview of the Insurance Industry in Sri Lanka

- Life Insurance industry was the most attractive industry by recording an outstanding growth of over 19% growth year on year and Industry Size of Rs. 63.5 Bn.
- Top-line growth to be continued, supported by innovative products, creative marketing campaigns, expansion in distribution channels.
- Post segregation of Insurance companies where all insurance companies have a strong focus on their line of business

Market Structure

The Sri Lankan insurance industry depicts a highly dynamic atmosphere with escalated competition existing amongst 29 industry players. Out of these Insurance Companies (Insurers) registered with the Insurance Board of Sri Lanka (IBSL), 03 are composite companies (dealing in both Long Term and General Insurance Businesses), 12 are registered to carry on Long Term (Life) Insurance business and 14 companies are registered to carry on only General Insurance business. There are 58 insurance brokering companies registered with IBSL. Details are summarised as follows:

Life Insurance Industry GWP



63.5
Rs. Bn

Life Industry YoY



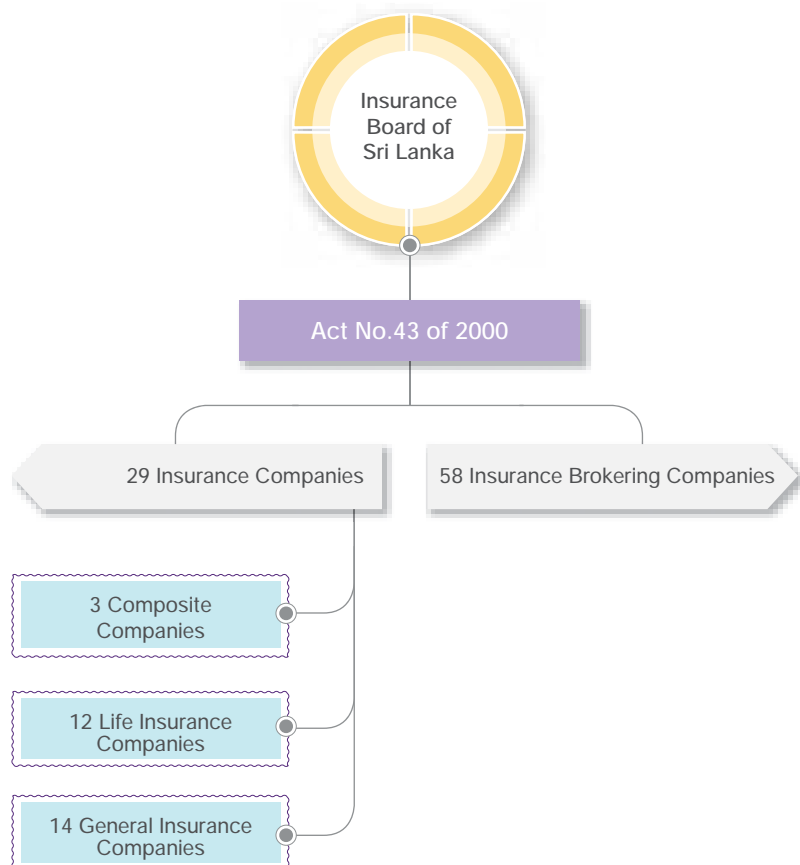
19%
Growth

New Policies



665,253

Figure: Composition of Insurance Industry in Sri Lanka



Sri Lanka's Life insurance industry continued its growth momentum and recorded a premium income of Rs. 63.5 billion with a growth of 19% (2015: 20%) in comparison to Rs. 53.5 billion recorded in year 2015, as per the country's insurance regulator, the Insurance Board of Sri Lanka (IBSL). The Life insurance market sustained its growth momentum as a result of insurers' efforts to improve operational processes to assure quality service to customers and revamping of existing products, whilst introducing innovative life insurance products to cater to changing needs of customers, improve customer awareness on insurance and enhance products in socioeconomic conditions of the country which, in turn, increased the demand for life insurance products.

Table: Premium Income and Penetration level

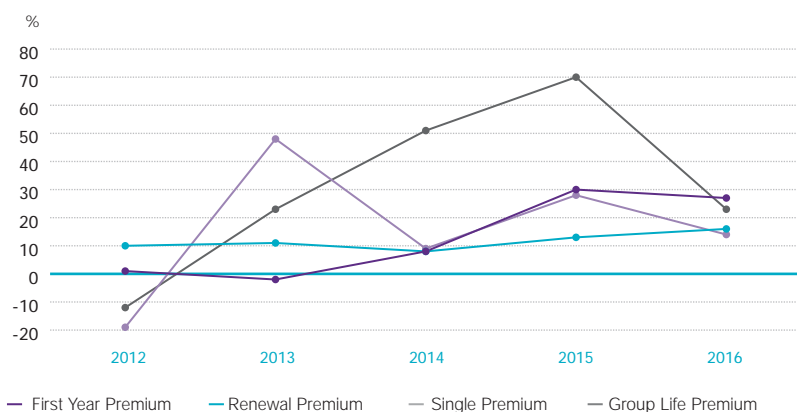
Description	2016	2015	2014	2013	2012
Premium income Rs. million	63,553	53,575	44,596	41,676	37,477
Growth in Premium Income (%)	19%	20%	7%	11%	7%
Gross Domestic Product at Current Market Price (Rs. billion)	11,714	11,183	10,448	9,592	8,732
GDP Growth Rate %	4.75	4.8	4.9	3.4	9.1
Penetration % (Life Premium as a % of GDP)	0.52	0.48	0.43	0.43	0.43
No of policies	665,253	645,596	547,261	533,068	515,084
Insurance Density - (Total Premium Income / population) Rs.	3,053	2,555	2,147	2,025	1,835

The life insurance penetration as a percentage of GDP is at 0.52 (2015: 0.48). This demonstrates that there is a slender improvement in the penetration level compared to year 2015.

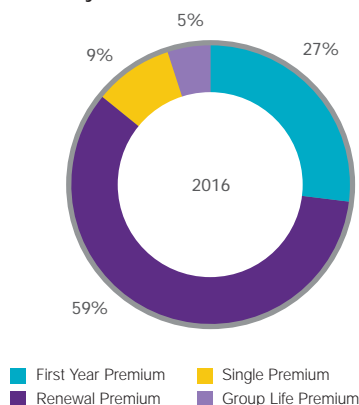
Analysis of Life Insurance Industry GWP

The main contributor for the GWP is the premium income generated from the Renewal Premium GWP which is Rs. 37.5 billion, and First-Year New Business GWP of Rs. 16.8 billion, which accounts for 86% of GWP of the Life Insurance industry and recorded a growth of 16% and 27% respectively. The growth of new business was mainly driven by different underwriting and product strategies, where life insurance companies focus more on products innovations such as life insurance along with health benefits coupled with investments, savings and retirements subsequent to segregation of composite insurers. The renewal premium has continued to maintain its dominance by contributing 59% (2015 - 61%) to the total life premium, while First Year GWP contributed 27% (2015 - 25%). Details of the GWP composition are shown below;

Life Insurance Class Wise GWP



Composition of Life Insurance Industry GWP



Source: Industry (IASL) GWP data circulation 2016

Market Share Performance

In 2016, the insurance companies which claimed the top five positions in terms of market share in the long term insurance business collectively accounted for 85.7% of the total industry GWP (2015: 86%) which indicates a marginal decrease. Table in next page analyses market share movement of top six players;

Our Business Operating Context

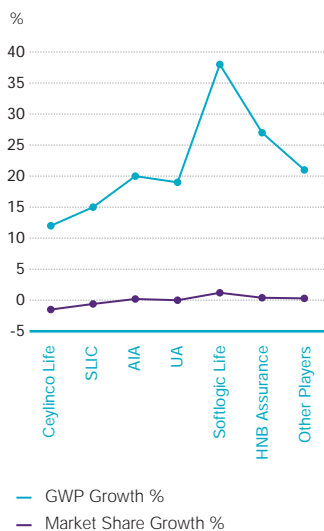
Table: Market Share Movements 2016 vs 2015

Description	Total GWP Rs. million			Growth %	Market Share		Change %
	2016	2015	Change		2016	2015	
Ceylinco Life Insurance	15,027	13,458	1,569	12	23.6%	25.1%	-1.5%
Sri Lanka Insurance Corporation	11,894	10,368	1,526	15	18.7%	19.3%	-0.6%
AIA Insurance Lanka PLC	10,104	8,434	1,670	20	15.9%	15.7%	0.2%
Union Assurance PLC	8,271	6,964	1,307	19	13.0%	13.0%	0.0%
Softlogic Life Insurance PLC	5,636	4,091	1,545	38	8.87%	7.63%	1.2%
HNB Assurance PLC	3,554	2,789	765	27	5.6%	5.2%	0.4%
Other Players	9,068	7,489	1,579	21	14.3%	14.0%	0.3%
Total	63,553	53,593	9,961	19	100.0%	100.0%	

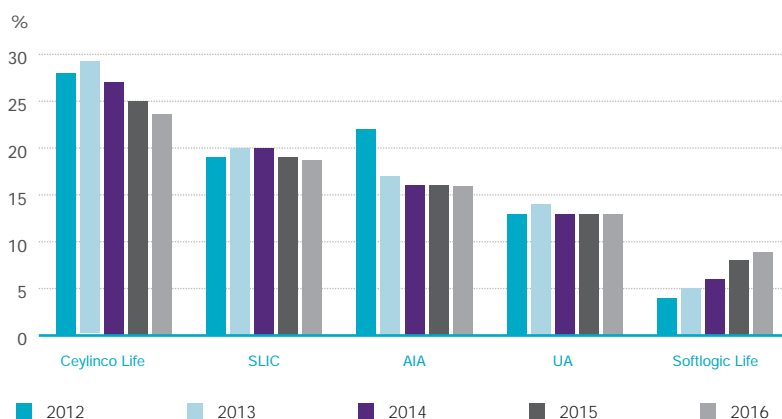
Source: Industry GWP data circulated by IASL

According to the above, it shows that top four players in the market are losing their market share. Details of Market share movement of top six players are as follows:

GWP and Market Share Movement



Market Share of Top Five Contributors of GWP and Other Insurers for the Years 2012 to 2016



one of the most important distribution channels in which insurers acquire insurance business and they dominate the distribution channel by contributing 90.04% in 2015 (2014: 91.62%). Direct marketing and bancassurance contributed 8.83% and 6.21% respectively.

Table: Distribution Channels % of Premium Income

Channel	2015	2015	2014	2014
	GWP Bn	%	GWP Bn	%
Agents	48.2	90.04	40.9	91.62
Brokers	0.2	0.28	0.2	0.47
Direct	2.6	4.84	1.4	3.22
Bancassurance	2.1	3.99	1.3	2.99
Others	0.5	0.85	0.8	1.70

Source: IBSL annual report 2015

Distribution Channels of Life Insurance Industry

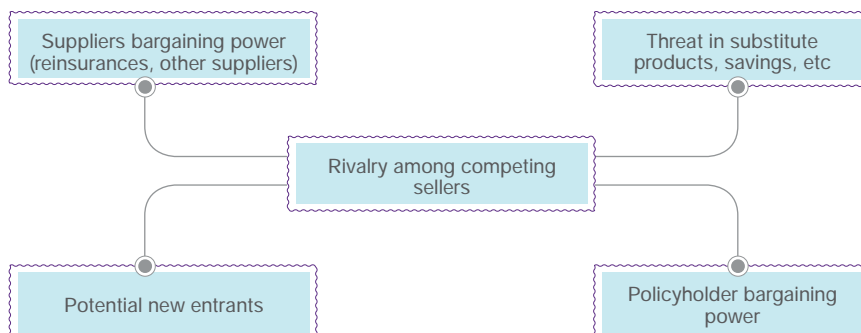
The table below describes the main distribution channels adopted by the insurance companies, namely agents, brokers, direct, bancassurance and other distribution channels. Agents are

Industry Attractiveness and Competitiveness

When considering the micro environmental factors which impact on Softlogic Life's business, we considered opportunities, risks and overall competitiveness in the following manner by carrying out market research in understanding customer behaviour and expectations, and delivering the required value proposition accordingly.

Life Insurance Industry is analysed using the "Five Forces Analysis" that can assist

in determining the competitive intensity and potential attractiveness of the insurance industry in Sri Lanka. In doing so, the Life Insurance Industry is considered as the more attractive industry overall.



Forces	Details	Strength
Threat of Potential New Entrants	<p>Both potential and existing competitors influence average industry profitability.</p> <p>Market Barriers The threat of new entrants is usually based on the market entry barriers. They can take diverse forms and are used to prevent an influx of firms into an industry whenever profits, adjusted for the cost of capital, rise above zero. In contrast, entry barriers exist whenever it is difficult or not economically feasible for an outsider to replicate the incumbents' position.</p>	<p>Moderate</p> <ul style="list-style-type: none"> Increase in the ageing population (% from retirement age of 55 years) provides greater demand for life insurance Entry barriers are moderate except for the requirement of the minimum capital (Rs. 500 Mn) and registration from IBSL. Hence, multinationals are interested in the market. However, the Life insurance market only accounts for Rs. 64 Bn (US\$ 426 Mn) of total GDP Lower product differentiation leads customers to shift with lower switching cost Opportunities for moving to online insurance solutions (Disruptive Business model)
Threat of Substitute Products	<p>Alternative Products Substitute products are the natural result of industry competition, but they place a limit on profitability within the industry.</p> <p>A substitute product involves the search for a product that can do the same function as the product the industry already produces.</p> <p>In the Life Insurance industry, this could be seen as pension, savings products etc. as alternative for life products.</p>	<p>Moderate</p> <ul style="list-style-type: none"> There are less substitute options available i.e. Pension products, and savings Expect Life GWP to escalate due to the higher interest rates in the economy Banks provide insurance services as a supplementary for depositors

Our Business Operating Context

Forces	Details	Strength
Bargaining Power of Suppliers	<p>Suppliers have a great deal of influence over an industry as they affect price increases and product quality.</p> <p>Labour supply Labour supply can also influence the position of the suppliers. These factors are generally out of the control of the industry or company but strategy can alter the power of suppliers.</p>	<p>Moderate</p> <ul style="list-style-type: none"> Reinsurance partners play a key role in the insurance industry and they have significant power - as most of the re-insurers are multinational firms as well as the fact that the Sri Lankan market is not significant for them. However, at present, there are many re-insurers who are willing to enter the Sri Lankan market and provide opportunities, hence, the bargaining power of re-insurers reduces to some extent. Industry does not have an alternative solution for reinsurance In terms of other vendors/suppliers, they have lower bargaining power as the companies have various options to bargain.
Bargaining Power of Customers / Policyholders	<p>Buyers' Power The buyers' power is significant in that buyers can force prices down, demand higher quality products or services and, in essence, play competitors against one another - all resulting in the potential loss of industry profits.</p> <p>Volume of purchase Buyers exercise more power when they are large-volume buyers. The product is a significant aspect of the buyers' costs or purchases. The products are standard within an industry; there are few changing or switching costs, the buyers earn low profits, potential for backward integration of the buyer group exists, the product is not essential to the buyer's product, and the buyer has full disclosure about supply, demand, prices, and costs.</p> <p>Change in bargaining position The bargaining position of buyers changes with time and a company's (and industry's) competitive strategy.</p>	<p>Low</p> <ul style="list-style-type: none"> Unlike other companies, the switching cost is high as there is no surrender value for the first three years and surrender charges are significant. Availability of differentiated products Individual customers, hence, their capacity to purchase is low. Price sensitivity is low.
Rivalry Among Competition	<p>Industry Rivalry Rivalries naturally develop between companies competing in the same market. Competitors use means such as advertising, introducing new products, more attractive customer service and warranties, and price competition to enhance their standing and market share in a specific industry.</p> <p>Intensity of competition The intensity of this rivalry is the result of factors like equally balanced companies, slow growth within an industry, high fixed costs, lack of product differentiation, overcapacity and price-cutting, diverse competitors, high-stakes investment, and the high risk of industry exit. There are also market entry barriers.</p>	<p>Low</p> <ul style="list-style-type: none"> Demand grows faster as a result of growth of disposal income and ageing population. Fairly differentiated product. High margins. High exit barrier due to a regulated industry.

REGULATORY ENVIRONMENT

“Regulators govern financial stability and market conduct which promotes the fair, transparent and responsible treatment of Policyholders”

Overview

The regulatory environment forms the relevant laws, regulations and best practices that enable the company to operate within a sound corporate governance framework. The company ensures strict compliance with the following rules and regulations. In addition to the regulators who are applicable to listed companies, insurance companies are regulated by the Insurance Board of Sri Lanka (IBSL) through Regulation of Insurance Industry Act No. 43 of 2000 and its Amendment Act No. 03 of 2011, coupled with the subordinate regulations issued.

The IBSL safeguards policyholders through supervisory control of insurance companies. Therefore, adapting to regulatory and environmental changes is one of the Company's principal strategies. Our strategy has been formulated in the context of the rapidly changing regulatory environment. Key regulatory highlights are discussed during the year covering all regulators affecting Softlogic Life.

Risk Based Capital (RBC) Capital Adequacy Requirements

The mandatory parallel run for the implementation of RBC commenced in 2014 and continued in 2015, and it is now compulsory for all insurers to comply with the capital adequacy requirements stipulated in the Solvency Margin (Risk Based Capital) Rules 2015 with effect from January 1, 2016 which replaces the previous Solvency Margin Rules of 2002. According to the Solvency Margin (Risk Based Capital) Rules 2015:

- Every insurer shall, with effect from January 1, 2016, maintain a Capital Adequacy Ratio (hereinafter referred to as the “CAR”) of a minimum of 120%
- Every insurer shall, with effect from January 1, 2016, maintain a Total Available Capital (hereinafter referred to as “TAC”) of a minimum of rupees Five Hundred million

Due to proactive engagement with the regulator regarding the implementation of the RBC framework the Company is in a position to meet all requirements of the RBC framework.

Enforcement Strategy on RBC

In line with implementation of RBC framework in 2016 and IBSL proposed capital adequacy requirements based on RBC, the Board will be required to intervene and take corrective actions on such companies for non-compliance. Therefore, it was decided to formulate an enforcement strategy on RBC based on the minimum requirements.

Guidelines on Management of Insurance Funds

This guideline was drafted to specify the qualitative requirements relating to proper attribution of assets and liabilities to the business of an insurer through the appropriate segregation of insurance funds and attribution of assets, liabilities and expenses to insurance funds etc as segregation of these funds are very critical under Risk Based Capital regime.

Procedures to be Followed on Surplus Created due to Change in Valuation Method / One- Off Surplus

The objective of these Procedures is to have a common standard on the maintenance/application of the Surplus created due to change in valuation method of policy liabilities from NPV to GPV with effect from 1st January 2016. Accordingly, draft guidelines cover the identification and maintenance of the One off Surplus, Investments, Income and Expenses attributed to the One-off Surplus, Disclosure Requirements and Relevant Policies and procedures

Other Regulatory Guidelines issued by IBSL

During the period under review, the IBSL issued several other regulations:

Circular # 38 of 28th April 2016 – Submission of Policy Documents to the IBSL

- Keep IBSL informed of the date of launch of new products
- Submit documents in relation to the insurance products

In Addition to above, IBSL Issued Following Guidelines;

- Good practices in conducting inquiries on insurance agents
- Guidelines on complaint handling
- Guidelines on conducting investigations on insurance claims

CSE Rules on Minimum Public Holding

The CSE Rule on minimum public holding, relaxed rules for listed companies to maintain a continuous public float of 20% by end-2016, after finding a high degree of non-compliance and several firms delisted. The Securities and Exchange Commission (SEC) said new public holding thresholds with a wider range of options to comply with would come into effect from 1st January 2017. A grace period of six months extending

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up to 30th June 2017 will be granted for listed companies to comply with any one of the revised thresholds.

Related Party Transactions

A Listed Entity shall comply with these Rules pertaining to Related Party Transactions with effect from 1st January 2016. According to the rule, it requires listed companies to establish a Related Party Transactions Review Committee to review all non- recurrent related party transactions. The Rule further stipulates that related party transactions exceeding certain threshold limits must obtain shareholder approval and/or be immediately disclosed to the CSE. The Company formed the Related Party Transactions Review Committee in order to comply with this Rule, which came into mandatory effect from 1st January 2016.

2017 Budget Proposals

During the budget speech of the current government, some of the important factors were highlighted as they could affect the overall insurance industry. The most significant proposal in the budget with respect to the insurance industry is the proposed amendment to the taxing section for Life Insurance companies in the Inland Revenue Act.

Approach to Changes in the Regulatory Environment

The Company prides itself as an insurer that is fully compliant with its regulatory environment. The Company on an ongoing basis monitors changes in the regulatory environment and takes prompt action regarding any changes affecting the Company.

In the year under review, the regulator, the IBSL, initiated a very progressive step of submitting proposed regulation to the industry body (IASL) to elicit industry views. During this period, many proposed regulations were submitted to the IASL for feedback, giving the industry players an opportunity to share with the IBSL any concerns they may have regarding such regulations. This constructive approach adopted by the IBSL is praiseworthy and minimises the resistance from the industry and other stakeholders to the implementation of new regulations. Softlogic Life has taken an active role in this process by submitting its views on proposed regulation as a member of the IASL.

RISKS AND OPPORTUNITIES

Risk identification is an integral part of our business as we are operating in the business of life insurance, and as a service provider we should have a broader understanding and sensitivity to the changes in elements of the external environment, and also, it has been a key factor in the subsistence of the Company's long term success.

Risks and Challenges

Risk identification is an integral part of our business as we are operating in the business of life insurance, and as a service provider we should have a broader understanding and sensitivity to the changes in elements of the external environment, and also, it has been a key factor in the subsistence of the Company's long term success. Further, our earnings and businesses are affected by general economic conditions, the performance of financial markets, interest rates, currency exchange rates, changes in laws, regulations and policies of the Insurance Board of Sri Lanka (IBSL) and competitive factors on a global, national and regional level.

Given that the majority of our customers are locals, our financial condition and results of operations are mainly dependent on Sri Lankan economic conditions. Given below are detailed outlines of the key risks that can arise from the economic, social, political, technological and regulatory factors as identified during 2016, together with their potential impact, and mitigating actions taken by the Company.

	Risks and Uncertainties	Impact on Products and Services / Operations	Softlogic Life Response
Economic	GDP growth and increase in per capita income will attract new entrants to the industry.	Increase in per capita income will increase the demand for protection based products as well as savings related insurance products.	<p>Improve customer loyalty by promoting more customised services and products.</p> <p>Customer attraction and retention through strategic positioning and strong corporate brand image.</p> <p>Market development by moving into new local markets.</p>
	Volatility in Interest rates.	<p>Positive impact on equity related investment due to the shift from savings to equity related investments, and lower cost of borrowing.</p> <p>Negative impact on yield of fixed income securities. Hence, lower investment income from fixed income securities.</p> <p>Continuous decrease in interest rates will have a negative impact on the profitability of Life Insurance business as a result of increase in the liability of Life Insurance fund.</p>	Softlogic Life maintains a well-diversified investment portfolio to mitigate this risk and conducts an active management of its investment portfolio.
Social	Increase in ageing population in Sri Lanka.	The demand for specific insurance products increases (Eg: Health related and Life Insurance related)	Launch of 'Softlogic Life Million Dollar Health Plan'
Technological	Increase in the digital transformation of the businesses.	Emerging new distribution channels and customer value propositions.	<p>Introduce technology-based solutions such as 'LifeUp' by Softlogic Life.</p> <p>Use IT as an enabler of new avenues and IT as an integral part of our business model.</p>

Risks and Opportunities

	Risks and Uncertainties	Impact on Products and Services / Operations	Softlogic Life Response
	Increase in technology driven frauds, cyber threats and misappropriations will have a negative impact on profitability levels and customer satisfaction levels.	Increase in costs for providing services to implement new controls to safeguard IT systems.	The Company has strengthened IT security by establishing an IT security unit.
Regulatory/ Legal	Changes in the regulatory framework bring uncertainties in operations, expansions, top line and bottom line results and future plans.	Flexibility of development of products may reduce high complexity and cost of managing compliance.	Investment is required in resources such as human, technological, etc.
	Introduction of the new proposals from the budget.	Profits from business of Life Insurance are determined by reference to the investment income of the Life Insurance Fund, less 'management expenses' attributable to that business. It is proposed to define the term 'management expenses'. This will negatively impact on the profitability of the Company.	The Company will be closely monitoring the new rules and regulations introduced by the government and make necessary provisions as and when required.

Realising Opportunities

Our unique competitive position will enable us to benefit from and support Sri Lanka's growth story as we create effective solutions for our clients and sustain improvements in our financial performance.

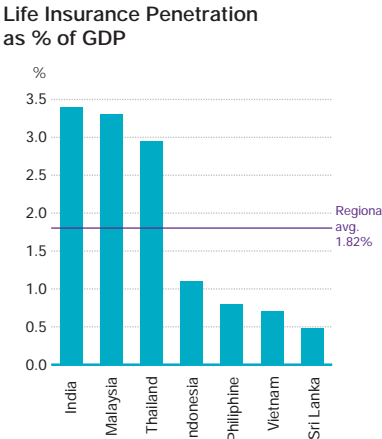

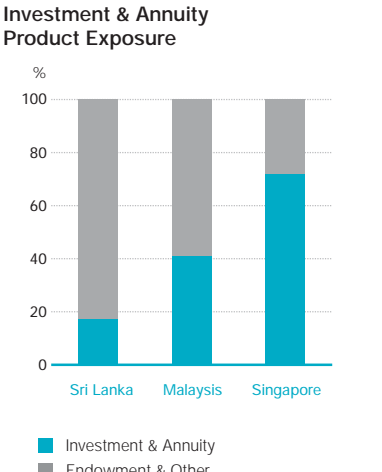

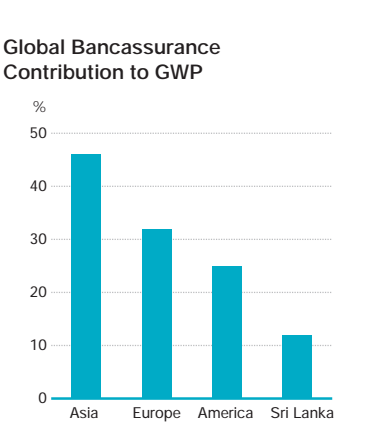

Sri Lanka is focusing on long term strategic and structural development challenges as it strives to become an upper middle-income country. Key challenges include boosts in investments including human capital, realigning public spending and policy with the needs of a middle-income country, enhancing the role of the private sector, including a provision for an appropriate environment for increasing productivity and exports, and ensuring that growth is inclusive.

Economic growth in Sri Lanka has been one of the fastest among South Asian

countries in recent years. Carrying out business in Sri Lanka can often be challenging. However, we are able to navigate unique environments by employing and developing local skills, together with our Group synergies and extensive footprint, setting us in a prime position to turn challenges into market opportunities.

Our unique competitive position will enable us to benefit from and support Sri Lanka's growth story as we create effective solutions for our clients and sustain improvements in our financial

performance. While we remain firmly aware of the challenges of doing business in our country and in growing our branch network in line with our strategy, we believe these are outweighed by the opportunities open to us, given our unique competitive position in the island. This section highlights some of the exciting growth opportunities we have identified together with Softlogic Life's response to each.

Key Ares	Presentation	Description / Impact	Softlogic Life Response																		
<p>Low insurance penetration</p>	<p>Life Insurance Penetration as % of GDP</p>  <table border="1"> <caption>Life Insurance Penetration as % of GDP</caption> <thead> <tr> <th>Country</th> <th>Penetration (%)</th> </tr> </thead> <tbody> <tr> <td>India</td> <td>~3.4</td> </tr> <tr> <td>Malaysia</td> <td>~3.3</td> </tr> <tr> <td>Thailand</td> <td>~3.0</td> </tr> <tr> <td>Indonesia</td> <td>~1.1</td> </tr> <tr> <td>Philippines</td> <td>~0.8</td> </tr> <tr> <td>Vietnam</td> <td>~0.7</td> </tr> <tr> <td>Sri Lanka</td> <td>~0.5</td> </tr> <tr> <td>Regional avg.</td> <td>1.82%</td> </tr> </tbody> </table> <p> Refer Case Study 1 on page 51</p>	Country	Penetration (%)	India	~3.4	Malaysia	~3.3	Thailand	~3.0	Indonesia	~1.1	Philippines	~0.8	Vietnam	~0.7	Sri Lanka	~0.5	Regional avg.	1.82%	<p>The persistent low level of insurance penetration % to GDP in the local market continues to prevail as compared to the other Asian countries.</p>	<p>Reassess the capabilities; develop appropriate financial products that are tailor-made to cater to each income level.</p>
Country	Penetration (%)																				
India	~3.4																				
Malaysia	~3.3																				
Thailand	~3.0																				
Indonesia	~1.1																				
Philippines	~0.8																				
Vietnam	~0.7																				
Sri Lanka	~0.5																				
Regional avg.	1.82%																				
<p>Lower exposure to investment and annuity related products</p>	<p>Investment & Annuity Product Exposure</p>  <table border="1"> <caption>Investment & Annuity Product Exposure</caption> <thead> <tr> <th>Country</th> <th>Investment & Annuity (%)</th> <th>Endowment & Other (%)</th> </tr> </thead> <tbody> <tr> <td>Sri Lanka</td> <td>~18</td> <td>~82</td> </tr> <tr> <td>Malaysia</td> <td>~42</td> <td>~58</td> </tr> <tr> <td>Singapore</td> <td>~72</td> <td>~28</td> </tr> </tbody> </table> <p> Detailed product portfolio is provided on pages 121 -123</p>	Country	Investment & Annuity (%)	Endowment & Other (%)	Sri Lanka	~18	~82	Malaysia	~42	~58	Singapore	~72	~28	<p>Lower exposure in Investment and annuity products in Sri Lanka</p>	<p>Capitalize through focus on investment products</p>						
Country	Investment & Annuity (%)	Endowment & Other (%)																			
Sri Lanka	~18	~82																			
Malaysia	~42	~58																			
Singapore	~72	~28																			
<p>Low Bancassurance market exposure</p>	<p>Global Bancassurance Contribution to GWP</p>  <table border="1"> <caption>Global Bancassurance Contribution to GWP</caption> <thead> <tr> <th>Region</th> <th>Contribution (%)</th> </tr> </thead> <tbody> <tr> <td>Asia</td> <td>~46</td> </tr> <tr> <td>Europe</td> <td>~32</td> </tr> <tr> <td>America</td> <td>~25</td> </tr> <tr> <td>Sri Lanka</td> <td>~12</td> </tr> </tbody> </table> <p> Detailed product portfolio is provided on page 128</p>	Region	Contribution (%)	Asia	~46	Europe	~32	America	~25	Sri Lanka	~12	<p>Bancassurance in SL is underutilized as the industry runs on an agent-based model. But with over 5,600 licensed commercial bank branches island wide, we could optimize the channels to boost premiums and reduce acquisition expenses</p>	<p>Focus towards development of Bancassurance channels</p>								
Region	Contribution (%)																				
Asia	~46																				
Europe	~32																				
America	~25																				
Sri Lanka	~12																				

Risks and Opportunities

Key Ares	Presentation	Description / Impact	Softlogic Life Response																								
Growing ageing population	<p>Retirement Age Growth</p> <table border="1"> <caption>Retirement Age Growth (%)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>19</td> </tr> <tr> <td>2020</td> <td>21</td> </tr> <tr> <td>2025</td> <td>24</td> </tr> <tr> <td>2030</td> <td>25</td> </tr> </tbody> </table>	Year	Percentage	2015	19	2020	21	2025	24	2030	25	Life expectancy increases to 75 years while birth rate reduces to 17.5 per 1000, thus the ageing population increase in Sri Lanka gives opportunity for health related products.	<p>Focus to grow health related riders and emphasis on introducing standalone new health products via Asiri customer base</p> <p> Details of riders are provided on page 123</p>														
Year	Percentage																										
2015	19																										
2020	21																										
2025	24																										
2030	25																										
Growth in per capita income	<p>Per Capita Income</p> <table border="1"> <caption>Per Capita Income (USD)</caption> <thead> <tr> <th>Year</th> <th>Income (USD)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>3,100</td> </tr> <tr> <td>2012</td> <td>3,300</td> </tr> <tr> <td>2013</td> <td>3,500</td> </tr> <tr> <td>2014</td> <td>3,800</td> </tr> <tr> <td>2015</td> <td>3,900</td> </tr> </tbody> </table>	Year	Income (USD)	2011	3,100	2012	3,300	2013	3,500	2014	3,800	2015	3,900	The country expects to reach US\$ 3,847 per capita income for the year 2016 and forecasting to reach US\$ 6,000 by 2019 which provides greater opportunity to Insurance Products	<p>Focus to expand its product and distribution channels</p> <p> Refer page 126 and 128</p>												
Year	Income (USD)																										
2011	3,100																										
2012	3,300																										
2013	3,500																										
2014	3,800																										
2015	3,900																										
Growing mobile penetration in Sri Lanka and other technological improvements	<p>Mobile Penetration</p> <table border="1"> <caption>Mobile Penetration Data</caption> <thead> <tr> <th>Year</th> <th>Population (No.)</th> <th>Mobile phones (No.)</th> <th>Penetration (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>21,000</td> <td>18,000</td> <td>85</td> </tr> <tr> <td>2013</td> <td>20,000</td> <td>20,000</td> <td>100</td> </tr> <tr> <td>2014</td> <td>20,000</td> <td>20,000</td> <td>100</td> </tr> <tr> <td>2015</td> <td>21,000</td> <td>22,000</td> <td>105</td> </tr> <tr> <td>2016</td> <td>21,000</td> <td>24,000</td> <td>116</td> </tr> </tbody> </table>	Year	Population (No.)	Mobile phones (No.)	Penetration (%)	2012	21,000	18,000	85	2013	20,000	20,000	100	2014	20,000	20,000	100	2015	21,000	22,000	105	2016	21,000	24,000	116	Mobile penetration in Sri Lanka is around 116% , which gives a platform for Softlogic Life to grow with technology, as innovation is one of the key values	<ul style="list-style-type: none"> Focus to strengthen Customer Relationship Management (CRM) to customer satisfaction Use of Big data (Business intelligence) <p> Refer page 126 and 117</p>
Year	Population (No.)	Mobile phones (No.)	Penetration (%)																								
2012	21,000	18,000	85																								
2013	20,000	20,000	100																								
2014	20,000	20,000	100																								
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2016	21,000	24,000	116																								

Case Study 01 : Relationship Between Life Insurance Penetration and Per Capita Income

According to a research conducted by Rudolf Enz, the relationship between the Gross Domestic Production (GDP) and Penetration was developed into an S-curve. Major findings are as follows;

As shown in below figure, there is a steep increase in penetration levels from 1% to 2.4% with an increase in per capita income from US\$ 10,000

to US\$ 26,875 respectively. Table 1 indicates a summary of the results that could be identified from the S-Curve and the relationship is graphically illustrated in Figure 1, which plots the penetration level in other countries

S Curve Relationship Between Per Capita GDP and Penetration

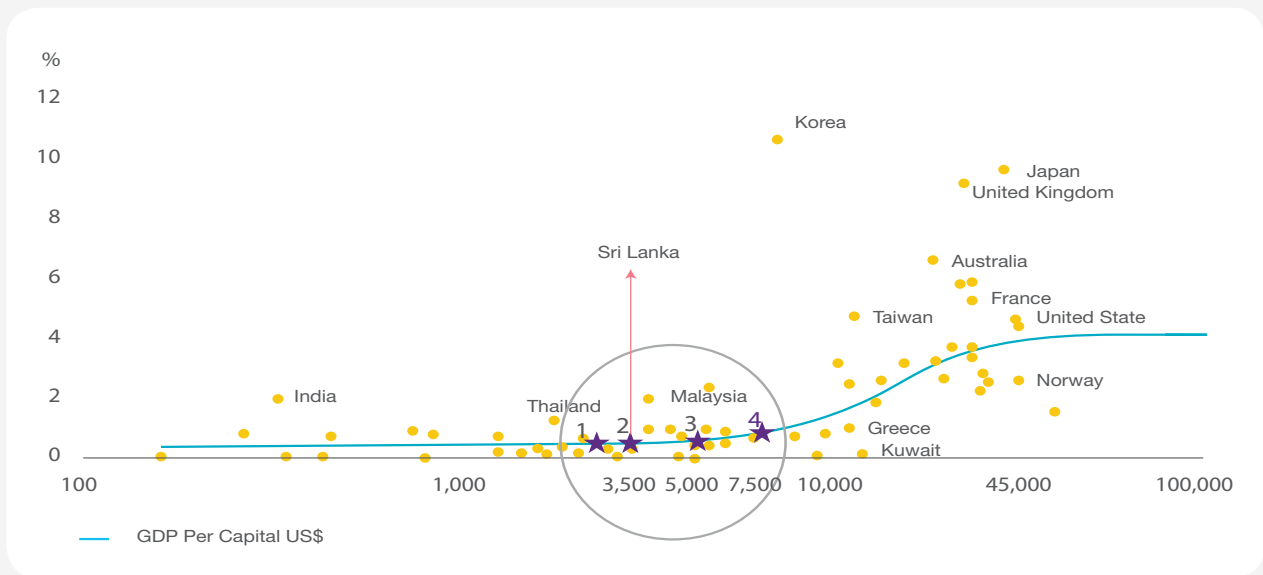
The S-curve provides some insight into the relationship between per capita income and insurance premiums. There seem to be upper and lower limits to the portion of income that is spent on insurance. Moreover, there is a level of

per-capita income – approximately US\$ 15,000 for Life Insurance (inelastic) - at which point, the income elasticity of the demand for insurance reaches a maximum.

Conclusion

Based on the research findings, it is evident that the Sri Lanka Life Insurance market is poised for growth as the market starts to increase penetration levels in tandem with increases noted in per capita levels, and we expect strong growth thereafter.

S Curve Relationship Between Per Capita GDP and Penetration



STRATEGY AND RESOURCE ALLOCATION

Overview and Update on Strategy Session

This Integrated Annual Report along with Softlogic Life's integrated approach and reporting framework is centered on providing our stakeholders valuable insights in a comprehensive manner in which the Company focuses on the overall direction of the Company. Therefore, the Company's Strategy and Resource allocation details are discussed in this section.

The management of Softlogic Life therefore deemed it necessary to embark upon an extensive strategy process during 2016 to focus on setting objectives upto 2019. The key objective is to grow Softlogic Life as the leading customer centric insurance solution provider across the country.

In November 2016, the Company's directors and management concluded the strategic plan as part of the formal strategic review process.



Strategy Session 2016

Management met on several occasions specifically to focus on these issues up until the board strategy session including the Strategy committee which consist of two insurance veterans representing FMO and DEG. The board was kept updated and provided input throughout the process



<http://www.softlogiclife.lk/>



How We Define Our Business and Strategy

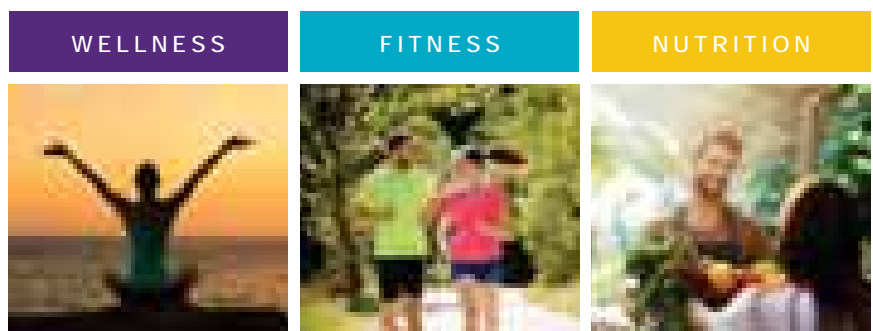
"Our strategy represents our commitment to the country and to the shared future that we intend to create for our customers, our people and all our stakeholders."

The Company is trailblazing a wave of innovation and technology that is expected to deliver widespread convenience and creation of new business avenues, which have appeal as unique customer value propositions and maximizes the "WELLNESS, FITNESS and NUTRITION" factors of our valued customers while accurately addressing inherent risk of the lives" to "LIVE OUR VALUED CUSTOMERS LIFE at FULLEST"

Further, we ensure continuity to counter the disruption that take place when a tragic event occurs on the path of daily life for individuals, families, businesses, organizations and communities.

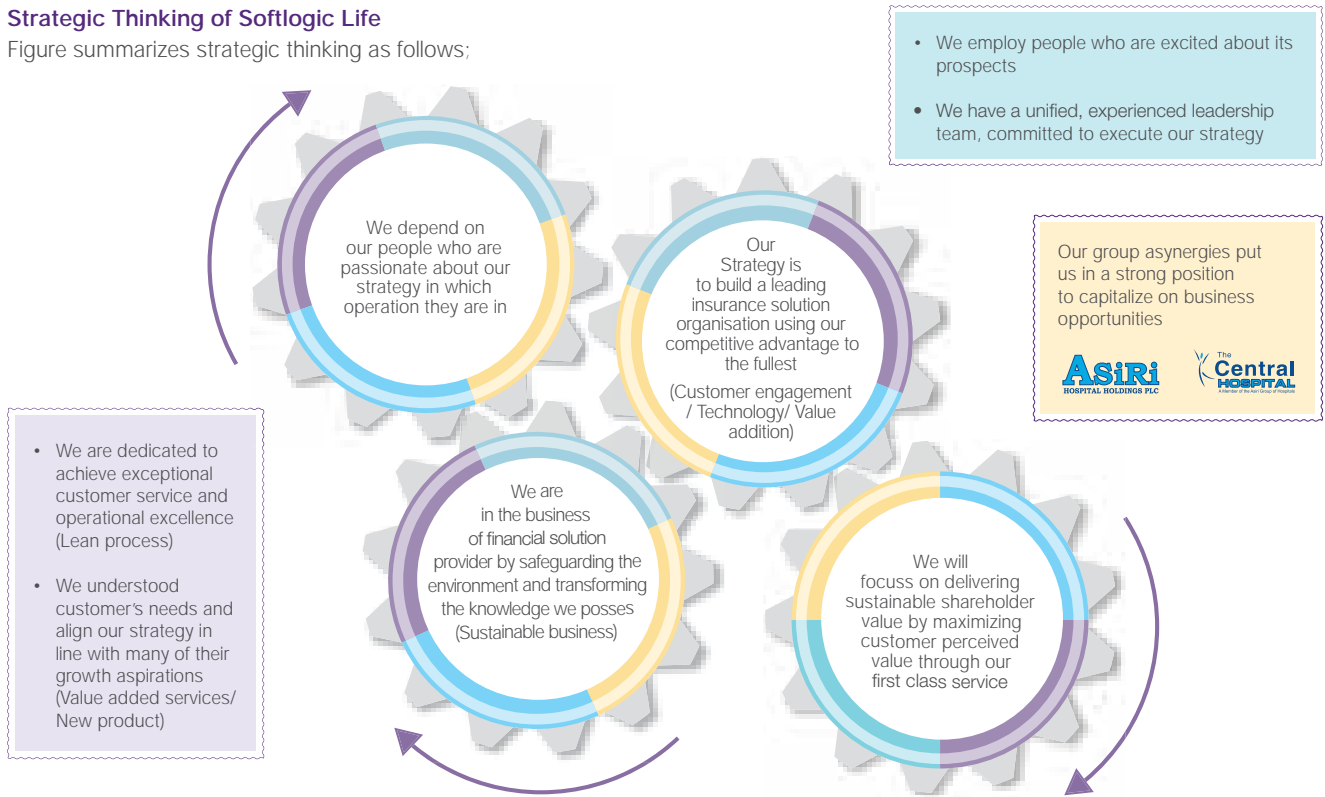
The Life business of the company is currently ranked 5th in the market and provides its customers with a level of service and attention that is unmatched in the industry. Its focus remains unwavering and is always aimed at providing the best solutions and plans that are perfectly customized to meet specific requirements of a diverse clientele.

Following the sale of Asian Alliance General Insurance business to Fairfax Asia, the Company's strategic thinking and business strategy purely focus on Life insurance business.



Strategic Thinking of Softlogic Life

Figure summarizes strategic thinking as follows:



Business Model

The diagram below depicts the drivers of shareholder value by each significant business segment and the key metrics used to measure value driver components. Detail business model is provided on pages 10 to 13 of this report.

Value Component	Value Drivers	Key Metrics
Life Insurance	In-force Contracts <ul style="list-style-type: none"> Cost of servicing Policyholder behaviour Cost of required capital Risk discount rate Investment return Value of new business margin 	<ul style="list-style-type: none"> Lapse and withdrawal Mortality and morbidity Contract extensions and alterations
	New Business <ul style="list-style-type: none"> Sales volume Margin 	<ul style="list-style-type: none"> Distribution capacity Productivity New products and markets Cost of acquisition and servicing Product mix Premium pricing Policyholder behaviour Risk discount rate Cost of capital consumed
Available Capital	Return on Capital <ul style="list-style-type: none"> Asset mix (Fixed vs Equity) Investment performance in each class of investment 	<ul style="list-style-type: none"> Investment return and reference to benchmark Dividend cover Capital Adequacy Ratio (CAR)

Strategy and Resource Allocation

Competitive Strategy

The company continues to operate its competitive strategy as the “Best Value provider” as depicted in figure, to stake out middle ground between pursuing a differentiation advantage and low cost advantage and between appealing to a broad market as a niche offering. Further, we seek to serve mass value conscious buyers for a ‘good to great’ service at an economical price by synergizing group advantage and personalizing customer engagement at a reasonable price (By maximising customer perceived value).

Sustainability as an Integral Part of Our Business Strategy

We proactively embed sustainability thinking and sustainable business practices at every level of our business. We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable Company. By providing responsible access to insurance products, we enable individuals to improve their quality of life and enhance their financial security. The very nature of our business positions us to help our customers and stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of the economy. The success of our customers, clients and stakeholders guarantees future business, which underpins our sustainability.

Management of Strategic Risks

The risks which prevent us achieving strategy as well as the wide range of mitigating actions and strategies which are deployed are incorporated in various sections of this integrated report as well as in the risk management disclosures included in the annual financial statements. The most recent top strategic risks are summarised in the table.

Figure: Softlogic Life Competitive Strategy



Table: The most recent top strategic risks

Risk	Actions
Optimal leveraging of the businesses due to inefficient business processes and inappropriate IT architecture	<ul style="list-style-type: none"> Investments in IT-enabled multi-channel and customer flexibility solutions. Risk management processes and business continuity plan. Strengthen IT governance processes.
Ability to sustain innovative and cost effective product development and distribution capabilities	<ul style="list-style-type: none"> Continued focus on innovative product and service design – significant investment in design capability. The group is able to draw insights that directly benefit our customers through improved data management.
Ability to retain and attract staff in critical leadership and technical positions	<ul style="list-style-type: none"> Various initiatives taken to be the employer of choice for the scarce talent. Succession planning is a specific requirement of the executive committee.
Meeting of investment return objectives	<ul style="list-style-type: none"> Performance Governance structure in place to monitor performance and take corrective action as necessary.
Ability to adopt innovative techniques and to pursue new ideas	<ul style="list-style-type: none"> Various initiatives are planned, some of which are referred to in our 2017 strategic objectives.
Appropriately responding to regulatory and environmental changes	<ul style="list-style-type: none"> The Company strategy has been formulated to ensure the alignment to the changing regulatory environment. Regulatory compliance is monitored to by the board and executive committee.
Realisation of growth initiatives and supporting business plans	<ul style="list-style-type: none"> Strategy focuses on growth supported by a new operating model which is designed to increase focus and improve alignment of opportunities to be leveraged.



Refer realising opportunities on pages 48 to 51

The Resource Allocation Plans to Implement the Strategy

Resource allocation has become an integral part of strategy formulation. This enables resources to be allocated according to the priorities established by the annual strategic planning.

Our Strategy Delivery 2016 and 2017 Plans

We continued to make steady progress against strategies and priorities for 2017.

Strategic Objective	Key Initiatives Target for 2016	Progress 2016	2017 Priorities
Embed customer and client centricity	<ul style="list-style-type: none"> Expand our footprint to increase convenience and accessibility Providing unmatched value added services Provide greater convenience Launch of new products to fulfill customer needs effectively 	<ul style="list-style-type: none"> Expanded branch network by adding 06 new branches Launch of several innovative value added services such as Doctor at Door step, Medicine at door step etc Introduced 1 new product Revamp "LifeUp" mobile app Continue to train employees to provide first-class service by launch of one day claim settlement service 	<ul style="list-style-type: none"> Expand branch network by another 30 locations Continue to engage with research activities to find more value propositions Facilitate and improve product development capabilities to serve customer needs effectively Provide personalized service to customers Enhance employee skills by continuous training to provide unmatched customer service



Refer social and relationship capital review on pages 114 to 141

Strategic Objective	Key Initiatives Target for 2016	Progress 2016	2017 Priorities
Inspire and motivate our people	<ul style="list-style-type: none"> Building an engaging and performance-driven culture across the business Encourage employees to sit Insurance professional exams Encourage employee participation in corporate strategy and planning process Encourage employees to participate in fun activities beyond work 	<ul style="list-style-type: none"> Introduced a group wide employee value proposition programme Sales and service champions awards to recognise, motivate and reward high achievers in both sales and non-sales at all levels The Company provided financial assistance to employees by providing opportunity for reimbursement Employees were provided opportunities to participate in planning and strategy sessions Sports club of the company organized several activities such as, 'Got Talent' competition and Cricket carnival etc 	<ul style="list-style-type: none"> Continue to engage with our employees Continue to recognise employees who have performed exceptionally Create learning and development culture by encouraging engagement with insurance and other qualifications Further encourage employees in participating in the company strategy and planning process Inspire employees to attain work-life balance



Refer human capital review on pages 98 to 113

Strategy and Resource Allocation

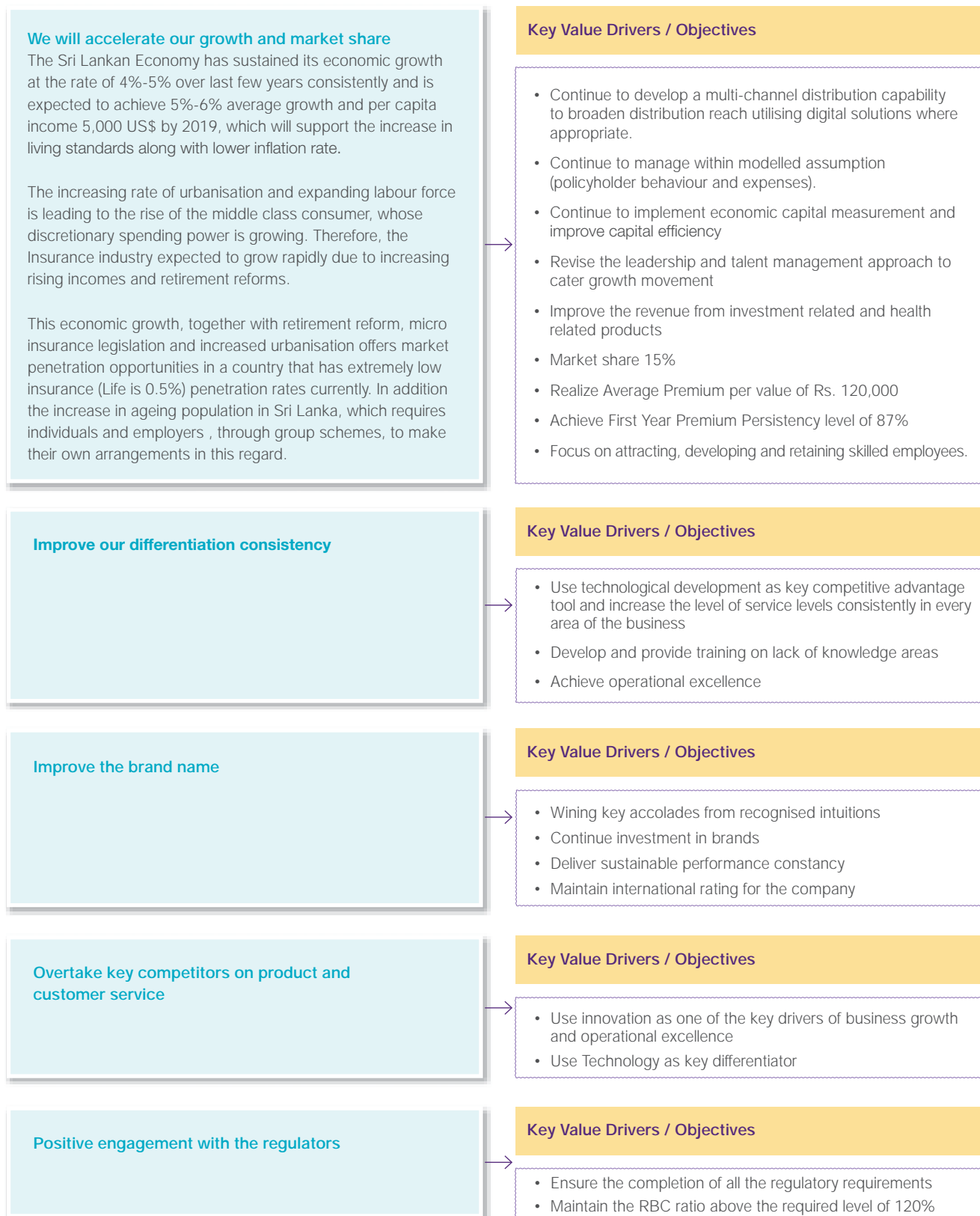
Strategic Objective	Key Initiatives Target for 2016	Progress 2016	2017 Priorities
Sustainable return through operational excellence	<ul style="list-style-type: none"> Strengthen in-house knowledge on actuarial Investments in operational and technological infrastructure Use of technology to improve the operation 	<ul style="list-style-type: none"> Company has successfully entered into a partnership with Messers. Willis Towers and Watson (WTW) to develop internal Actuarial Team Explored more web based products/ mobile applications 	<ul style="list-style-type: none"> Improve performance and become more competitive in a sustainable manner Upgrade IT infrastructure to improve efficiencies and effectiveness of internal processes Leverage technology to improve the convenience as well as method of finding customer needs

Strategic Objective	Key Initiatives Target for 2016	Progress 2016	2017 Priorities
Reshape our business to take account of trends in legislation and regulation	<ul style="list-style-type: none"> Prepare implementation of Risk Based Capital (RBC) Framework Improve internal benchmark via proper asset and liability management Conduct Expense Study to facilitate Gross Premium Based Valuation 	<ul style="list-style-type: none"> Complied with RBC requirement Risk committee is updated on time with relevant developments to improve RBC Comprehensive Expense study was carried out in consultation with WTW 	<ul style="list-style-type: none"> Further realign our business to comply with all related regulatory requirements such as 'Guideline on segregation of Insurance funds and guideline of One off Surplus maintenance etc Implement proper Asset and Liability management framework in consultation with WTW

Strategic Objective	Key Initiatives Target for 2016	Progress 2016	2017 Priorities
Deliver as a relevant corporate citizen	<ul style="list-style-type: none"> Product responsibility Improve and contribute to the development of our environment Facilitate to develop community by promoting knowledge based activities 	<ul style="list-style-type: none"> The strategies are derived to cater to the protection needs of current/future customers. Carry out projects to accomplish the theme of "Protection of Your Beautiful world" Continue to Invest in "WIN" program to nurture our future professional 	<ul style="list-style-type: none"> Continue to develop products which serve the needs of society Continue to invest in environmental protection activities Continue to Invest in "WIN" program

Our Strategy 2019 at a Glance

Details of our strategy 2019 are summarised as follows:



STAKEHOLDER ENGAGEMENT

Overview

Our stakeholders are those individuals or organisations that can reasonably be expected to be significantly affected by Softlogic Life's business activities, output or outcome, or whose actions can reasonably be expected to significantly affect the ability of Softlogic Life to create value over time. All stakeholders would relate to the Company through being concerned with its performance in one or more aspects such as economic, social and environmental.

At Softlogic Life, engagement with stakeholders is intrinsic to the way we use our capital to build value. We believe our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. Feedback from stakeholders help to develop strategies that generate sustainable value and identify our material issues. Their expectations and needs, which emerge from the engagement process, help us refine our services to ensure that we deliver sustainable value.

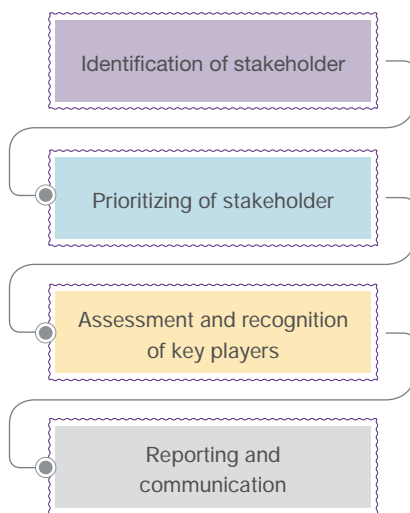
The Company believes that effective management of relationships with stakeholders is crucial to resolving issues facing our Company. By using their influence, stakeholders hold the key to the environment in which company operates and the subsequent financial and operating performance of the company. We build trust with stakeholders, aided by understanding their viewpoints and motivations.

The stewardship role played by the Directors demands that they act responsibly towards stakeholders. Whilst the management of stakeholder expectations is a key aspect of sustainability, the management of stakeholder issues is equally important from a risk management perspective. Therefore stakeholder engagement is a process that is key to many facets of our business.

Stakeholder Engagement Process

Our stakeholder engagement process implies a willingness to listen and to discuss issues of interest to stakeholders of our company and, critically, we are prepared to consider changing what it aims to achieve and how it operates. The engagement and assessment process involves several stages which can be explained by the following diagram.

Figure: Softlogic Life's Stakeholder Engagement Model










Identification of Stakeholder

Stakeholder identification is important not only for determining who a company's stakeholders are but also for determining the best way or ways to manage their expectations. Every stakeholder, regardless of his level, wants or expects something from the company or its outcome. Further identifying stakeholders allows for clear communications. To secure open and constructive dialogues with stakeholders, different means of communication are used by Softlogic Life, including communication days, conferences, face-to-face meetings and multi-stakeholder forums, which are always grounded by the full disclosure of performance reports. The outcome of these processes guides the evolution of Softlogic Life's corporate social responsibility and sustainability strategy, policies, targets and practices at all levels.

The first step in our Stakeholder Analysis is to brainstorm who our stakeholders are. Details of determinants are provided as follows:

Parties	Key Questions
We considered all the parties; <ul style="list-style-type: none"> • Who are affected by our activities? • Who have influence or power over it? • Who have an interest in its successful and or unsuccessful conclusion? 	<ul style="list-style-type: none"> • What financial or emotional interest do they have in the outcome of our work? Is it positive or negative? • What are the motivational factors? • What information do they want from us? • How do they want to receive information from us? What is the best way of communicating our message to them? • What is their current opinion of our work? Is it based on good information? • Who influences their opinions generally, and who influences their opinion of ours? Do some of these influencers therefore become important stakeholders in their own right? • If they are not likely to be positive, what will win them around to support our project? • Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

By assessing the impact from the results of the Company's outcomes, Softlogic Life has identified key stakeholder groups with whom Softlogic Life needs to constantly be in dialogue and engage with;

	Investors - provide financial capital for an attractive return on investment.
	Customers - who purchase our products and services (after obtaining appropriate advice on their insurance and financial needs) to achieve their financial goals and manage life's uncertainties.
	Employees - who supply the necessary skills and expertise to deliver on our promises to stakeholders.
	Environment - living and non-living things which provides resources to continue the business.
	Government and Regulatory Authorities - who govern financial stability and market conduct of our industry.
	Suppliers / Business Partners - who make favorable contributions to continue operation of the Company and reinsurers with whom we share the risks.
	Communities - who provide us with our social relevance as well as our future customers and employees.

stakeholder category, using a model that illustrates the complex interrelationships and interaction between stakeholders and their impact, or potential impact on organizational decision making.

Assessment and recognition of key players

Based on the assessment carried out using the Mendelow Matrix given, we identified our key stakeholders that materially contribute to our value drivers. Softlogic Life's business strategy and corporate responsibility priorities are influenced by our stakeholders who include employees, customers, investors, suppliers, community members, regulators, and others who have an interest in or interact with our Company. We preferentially engage with the stakeholders who have the greatest potential impact on our operations or that could be significantly affected by our business activities.

Reporting and communication

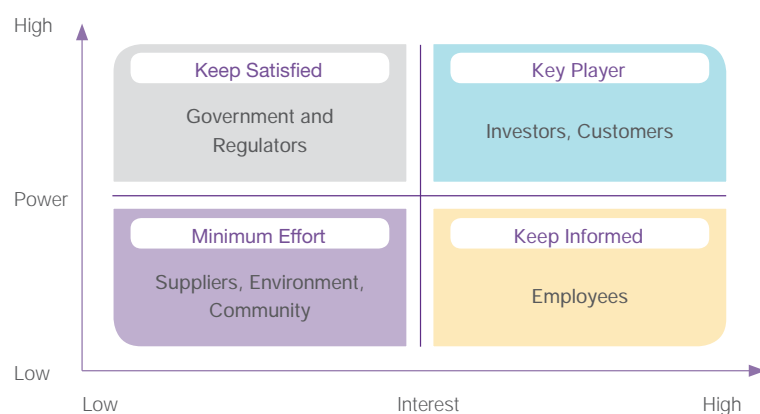
We have set up multiple channels of communication to solicit feedback on our performance, including our performance on external reporting. The table on pages 60 to 63 broadly sets out issues raised by our stakeholders, and how we have responded.

Prioritizing of Stakeholder

It is important to prioritize stakeholders in order to identify contribution and support, of whether they be internal or external stakeholders, for the continued success and sustainability of our business.

We believe that a comprehensive process of prioritizing is necessary for the better understanding and monitoring of our stakeholders and their needs. Hence we have identified our stakeholders based on the extent of power and interest of each

Figure: Mendelow Matrix for Prioritizing of Stakeholders



Stakeholder Engagement

Stakeholder Engagement Mechanism



Investors

Key expectations/commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns	
<ul style="list-style-type: none"> Increased return on Investment Better interaction Protect and facilitate the rights of stakeholders and ensure fairness and transparency Complying with all statutory and regulatory requirements Ensuring adequate and timely communication 	<ul style="list-style-type: none"> Regular email feedback of performance to investors who request same 	Shareholder meetings/Annual General Meetings	Consult	Annual	Company performance	
		Annual Report	Inform	Annual	Company performance	
	<ul style="list-style-type: none"> Improved website which captures the required information content 		Interim financial statements	Inform	Quarterly	Financial performance
			Announcements to CSE	Inform	As necessary	Company information
			Press conference and media releases	Remain passive	As necessary	Company information
			One-to-one meetings	Consult	As necessary	Investor relations
			Website information updates	Remain passive	On a regular basis	Company information



Customers

Key expectations/commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns	
<ul style="list-style-type: none"> Enhancing accessibility to our services to all segments in society in all districts and provinces. Adequate lead time between placing orders for goods / services and delivery date. Satisfaction New products to meet the evolving needs 	<ul style="list-style-type: none"> Customer Care Centre 	Customer satisfaction survey	Consult	As necessary	Service quality	
		Daily interactions at customer centers	Involve	Regularly	Customer complaints/suggestions	
	<ul style="list-style-type: none"> Systematic upgrading of customer centers to provide better service Operational dashboard 		One-to-one meetings	Consult	As necessary	Customer relations
			Direct customer feedback	Consult	On a regular basis	Dispute resolution
			Media campaigns/advertisements	Remain passive	On a regular basis	Awareness
			Website information updates	Remain passive	On a regular basis	Product information
			Life Up App	Involve	As necessary	Policy related matters

Stakeholder Engagement Mechanism



Employees

Key expectations/ commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns
<ul style="list-style-type: none"> • Ensure a healthy work life balance • Provide a rewarding career • Enhancement of skills and knowledge • Build ownership by engaging employees in our business strategies 	<ul style="list-style-type: none"> • Build ownership by engaging employees in our business • Maintaining diversity and providing equal opportunity • Introduce Whistleblower policy • Form a Crisis Management structure • Introduce office 360 to allow employees access to the email facility 24x7 	Management meeting	Consult	Weekly	Review business performance
		Company social events	Collaborate	Annual/Ad hoc	Work life balance
		E mail updates		On a regular basis	Operational changes
		Softlogic Life Facebook group	Involve	On a regular basis	Operational changes
		HR Portal	Involve	On a regular basis	HR information
		Employee direct meetings	Consult	On a regular basis	Open door policy
		Whats app and Viber	Involve	On a regular basis	Operational changes



Government and Regulatory Authorities

Key expectations/ commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns
<ul style="list-style-type: none"> • Compliance with industry relevant legal provisions • Good corporate governance and business ethics • Support for government policy 	<ul style="list-style-type: none"> • Submission of regulatory and statutory returns on a timely basis • Staying upto date on all regulatory changes • Adopting regulatory changes well within the grace period 	Directives and circulars	Consult	As necessary	Compliance
		On-site review by IBSL	Consult	Annual	Compliance
		Press releases	Remain passive	As necessary	Compliance and information
		Meetings and discussions with Board and Senior Management	Consult	As necessary	
		Submission of returns and status reports	Inform	Periodic deadlines	Compliance
		Training and workshops organised by regulators	Consult	As necessary	Awareness and knowledge

Stakeholder Engagement

Stakeholder Engagement Mechanism



Suppliers /Business Partners

Key expectations/ commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns
<ul style="list-style-type: none"> On time settlement of invoices (in line with agreed terms) for services provided / rendered Implementation of a procurement procedure with internal controls and decision making based on market information in a transparent and fair manner for all qualified and registered suppliers 	<ul style="list-style-type: none"> Supplier evaluation Workshops on sustainable business practices and guidance on implementation 	Supplier meetings	Consult	As necessary	Contractual performance
		Letters /E mails/ Telephone conversations	Involve	On a regular basis	Responsible sourcing
		One-to-one meetings	Consult	As necessary	Future business opportunities
		Periodic visits	Consult	As necessary	Supplier relations



Community

Key expectations/ commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns
<ul style="list-style-type: none"> Improve the welfare of the community by supporting health and safety related activities which vary based on geographic location / priorities in the area 	<ul style="list-style-type: none"> Leverage IT to minimize impact on environment (paperless office) School Certificate Sponsorship Project Blood Donation program Sponsorships for sports events. 	Community projects	Collaborate	As necessary	Serve community
		Call centre conversations	Consult	As necessary	General inquiries
		Interact through branch network	Collaborate	As necessary	Financial inclusion
		Social media	Remain passive	As necessary	Public relations and communication

Stakeholder Engagement Mechanism

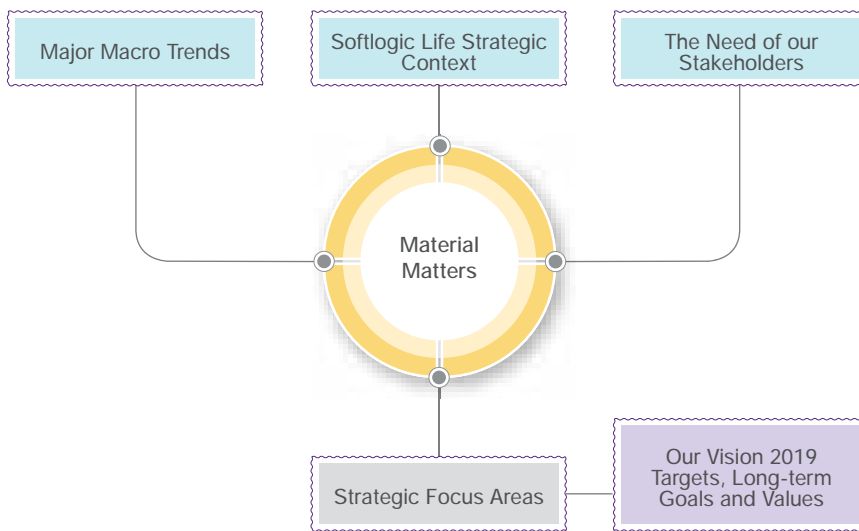


Environment

Key expectations/ Commitments	Response strategies	Method of engagement	Level of engagement	Frequency	Topic and concerns
<ul style="list-style-type: none"> Reducing the adverse impact on society and environment 	<ul style="list-style-type: none"> Recycling of paper 	Environmental projects	Collaborate	As necessary	Serve community
	<ul style="list-style-type: none"> Eco-friendly practices 	Energy use and Efficiency	Collaborate	On a regular basis	Serve community

MATERIAL ASPECTS IMPACTING OUR BUSINESS

Our material issues are those issues that we believe could seriously affect our commercial viability and our social relevance. These include factors influencing economic growth and political and social stability, and those which impact on how our stakeholders perceive the company and its role in society. Effectively managing our material issues is critical to achieving our strategic objectives and meeting our stakeholders expectations.



Material Matters and Environmental Context

Our material matters, which also represent our primary risks and opportunities, have been selected from a diverse range of factors with the potential of having a significantly impact on our ability to deliver sustainably to our key stakeholders. Material matters are derived from major macro (external) trends and environmental context, our unique strategic context, including business risks and opportunities, and most importantly the needs of our key stakeholders and the environment in which we operate. Identifying and determining matters that are material to the company and our stakeholders is an ongoing process as new developments shape the macro environment and the needs of our stakeholders change.

What Matters the Most

Our sustainability framework defines the sustainability vision, policies and strategies or management approach towards priority issues as discussed under “the Stewardship” section. The framework assisted the committee to develop a methodology to focus on the issues that matter most to us and to our stakeholders. The pillars of the methodology were based on the key priorities of Softlogic Life which were identified through the stakeholder engagement process.

We have used the GRI-G4 guidelines to frame the content of this section. In comparison to previous versions, the GRI-G4 has a significant focus on materiality, enabling us to report on what matters most to our business and our stakeholders.

Defining the Report Boundary

We aspire to present a balanced and comprehensive overview of our financial and non-financial performance. We disclose data on our economic performance as well as the impact of our organisation on society and the environment. We report performance data on areas of our business and operations where we can have a material impact both inside the organisation and externally. During the reporting period, Asian Alliance General Insurance Ltd (AAGI) was divested and therefore Softlogic Life Insurance prepares Financial Statements as a standalone Company as at 31st December 2016.

This report covers the operations of Softlogic Life Insurance company and is compiled in accordance with guidelines laid down by GRI-G4 ‘in accordance - core’ option.

Issue of Materiality

As outlined in the GRI guidelines, the Company recognises the importance of the materiality concept in the process of reporting our sustainability performance. Materiality is defined in relation to the financial performance, statement of financial position, and values and impact on the stakeholders’ interest.

Methodology

We believe that using a stakeholder-based approach brings many benefits such as:

- Enabling the Company to elicit the opinions of our most powerful stakeholders to shape our activities at an early stage. Not only does this make it more likely that they will support us, their input can also improve the quality of our business.
- Gaining support from powerful stakeholders can help us to gain more resources – this makes it more likely that our business will be successful.

G4 - 18 (a)(b)	G4 - 22	G4 - 23	G4 - 29
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- By communicating with stakeholders' early and frequently, we can ensure that they fully understand what we are doing and understand the benefits, which means they can support us actively when necessary.
- We can anticipate what stakeholders' reactions may be, and build into our plan the actions that will win stakeholder support.

The report details economic, environmental and social performance that would significantly influence the assessment and decisions of our stakeholders.

Stakeholder Inclusiveness

The Company recognises that it is compelled to define strategic and key stakeholder groups to ensure materiality in engagement and reporting. Therefore the government, investors, customers, suppliers, employees, environment and community are recognised as key stakeholders.

Sustainability Content

This Report presents the Company's performance in the wider context of Sustainability from the triple bottom line pillars of Economic, Social and Environment. Inherent in the triple bottom line concept is that all stakeholders from employees to community, customers to valued business partners and shareholders to the nation at large become a part of the sustainability journey of Softlogic Life Insurance PLC. The report is committed to presenting a truthful and objective analysis of both positive and negative aspects of sustainability of the Company.

This is done so that all our stakeholders are able to gain a comprehensive view of our policies, interactions and processes. The report serves as a tool for us to critically examine our strategies, identify obstacles and strive to smoothen these out.

Comparative Information

The Sustainability Report for the financial year 2016 was also based on GRI-G4.

The report presents key performance indicators with comparative information for the previous year which was reported for the period ended 31st December 2015.

Specific Limitations and Reporting

Softlogic Life Insurance is a service provider; hence some of the GRI indicators are not applicable. Whenever an indicator is not reported or not applicable or immaterial it is provided for in the GRI Index with respective reasons.

Restatement and Significant Changes

There are no restatements or significant changes in scope and aspect boundaries compared to 2015.




Comparative information has been amended where relevant for better presentation and to be comparable with those of current year

Focusing on the Issues that Matter Most

We use a core set of priority issues determined through our sustainability strategy to guide our overall corporate responsibility approach. This places emphasis on the issues that matter most, as defined by the scale of our impact as a business, and by the feedback we received from key stakeholders as part of our reporting process. We believe that our priority issues are deeply relevant to our ability to succeed as a business.

Engaging with our stakeholders and understanding their concerns is critical to help our Company to identify its most material issues. Keeping in line with our assessment of the stakeholders, the information gathered as part of our various stakeholder engagement processes feeds directly into decision making and drives our business strategy year-on-year. A graphical representation of how and with whom we engaged to inform this year's strategy is shown as follows

Stakeholder Engagement Summary Chart

Face to Face Discussions		Product Development Forum
		Softlogic Life Board Members
		Employees
		Customers and Suppliers
		Regulators
Documentation		Internal and External Audit Reports
		Audit Committee Reports
		Risk Committee Reports
		Board Reports
		Meeting minutes of weekly review meetings
Survey		Global Reporting Initiatives (GRI) Principles
		Customer surveys
		Employee surveys
		Employee suggestions

Material Aspects Impacting Our Business

Prioritizing Issues

The outcome of this engagement process enabled us to prioritise the issues that are most material to our business and to our stakeholders at the present time. The priority issues identified through our analysis which are explained in the priority issues matrix are covered in significant detail in this report. For each priority issue, we have included, as per GRI-G4 requirements, a disclosure on management approach and at least one related qualitative or quantitative indicator. We also discussed additional topics “Important Issues” that we identified as having a high level of importance to either external stakeholders or the Company itself.

Priority Issues Matrix

Risk management is not only about understanding what threatens our business; it is also about finding out what can strengthen it. In light of the current difficult operating conditions, management continues to seek opportunities to enable us to adapt to change, improve the resilience of the business and continue to deliver sustainable value to all our stakeholders.

	Material Aspect	Stakeholder
1	Sustainable return	Investor
2	Gender diversity and inclusion	People
3	Career development and employability	
4	Meeting our employees' needs	
5	Data privacy and security	Customer
6	Being a responsible business entity	Community
7	Community impacts	
8	Driving eco efficiency	Environment

Mapping Material Issues

We have used the prioritisation of issues in the materiality matrix to guide the content of this report and to determine the applicable GRI-G4 material aspects.

Our Materiality Matrix

The matrix outlines our material issues against corresponding GRI-G4 material aspects, where appropriate. In accordance with GRI-G4 requirements, it also indicates where the primary impacts of this issue occur in terms of our stakeholders, and whether they are internal or external to our business. Finally, it references the chapters of this report where discussion regarding the issues can be found.

Figure X: Priority issue matrix

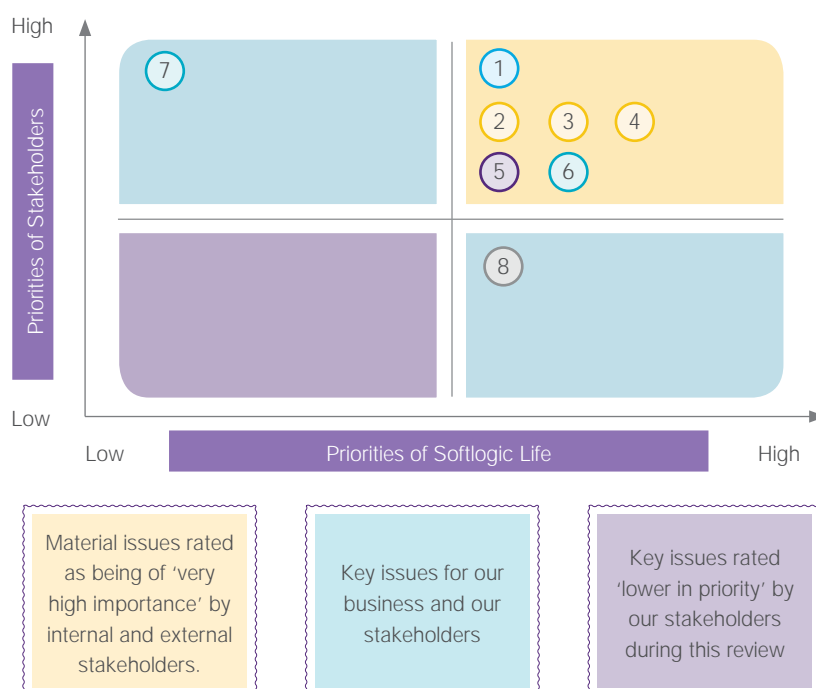


Table: Material Issues GRI-G4 Material Aspects against

Key Stakeholder	Relevant Capital	Material Issue	GRI-G4 Material Aspect	Boundary	Reference
Investor	Financial Capital	Sustainable return	Economic performance Indirect economic impacts	External	Financial Capital report starting on page 70
Customer	Social & relationship Capital	Data privacy and security	Customer privacy	External	Social and Relationship Capital - Customer report starting on page 115
Community		Being a responsible business	Anti corruption Compliance Public policy Child labour	External & Internal	
		Community impacts	Local communities Marketing ethics	External	
People	Human Capital	Gender diversity and inclusion	Diversity and equal opportunity Equal remuneration for women and men	Internal	Human Capital report starting on page 98
		Career development and Employability	Training and education Employment	Internal	
		Meeting our employees' needs	Non Discrimination	Internal	
Environment	Natural Capital	Driving eco-efficiency	Energy efficiency	Internal	Natural Capital report starting on page 150

Association Memberships

Softlogic Life's management and employees participate in national and regional associations and advocacy organisations related to our priority issues. Our memberships include many leading organisations, some of which are listed below;

- The National Chamber of Commerce Sri Lanka
- Institute of Chartered Accountants of Sri Lanka
- Insurance Board of Sri Lanka (IBSL)
- Insurance Association of Sri Lanka (IASL)
- Sri Lanka Insurance Institute (SLII)
- Colombo Stock Exchange (CSE)
- Financial Intelligence Unit of Central Bank of Sri Lanka (CBSL)

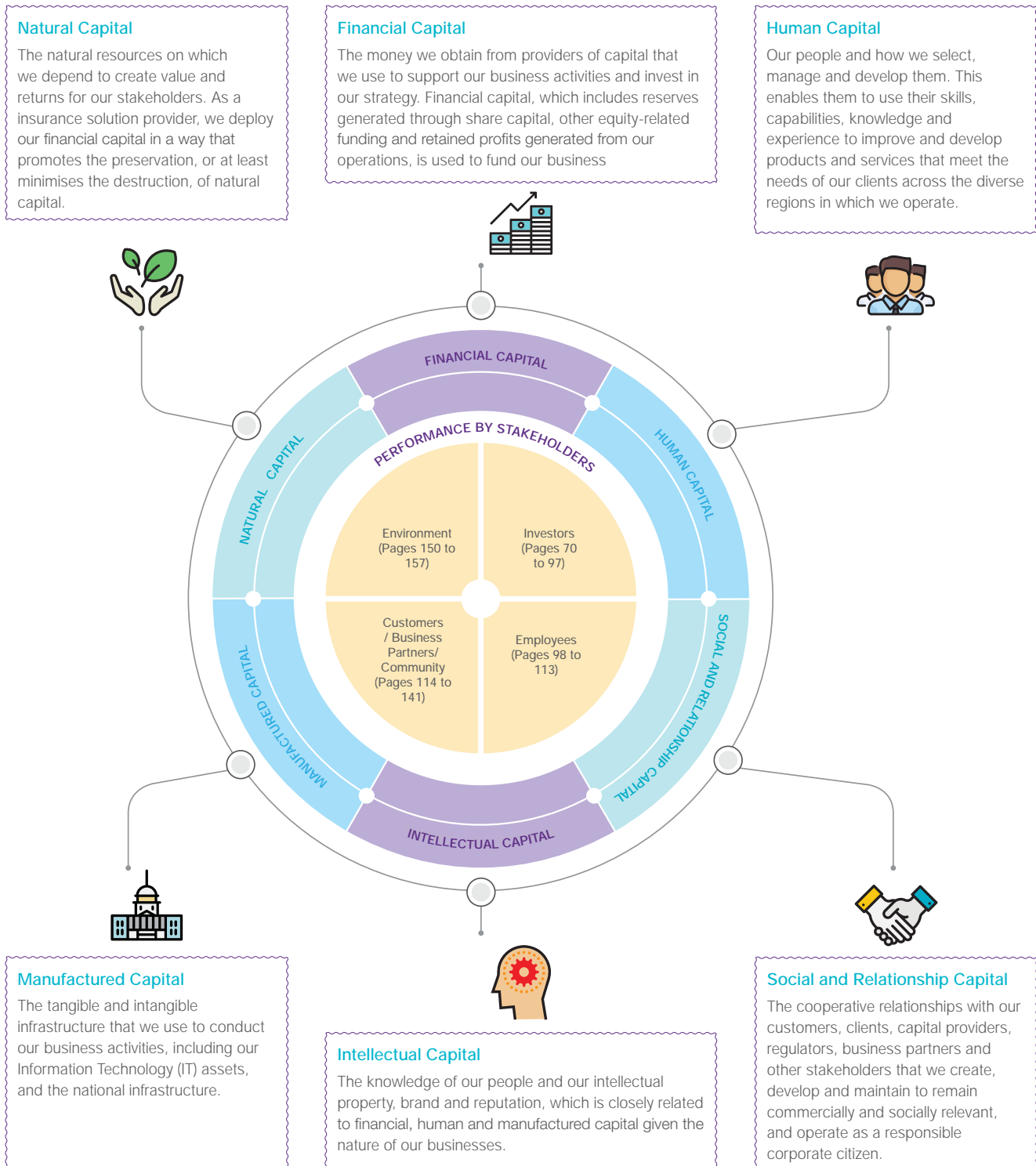
OUR PERFORMANCE AGAINST THE CAPITAL

Our Performance

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LINK BETWEEN CAPITALS AND STAKEHOLDERS

This report explains our dependence and impact on the forms of capital that are fundamental to our ability to create value for stakeholders. There is constant flow between and within the capitals as they are increased, decreased or transformed. Alteration in one capital may affect the state of other capitals and may have positive or negative impacts to our stakeholders (Eg: investment in employee training will have negative effect on our Financial Capital but add value to our Human Capital, same time positively affect our employees). On the other hand, performance of one stakeholder may create positive or negative impacts on other stakeholders and capitals. The figure explains the connections between capitals and stakeholders;



FINANCIAL CAPITAL



A primary objective of the Company is to deliver a sustainable attractive return on investment to our shareholders while ensuring their well-being. We remain fully committed to generating competitive sustainable value while ensuring the Company's sustainability before short-term maximisation of profits.



TOTAL ASSETS
Rs. 9,918 Mn

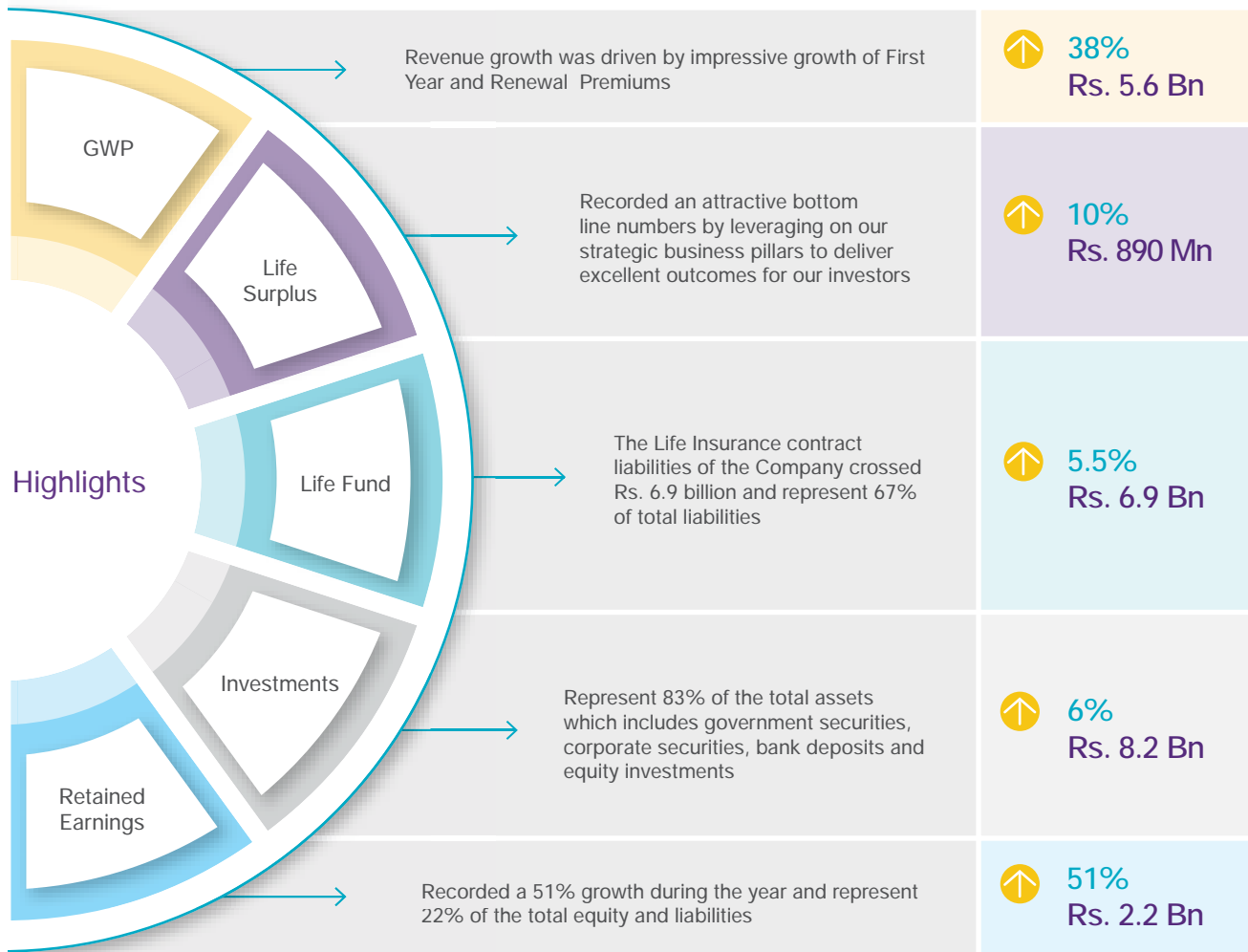


RECORDED AN ATTRACTIVE BOTTOM LINE
Rs. 967 Mn



TOTAL REVENUE
Rs. 5,636 Mn

2016 at a Glance



Key Performance Highlights - 2016

Value Created to Investors

Economic Value Added		Life Surplus Transfer		Annualised New Business Premium	
Rs. 3,683 Mn	Rs. 3,460 Mn	Rs. 890 Mn	Rs. 810 Mn	Rs. 2,182 Mn	Rs. 1,725 Mn
2016	2015	2016	2015	2016	2015

Claim Ratio		Expense Ratio		Combined Ratio	
21%	12%	60%	50%	84%	69%
2016	2015	2016	2015	2016	2015

Financial Capital

Key Performance Highlights - 2016

Average Premium per Policy		Persistency ratio			Reinsurance Expense ratio	
2016	2015		2016	2015	2016	2015
Rs. 99,573 Mn	Rs. 86,667 Mn	1st Year	83	82	11%	12%
		2nd Year	66	63		
		3rd Year	57	52		

Our long term vision for the Company is driven by the loyalty and trust placed in us by the investors. Responding to their faith and confidence in the Company, we ensure that the Company strikes the perfect balance between achieving our vision and enhancing

shareholder wealth, thereby delivering to our shareholders the secure promise of high returns on investment whilst fulfilling their expectations. Further, we are also mindful of the social, economic and environmental imperatives we need to engage in to demonstrate our

corporate stewardship. The three pillars of economic, social and environmental sustainability define our Company's vision and mission, and drive our every effort to create a sustainable organisation. The Company is committed to delivering and maximizing investor value.

Financial review

Overview

"2016 was an exceptional year in which our Company crossed Rs. 5.6 Billion Gross Written Premium and recorded a Profitability of Rs. 967 Million"

The Company delivered another set of record results, despite persistent volatility in the macro-economic environment. The management continued to focus on the factors within our control, which included driving operational improvements, stringent cost control and increasing margins. This combined with the all-encompassing changes we introduced to ensure greater efficiency, effectiveness and competitiveness, underpinned our excellent performance.

In the last three years, our financial focus has been to support the delivery of the Company's strategy by managing our

margins, cash, gearing and return on equity within the context of difficult local operating environments. In parallel, our focus on operational improvements has enabled us to build a solid platform for exceptional performance in the years ahead.

The macro environment had an impact on the business, particularly with rapidly decreasing interest rates, regulatory changes such as change in the valuation of life insurance valuation, Risk Based Capital (RBC) implementation and other investment opportunities. The Company evaluated these key regulatory changes

in the business environment and aligned its strategies to derive long-term benefits. The Company consistently improved its turnover, surpassing industry average growth rates during the last five years and demonstrated a consistently exceptional performance.

"Highest Market Share Gainer in the Industry by 1.2%"

While reading our financials, it is pertinent to note that information presented for the financial years 2016, 2015, 2014, 2013 and 2012 have been prepared in accordance with the new Sri Lanka Accounting Standards, while financial information for periods beyond the stated years, unless otherwise stated, are as per the previous Sri Lanka Accounting Standards

The Company posted

Rs. 967 Million profit after tax for the year to surpass

Rs. 5.6 Billion GWP Total

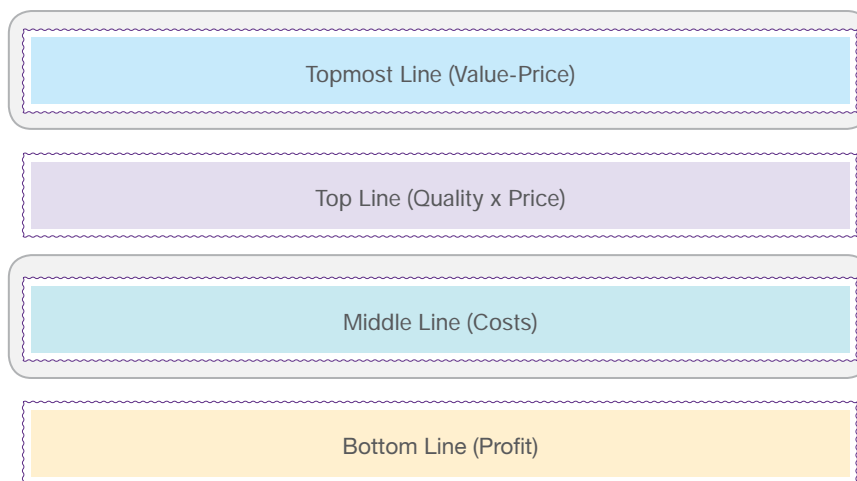
Asset base continued to grow during the year to **Rs. 9.9 Billion** and Life fund stood at **Rs. 6.9 Billion**

Income Statement Analysis

The income statement reflects the revenue generated by the Company and the costs incurred in generating that revenue. The analysis that follows discusses the financial performance of the Company and the principal headline earnings drivers for growth in our ROE as explained further on page 75. We have also explained other material income statement items such as Gross Written Premium, Net Earned Premium, Claims and the results from the discontinued operation.

Softlogic Life approach to Income Statement

At Softlogic Life, we continue to emphasize “Topmost line” of the customer and “Middle line” which signify expenses of the Company as these are strategic controllable value drivers of the Company.



Source: Adaptation from Professor Uditha Liyanage

Where:

Topmostline: Customer Perceived Value (V) - Price of the Insurance Products (P)

Customer Perceived Value: How much customers believe it can satisfy their needs

Middle Line: Expenses (C)

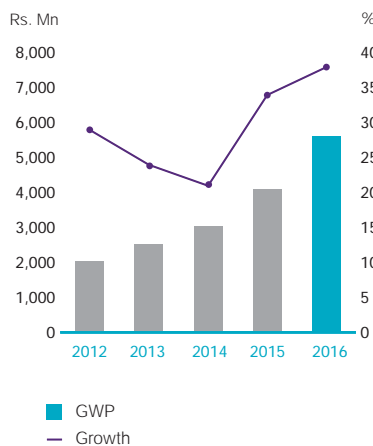
Snapshot of Performance-Income Statement

The following Indicators denominated our progress over the last three years.

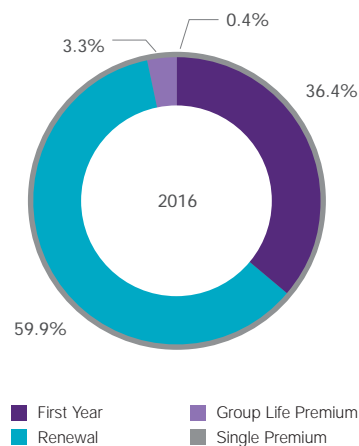
Description - Rs. million	2016	2015	2014	2016 % Growth
Gross Written Premium	5,636	4,091	3,048	38
Reinsurance	(633)	(501)	(231)	26
Net Earned Premium	5,003	3,590	2,817	39
Investments and Other Operating Revenue	664	868	1,477	(24)
Total Net Revenue	5,666	4,457	4,294	27
Net Benefits and Claims	1,072	(433)	(312)	(147)
Change in Insurance Contract Liability	(288)	(966)	(1,253)	(70)
Underwriting and Net Acquisition Cost	(1,580)	(993)	(715)	59
Operating, Administration and Other Expenses	(1,849)	(1,072)	(1,173)	72
Profitability	967	993	840	(3)

Financial Capital

Gross Written Premium



Composition of Life Insurance GWP



Five year compounded growth stands at 22.61% (2015 - 20.97%), and the year-on-year growth of the Life business was 38% (2015 - 34%)

Commentary

The Life Insurance GWP consists of First Year Premium (FYP), Renewal Premium (RP), Group Life premium and Single premium. GWP, which represents the premium charged to underwrite risk and which is the main source of income from the operations, reached Rs. 5,636 million in 2016, with an increase of 38% compared to Rs. 4,091 million recorded in 2015. The GWP grew consistently over the last five years as shown in above figure.

First-year premium includes the premium earned from the new business which recorded a very impressive growth of 49% which is well above the industry growth of 27%. Further, the Renewal premiums continue the same trend compared to the year 2015, being the main contributor to the life GWP contributing 60% to the total GWP. The renewal premium grew by 29% during the period under review by recording Rs. 3,375million. The group life premium and single premium contributed to Life GWP by recording Rs. 189 million and Rs.22 million respectively. FYP and RP mix is 36% / 60% and 34% / 64% respectively for the year 2016 and 2015 respectively.

Channel Contribution

The Company has operated exclusively through Advisor channel until this year. However, this year the Company diversified its distribution strategy by having alternative channels which mainly focus on Bancassurance, Group life and Investment products. During the year, the Agency channel contributed 86% to total GWP and 14% was contributed by alternative channel.

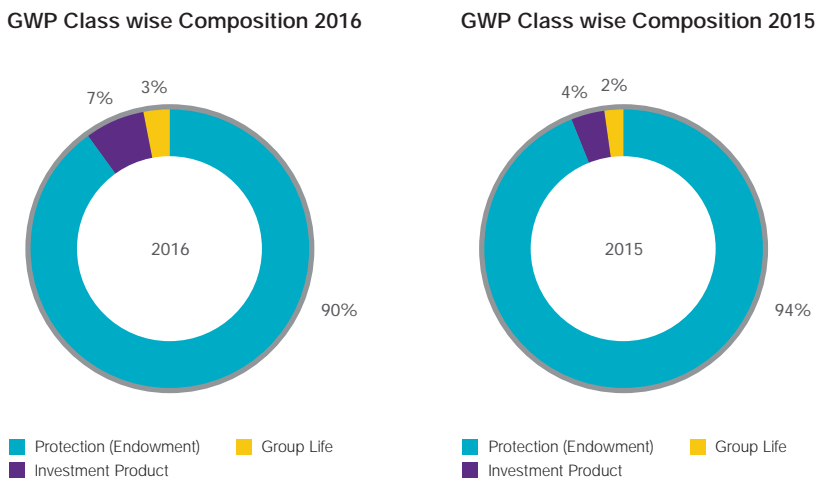
Key Challenges in 2016

The Company expected significant GWP from Investment products, however due to prevailing high interest rate environment, the Company was not able to achieve expected results by end of 2016. However, the Company achieved 100% target due to higher delivery in protection-based products which exceeded the budgeted figures.

Composition / Class wise Performance of GWP

During the year 2016, major contribution was made by the Protection (Endowment) products, which is 90%. A notable factor is that Investment and Group Life also contributed 10% to GWP which is 4% more than contribution compared to year 2015.

Details of segment contribution to overall GWP are provided in following figures:



Key Value Drivers Related to GWP

Life Insurance GWP achievement mainly depends on the key value drivers such as Annualized New Business Premium (ANBP), Average Premium Policy Value (APPV) and Premium Persistency Level. The Company sustained focus on improving these key value drivers in order to achieve its robust performance growth of the top line. Details of key value drivers for last five years are provided in the table below:

Table: Key Value Drivers - Last Five Years

Description	2016	2015	2014	2013	2012	Change % 2016 vs 2015	Industry Average
Annualised New Business Premium (ANBP) Rs. million	2,182	1,725	1,247	1,086	989	26	N/A
Average Premium Per Policy (Rs)	99,573	86,667	81,639	76,187	73,732	15	Rs. 35,000 / 45,000
Persistency Ratio Year 1 (%)	83	82	79	76	77	1	50% *
Persistency Ratio Year 2 (%)	66	63	58	55	56	5	N/A
Persistency Ratio Year 3 (%)	57	52	57	52	48	10	N/A
Average Annual ANBP per Agent Rs. million	1.4	1.3	1.1	1.1	1.3	8	N/A

* Extrapolated from Industry Laps Study 2012

Financial Capital

Annualised New Business Premium (ANBP)

The Company recorded a five-year compound growth at 17.15 % in ANBP (year 2016 Rs. 2,182 million to year 2012 Rs. 989 million), which was a critical success factor of the headline growth in the Gross Written Premium. Considering the average industry growth, the Company's growth was consistent over the last five years. This is an exceptional achievement.

Average Premium per Policy / Average Policy Value

Average policy value of the Company grew to Rs. 99,573 in 2016 from Rs.73,732 in 2012, whereas industry average is around Rs. 35,000 to Rs. 50,000. In the Life insurance industry, average premium value will have greater impact on continuation of the policy (Persistency), as higher average premiums will tend to have higher persistency - hence positively contributing to the growth of the GWP.

Persistency (Premium) Ratio Year 1-3

Premium persistency means the payment of premium over the policy period without any overdue.

Premium persistency ratio consistently improved to 83% from 77% (year 1) over last five years whereas Industry average is around 50% - 55% which is significantly above the industry standard.

Average Annual ANBP per Agent

Productivity of the Agency channel is a vital value driver to the Company. During the year, ANBP per Agent increased to Rs. 1.4 Mn from Rs. 1.3 Mn

Strategies Executed to achieve GWP / Revenue

The Company continually focuses on delivering first-class service to customers by differentiating from competition, which has enabled us to achieve sustainable growth in GWP by providing more customer-centric innovative solutions, the differentiation and competitive advantage being the specialised knowledge of our sales force. Details of key innovation in year 2016 are provided on pages 124 to 126.

Growth in First-Year Premium and Annualized New Business Premium was reported as a result of the implementation of the market penetration strategy, which led us to increase our branch network by 6 during the year 2016 – with the total footprint increasing to 61 by end of 2016. In addition, the Company introduced new products to capitalize on new opportunities by implementing our product development strategy. Further, during the year, the Company set up a new distribution unit in addition to its conventional Agency channel to focus on Bancassurance, Group life and Investment products.

Our unique business model, a specialised unit (Policy Conservative unit) which aids the effective follow-up renewal GWP, enabled us to record and maintain increased renewal GWP premium. Further, this helped to increase premium persistency, consistently maintained well above the industry average level as provided in the table of Key value drivers last five years.

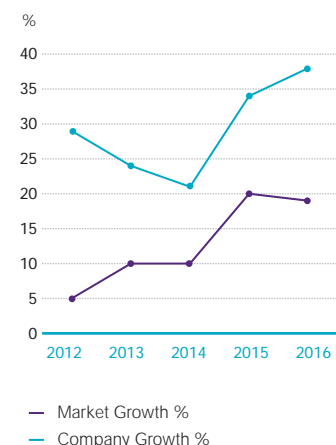
Critical Success Factors for Sustainable Growth in GWP


The continued strong growth in GWP is a result of strategic investments made over the years in terms of developing innovative products which have appeal for their customer value proposition, multiple distribution channels and maintaining effective pricing discipline with improved technology, and structured training of the sales force together with exceptional management strategy.

Performance of GWP in Relation to Industry - Overall

The Company recorded an impressive growth of 38% in year 2016 which is well above the industry growth of 19%, and also the Company was able to deliver well above the industry average growth during the last five years as shown in figure below. Further, the Company was able to deliver five-year compound growth of 22.61% while industry average for the same is 11.14%.

Industry Average Growth Vs Softlogic Life Growth



 Please refer page 42 review for more information

“SLI reported 22.61% five year Annual Compound Growth rate in GWP vs Industry growth of 11.14%”

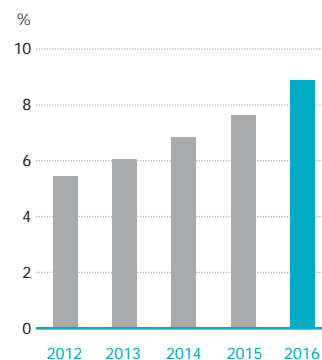
Market Share

The Company’s market share increased by 1.2% during the year, which is the highest market share growth reported by the Company during 2016. Further, the Company reported Rs. 1,545 million growth in GWP during 2016, compared to year 2015.

“Highest Market Share Gainer”

Further, market share movement of Softlogic Life’s last five years are provided in following table:

Market Share



Description	Total GWP Rs. million			Growth %	Market Share		Change %
	2016	2015	Change		2016	2015	
Ceylinco Life Insurance	15,027	13,458	1,569	12	23.6%	25.1%	-1.5%
Sri Lanka Insurance Corporation	11,894	10,368	1,526	15	18.7%	19.3%	-0.6%
AIA Insurance Lanka PLC	10,104	8,434	1,670	20	15.9%	15.7%	0.2%
Union Assurance PLC	8,271	6,964	1,307	19	13.0%	13.0%	0.0%
Softlogic Life Insurance PLC	5,636	4,091	1,545	38	8.87%	7.63%	1.2%
HNB Assurance PLC	3,554	2,789	765	27	5.6%	5.2%	0.4%
Other Players	9,067	7,489	1,579	21	14.3%	14.0%	0.3%
Total	63,553	53,593	9,960	19	100.0%	100.0%	

Source: Industry GWP data circulated by IASL

Performance of GWP in Relation to Industry-Class Wise Performance

The Company recorded growth of 49% and 29% growth in First-year new business and GWP from Renewal

business (Contributed 96% to the Company’s top line) respectively, which is well above the average industry growth of 27% and 16%. The following table presents a comparison of Softlogic Life’s

class wise GWP performance with the average growth of industry along with contribution to the top line.

Table: Class Wise Performance

Description Rs. million	Softlogic Life				Industry			
	2016	2015	Growth %	Mix 2016%	2016*	2015	Growth %	Mix 2016%
First Year Premium	2,050	1,376	49	36	16,847	13,298	27	27
Renewal Premium	3,375	2,610	29	60	37,561	32,520	16	59
Group Life Premium	189	99	91	3	3,470	2,813	23	5
Single Premium	22	6	267	1	5,675	4,962	14	9
Total	5,636	4,091	38	100	63,553	53,593	19	100

* Based on the Industry GWP data circulated by IASL

Financial Capital

Performance of GWP in Relation to Industry - Channel Contribution

Agency channel contributed 86% to GWP of the Company which is almost in line with the industry mix of 86% contribution made by Agency channel. Details are provided as follows:

Table: Channel Wise GWP Contribution

Description - Rs. million	GWP 2016	Softlogic Life Mix %	Industry Mix %
Agency Channel	4,821	86	86
Alternate / Direct Channels	815	14	14
Total	5,636	100	100

Reinsurance Expense

Insurance companies often transfer some component of the risk they accept from customers to reinsurance companies. In return for accepting this risk, reinsurers are paid a part of the premium received from customers. Hence this expense is referred as Reinsurance expense.

Commentary

The premium ceded to reinsurers (Reinsurance Expense) of the Company grew by 26% by increasing the reinsurance to Rs. 633 million in 2016 from Rs. 501 million in 2015. This is mainly due to the growth in the GWP by 38% which require company to increase contribution to reinsurers for the transfer risk portion to them according to risk management policy of the Company. However reinsurance expense as a % to GWP was reduced by 1% from 12.2% to 11.2% due to the restructuring of the reinsurances arrangement during 2016. The Company's reinsurance panel consist of world largest reinsurers such as Munich Re and RGA.

Reinsurance of the Company increased by Rs. 269 million due to the growth in the GWP by 34% and it is 12% compared to the life insurance GWP. The Company take reinsurance arrangement to manage underwriting risk and provide better safeguard to its valued customers.

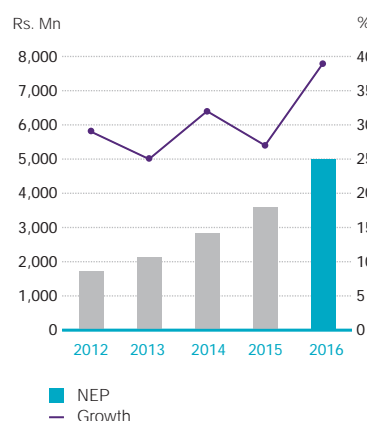


Please refer page 277 review for more information

Net Earned Premium (NEP)

Premium received from customers less the amount paid to reinsurers is referred to as "Net Earned Premium."

Net Earned Premium



Commentary

In the year 2016, the Company's net earned premium surpassed the Rs. 5 billion mark, recording a notable 39% growth from the Rs. 3.6 billion in 2015. The Net Earned premium steadily increased predominantly due to the robust performance in GWP. The growth of GWP at a higher rate positively impacted on the increase of NEP. Further NEP % to GWP increased to 89% from 88% due to the lower reinsurance outgo to reinsurers during the year 2016.

Investments and Other Operating Revenue

Details of Investment and other Operating Revenue is provided below:

Description - Rs. million	2016	2015
Finance Income	700	621
Net Realised Gains	59	126
Net Fair Value Gains	(96)	81
Other Operating Income	88	40
Total	664	868

Commentary

This consists of finance income earned from Interest Income through Investment portfolio which grew mainly due to the growth of the Investment portfolio. However, realized/fair value gains reported loss of Rs. 37 million (Total of 59 and 96 million) loss during the period due to adverse price variation in the equity market portfolio compared to the Rs. 207 million gain in 2015.

Other Operating Income mainly consists of gain on sale of Asian Alliance General Insurance Limited to Fairfax Asia Limited during the year for purchase consideration of Rs. 1,541 million.

Net Insurance Claims and Benefits

In the Life insurance business, the main expense is claim expense. Insurance claim expense includes claims due to death, disability or hospitalisation. Further, Life insurance policyholders are entitled to maturity proceeds and interim payments (e.g. payments made before the expiry of the policy) etc. In addition, policyholders may need to surrender /cancel their policies as well. These amounts net of reinsurance receivable are recorded under this heading.

Five year compounded growth of NEP stands at 24% (2015 - 22%), and the year-on-year growth was 39% (2015 - 27%)

Details of claims based on the nature is provided in the following table:

Description - Rs. million	2016	2015
Regular Claims	352	233
Maturities	266	49
Policy Surrender	84	76
Investment product related Surrenders	244	30
Group Life	126	46
Total	1,072	434

Commentary

Insurance claims and benefit expenses are the main costs of the insurance business, which includes gross benefits and claims paid and claims ceded to reinsurers. During the year, Company's net claim expenses of Rs. 1,072 million as the insurance claims which is an increase of 147% compared to the year 2015. Group Life claims grew due to significant volume growth of the business as explained earlier under GWP.

This growth reflects the manner in which the Company diligently paid out policyholder claims while maximizing shareholder value.

Strategies executed and critical success factors

At Softlogic Life a robust system is in place to eliminate / reduce bogus claims. However, there is no process in place to manage the genuine claims as the Company believes one of the key success factors is claim settlement. Therefore, several initiatives were taken to pay the claim faster as well as the correct value such as one day health claim settlement ,one day death claims (industry first) settlements and extended cashless claim settlement hospital network etc. Hence, the Company strengthened the underwriting process to ensure risks are underwritten at a correct price.

Key Challenges in 2016

During the year, claims expense was above the budgeted figure due to the higher surrenders reported in Investment products. The Company has taken several initiatives to address this immediately without impacting policyholder benefits.



Please refer pages 82 to 83 under insurance specific ratio analysis for more information

Commentary

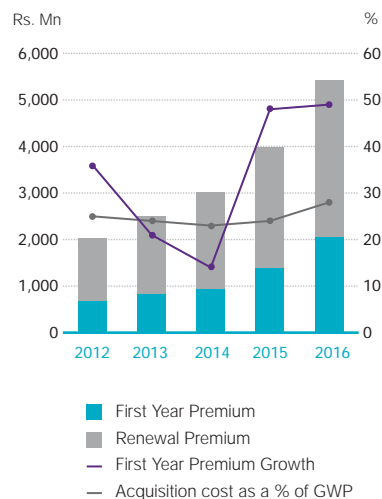
The cost of underwriting and net acquisition is increased to Rs. 1,580 million, which is a 59% increase compared to the year 2015 mainly due to the increase of new business during the year. Further as a ratio to GWP this is 28% which is 4% higher than the last year due to the 49% growth of new business volume during the year.

The new business of Life insurance is having a higher acquisition cost than the renewal cost of the policy. Details of analysis of the last 5 years are provided below.



Please refer page 284 under insurance specific ratio analysis for more information

Net Acquisition cost



Underwriting and Net Acquisition Cost

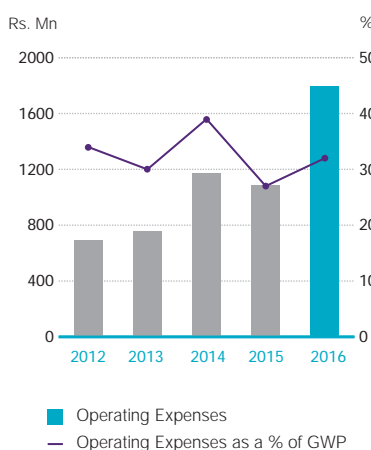
Underwriting and policy acquisition costs (including reinsurance) represents the amount of commission payable by insurance companies to such intermediaries less any commission income due from reinsurers for placing business with them. The acquisition costs include commissions and other variable costs directly connected with acquiring new business (from Agency channel) and renewal of insurance contracts.

Financial Capital

Operating, Administration and Other Expenses

The Company experienced Rs. 1,781 million of operating and administration expenses, which reflect a 70% increase compared to last year's Rs. 1,047 million. The Company spent 32% of its GWP as operational and administration expenses which is 6% above the last year's figure of 26%, as a result of rebranding expenses as well as significant expansion which took place in the Company. These expenses comprise salaries, administration expenses, brand development expense, depreciation and amortisation of assets and all other expenses, not including underwriting and net acquisition costs.

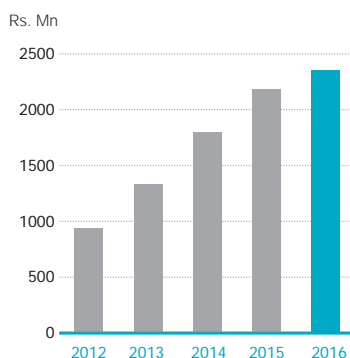
Operating Expenses as a % of GWP



Underwriting Results

Underwriting results shows the new inflow generated from the business before the investment income and Expenses, but after paying the claims to policyholders, a direct acquisition cost and reinsurance to intermediaries. In the life insurance business, this is a critical factor and key value driver which contributes to the profitability. Details are provided in the following figure:

Underwriting Results and Growth



Commentary

The Company consistently increase underwriting results which provides greater support to manage the positive operating results without depending on investment income of the business.

Strategies executed and critical success factors

The Company consistently focuses to improve the premium persistency level through its unique follow-up process of Policy Conservation Unit (PCU). Further, several initiatives has been taken to improve the customer retention such as strategic use of Customer Relationship Management (CRM).

Insurance Contract Liability

Life Insurance companies are subject to value its policyholder liabilities according to the Solvency Margin (Risk Based Capital) rules stipulated by Insurance Board of Sri Lanka. In case of changes in the insurance contract, any excess of funds could be taken as profit as recommended by the Appointed Actuary and if deficiency should have been transferred to the liability by the shareholder as reporting date. Details of change in insurance contract liability for the last five years provided in next page:

Commentary

The total staff cost of the Company increased by 99% from Rs. 281 million to Rs. 559 million. As a service organization we are very keen to attract, develop and retain highly skilled employees and remunerate them in-line with the market where significant component of staff costs are linked with the performances as detailed in the 'Human Capital Report'. Further, company has spent Rs.693 million as the administration expenses which is a 57% increase compared to the last financial year. The Company continued to implement initiatives to optimize expenses through streamlining of processes to enhance productivity and change the existing operating model and business practices. Many of these initiatives are discussed in 'Social and Relationship capital'. further performance bonus expense contributed significantly to this increment

Table: Change in Insurance Contract Liability

Description Rs. million	2016	2015	2014	2013	2012
Change in insurance contract liability before the surplus transfer	1,178	1,776	1790	1142	707
Surplus transfer as recommended by Appointed Actuary	890	810	537	300	156
Change in insurance contract liability after the surplus transfer	288	966	1,253	842	551

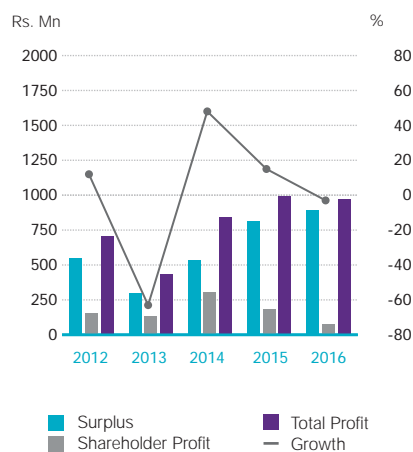
Commentary

During the year, valuation method of policyholder liabilities has been changed to Gross Premium Valuation (GPV) from Net Premium Valuation (NPV) as recommended by Insurance Board of Sri Lanka as per Solvency Margin rules issued in 2015. Therefore, the Company value policy liability in year 2016 was based on GPV method and whereas in year 2015 it was based on NPV method.



Please refer page 324 to 327 review for more information

Profit After Taxation



Commentary

The Company profit after tax surged to Rs. 967 million for the year 2016. This is exceptional achievement as current year the Company incurred significant expense on brand change. The Company Earnings Per Share (EPS) stood at Rs. 2.58 compared to Rs. 2.65 in the year 2015

During the year, Appointed Actuary recommended surplus of Rs. 890 million based on new valuation guidelines compared to Rs. 810 million recommended in year 2015. In addition to surplus recommended by actuary, profit of the Company it includes disposal gain of Asian Alliance General Insurance (AAGI) Limited which was 100% owned Company to Fair Fax Asia Limited during the year which resulted a net gain of Rs. 89 million.

The Group (including disposal of AAGI) reported profit after tax of Rs. 1,036 million with a growth of 12% compared to the year 2015 which was mainly due to Rs. 159 million disposal gain of AAGI. That is the net of Disposal gain Rs. 469 million and Rs. 310 million loss for the period of nine months in 2016 compared to the loss of Rs. 89 million reported in year 2015.

Profit After Taxation (PAT) Company / Group

The profit of the Life Insurance Company is mainly determined based on the actuarial valuation made by the Appointed Actuary which is called "Surplus". In addition to the surplus, profit of the Company consists of investment income of the shareholder funds less the related expenses. Total profit and its composition over last 5 years are provided as follows.

Five year compounded growth stands at 17.21% (2015 - 37.77%), and the year-on-year growth of the Life business was 37% (2015 - 15%)

Profitability and Investor Attractiveness - Industry Peer Comparison

The table below analyses the Softlogic Life share of profitability in comparison to listed insurance companies:

Description Rs. million	2016	2015	2014	2013	2012
Profit After Tax	967	993	840	433	156
Total profit from listed companies	8,047	5,161	4,189	3,527	2,932
SLI share of profit as a % of total profit from listed companies	12	19	20	12	5

It shows that the Company reported significant percentage (12%) profit out of total profit of listed insurance companies for the year 2016.

Financial Capital

Analysis of Other Comprehensive Income

Other comprehensive income comprised gains and losses arising from valuing financial assets and liabilities classified as Available for Sale (AFS) to their market values and the related tax. The Company recorded negative Rs. 867 million in the other comprehensive income entirely from fair value changes of investments classified as available

for sale financial assets, which is mainly due to the adverse variation of the fixed income securities at the high interest rate environment. Further to this, adverse deviation of the equity classified in AFS reflect here due to drop in the share price in the share market.

In addition to above, the Company recorded Actuarial Gains/Losses on Employee Benefit Liabilities also under

Other Comprehensive Income in line with the accounting standard, LKAS 19 - Employee Benefits.

Life Insurance Industry Specific Ratios and its Discussion – Income statement

Performance of the Life Insurance industry specific ratios are summarised below:

Description	Movement	2016	2015	2014	2013	2012	Growth 2016 %	Remarks
Key Operating Ratios								
First Year / Renewal GWP Mix %	N/A	38/62	35/65	31/69	33/67	34/66	-	Refer page 74 for commentary
Net Claims Ratio								
Net Claims Ratio (without maturities and surrenders) %	●	10	8	5	5	8	25	Refer page 83 for commentary
Net Claims Ratio (with maturities and surrenders) %	●	21	12	11	8	12	75	
Expense Ratios								
Reinsurance Expense Ratio %	●	11	12	8	15	16	-8	Refer page 78 for commentary
Net Acquisition Cost Ratio % GWP	●	28	24	25	28	25	17	Refer page 78 for commentary
Total Expense Ratio % GWP*	●	56	50	53	46	59	12	Refer page 83 for commentary
Total Expense Ratio % NEP*	●	63	57	61	58	70	11	
Combined Ratio								
Combined Ratio % NEP - without maturities and surrenders	●	72	65	65	61	79	12	Refer page 84 for commentary
Combined Ratio % NEP - with maturities and surrenders	●	84	69	71	66	83	22	
Regulatory Ratios								
Risk Based Capital Ratio (Min 120%)	●	195	N/A	N/A	N/A	N/A	N/A	Refer page 84 for commentary
Determination Ratio % (Min 100%)	●	105	111	113	105	109	1	
Investment in Government Securities % Life fund (Min of 30%)	●	66	64	69	56	32	3	

* Adjusted for brand change and performance based expenses Rs. 230 Mn

Description	Movement	2016	2015	2014	2013	2012	Growth 2016 %	Remarks
Key Value Drivers								
Premium persistency – Year 1	●	83	82	79	76	77	1	Refer page 76 for commentary
Premium persistency – Year 2	●	66	63	58	55	56	5	
Premium persistency – Year 3	●	57	52	57	52	48	10	
Average Premium per policy (Rs.)	●	99,573	86,667	81,639	76,187	73,732	15	Refer page 76 for commentary
Annualised New Business Premium Rs. million	●	2,182	1,725	1,246	1,086	989	26	Refer page 76 for commentary
Annualized new Business per Agent Rs. million	●	1.4	1.3	1.1	1.1	1.3	8	Refer page 76 for commentary
No of New policies	●	23,756	20,601	15,616	14,370	13,538	15	Refer page 84 for commentary
Life fund Rs. million	●	6,935	6,569	6,192	5,224	3,938	5.5	Refer page 88 for commentary
Surplus Rs. million	●	890	810	537	300	156	10	Refer page 88 for commentary
One off Surplus Rs. million	●	4,815	N/A	N/A	N/A	N/A	N/A	Refer page 88 for commentary

Where: Positive Variance ●
 Adverse Variance up to 5% ●
 Adverse Variance above 5% ●

Claims Ratio

Insurance industry claim ratio refers to net claims (Gross claims deducted for reinsurance recovery) as a percentage of Net Earned Premiums. It is more appropriate to measure claims ratio without maturities and surrenders, as it does not have material impact on profitability of the Company.

Details of claims ratios are provided in the following table:

Table : Net Claims Ratio

Description	2016	2015
Net Claims Ratio (with maturities and surrenders)	21%	12%
Net Claims Ratio (without maturities and surrenders)	10%	8%

Commentary

The overall claims ratio increased to 21% from 12% mainly due to the Maturities of protection based product portfolio and Surrenders in Investment products.

However, the Company manages its claim ratio without much volatility due to better risk management policies adopted by the Company, especially underwriting/selling quality and risk based profile monitoring. Increase of 2% claim ratio was noted due to higher claim ratio of Group Life product portfolio

Expense Ratios

In the Life Insurance business, expense ratio consists of Net Acquisition costs which represents net expenses (Commission) incurred for the acquisition of the business and other expenses which are incurred for the maintenance (Management Expenses) of the business. Details of ratios are presented below:

Description	2016	2015
Net Acquisition Ratio %	28%	24%
Operating Expense Ratio % GWP*	28%	26%
Overall Expense Ratio % GWP	60%	50%
Overall Expense Ratio % NEP	67%	57%

* Adjusted for brand change and performance based expenses Rs. 230 Mn

Financial Capital

Commentary

Overall expenses ratio increased to 60% from 50% mainly due to higher acquisition cost due to exponential growth in new business.

During the year, Net Expenses as percentage of Net Earned Premium increased by 2.3% mainly due to the robust growth in new business premium, which 48% compared to the previous year, where new business premium was showing a higher acquisition cost percentage in first year Expenses Ratio.

Expense ratio excluding the acquisition cost as percentage to GWP increased by 2% (adjusted for Brand Change and performance base cost) compared to last year mainly due to investment in capacity building.

Regulatory Ratios

Key regulatory Ratios are provided below;

Description	2016	2015
Risk Based Capital Ratio (Min 120%)	195	226
Determination Ratio % (Min 100%)	105	111
Investment in Government Securities % Life fund (Min of 30%)	66	64

Commentary

Risk Based Capital Ratio

Risk Based Capital (RBC) regime introduced by Insurance Board of Sri Lanka (IBSL) with effect from 1st January 2016 replacing the capital requirement approach called "Solvency margin Rules 2002" which was available until 31st December 2016. According to the new regulation, the Company is required to maintain at least 120% capital adequacy ratio. As at 31st December 2016, the Company maintains 195% which is well above the minimum requirement.

Determination Ratio %

The company maintains Determination ratio which is above the required level as at 31st December 2016 as shown in table above

Investment in Government Securities % Life fund

The Company requires to invest in Government Securities at least 30% of the long-term fund. As at 31st December 2016, the Company was well above the minimum requirement.

Number of New Policies

The Company grew its number of new policies by 15% to 23,576 from 20,576 reported in year 2015. This is an exceptional growth compared to the average industry growth of 1% (Based on the IASL Industry GWP circulation)

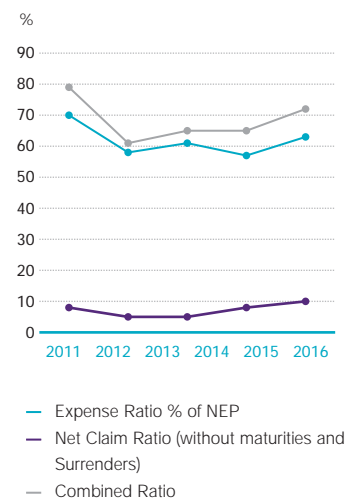
Combined Ratio

Life Insurance industry combined ratio is defined as the combination of expenses ratio and claims ratio. Details are shown in the following table for the years 2016 and 2015.

Description Rs. million	2016	2015
Combined Ratio (with maturities and surrenders)	84%	69%
Combined Ratio (without maturities and surrenders)	72%	65%

Movement in expense, claim and combined ratio shown below

Industry Specific Ratio Analysis



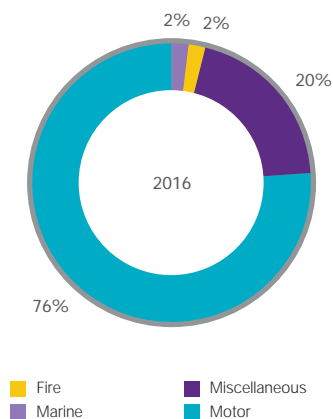
Discontinue Operation - Asian Alliance General Insurance Limited

Based on the Share sale and purchase agreement on 24th June 2016, for the sale of all the shares that it holds in Asian Alliance General Insurance (AAGI) Limited to Fairfax Asia Limited, the Company divested its 100% stake in Asian Alliance General Insurance Limited to Fairfax Asia Limited with effect from 3rd October 2016 to Rs. 1,542 million. Net Gain for the group is Rs. 158 million. Performance for nine months ended 30th September 2016 provided in next page:

Table: Performance of AAGI

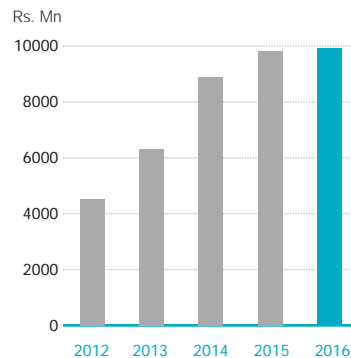
Description Rs. millions	2016	2015	Change %
Gross Written Premium	1,785	1,458	22%
Profit After Taxation (Loss)	(310)	(11)	2718%

General GWP Mix 2016 Sep



The General Insurance Company recorded a 22% GWP growth for the nine months, which is consistent with the market average growth of 15%. The Motor Insurance segment remains the dominant class during the nine months by contributing 76% top line.

Total Assets



Commentary

The total assets crossed the Rs. 9.9 billion mark in December 2016, recording 1% (2015 - 10%) marginal increase over Rs. 9.8 billion achieved in 2015. Total Investment portfolio reached Rs. 8.3 billion (including policyholder loans) which is 85% of total assets which shows the quality of the asset portfolio.

Performance of Capital and Liquidity Management

Financial Position Analysis

Description Rs. million	2016	2015	Growth 2016	Composition 2016
Assets				
Intangible Assets, Property, Plant and Equipment	498	450	11%	5%
Financial Investments	8,218	7,744	6%	83%
Investments in Subsidiary	-	800	(100%)	0%
Loans to Life Policyholders	162	144	13%	2%
Reinsurance Receivables	86	63	37%	1%
Premium Receivables	92	67	37%	1%
Other Assets	628	355	77%	6%
Cash and Cash Equivalents	233	192	21%	2%
Total Assets	9,918	9,815	1%	100%
Equity & Liabilities				
Total Equity	1,962	2,062	(4.8%)	20%
Insurance Contract Liabilities	6,935	6,569	5.6%	70%
Reinsurance Payable	139	93	49%	1%
Other Liabilities	882	1,091	(19%)	9%
Total Liabilities	7,956	7,753	2.6%	80%
Total Equity and Liabilities	9,918	9,815	1%	100%

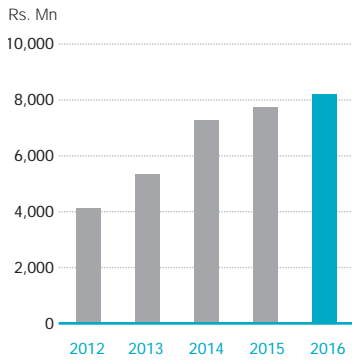
Five year compounded growth stands at 18% (2015- 20%), and the year-on-year growth of the total assets was 1% (2015- 10%)

Total Investments

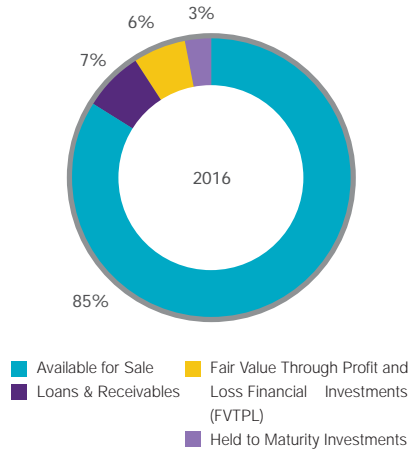
Description Rs. million	2016	2015	Growth 2016
Financial Investments	8,218	7,744	6%
Policy Loans and other loans	162	144	13%
Total Investments	8,380	7,888	6%

Financial Capital

Financial Investments



Composition of Investment Portfolio



Available for Sale Financial Investments (AFS)

Commentary

Available-For-Sale financial assets are financial assets that are designated as Available For-Sale and those that are not classified in any of the other categories. This type of security is reported at fair value. Changes in value between accounting periods are included in comprehensive income until the securities are sold.

The Company's AFS financial investments comprised of equity shares of 26%, government securities of 52% and debentures of 22%.

Five year compounded growth stands at 14.83% (2015- 18%), and the year-on-year growth of the total assets was 6% (2015- 8%)

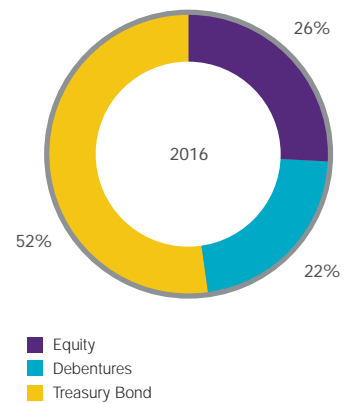
Commentary

Continuing our growth momentum, our total investment portfolio (including the policy loans) crossed the Rs. 8.3 billion mark in the year 2016, recording a 6% (2015 - 16%) growth over the Rs. 7.8 billion achieved in 2015. The financial investment portfolio includes government securities, corporate securities, bank deposits and equity investment, which represent 85% of the total assets. During the year, investment related asset portfolio recorded 6% (2015 - 17%) growth compared to last year. A majority of the Life fund was invested in Government securities (66%) and other fixed income securities according to the guidelines issued by Insurance Board of Sri Lanka (IBSL).

In line with Sri Lanka Accounting Standards (SLFRS / LKASs), the Company categorised financial instruments into four broad segments namely Available For Sale (AFS), Loans and Receivables (L&R), Fair Value Through Profit or Loss (FVTPL) and Held to Maturity (HTM). The graph depicts the composition of our financial investments according to this classification.

Financial investments of the Company are classified based on Available for Sale (AFS), Loans and Receivables (L&R), Fair Value Through Profit or Loss (FVTPL) and Held to Maturity (HTM). The composition of the investment portfolio based on above accounting standard classification is provided in figures and details of each is discussed in the following pages.

Composition of AFS



Loans and Receivable Financial Investments (L&R)

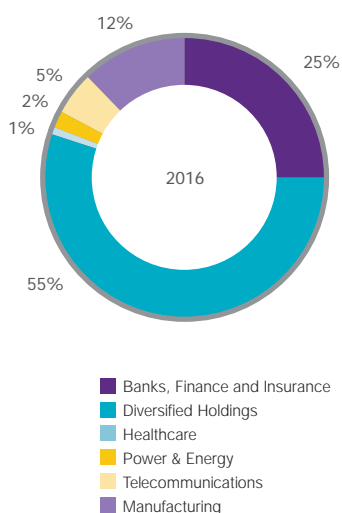
Commentary

Loans and receivables are financial assets with fixed or determinable payments that are not traded in an active market. The Company's loans and receivables encompass 100% of bank deposits as at 31 December 2016.

Fair Value Through Profit and Loss Financial Investments (FVTPL)

Commentary
Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets held for trading and those designated as at FVTPL on initial recognition. The Company’s FVTPL financial assets are consist of 100% quoted equity shares.

Composition of Government Securities - FVTPL



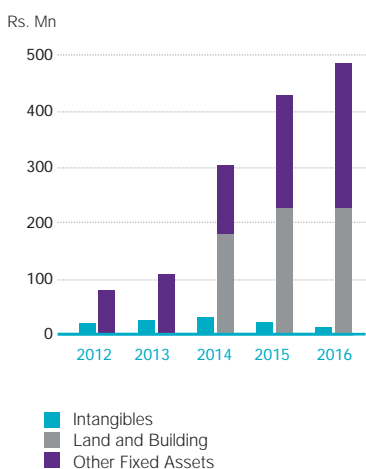
Held to Maturity Investments (HTM)

Commentary
Financial assets with fixed or determinable payments and fixed maturities are classified as Held to Maturity when the Company intends to hold it to maturity. Accordingly, the Company has categorised those financial instruments which fulfils this criteria under the category of HTM. HTM financial instruments consist of 100% government securities.

Intangibles, Property, Plant and Equipment(PPE)

Commentary
The Company held only 11% of its total assets in intangible assets, property, plant and equipment, amounting to Rs. 498 million (2015: Rs. 450 million), out of which 46% represents land and building, where as other fixed assets represent 54% of total investments in PPE. Except the Land and building value, all other intangibles and PPE are accounted at cost. The intangibles assets are amortised over the estimated useful time period and the PPE is depreciated using the straight line method as per the estimated useful life of each asset.

Intangibles, Property Plant & Equipment



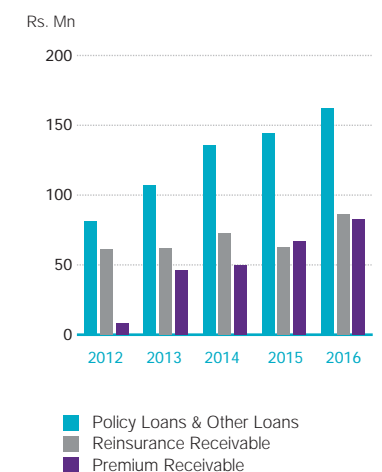
Premium and Reinsurance Receivables

Commentary
The premium and reinsurance receivables accounts for 2% of total assets and amounted to Rs. 178 million (2015: Rs. 130 million). Reinsurance receivables increased by 37% to reach Rs. 86 million mainly due to increase of health and death claims, and accounted for 1% of total assets.

Premiums receivable from customers, which amounted to Rs.83 million increased by 24% mainly due to the growth of life insurance business with an exceptional growth of the Group life business.

Policy loans, which are loans granted to active Life Insurance policyholders, represent 2% of total assets and increased by 13% when compared to the previous year.

Premium and Reinsurance Receivabl



Total Equity and Reserves / Shareholder Funds

Description - Rs. million	2016	2015
Stated Capital	1,063	1,063
Revenue Reserves	2,223	1,469
Available for Sale Reserve	(1,349)	(495)
Revaluation Reserve	25	25
Total Equity and Reserves	1,962	2,062

Financial Capital

Commentary

Total equity and reserves of the Company consist of Stated Capital, Available-for-sale, revenue and revaluation reserves. The total equity reached Rs. 1.9 billion, which is a marginal reduction compared to Rs. 2.0 billion reported in year 2015. This is due to the downward trend in the yield curve which resulted in the fair value movement in investment classified under AFS (special treasury bonds) and the negative movement in the stock market.

Entire shareholders fund falls under Tier 1 capital under Risk Based Capital (RBC) framework which is an indicator of the quality of the equity of the Company.

Life Insurance Contract Liabilities

Life Fund

6.9 Rs. Bn 

Liquidity Position of the Company - Solvency Margins and Approved Assets

Insurers need to maintain their asset liability mix adhering to the Solvency Margin Rules (2015), as per the guidelines issued by the Insurance Board of Sri Lanka (IBSL) which could be a good indication of the liquidity level of the Company. Further, it is also believed that the Solvency Margin also determines the quality of an insurer's financial position. Based on the revised Solvency Margin Rules (2015), the Company requires to comply with Risk based Capital requirement wef 1st January 2016 in addition to Approved asset and Determination requirement. Details are as follows:

Description - Rs. million	2016	2015	Growth
Insurance Contract Liabilities	1,815	6,342	(71%)
Surplus Created due to Change in Valuation method from NPV to GPV	4,815	-	100%
Claims Payable / Unclaimed benefits	305	227	34%
Total	6,935	6,568	6%

Commentary

The Life Insurance contract liabilities, which refer to the reserves, meet the future claims and maturities of Life Insurance policyholders. The Life Insurance contract liabilities of the Company crossed Rs. 6.9 billion in 2016 and the Life Fund is stood at Rs. 6,935 million at the end of the year with a marginal increase of 6% in comparison with the previous year. The Life Insurance contract liabilities represent 87% of the total liabilities.

Change in Valuation Method

Based on the regulatory requirement valuation method of the Insurance contract liabilities revised from Net Premium Based (NPV), which was based on Solvency Margin Rule 2002 to Gross Premium Valuation, which was based on Solvency Margin Rule 2015 with effect from 1st January 2016.

The report on the valuation of the Life Fund, conducted by the appointed independent Consultant Actuary Mr. M. Kunj Behari Maheshwari from Wills Towers and Watson (WTW), appears on page 249. As recommended by the Consultant Actuary, adequate provisions, including those for bonuses and dividends to policyholders and solvency margins have been made.

One-off Surplus/ Surplus Created Due to Change in Valuation Method

Based on the IBSL directive, the Company identified one-off surplus as the difference between Net Premium Valuation performed by Independent Actuary and Gross Premium Valuation performance by the same party as at 31st December 2015. Difference between these two valuations are reflected in the "Surplus Created due to Change in Valuation method from NPV to GPV" which is Rs. 4,815 for the participating business as well as non-participating business portfolio

LAT Valuation

Further, a Liability Adequacy Test (LAT) was conducted for the Life Insurance Reserves as required by SLFRS 4 - Insurance Contracts, to identify whether the recorded reserves are adequate to meet future liabilities. The LAT for Life Insurance was performed by Wills Towers and Watson, an independent Consultant Actuary.

Table: Capital Adequacy Ratio

Description - Rs. million	2016	2015
Total Available Capital (TAC)	8,570	6,656
Risk Based Capital requirement(RCR)	4,386	2,944
Risk Based Capital Adequacy %	195	226
Required Solvency Ratio %	120	120

Commentary
 The Statement of Solvency for SLI PLC has been prepared in accordance with Solvency Margin (Life Insurance) Rules 2015 and amendments thereto. The Company continued to maintain healthy Solvency Margins throughout the year, well above the stipulated solvency margin requirement, adding a greater degree of confidence to the security of policyholders.

Statement of Approved Assets

Description - Rs. million	2016	2015
Approved assets maintained in business	6,953	6,600
Insurance fund	6,630	6,342
Approved assets in excess of the insurance fund	323	258
Approved assets as a % of insurance fund	105	104
Required ratio %	100	100

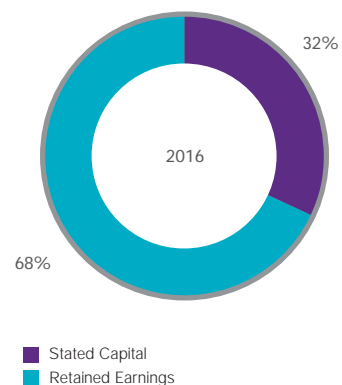
Commentary
 Determined as per section 25 (1) of the regulation of Insurance Industry Act No.43 of 2000 and the determination made by the IBSL in terms of the said Act. It is observed that the Company comfortably met the approved asset criteria throughout the year.

Leverage and Capital Structure

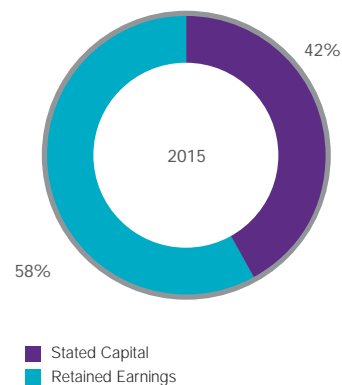
Commentary
 The Company is fully equity funded (as shown in the figure) which mainly consists of stated capital of Rs. 1,063 million and Retained Earnings of Rs. 2,223 million as at 31st December 2016.

Five-year compounded operating cash flow growth stands at 31.66 (2015-31.78%), and the year-on year growth was (32%) (2015 – 3%)

Leverage and Capital Structure



Leverage and Capital Structure

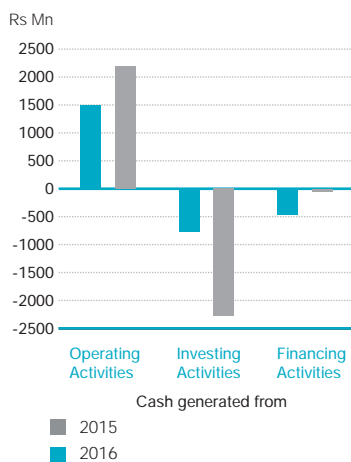


Cash Flow Analysis

Commentary
 During the period under review, net cash generated from operating activities was Rs. 1,507. The majority of these funds were channeled into investing activities. As a result, the overall investment portfolio grew to Rs. 8.2 billion from Rs.7.7 billion as at end 2016.

Financial Capital

Cash Flow Analysis



Impact of Changes in Sri Lanka Accounting Standards

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the following new Sri Lanka Accounting Standard, which will become applicable for financial periods beginning on or after 1st January 2015. Accordingly, these Standards have not been applied in preparing these Financial Statements. The following SLFRSs have been issued by the CA Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company, and may have an impact on the future Financial Statements.

- Sri Lanka Accounting Standard (SLFRS 9) – “Financial Instruments: Classification and Measurement”, effective from 1st January 2018 and early adoption is permitted.
- Sri Lanka Accounting Standard (SLFRS 15) – “Revenue from Contracts with Customers”, effective from 1st January 2017.

We are in the process of ascertaining the impact of these standards on SLI's Financial Statements. The following new or amended standards are not expected to have an impact of the Company's Consolidated Financial Statements.

- SLFRS 14 “Regulatory Deferral Accounts” – effective from 1st January 2016
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 1st January 2016

We are in the process of ascertaining the impact of these standards on Financial Statements.

Summary

In competitive industry conditions, 2016 was an exceptional year for the Company. Looking forward to 2017, the Company is confident of continuing to deliver sustainable premium growth and strong profitability.

Performance Dashboard 2016 and Targets for 2017

Financial Performance	Actual	Target	Achievement	2017
Return on Equity	48	20	●	37
Market Capitalisation	7,688	8,000	●	9,993
GWP Performance - Overall	5,636	5,651	●	7,704
GWP Performance – Agency Channel	4,820	4,931	●	6,604
GWP Performance – Alternative Channel	815	720	●	1,100
Profit After Tax	967	1,099	●	1,500
Annualised New Business Premium (ANBP)	2,182	2,210	●	3,150
Average Premium Per Policy	99,573	96,000	●	105,600
Persistency (Year 1)	83	83	●	83
Persistency (Year 2)	66	65	●	68
Persistency (Year 3)	57	55	●	62
Market Share	8.8%	8.8%	●	10%
Claims Ratio	21	16	●	16
Expense ratio	60	57	●	70
Combined ratio	84	73	●	96
ANBP per Advisor	1.4	1.4	●	1.6
No of Advisors	1,565	1,579	●	1,969

- Fully Achieved
- Partially Achieved
- Not Achieved

Performance of the Investment Portfolio

The year in review was defined more by political developments, the impacts of which resonated through the major economic regions and created insecurity in the markets, both developed and emerging. The free flow of funds between markets witnessed a see saw effect with funds flowing back and forth between developed and emerging markets as a result of events such as the Brexit and results of the US presidential election. This flow of funds effected the local economy and the government securities markets in particular with a net outflow been witnessed in the last months in 2016 of Rs. 399.4 billion. Delays in policy formulation and implementation by the then newly elected government did not assist the markets as well, with ad hoc policy measures creating uncertainty amongst investors both foreign and domestic. The signs of economic stress was evident by the reducing trend witnessed in GDP growth, which fell from 5.5% in quarter 1 to 4.1% in quarter 3. Additional symptoms of weakening were evident in the depreciation of the Sri Lankan Rupee against the US Dollar by 3.8% during the year, whilst the stock market declined by 6.7% and 1 Year Treasury bill increased by 306 basis points, with further correction expected.

The above factors were closely monitored and taken in to consideration by the treasury team in carrying out active

management of the respective funds of the company. Whilst the volatility witnessed in the markets and on interest rates in particular was at times challenging, the expertise and experience of the treasury team in building or divesting positions along both the yield curve and in the stock market allowed the company to maintain rates above benchmark yields and achieve targeted investment income during the year.

Treasury Bond Portfolio

The yield curve saw extreme shifts with the increases and fluctuations across the curve averaging between 200 to 300 basis points during the year as a result of aforementioned ad hoc policies taken by the government, in addition to the external factors which effected foreign Investor cash flows. Stability was brought to the government securities market however by the entry of the IMF to provide the EFF facility to stabilise the country's reserves, though markets witnessed a continued outflow of foreign Investors from the government securities market in the latter half of the year.

The Corporate Debt Portfolio

Treasury took advantage of several debenture issuances that took place during the year, and in doing so ensured that the Company will enjoy the tax benefits stemming from such investments through to the bottom line. As a result of rating downgrades witnessed in certain entities and their debentures issued

to the market in the recent past, due diligence and care was exercised in carrying out investments in this category which resulted in Treasury ensuring that all instruments that were invested carried a rating of A- to the instrument at the minimum, thereby strengthening the credit rating of the debenture portfolio and reducing the risk charge to the company arising from the application of RBC guidelines.

Equity Portfolio

The ASPI continued to decline during the year, and the index dropped by 9.7% amid lacklustre sentiment amongst both domestic and foreign investors. The trading portfolio of SLI however was able to outperform the market by achieving a high return on its trading stocks through prudent management of the portfolio and correct reading of the market cycles. Treasury is of the view that the valuations prevalent at present in the stock market are highly attractive and have high potential for growth in the medium term, thus playing a crucial role in achieving budgeted returns for the Company, and therefore will continue to closely monitor the market and pick and choose stocks based on fundamentals and future prospects in order to carry out investments.

Composition of Funds

The composition of the funds are monitored on the following basis as required by the Insurance Board of Sri Lanka in 2015.

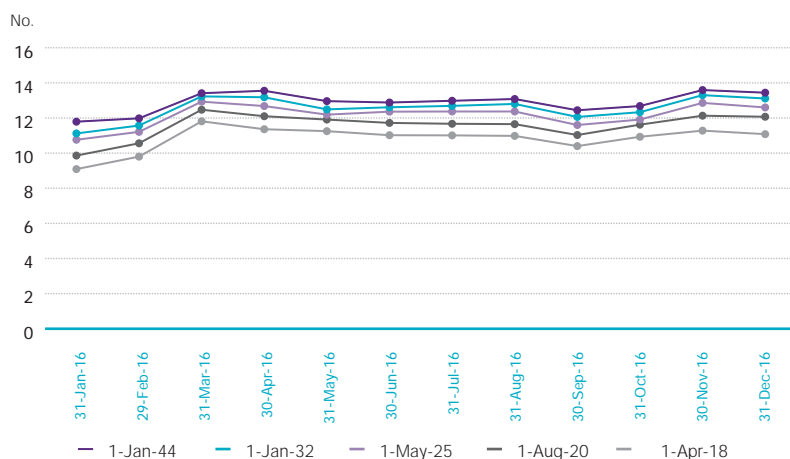
Therefore, the funds were monitored in the following composition:

- Life Fund
- Shareholders Fund

Life Fund

The investment portfolio under the Life Fund outperformed both the benchmarks as well as budgets on its FIS portfolio, taking advantage of increases across the yield curve during the year as well as new issues of corporate debt which are exempt from taxes. The year saw the restructuring of the bond portfolio as well

Treasury Bond Rate Movement 2016



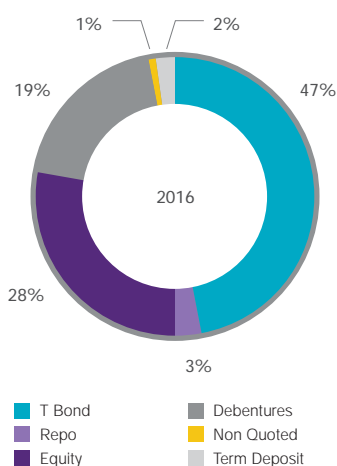
Financial Capital

with swaps taking place to increase both yield and duration of this asset base, thus reducing the mismatch between asset and liability duration whilst been able to pass on the benefits on improved yields to our policy holders. The trading portfolio on equity however incurred losses for the year, though losses were minimal when compared with the market index negative return.

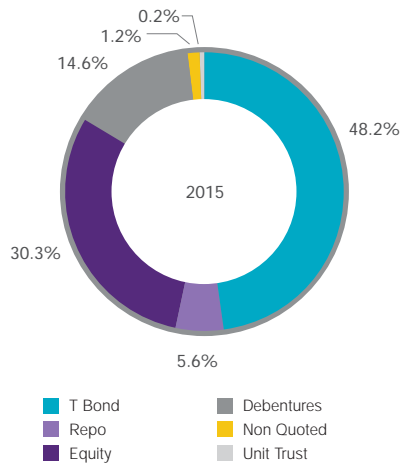
As a result of continued restructuring and acquisition of fundamentally strong stocks the portfolio was able to weather the turbulent year and outperform the benchmark index. However, Treasury still sees value in the markets as a result of price earnings multiples dropping to lows seen over a 4 year period, as well as the growth in the ASPI falling behind in comparison to performances of regional markets though stocks available were sound and had solid forecasts. As a result Treasury will continue to acquire stocks with strong fundamentals and which are trading at attractive PBV and PE multiples with a short to midterm view.

Active management of the investment base will be continued to improve asset quality and duration on availability of securities in the market, whilst targeting budgeted returns which will flow through to the bottom line of the company.

Life Investment Mix 2016

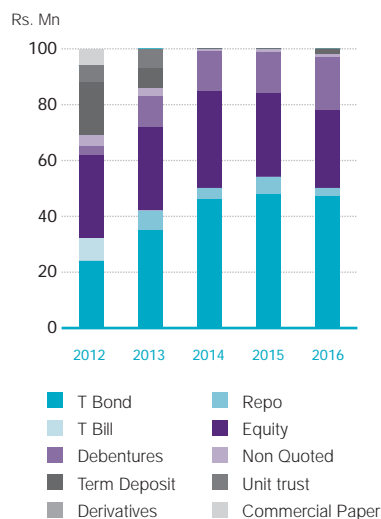


Life Investment Mix 2015



It was a very successful year for the company in terms of GWP generated, with growth in premiums achieving 5.6 billion during the year. However due to increase in the yield curve and turbulent activity in the stock market the increase in GWP was not directly translated to an increase in the investment base which grew by 7%. Breakdown of the asset categories and growth can be seen below;

5 Year Breakdown of Investment Life



Looking Ahead

The removal of several tax concessions provided to government securities, listed debt and unit trusts through the budget for 2017 has created an adverse impact on the overall investment climate in the country, and has resulted in the shutting down of new listed debt issuances in the stock market as a result of the high cost needed to compensate for loss of tax benefits, in addition to outflows witnessed from funds managed by Unit trusts. Added to which continued foreign selling in the government securities market has placed additional upward pressure on the yield curve. It is expected that the syndicated loan and sale of state assets proceeds as planned which will ease pressure on the exchange rate and in turn make rupee denominated bonds attractive to foreign investors as well, resulting in a reducing yield curve towards the latter half of 2017. Weather conditions too have a role to play, with favourable monsoon seasons resulting in easing costs borne by the government as a result of the prevailing drought.

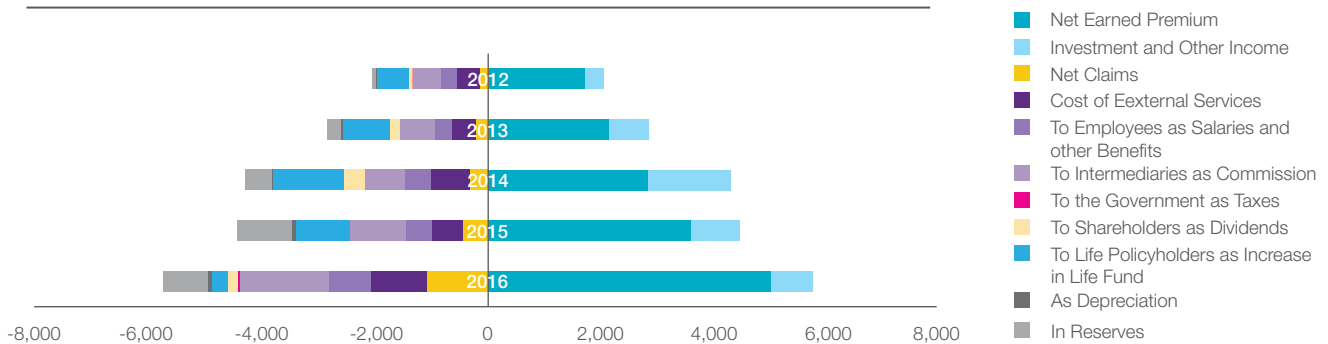
The equity market is still lagging behind its peers even though fundamentals and strong corporate earnings figures are predicted. Treasury will opt for a pick and choose approach and build on the existing portfolio whilst taking advantage of any trading gains that may arise.

CONTRIBUTION TO THE NATIONAL ECONOMY

Sources of Income Rs. million	2016	2015	2014	2013	2012
Revenue (Net Earned Premiums)	5,003	3,590	2,817	2,139	1,707
Investment and Other Income	753	868	1,477	709	347
Net Claims	(1,072)	(434)	(312)	(214)	(143)
Cost of External Services	(1,001)	(564)	(702)	(415)	(410)
Total Economic Value Added	3,683	3,460	3,280	2,219	1,501
Economic Value Distributed					
To Employees as Salaries and Other Benefits	745	450	445	316	266
To Intermediaries as Commission	1,580	993	715	604	510
To the Government as Taxes	21	-	-	-	-
To Shareholders as Dividends	180	-	375	180	75
To Life Policyholders as Increase in Life Fund	288	966	1,253	842	551
Total Economic Value Distributed	2,814	2,409	2,788	1,942	1,402
Economic Value Retained with the Business					
as depreciations	82	59	27	23	18
in reserves	787	992	465	254	81
	869	1,051	492	277	99

Value Distribution - 2016

Rs. Mn



Direct Economic Value Generated - Rs. million	2016	2015
Total value added	3,683	3,460
Operating cost	2,216	2,194
Employees wages	392	211
Payments to providers of capital	180	-
Payments to government	21	-
Community investment	5	4
Economic value retained	869	1,051

KEY ACCOUNTING CONCEPTS OF SIMPLIFIED INSURANCE FINANCIALS

For the purpose of meeting the policyholders' future liabilities the insurer is required to maintain a separate fund with sufficient assets to cover an actuarially determined provision which is known as the Long Term Insurance Fund.

Q: Why Insurance Accounting differs from normal Accounting?

A: Insurance Accounting is different from the accounting for a manufacturing or trading organisation, due to the uniqueness of the business and terminology associated with the transactions.

Summary of the extract of Income Statement is as follows.

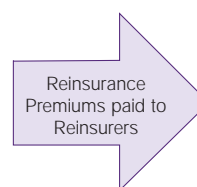
Income Statement	Rs. '000
For the year ended 31 December 2016	
Gross Written Premium	5,635,701
Less: Premium ceded to reinsurers	(632,953)
Net earned premium	5,002,748
Net insurance benefits and claims	(1,073,493)
Net acquisition cost	(1,580,473)
Increase in Life Fund	(287,685)

Note: Only the insurance specific part of the Income Statement is extracted above.

Q: What is meant by Gross Written Premium?

A: Gross Written Premium (GWP) represents the price charged by insurance companies in order to pay claims or benefits applicable under the Life Insurance policy. GWP is comparable with the "turnover" of a trading or manufacturing organisation. However, GWP is accounted on an accrual basis.

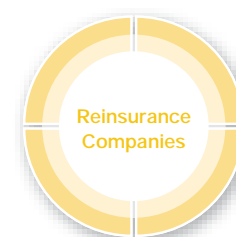
E.g.: If we receive Rs. 1200/- premium (For a one year policy) in January - 2010, we record GWP as Rs. 1200/-, and even if we receive same Rs.1200/- in December - 2010 we take the whole Rs. 1200/- as GWP.



Q: What is Reinsurance Premium?

A: Reinsurance is the process whereby part of the risk/s undertaken by the Insurance Company is transferred to another entity called the reinsurance company, for which the Insurance Company pays a premium known as the "Reinsurance Premium".

E.g.: Based on the risk we have reinsured Rs. 100/- from the above premium which will be paid to the reinsurance Company



Q: What is Net Earned Premium / Unearned Premium?

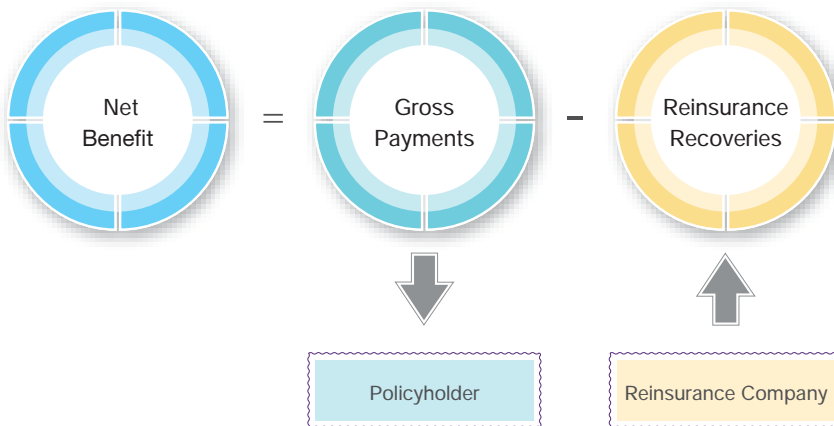
A: This is the portion of premium which is applicable for the financial year and earned by the insurer. This represents the amount of GWP less reinsurance outgo that is relevant to the accounting period.

Q: What is Net Benefits and Claims?

A: If the incident against which the insurance cover was obtained occurs, the Insurance Company indemnifies the insured with an agreed sum, which is known as a claim.

In addition to claims which are common to both General Insurance and Life Insurance, the Income Statement consists of other benefits paid to Life policyholders, such as gratuity, surrenders, policy maturities and annuities.

Part of the claim payment is reimbursed by the reinsurance company to the Insurance Company based on the proportion of risk/s transferred. This is known as the Reinsurance Recoveries.



The benefits and claims net of reinsurance recoveries are treated as net benefits and claims.

Q: What includes in Net Acquisition Expenses?

A: This consists of commission, franchise fee, deferred acquisition expenses net of Reinsurance commission.

Deferred Acquisition Expenses

In General Insurance business the commission is split into the period covered by the policy and amount applicable for the reporting period is taken as the commission charge. The balance portion is maintained in a reserve and is known as the Deferred Acquisition Expenses Reserve.

The terms Written Premium, Earned Premium, Commission and Claims when stated as 'Gross' refers to the absolute

amount and 'Net' refers to the amount left after deducting the reinsurance portion.

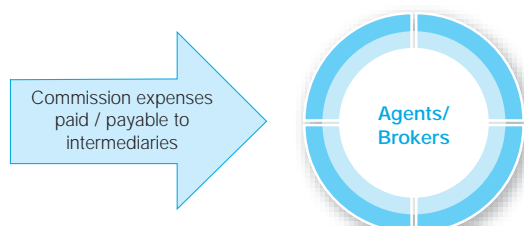
Q: What is change in Insurance Contract liabilities - Life Fund?

A: For the purpose of meeting the policyholders' future liabilities the insurer is required to maintain a separate fund with sufficient assets to cover an actuarially determined provision which is known as the Long Term Insurance Fund. The amount added to the fund during the current year will appear in the Statement of income as change in Insurance Contract liability - Life Fund.

Q: What are the key elements in the Statement of Financial Position related to insurance?

A: Summary of the extract of Statement of Financial Position is as follows.

Eg. This includes the commission expenses to various intermediaries such as brokers and agents



Liabilities	2016 Rs. '000
Life Insurance Fund	1,814,822
Surplus created due to change in valuation method from NPV to GPV	4,814,795
Unclaimed Benefits	305,430
Life Insurance Contract Liabilities	6,935,047

Note: Only the insurance specific part of the Balance Sheet is extracted above.

Q: What is Long Term Policy Liability?

A: In Long Term insurance business, due to the longer duration of the policy period, insurance companies are required to maintain a separate fund to meet future policyholders' obligations. This is known as the 'Long Term Policy Liability. The size of the fund that needs to be maintained is determined by the actuarial valuation.

This process estimates the excess of the assets over the policyholder's liabilities of the fund after distribution of dividends to the policyholders as at the year end. The excess is generally known as the Life Surplus and referred to as Transfer to Shareholders Funds in the Financial Statements.

Q: What is one off surplus?

A: This represents a change in the valuation method from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). As directed by Insurance Board of Sri Lanka, these reserves are maintained under Life Fund.

Financial Capital

Creating Value to Investors

We are the stewards of our investors' financial capital and we value their trust and confidence. Consistent and effective engagement with investors, with the objective of aligning their expectations with our strategy and targets, helps ensure that our share price fairly reflects our value creation opportunity.

Our investors and potential investors require regular interaction and information to assist in achieving their investment goals. We deliver this interaction and information through dedicated investor relations services, a well-directed and comprehensive plan complemented by accessible channels of enquiry and timely responses. The business of an insurer is often perceived as complicated with its own sub-culture of jargon and metrics. Therefore it is imperative that we efficiently communicate the insurance business model, overlaid with SLI's uniqueness, by explaining our differentiated capabilities and strategy. Refer the "Strategy and Resource Allocation" section on pages 52 to 57 for more details.

Due to the lack of a completed IFRS Standard on the measurement of insurance liabilities, the provision of detailed analysis of our financial results is critical to aid investors and analysts to compare us with our competitors on a like for like basis. Refer to "Financial Capital" section on page 88 for more details.

As our investors are the providers of financial capital, we consider them as our ultimate stakeholders. Thus, we consider it our duty to create and deliver sustainable value through our business model by responding to the social and environmental issues inherent in our business. Details of our sustainable business model are provided on pages 10 to 13 of this report:

Key Financial Performance is provided below;

Description	2016	2015
Gross written premium		
Total amount we receive from customers as payments for their insurance policies (Rs. million)	5,636	4,091
Net earned premium (Rs. million)	5,003	3,590
Net profit		
Profit after tax attributable to our ordinary shareholders	967	993
Return on net assets (%)	5.2	5.5
Net profit attributable to our ordinary shareholders as a percentage of net assets (Excluding AFS Reserves) as at year end (%)	21	39

The details of Company's financial performance is provided in Financial Performance Review Section on pages 70 to 97 of this report.

Economic Value Added

This is a measure of profitability based on the cost of total invested equity. EVA provides an indication of the term economic value created for shareholders as opposed to accounting profits.

Economic Value added increased to Rs.3,663 million compared to value added of Rs.3,460 million in year 2015 which amount to 6% growth. This shows the exceptional performance to our valued shareholders.

Economic Value Added	2016	2015
Invested equity		
Shareholders' funds (Rs. million)	1,962	2,062
Earnings		
Profit after tax (Rs. million)	967	993
Cost of equity (based on 12 months weighted average)	12.17	10.61
Cost of average equity (Rs. million)	239	219
Economic value added (Rs. million)	728	774

Performance of Key Ratios	2016	2015
Net Asset per Share (Rs.)	5.2	5.5
Earnings per Share (Rs)	2.58	2.65
Share Price at the year-end (Rs.)	20.5	16
Earning Yield %	12.58	16.6
Market Capitalisation Rs. millions	7,688	6,000
Price Earnings Ratio (times)	7.95	6.04

The details of the Share information and additional ratios are provided on pages 368 to 373

Sustainable Performance

The Company has implemented the following initiatives in line with our strategic objective of delivering sustainable profitable growth in the medium to long-term.

Corporate Governance

During the year, the Company reviewed its governance structures in the context of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission as well as the Rules on Corporate Governance published by the Colombo Stock Exchange. Several aspects of the governance process were improved during the year.

The details of these improvements as well as the overall structure are provided on pages 182 to 212 of this report.

Risk Management Initiatives

The Company has a robust risk management framework with a Risk Management Committee chaired by Mr. Jatinder Mukhi. All functions are represented by relevant Senior Management staff. The objectives of the Committee are to identify risks which will impact Softlogic Life's performance and implement suitable mitigation / management strategies.

The Risk Management Committee provides detailed information regarding organisational risks to the Audit Committee who in turn report to the Board of Directors. An overview of Softlogic Life's risk management process is provided on pages 229 to 233.

Business Continuity Planning

The business continuity plan was successfully implemented and tested during the year based on real life scenarios and was well attended by staff members. At the end of the session, the Executive Committee critically reviewed the current system and identified areas for improvement.

Strategic Planning and Performance Management

The Board has implemented a robust performance management system encompassing a detailed strategic planning process linked to strategic objectives for the Company. These objectives are then distilled into key performance indicators which are monitored on a regular basis at Line Management, Senior Management and Board levels. The details of the Company's performance governance framework are provided on pages 213 to 215 of this report.

Reliable and Timely Information to Shareholders and Public

Publish Comprehensive Reliable Information to Shareholders

We, as responsible corporate citizens, make every endeavour to share reliable and comprehensive information with our stakeholders. In recognising our unrelenting commitment to transparency in financial reporting, our 2015 annual report won Gold award in the Insurance sector at the Annual Report Awards Ceremony conducted by The Institute of Chartered Accountants of Sri Lanka.

Timely Submission of Quarterly and Annual Financial Statements

During the year, the Company published all its Quarterly and Annual Financial Statements with all required disclosures in line with the statutory submission dates. The financial reporting calendar for 2016 is provided on page 236.

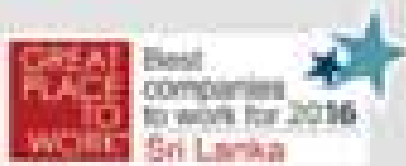
Shareholder Communication Policy in line with best corporate governance practices

We have a shareholder communication policy in place to ensure that they have ready and timely access to all information of the Company that should be publicly available. The shareholder communication policy of Softlogic Life is given on page 183.

HUMAN CAPITAL

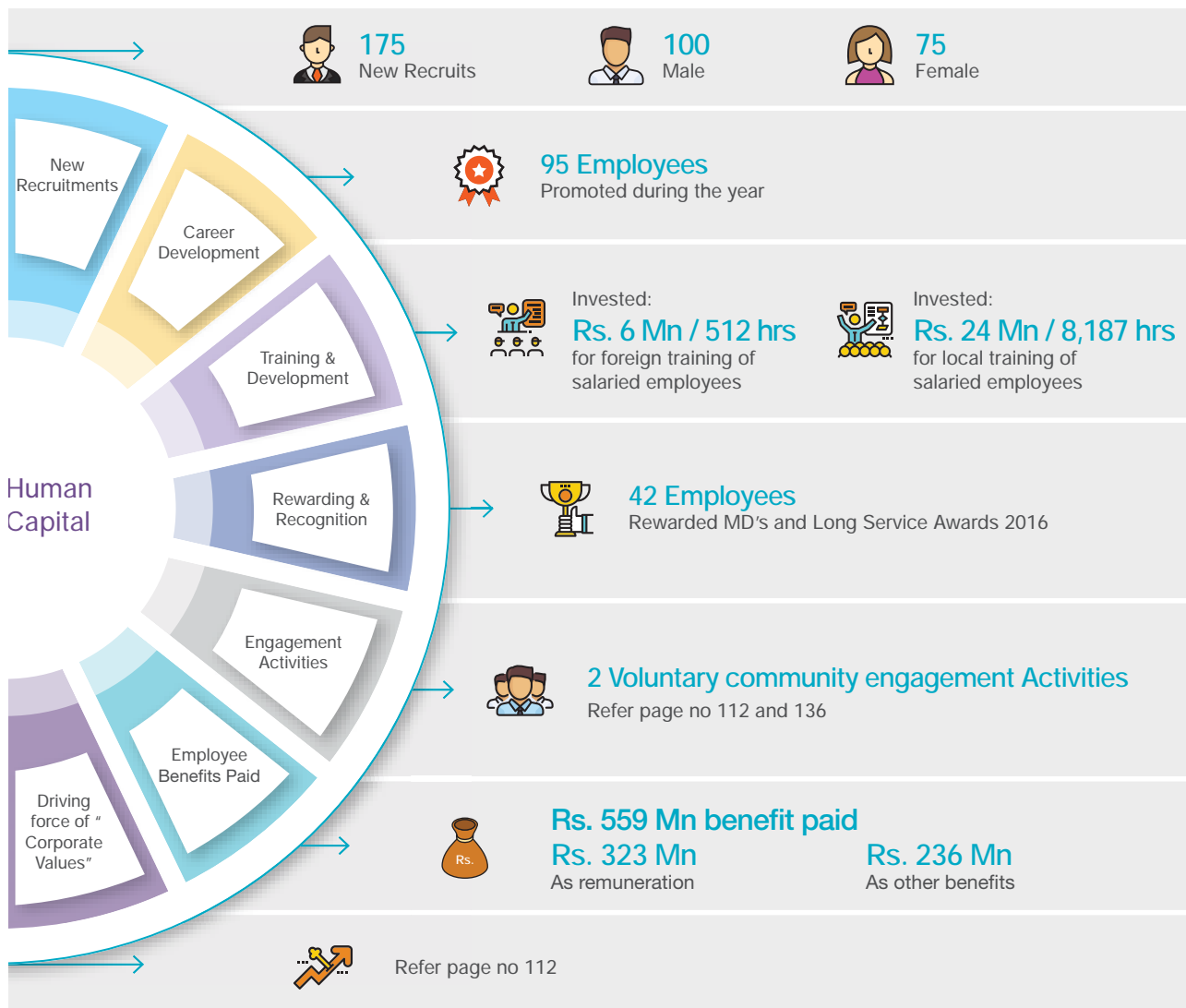


“At Softlogic Life, we believe in harnessing the full potential of our human capital as a critical driver of our business success in delivering a superior client experience while sustaining happiness and wellness of our employees. Our vision and values guide our efforts to create a supportive work environment to “LIVE OUR EMPLOYEE LIFE TO THE FULLEST”



Softlogic Life chosen as one of the Best 25 Companies to work for in Sri Lanka' by the Great Place to Work Institute

2016 at a Glance



Key Performance Highlights - 2016

Value Created to Employees

Employee Retention		Employee Cost as % of Total Cost		Training Hours per Employee	
81% 2016	78% 2015	31% 2016	27% 2015	9hrs 2016	9hrs 2015

Value Created to Company

Profit per Employee

Rs. 1.8Mn 2016	Rs. 2.1Mn 2015
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Human Capital

Where We Focus

We are committed to driving a culture where our people feel valued, have a clear sense of belonging, know what is expected of them and are recognized and rewarded for their contribution towards achieving our ambition to place our clients at the center of everything we do. Current and future trends, ranging from digitalisation to working with a multi-generational workforce, are influencing how we shape our people, leadership and engagement strategies.

“The way our employees feel is the way our customers will feel”

Our strategy can only be achieved through our people, who are central to our success. Our constant endeavour is to attract, invest in, develop and retain

the best talent in the industry. We have placed policies and guidelines for talent management, recruitment, remuneration, training, skills development, and employment equity. Our philosophy and culture of knowledge and learning has made the Company transformed from “Good to Great”.

Our Human Capital Value Creation Model

Softlogic Life’s Human Capital Value Creation Model (Employee Engagement Model) has been built with the ultimate objective of creating productive and innovative workforce by caring for their wellness and live employee life to the fullest. The Company’s value creation model with regard to human capital is provided below:

Our HR governance structure ensures that we balance the interests of our employees with the interests of other stakeholders. The Board is ultimately responsible for our People Strategy. The Human Resources Department is in charge of implementing the people strategy and reports to the Managing Director and the Board on its activities.

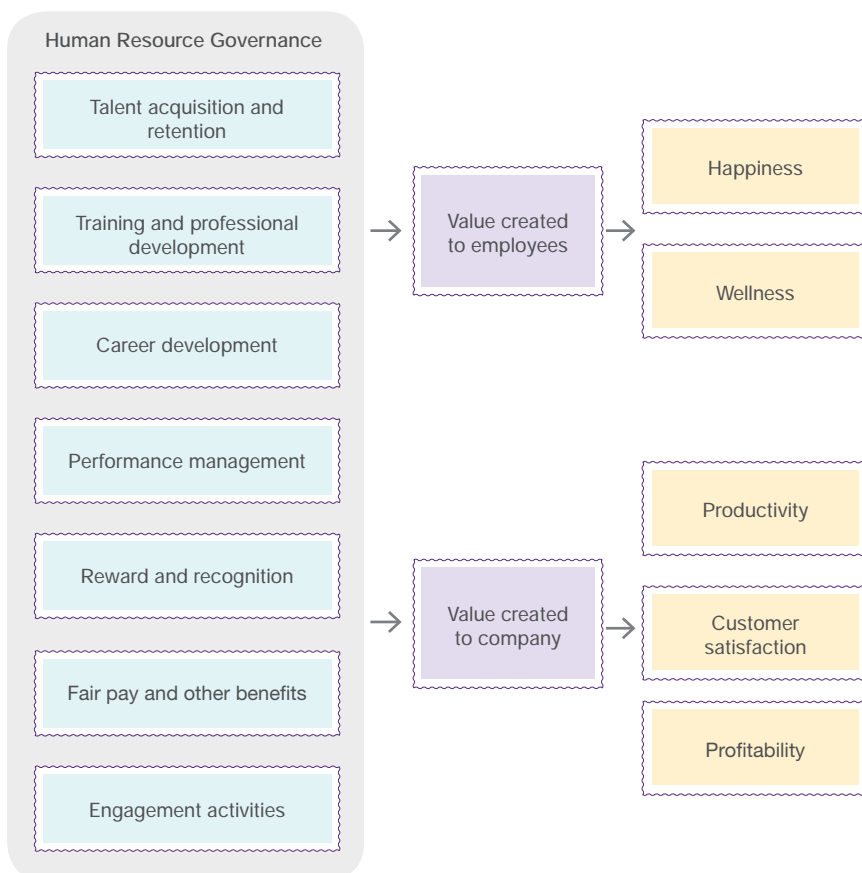
Human Capital Diversity

“The diversity of our people brings richness in perspective, skills and experience that we leverage as an advantage in serving an equally diverse client base.”

As an equal opportunity employer, the Company encourages workplace diversity, regardless of gender, ethnicity or age. We embrace diversity and will not tolerate discrimination or harassment against any person on grounds of diversity. Our HR policy on Equal Opportunity and Non Discrimination recently enhanced its scope in order that there would be no discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion.

Being a life insurance Company, our human capital consists of employees, out-sourced personnel and field staff. The workforce composition as at 31st December 2016 is provided as follows;

Figure: Value Creation Model / Employee Engagement Model



G4 - DMA	G4 - 9(a)	G4 - 10(c) (d)	G4 - LA12
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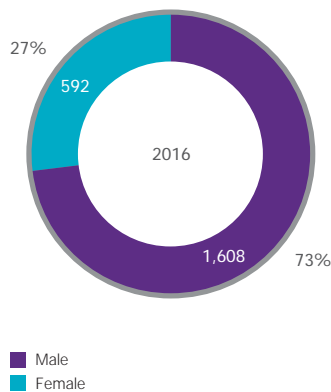
Table: Composition of Workforce

Description	2016			2015			%
	Male	Female	Total	Male	Female	Total	
Employees	304	231	535	259	204	463	16
Field Staff	1284	281	1,565	1,109	193	1,302	20
Outsourced Staff	20	80	100	19	67	86	16
Total Workforce	1,608	592	2,200	1,387	464	1,851	19

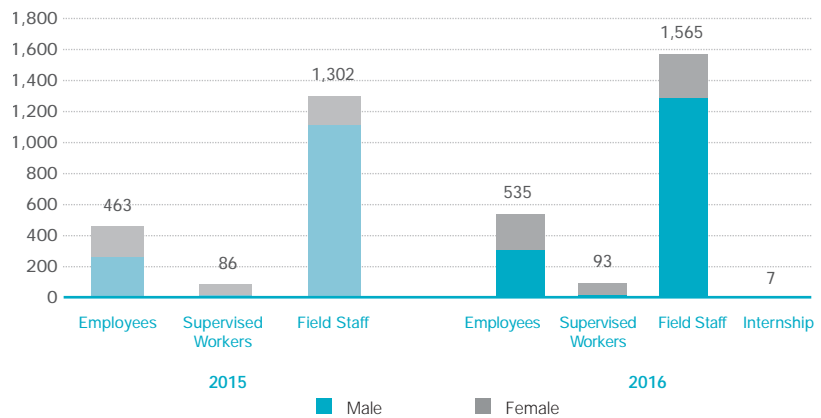
The Company monitors the diversity of its workforce based on age, gender, type of employment and by region of employment as illustrated in follows:

Diversity of Workforce

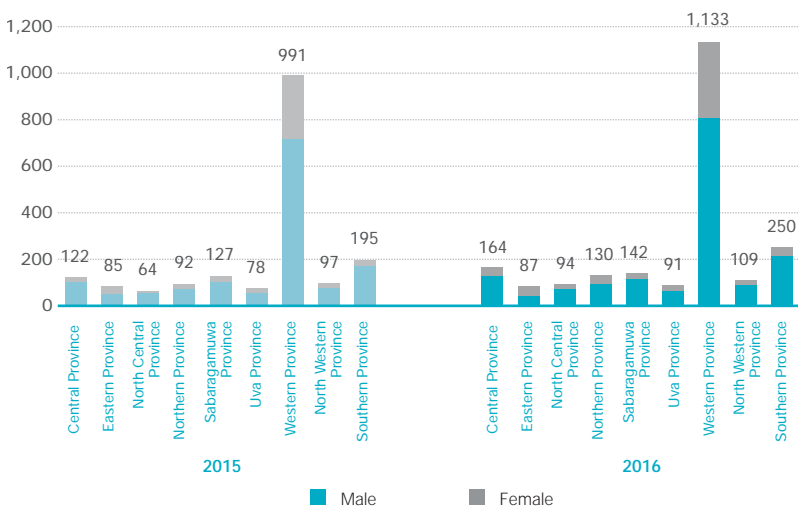
Composition of Workforce 2016



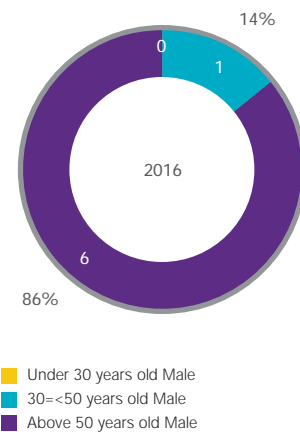
Workforce by Type of Employment



Workforce by Region



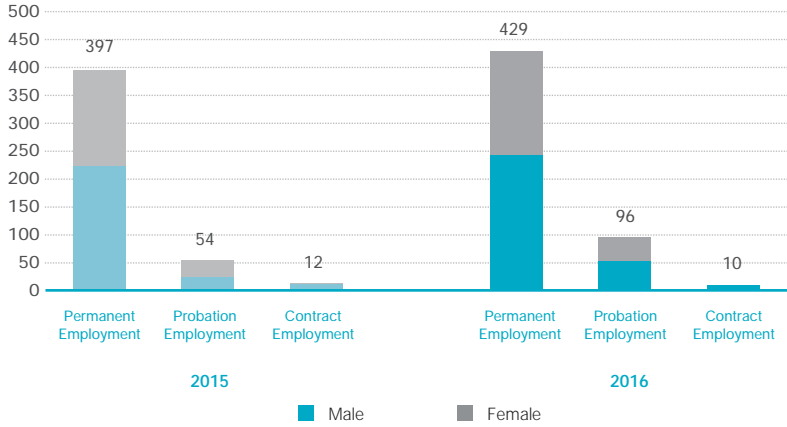
Composition of Governance Body



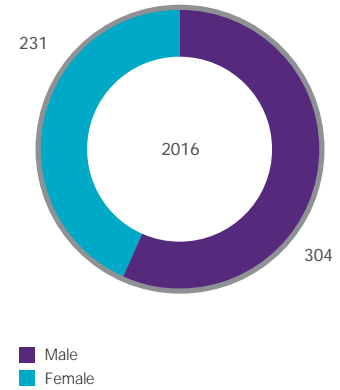
Human Capital

Diversity of Employees

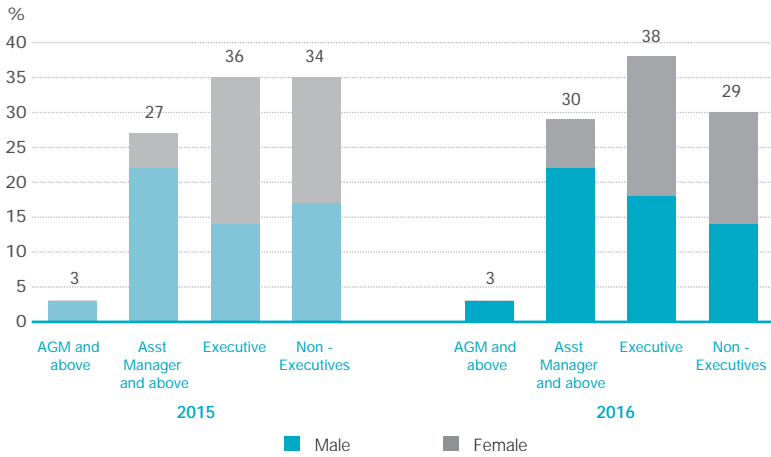
Employees by Employment Contract



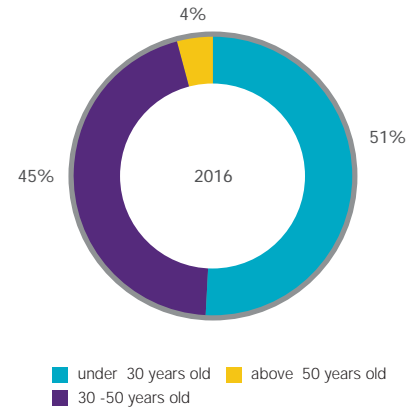
Employees by Gender 2016



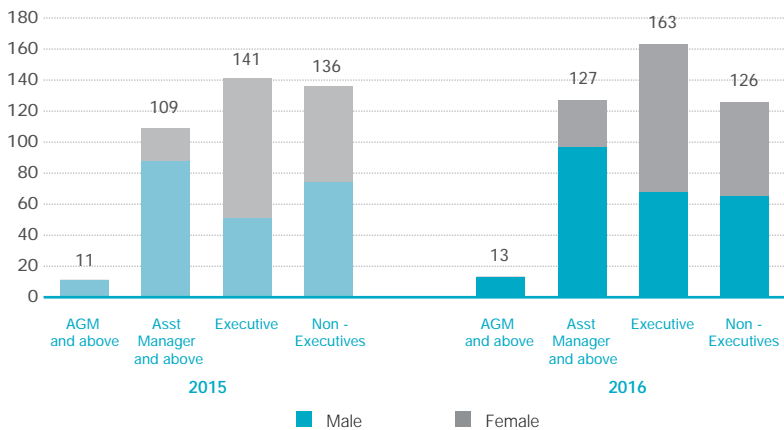
Percentage of Employees based on Employment Category and Gender



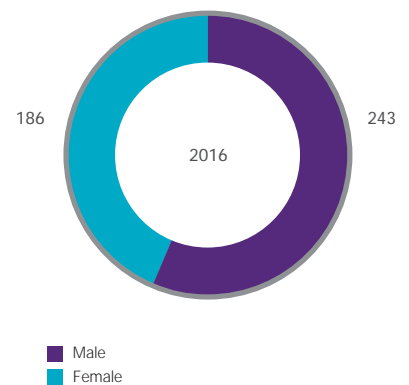
Percentage of Employees based on Age 2016



Permanent Employees by Employment Type

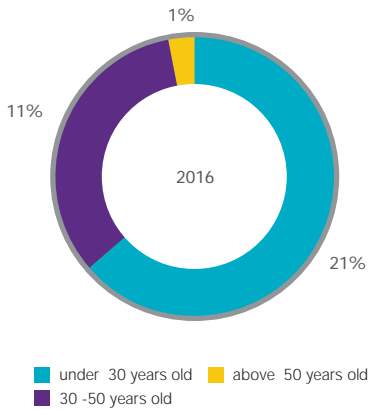


No of Permanent Employees based on Gender 2016

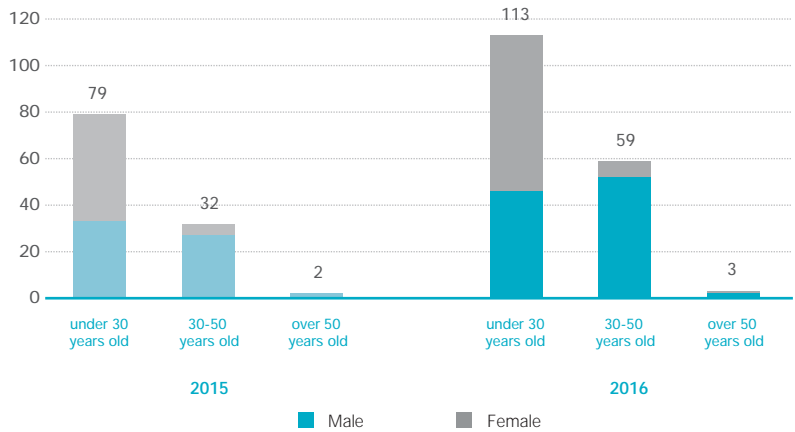


Diversity of New Employee Recruits

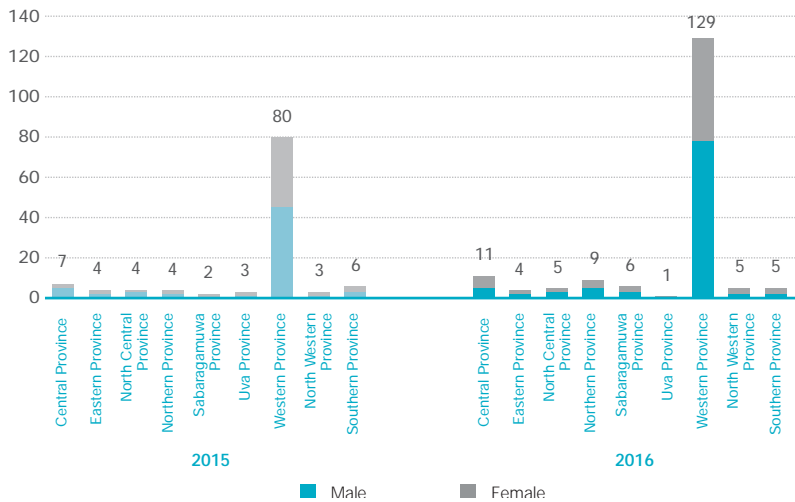
Rate of New Employee Recruits based on Age 2016



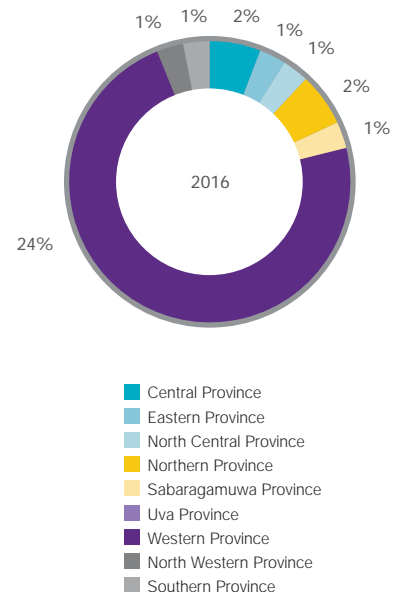
New Employee Recruits by Age



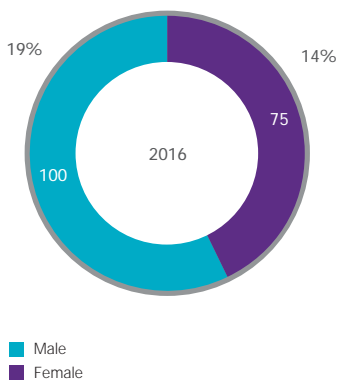
New Employee Recruits by Region



Rate of New Employee Recruits based on Region 2016



Rate and No. of New Employee Recruits based on Gender 2016



Rate calculation basis

Rates are calculated using total employees at the end of the reporting period.

Human Capital

Below table analyses our employee diversity based on the tenure of the service:

Tenure	No of employees 2016	%	No of employees 2015	%
0 =< 2 Years	206	39	185	40
2 =< 4 Years	118	22	98	21
4 =< 6 Years	90	17	73	16
6 =< 8 Years	39	7	46	10
Above 8 Years	82	15	61	13
Total	535	100	463	100

In relation to other workers, a substantial portion of the organisation's work is not performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. By nature the Company doesn't expose itself to significant variations in employment numbers due to seasonal or irregular events.

Talent Management

"To deliver our strategy we need to ensure that we have enough of the right people, in the right roles, at the right time, with the required skills and capabilities"

We work in a fast-paced, highly competitive industry with ever-changing demands. Our people, therefore, must be equipped with the necessary skills to drive a client-focused approach now and into the future. We aim to do this by creating a culture of continuous professional development and adaptability.

Talent Management Enable Succession Planning

Our talent management philosophy and approach enable succession planning across key levels of leadership, supported by focused development propositions and engagement strategies for identified talent. Greater effort is being made to drive succession planning across our various product lines. We have achieved good depth in our talent pools to strengthen succession pipelines for key

management positions, as evidenced by the number of internal moves and promotions into key leadership positions across the Company during the year.

We invest in young people towards scarce or specialized skills and who have the potential to become future leaders. It is evident that during the year, the Company made significant investment in its flagship Leadership Development programme.

Talent Acquisition

The Company has a robust recruitment process to select the best talent to our workforce. Depending on the position in question, the candidates go through a number of processes which involve panel interviews, tests and presentations in

order to assess their technical skills, soft skills and attitude. Further, recruitment based on profile mapping was introduced at certain levels to ensure a better fit with the needs of the Company.

Induction and Familiarization

The Company ensures that new recruits understand the culture of the Company, the organisational structure and the framework within which the Company operates.

Talent Retention

The Company is constantly looking for ways to improve the employee retention rate in order to retain the right talent of human capital. The Company's total attrition and new hire attrition rates were 19% and 18% respectively. However, the Company has seen insignificant turnover in staff identified as talent, on whom the senior management has placed extra emphasis in developing and nurturing them with many one-on-one interactions during the year. Further, as indicated in the table below, 91% of employees return to the Company after their parental leave period.

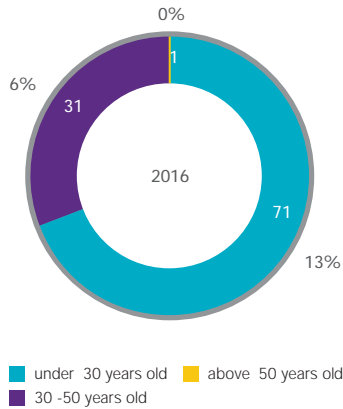
The Company continuously monitors its employee retention and, in particular, seeks to address staff attrition through proactive initiatives that engage employees.

Table: Details of Return to Work and Retention After Parental Leave

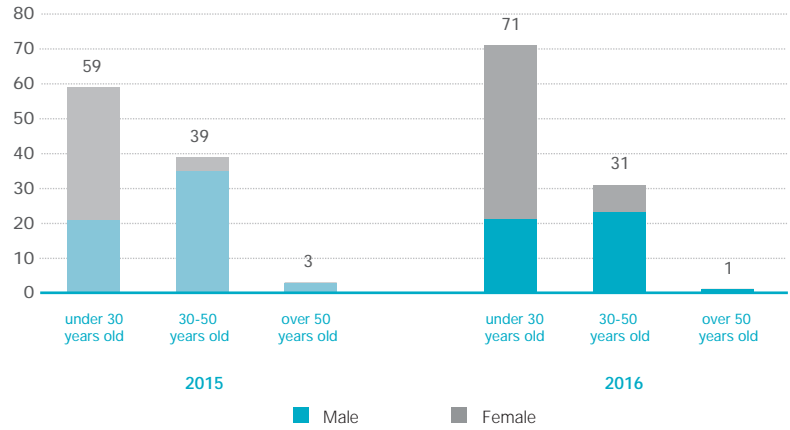
	2016		2015	
	Male	Female	Male	Female
Total No of employees that were entitled to parental leave by gender	N/A	186	N/A	173
Employees that took parental leave, by gender.	N/A	11	N/A	10
Employees who returned to work after parental leave ended, by gender.	N/A	7	N/A	6
Employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender.	N/A	7	N/A	6
Employees who took parental leave but leave period not ended as of 31 December	N/A	3	N/A	4
Employees who return to work and retention rates of employees who took parental leave, by gender.	N/A	91%	N/A	100%

Diversity of Employee Turnover

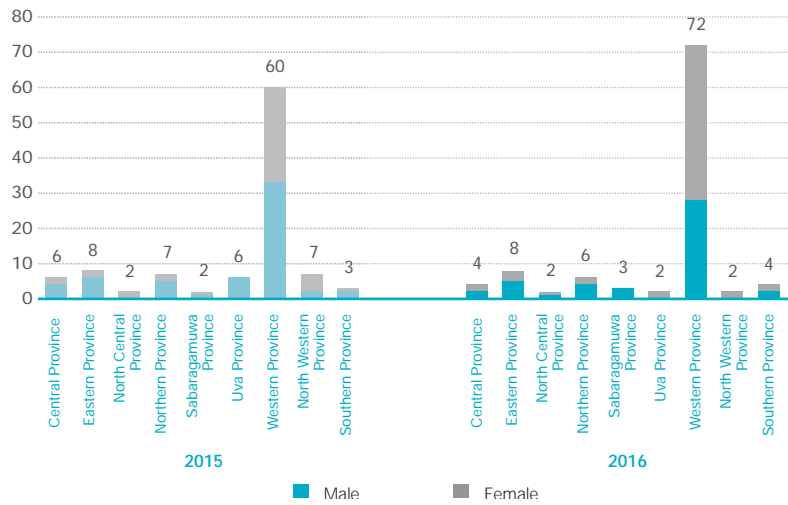
Rate and No. of Employee Turnover based on Age 2016



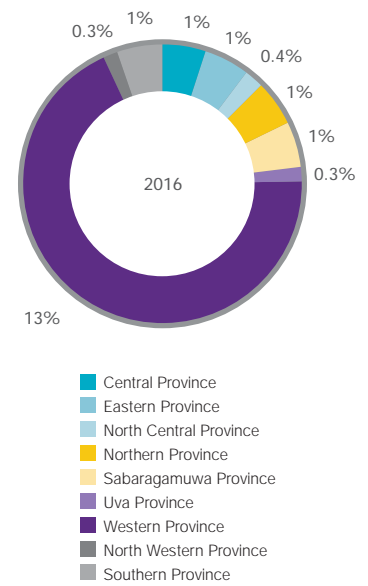
Employee Turnover by Age



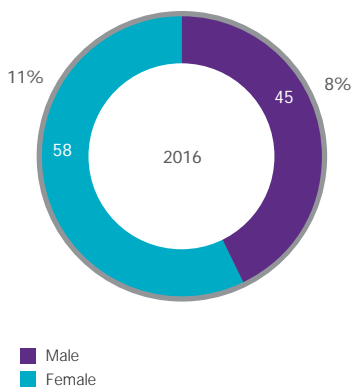
Employee Turnover by Region



Rate of Employee Turnover based on Region 2016



Rate and No. of Employee Turnover based on Gender 2016



Rate calculation basis

Rates are calculated using total employees at the end of the reporting period.

Human Capital

Training and Professional Development

The Company's training and development initiatives play a pivotal role in talent retention and ensure sustainable competitive advantage as well as that of generating motivation. During the year, the Company invested Rs. 30 million

in training and development initiatives and generated a total of 8,699 hours for employees. The range of training encompassed technical, functional, language, information technology and general management. The Company uses the following model in order to train and develop people:

Further, the Company uses a wide variety of training resources and programmes locally and internationally to suit the needs of employees. Including the in-house panel of trainers. The total training and development expense is tabulated as follows:

Figure: Training and Development Model

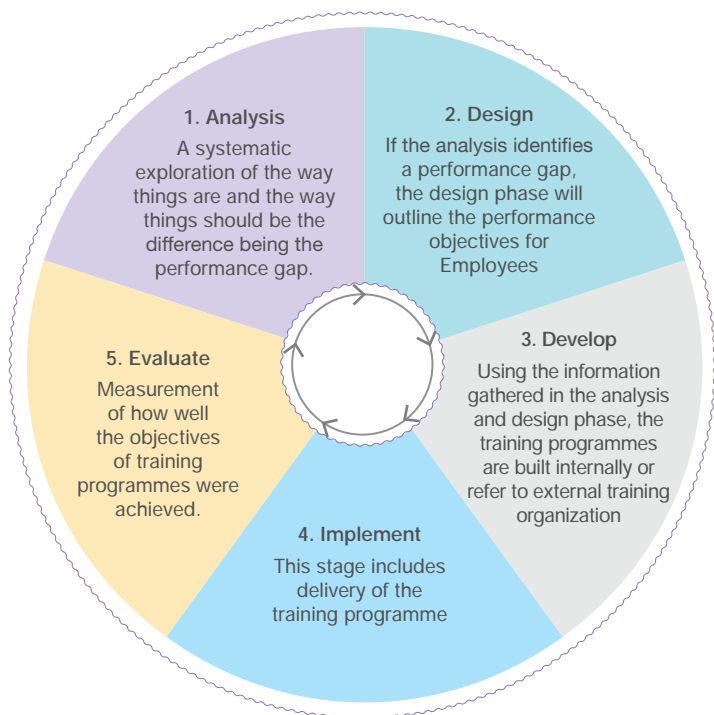
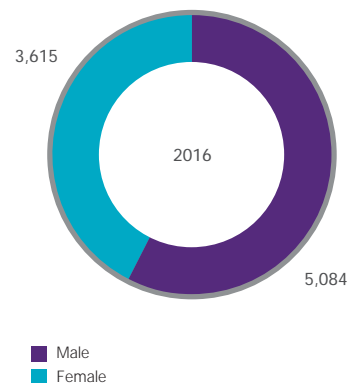


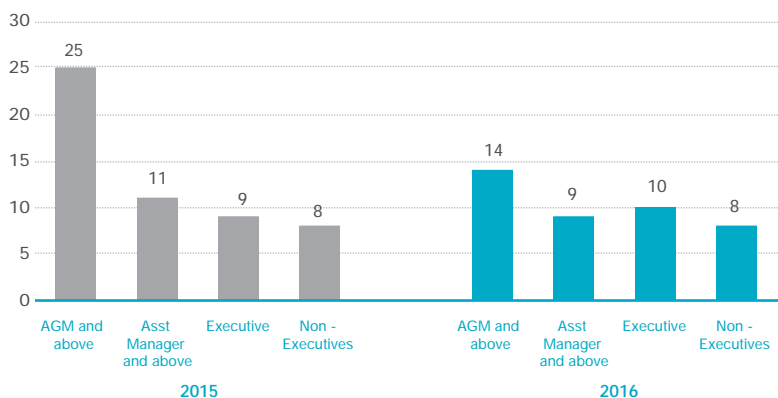
Table: Investment in Training and Development

Rs. million	2016	2015
Overseas	6	3
Local	24	3
Total	30	6

Total Hours of Employee Training based on Gender 2016



Average Hours of Training per Employment Category



Average Training Hours per Employee	
Male	11
Female	8
Total	9

The table below provides the detailed list of programs for skill management and lifelong learning that supported the continued employability of our employees.

Table: Employees' Training Summary for the Year 2016

Type	Scope
Leadership Management Training	Overall
Advanced MS Excel	Overall
Corporate Etiquette	Overall
Fraud Risks and Anti-fraud Strategies	Overall
Outbound Training	Overall
Supervisory Skills	Overall
Practical Aspects of RBC	Operational
Administration and Logistics Management	Operational
The Underbelly of Digital Marketing	Operational
CPD Seminar - Health Underwriting & Claims	Operational
Presentation Skills	Overall
Life Technical Process Training	Operational
Developing ASP.NET MVC 4 Web Applications	Operational
MVC architecture	Operational
Photoshop Workshop	Operational
Certified Data Analytics using ACL	Operational
Business Writing	Overall

Career Development


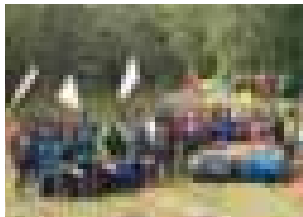
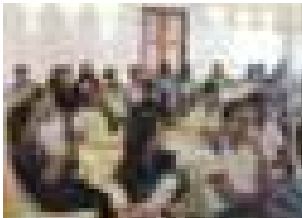
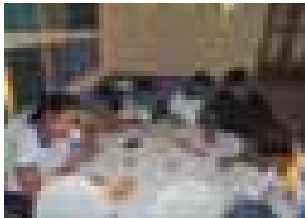
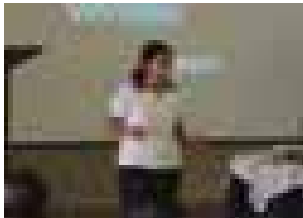
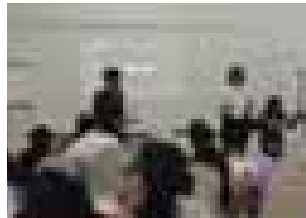
We are committed to enable career developments and seek to provide all staff with the opportunity for employment, career and personal development, on the basis of ability, qualifications and suitability of work as well as their potential to be developed within the job.

Development of Actuarial Function

During the year 2016, our actuarial team engaged in a capacity and internal process development exercise with a qualified Actuary from India, who spent two weeks working closely with the team to develop internal processes required to comply with new regulatory requirements and share specific knowledge components with our team.

Further, the Company has provided an official vacation of one year to DGM Actuarial to read a MSC (actuarial) programme in the UK.

Summary of the key training highlights are provided in following table;

Leadership & Strategic	Knowledge	Skill	Other
Management Development Programme for Senior management by MDA associate international, United State. 	Advanced Excel Training Program 	Outward- bound Training 	Table Etiquette 
"Awakening the Leader Within" leadership development program 	Business Writing Course 	Presentation Skills development program 	Fraud Risk Training 

Human Capital

The programme to develop the Actuarial Team also fits in with Softlogic Life's overall comprehensive talent management strategy – 'Talent Drive' – which envisages attracting and retaining the country's best professionals in the Company.

Career Transition

The Company promotes and encourages career transition for employees who are willing to change their career path or to gain opportunities to grow within the Company and the Softlogic Group. During the reporting period, the Company has supported the transition of such employees to a new path.

Program Name	2016	2015
Transition Assistance programs	1	4

In addition to the above, during the year, the Company launched a Management Trainee program which encourages and welcomes internal employee participation.

choose your Success

MANAGEMENT TRAINEE POSITIONS - OPEN TO ALL 'ELIGIBLE' STAFF OF SOFTLOGIC LIFE

We want you to be committed to excellence and engage wholeheartedly in contributing to Softlogic Life's growth and development, aiming to become the next generation of leaders at our institution. As a Management Trainee, you need to be a go-getter, a self-starter and an individual with a 'can-do' attitude who loves taking on challenges and achieving results. You need to be talented and passionate with an outstanding outgoing personality.

WHAT CAN HELP YOU ACHIEVE THIS?

- You need to be below 28 years of age
- Possess a degree from a recognized university
- Demonstrative qualities of leadership
- Achievement in sports and/or extra-curricular activities

WHAT CAN YOU LEARN FROM US?

Our 6 months structured training programme will provide overall exposure in developing managerial competencies, knowledge, attitudes and behaviour that will enable you to perform effectively and prepare you for future leadership responsibilities.

Successful candidates will remain in their current grade during the training program and will be placed at Assistant Manager grade on successful completion.

If the above description fits your profile, please send in your application to Human.Resource@softlogiclife.com or before the 30th of Friday

softlogic LIFE

Following is the real success story shown as a case study here:

Saranga Wijerathna who joined Softlogic Life in 2002 as a Trainee Accounts Executive subsequently moved to the IT division in 2004 as a Trainee Programmer because management identified his talent in IT. He took this opportunity to build his capacity in IT and as of today, he remains very special success story in Softlogic Life, working as Chief Manager IT and is counted amongst the top management team of the Company.

Case Study: Success Stories of Career Transition

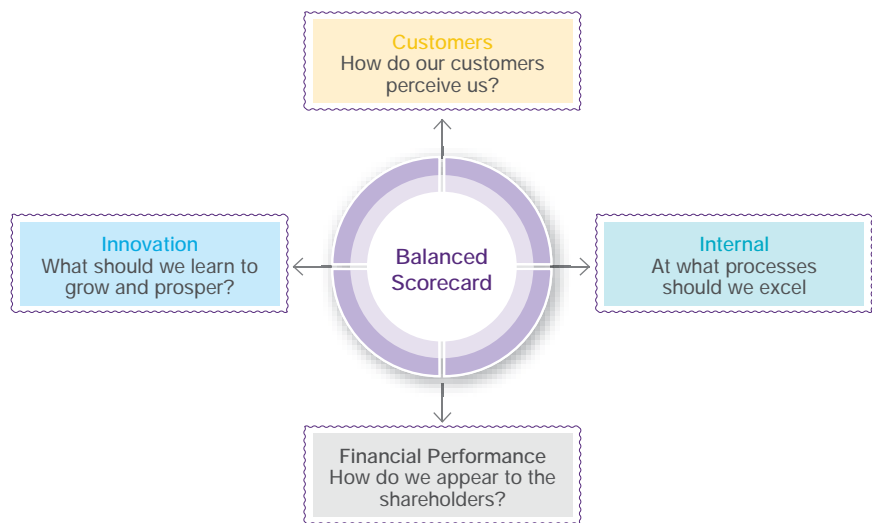
Performance Appraisal

The Company fosters a strong performance driven culture by making the talent pool scale up in their career progression as well as ensure that all employees of the Company undergo regular appraisal.

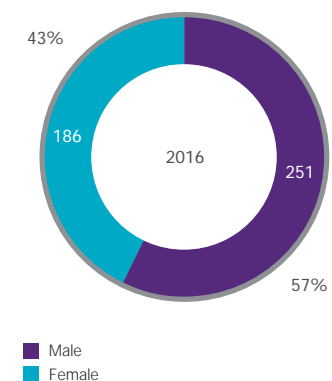
The performance review process is based on the balanced scorecard method where employees are evaluated based on the four key performance indicators (Customer, Financial, Internal, Innovation). This process ensures constant dialogue and seeks to assist in continuous improvements in performance.

Performance objectives / goals are set and informed to the employees to maintain a fair evaluation process.

Figure:- Balanced Scorecard in Performance Appraisal Model

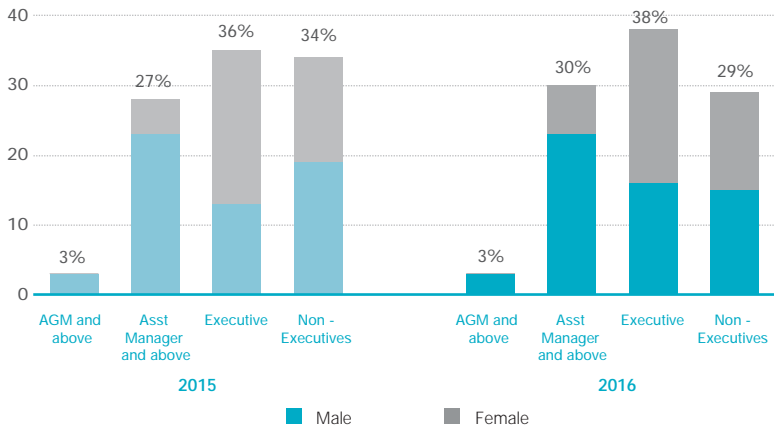


Percentage of Employees' Regular Performance and Career Development Reviews by Gender 2016



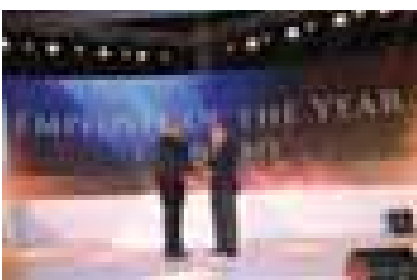
G4 - DMA	G4 - LA11	G4 - LA13
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Percentage of Total Employees' Regular Performance and Career Development Reviews by Employee Category



Reward and Recognition

A number of employee recognition schemes are in place, such as MD's Award, Innovation Awards (Winovative Awards), "Employee of the Year" and Best Insurance Advisors Awards for field staff.



Remuneration and Other Benefits

The remuneration policy is to attract, motivate and retain qualified and talented individuals that the Company needs in order to achieve its strategic and operational objectives, whilst acknowledging the societal context around remuneration and recognizing the interests of the Company's stakeholders.

As provided in the Remuneration Committee report, the key remuneration policy principles are as follows:

- Total remuneration is set at a level that can attract, motivate and retain high quality talent
- Remuneration to commensurate with each employee's level of expertise and contribution and is aligned with the Company's performance
- Executive remuneration is set so that a significant portion is linked to performance. The performance related element of remuneration is designed and tailored to align the employees' and main stakeholder's interests
- Remuneration levels are based on industry and market surveys

The Company decides the initial compensation and benefits are based on individual knowledge, skills and competencies, and remuneration policies.

Benefits to Employees

The Company offers various benefits to its employees based on the category and job responsibilities other than benefits defined by relevant regulations. Adhering to the Company's equal opportunity policy, the Company doesn't discriminate employee benefits including remuneration, based on diversity, including gender, age, race etc. The diagram below, summarizes the employee benefits available at Softlogic Life:

Human Capital

Figure: Employee Reward and Recognition Model

Self Esteem	Softlogic Life's employment policies are not merely restricted to remuneration but include elements of recognition, acknowledgement and rewards	
Softlogic Life's working environment promotes contact and friendship with fellow workers, social activities and opportunities	Benefits for full-time employees include: <ul style="list-style-type: none"> • Life and Disability Insurance • Safe and Healthy Workplace • Maternity Leave and Holidays • Staff medical plan • Professional education assistance • Reimbursement of selected professional memberships/ subscription payments • Employee welfare • Competitive remuneration • Personal and career development 	Self-Actualization Softlogic Life provides an opportunity for employees to realise their dreams and potential
Sense of Community	Softlogic Life provides a safe, non-discriminatory work environment and job security based on performance	Personal Financial Security

Employee Retirement Benefits

The Company contributes to two compulsory defined contribution plans namely Employee Provided Fund (EPF) and Employee Trust Fund (ETF). As a responsible employer, the Company contributes 12% and 3% respectively to these funds on behalf of its employees to comply with the regulations. All contributions are paid to the EPF and ETF Boards on the due dates.

Further, all our permanent employees who have completed five years of service are entitled to gratuity as per the Payment of Gratuity Act No. 12 of 1983. The gratuity liability of the Company is valued annually by the Consultant Actuary Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultant (Pvt) Limited, using the Projected Unit Credit (PUC) method and the Company has settled gratuity liability in full when and where it occurred.

Presented below are the contributions made to defined contribution plans and defined benefit plan during the year.

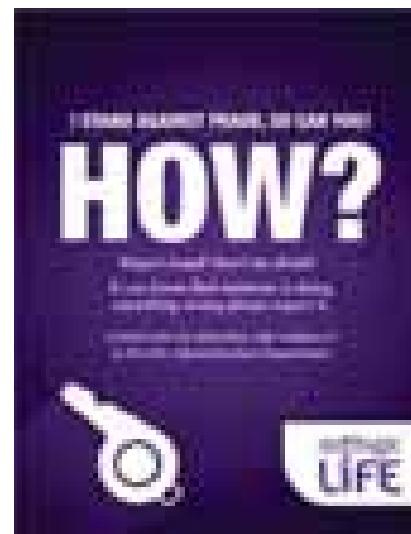
Defined Contribution (Rs million)	2016	2015
EPF	39	33
ETF	10	8
Defined Benefit Plan	15	11

Zero Tolerance on Corruption

All employees are informed of mandatory internally developed policies which they are expected to comply with, such as:

- Staff Handbook
- Code of Ethics
- Whistle-Blowing Policy
- IT Security Policy
- Procurement Policy and Procedure

The Whistle-Blowing policy acts as a base through which any frauds or any corruption is brought to the notice of senior management with the guarantee of confidentiality. Further details on this policy could be read on page 194 of the Corporate Governance Section of this report.



The staff handbook acts as a guide for employees while other policies are in place to mitigate the risk of corruption. These policies are described and explained initially at the induction of new recruits and are reminded at the review trainings or via email. We maintain maximum adherence to all laws applicable within the jurisdiction of Sri Lanka. Our Senior Management, along with the Human Resource Division and Risk and Compliance Departments maintain strict vigilance in this regard. No fines or monetary sanctions were levied on the Company for non-compliance with laws and regulations during 2016.

Engagement Activities

Employee Communication

The Company promotes and creates a workplace where employees are well-informed of the Company's decisions and pay due consideration to their views during the decision-making process.

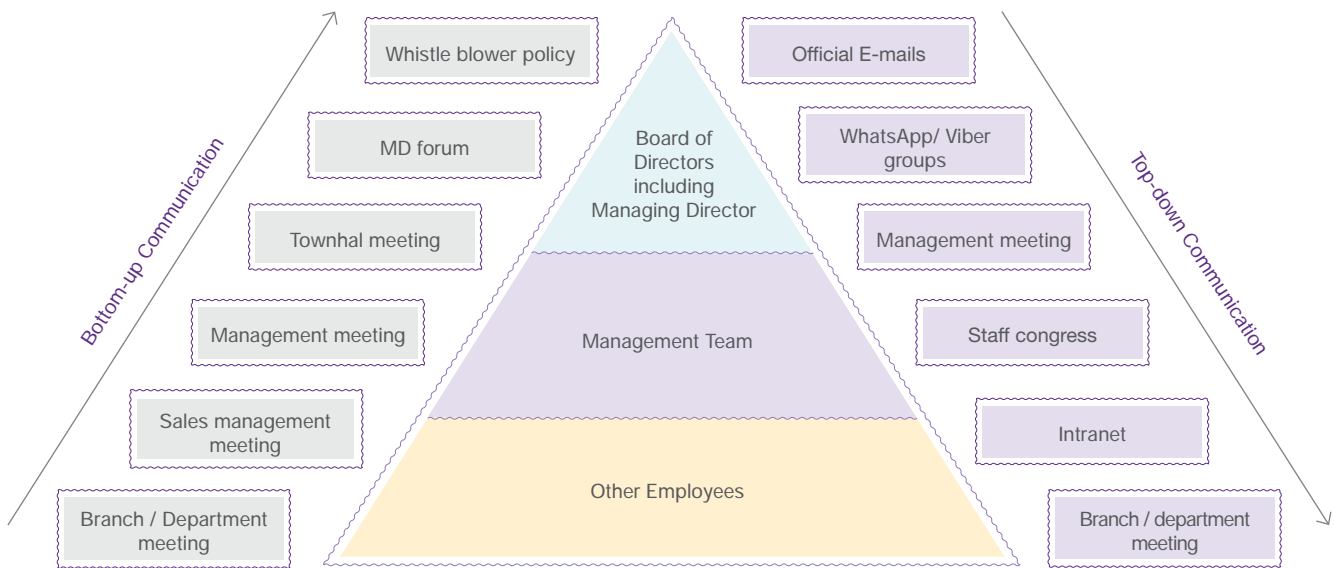
Softlogic Life employee engagement is driven by leadership, effective rewards, culture and values that support performance and development. Further details of employee engagement activities are provided under stakeholder engagement on page 58 to 63 of this report.

Open Culture

The Company's culture is a very friendly one that nurtures learning and development. Further, the Company upholds the two-way communications

model as we value our employees' ideas and suggestions. The figure below illustrates the employee communication model across different management levels:

Figure: Employee Communication Model



Informal Employee Engagement Activities

The Company encourages recreational events that are organized by strategic business unit levels or employee groups. These events include annual trips for employees where the Company provides an allowance to all staff, celebration of festivals and sports tournaments where employees compete with friendly camaraderie. Employee participation levels at these events are high.




“Softlogic Life's Got Talent” is a talent competition in which the winners rewarded with amazing prizes. This year’s show was held at ‘Nelum Pokuna’ theatre.

Human Capital

Donation for Cancer Hospital



The Company encourages employees to volunteer time and resources to charitable causes. Softlogic Life employees donated dry rations to the cancer hospital and victims of flood.

Cricket Carnival



Value Teams

Company formed five employee groups during the year representing five values of the Company 'Simplicity', 'Innovation', 'Courage', 'Care' and 'Authenticity'. These teams have freedom to execute their innovative ideas which showcase the meaning of Company values and added benefits to employees and every other stakeholders.

"KIDS AT WORK"



Dress Down Day



Ensuring a Safe and Healthy Workplace

Ensuring the safety and health of all who work for us remains our top priority. Therefore, we strive to provide a safe and healthy work environment for those working for, and on behalf of, the Company. We develop and implement health and safety management programmes designed to promote a safe and healthy work environment, avoid unsafe situations, maintain legal compliance, and respond to incidents and medical emergencies.

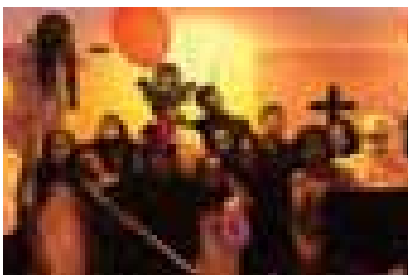
Urban challenge championship



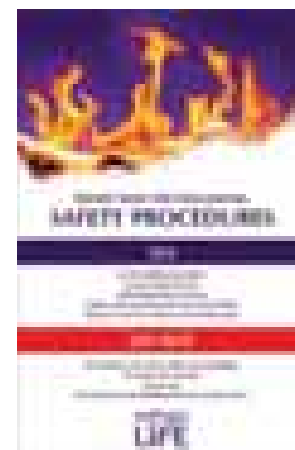
Annual Trip



Halloween Party



Christmas Carol



G4 - DMA	G4 - HR3	G4 - HR5
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Non Discrimination

The Company believes that the working environment should at all times be supportive of the dignity and respect of individuals. If a complaint of harassment is brought to the attention of the management, it will be investigated promptly and appropriate action will be taken. All employees have access to HR policy on non-discrimination through Company intranet. However, there were no incidents reported during the year 2016.

Respecting Human Rights and Protecting Labour Rights

Softlogic Life has an organisational culture which supports local and internationally recognised human rights and avoids any involvement in the abuse of human rights. Our human rights policy is aimed at promoting equality of opportunity and combating discrimination. We are committed to continually improving our compliance with international best practices and are therefore implementing a plan of continuous improvement. Further, we are compliant with all applicable legislation.

Child Labour, Forced and Compulsory Labour

As expressed in our human rights policy, we are committed to the labour rights principles in the Sri Lanka, including the right to freedom of association, the eradication of child and forced labour, and non discrimination. At our operations, we have clear policies and processes in place in order to ensure that we do not employ any under age, forced labour or are not associated with third parties identified as having significant risk for incident of child, force labour. During the year, there were no incident reported on employment of child labour.

Compliance with Regulations

During the year under review, there were no incidents of employing under-age or forced labour and there were no incidents of discrimination or grievances regarding labour practices.

Listening to Employee Grievance

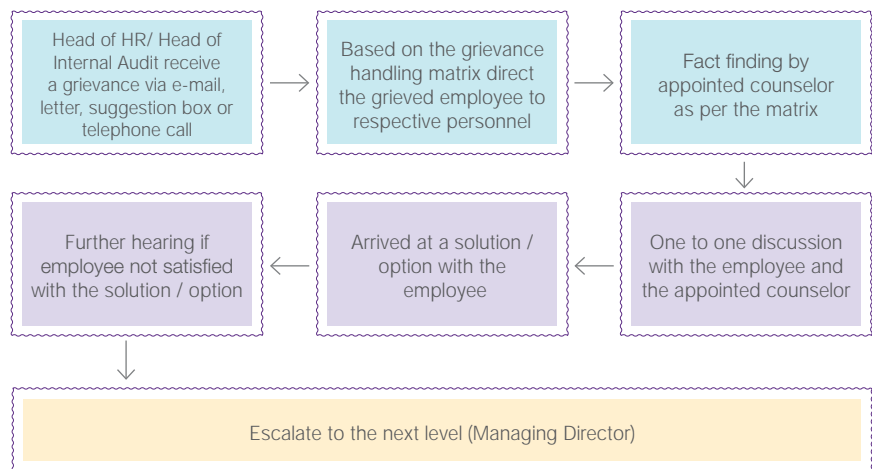
We believe in a Great Place to Work, all employees should have an opportunity to give feedback, suggestions and voice any grievances. The grievances policy ensures employees are heard and given a fair resolution to their grievances.

We encourage all employees to directly reach the members of the Grievances Committee and the Company takes the responsibility to handle those concerns according to the Grievance Matrix.

Further, employees are encouraged to use the established whistle-blower mechanism.

Company's employee grievances handling process is provided below.

Figure: Employee Grievances Handling Process



Risk Management

Risk management with reference to human capital section is discussed in page 192 this report.

Looking Ahead

Our purpose and principles add a layer of richness to our strategy, driving a deeper connection between our people and the brand. They also underline the importance of the role every single employee has in enabling us to consistently deliver an excellent client experience.

Looking ahead, we aim to:

- Revise our performance management practices to support new ways of working that are focused on delivering our promises to our clients.
- Continue to invest in the development of people to ensure that they are ready to take up more senior and critical roles when the time is right.
- Strengthen a diverse leadership base that is able to lead in times of uncertainty, inspiring others, and are passionate about helping our people reach their full potential.
- Enhance our speed and agility to adapt an ever-changing world of work through a continued focus on learning and development.

SOCIAL AND RELATIONSHIP CAPITAL



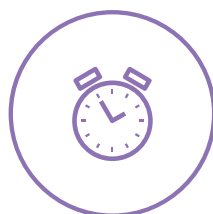
“Softlogic Life recognizes that our ability to do business and remain commercially viable depends on our social relationships and the trust we build with our Customers, Business Partners and Community”



NO. OF POLICYHOLDERS
56,301



CLAIMS AND BENEFITS PAID
Rs. 1,452 Mn



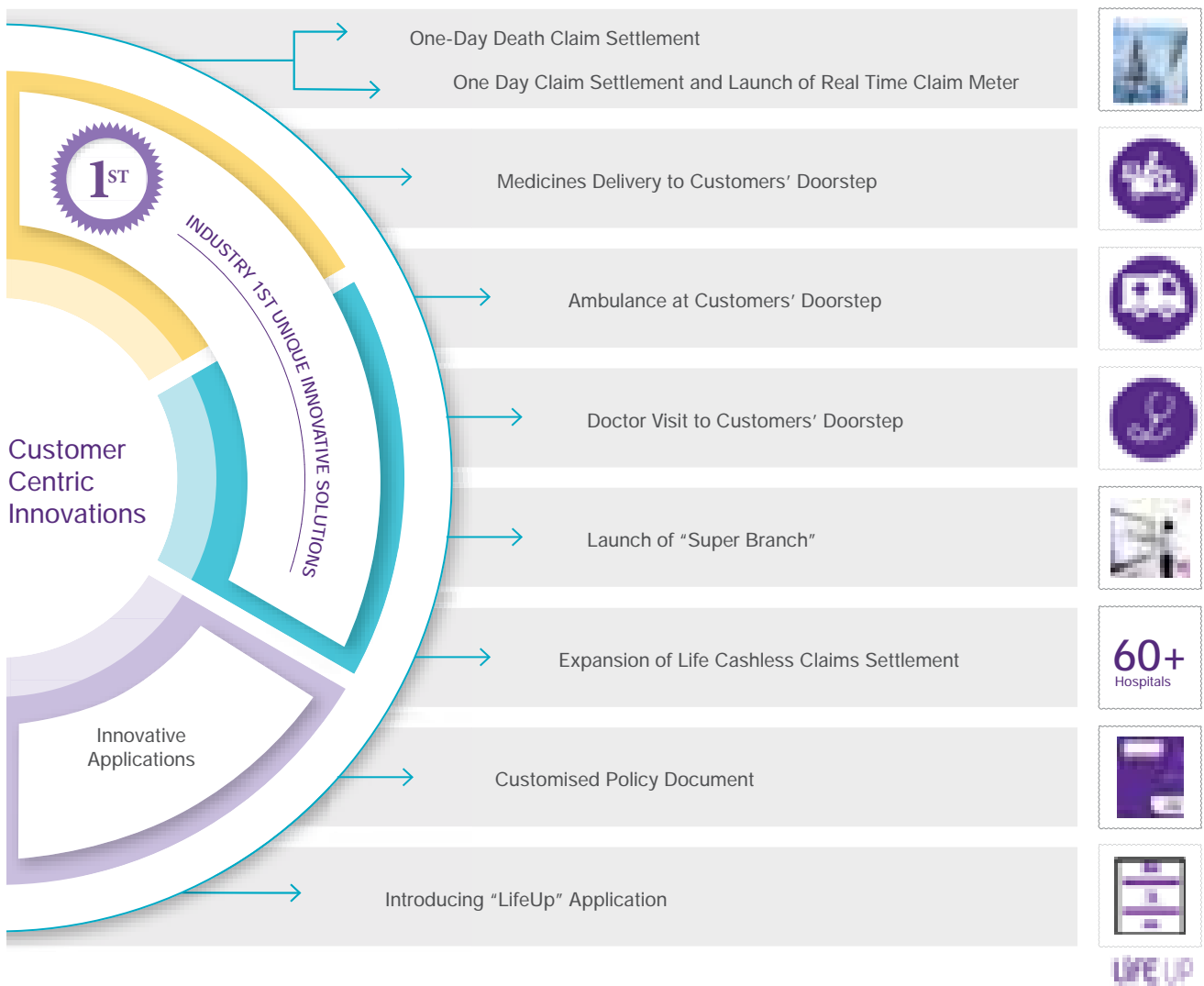
ONE-DAY CLAIM
SETTLEMENT

We build our social and relationship capital for collective growth through:

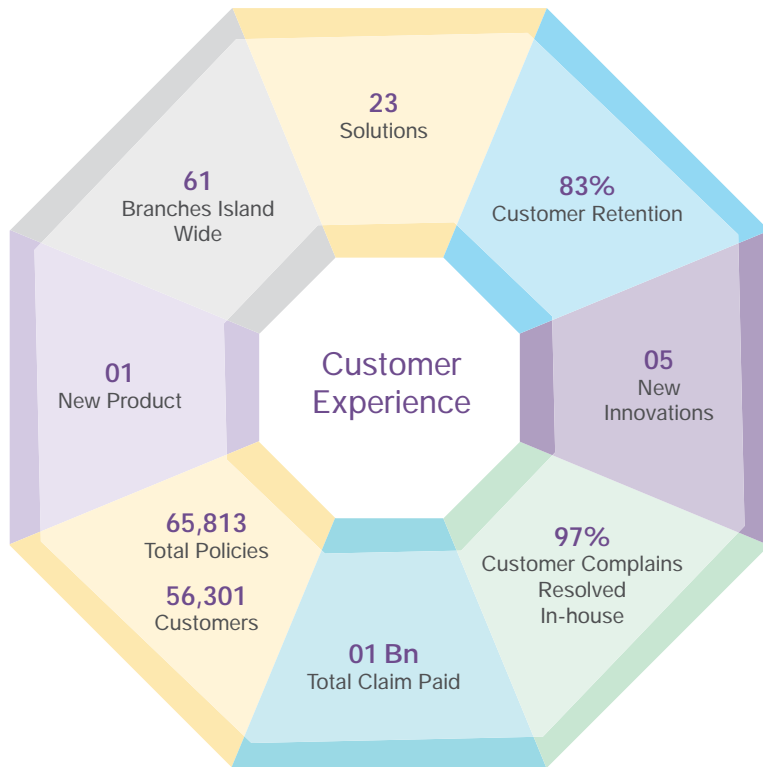
- Proactive stakeholder engagement with '**Customers**'
- Proactive stakeholder engagement with **Business Partners** which includes:
 - ✓ Reinsurers and Actuaries
 - ✓ Field Staff
 - ✓ Suppliers
- Investing in transformation
- Investing in community development

CUSTOMERS

2016 at a Glance



Social and Relationship Capital - Customers



Where We Focus

Softlogic Life provides innovative life insurance solutions to maximize wellness and health of customers while accurately addressing inherent risks through the promotion of "LIVE OUR VALUED CUSTOMERS LIFE TO THE FULLEST".

We are trail-blazing a wave of innovation and technology that is expected to deliver widespread convenience and creation of new business avenues.

Embedding Customer Centricity

The Company believes that the quality of relationship with customers depends on the quality of engagement and communication. Our customers are material to delivering our business strategy and our brand promise. We are uniquely placed to offer better connectivity with customers who seek a different array of Life Insurance solutions which focus on maximizing customer perceived value through maximizing Wellness, Nutrition and Fitness of our customers.

Focus on "Top Most Line" - Maximising customer perceived value

$$\text{Top Most Line} = \text{Value} - \text{Price}$$

At Softlogic Life we consistently look forward to improve "Top Most Line" which is the difference between customer perceived value and the price of the products. Therefore, customer satisfaction means not just the use of a product that was purchased from the Company for a cost/price, but also the satisfaction (Value) that is obtained when the customers get the expected benefits such as peace of mind (Customer perceived value) during the product cycle. At Softlogic Life, we believe that customer experience is the positive feeling that a customer has when he or she goes through the entire cycle, right from the purchase of a product to getting paid when a claim is made. Therefore, to achieve the objective of 'Maximising customer perceived value', we focus on customer value propositions; in other words, the promise of value to be delivered and acknowledged and a belief from the customer that value will be delivered and experienced. Key Value propositions at Softlogic Life are provided as follows:

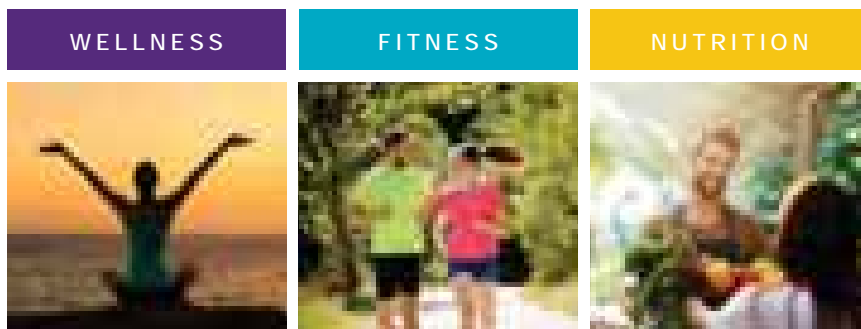


Table: Value Propositions and Softlogic Life Response

What Customer Expects	What Softlogic Life Offers
Financial security for unexpected life risk/ peace of mind due to financial commitment at a reasonable price	Offers range of protection-based life insurance solutions at a reasonable price
Enjoy benefits before death / maturity from the life policy	Offers bundle of value-added services such as Medicine delivery to customers’ doorstep, Ambulance service in an emergency, Doctor visit to customers’ doorstep etc.
Coverage of health risk requirement at a reasonable price	Offers health related riders capitalizing group synergies through Asiri hospitals chain
Fair return at maturity	High annual bonus and dividend to customers through better fund management
Comprehensive coverage from one solution	<ul style="list-style-type: none"> ✓ Customer able to customize his / her policy based on requirements ✓ Use innovative ideas to develop products which capture emerging customer needs
Fair / Equitable and speedy claims settlement	<ul style="list-style-type: none"> ✓ One day claim settlement ✓ Extended cashless claim settlement offers island wide ✓ Robust process to track and settlement of claims (Real-time claim meter and workflow base approach) ✓ Transparency over claim settlement
Financial stability and better governance (Transparency and Trust)	<ul style="list-style-type: none"> ✓ Strong financial stability and recognition in the form of many accolades including Gold award winner - Insurance sector in CA Sri Lanka ✓ Strong reinsurance coverage and robust risk management process
Convenience of purchasing policy and settlement of premiums	<ul style="list-style-type: none"> ✓ On the spot policy issuance and provision of solutions to ease premium settlement, claims such as “LifeUp”, Island-wide footprint with 61 branches etc.

With our operations being island-wide, we are able to offer our customers an unparalleled financial solution as well as local knowledge and expertise. We strive to go beyond the requirements of basic compliance with consumer protection and financial regulation by offering transparent products and services complemented by informed, objective and professional advice. It comes down to creating a suitable delivery model, through the right distribution channels and at a fair price.

Our Customer Value Creation

Softlogic Life customer value creation model is shown here:

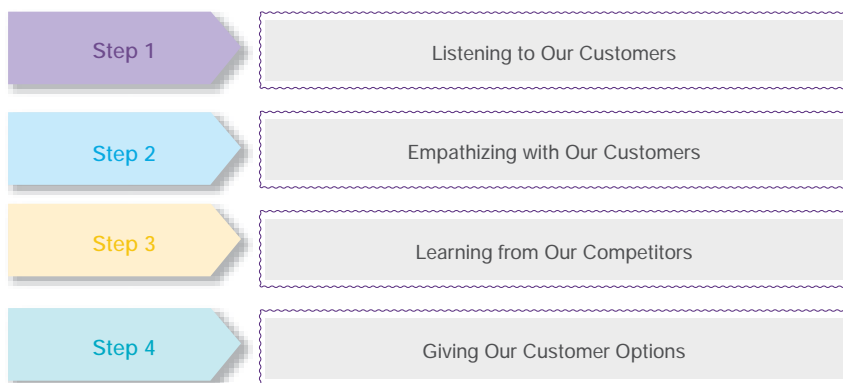
Figure: Customer Value Creation Model



Social and Relationship Capital - Customers

Understand Our Customers

We believe that it is imperative we understand our customers and their needs so that we can continue to offer solutions which meet their needs. In order to discover that our products or services are having a positive effect and creating customer loyalty, we take time to ascertain a customers' emotional and material needs, and then offer valuable incentives to remain loyal to Softlogic Life. The Company follows a 'four step' approach to understand customer as follows:



Details of each step are given below:

Step 1- Listening to Our Customers

The Company uses several conventional and unconventional methods to listen to our customers in order to understand our customer needs. Details are provided as follows:

- ✓ Through direct interaction with customers by Care Center, WhatsApp, Viber etc
- ✓ Listening to customer through our agents
- ✓ Welcome call programme
- ✓ Use of web site and email
- ✓ Customer feedback
- ✓ Customer research


The 'Client Experience' is one of our strategic priorities. While we appreciate unsolicited feedback from clients, we also objectively measure clients' satisfaction through 'Breakthrough Research Sri Lanka'. Results of the recently held research are presented in below table:

Table: Results of Customer Experience Research


Customers' Overall Expectations vs. Experience on Softlogic Life	Overall Achievement
Ability to contact the sales agent / representative	97%
Respecting you as a customer	96%
Customer service of the sales agent/ representative	96%
Explanation of the policy document and conditions	95%
Speed of services provided by the sales agent	95%
Professionalism of the sales agent	95%
Honesty of business transactions	93%
Customer centricity of the call center	92%
Keeping you informed of your payments	92%
Relevance of the product for your insurance requirement	92%
Convenience of the claim process	91%
Willingness to help at the point of the claim	91%
Speed of the claim process	89%
Keeping you updated on new policy developments	89%
Provision of necessary information at the point of purchasing	89%

Give your feedback







24 x 7 Care Centre Number
(+94) 0112 333 888



Complaints and Inquiries
info@softlogiclife.lk



WhatsApp us on :
(+94) 76 5148 892



Viber us on :
(+94) 76 5148 892

Step 2- Empathizing with Our Customers

When our customer offers feedback, we take time to put ourselves in their place and understand their point of view. We believe that our customers want to be acknowledged for taking the time to comment and do not want to be unfairly judged if they have problems with our service. We allow our customers to tell their story and expediently address their needs.

Step 3 - Learning from Our Competitors

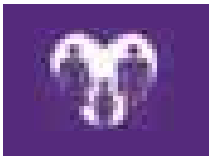
Softlogic Life considers healthy competition to be the best teacher. Softlogic Life extensively researches the segments it operates in, to understand what our competitors are doing differently and then we attempt to provide more enhanced solutions to our customers, since it is our responsibility as a service provider to reward our customers for their loyalty and belief.

Step 4 - Giving Our Customer Options

Every week, the senior management meets and analyses the product performance whilst brainstorming for new and innovative ideas based on the results of step 1, 2 and 3. The objective here is to match the high standards of our customers by optimizing the products and services of Softlogic Life to further suit their needs, which help maximize customer perceived value.

Our Products

Softlogic Life has a wide range of insurance solutions for both individual and corporate customers and our solutions are mainly focused on whole life, health combined an investment related products as explained below:



Whole Life Solutions:

It provides guaranteed insurance protection for the entire life of the insured, otherwise known as permanent coverage. The premiums are usually level for the life of the insured and the death benefit is guaranteed for the insurer's lifetime.



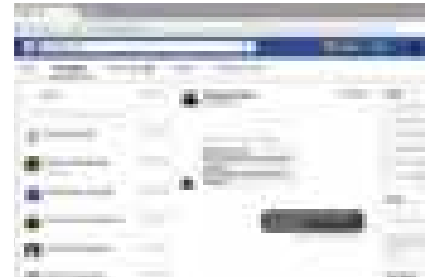
Health Combined Insurance Solutions:

Primarily aimed to cover for day-to-day medical expenses as well as hospitalization cover for planned surgery, emergency treatment, maternity cover, outpatient care, dental plans etc. depending on the level of cover customer choose.



Investment Related Life Insurance Solutions:

This is designed to combine the traditional protection and savings features of whole life insurance with the growth potential of investment funds.



Positive feedback from a customer



Negative Feedback from a Customer and Our Response

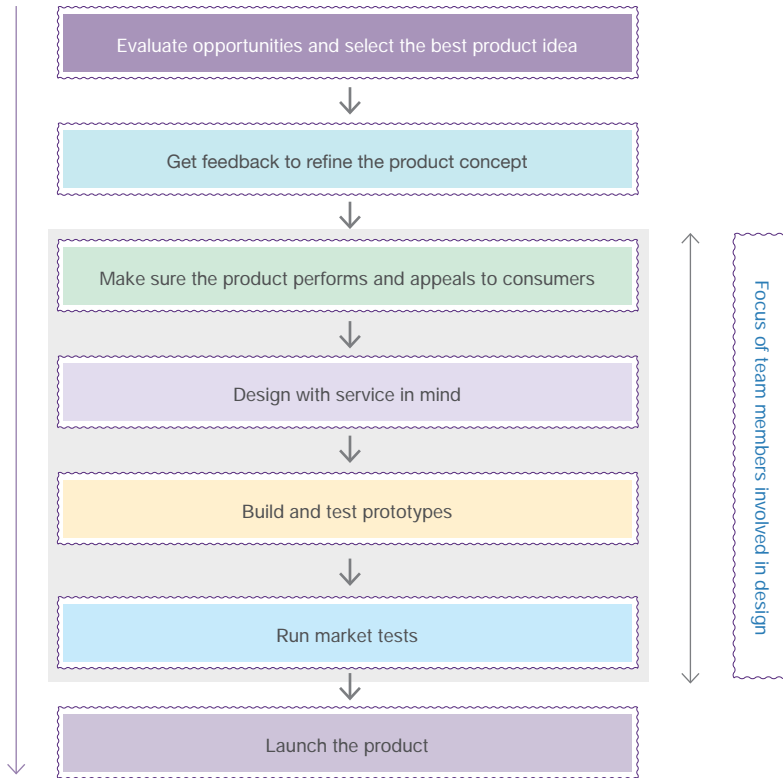
These products are strengthening the Company's competitive advantage as well as guaranteeing customer satisfaction due to its unique features and the embedded operational simplicity. Anyone can easily understand the desired product or service and if further assistance is needed, our customers do not have to look very far.

Product Development Process

Our product development process is constantly evolving. We continue to review our process while seeking to provide a relevant product offering that supports socially beneficial features. The Company strictly follows its formalized products' introduction process which requires approval from a product development forum before launching new products to our Customers. Product development process is provided as follows:

Social and Relationship Capital - Customers

Figure: Softlogic Life Product Development Process



Our Life Insurance Solutions

Insurance is an important element of any sound financial plan. Different kinds of insurance help to protect the customers and their loved ones in different ways against the cost of accidents, illness, disability, and death. Therefore, as a result of our development process, we have offered the following products and options to suit with individual insurance needs:


New Products

We believe that we need to constantly identify the needs of our existing and potential customers and upgrade our product portfolio to provide adequate




solutions. During the year 2016, we were able to become the first Sri Lankan insurer to announce a Health insurance covers of upto USD 1 million that can be purchased locally - which is the 'Softlogic Life Million Dollar Health Plan'.



Details of product with brief description provided as follows:

Participating Products	
Softlogic Life Family Plan	
	<p>Softlogic Life Family Plan is an endowment plan which provides a life cover during the term of the policy or a lump sum payment together with accumulated bonuses declared every year on reversionary basis at maturity.</p> <p>Term of the policy varies from 5 to 40 years. This product can be tailored by adding on various riders as per the protection needs of the customer. An additional loyalty bonus is paid on policies that have been in force for more than 10 years.</p>
Softlogic Life Child Plan	
	<p>Softlogic Life Child Plan provides a life cover during the plan period, with the child being named as the beneficiary. When the premium ceases, the life assured will begin to receive the sum assured together with the accumulated bonuses (declared yearly on reversionary basis). An additional loyalty bonus is paid on policies that have been in force for more than 10 years.</p> <p>Child benefits are as follows</p> <ul style="list-style-type: none"> • At the end of the term of the policy child will start receiving 200% of the sum assured at 40% per year for 5 consecutive years • In the demise of the life assured during the child benefit paying period, the child will receive double the financial benefit of the remaining years
Term Products with Total Refund of Premiums	
Softlogic Life Health Care Plan	
	<p>Softlogic Life Healthcare Plan comes with 3 different Healthcare packages. This product is a comprehensive plan that offers all round protection. Financial benefits which releases customer from conventional premium payments whilst providing the protection benefits throughout the original term of the policy while guaranteeing a full premium refund at the end of the policy term.</p>
Softlogic Life Premium Relief Plan	
	<p>Softlogic Life Premium Relief Plan is an innovative tailor-made insurance solution to meet the future protection needs of the policyholder. This product can be tailored by adding on various riders as per the protection needs of the customer and releases him/her from conventional premium payments whilst providing the protection benefits throughout the original term of the policy while guaranteeing a full premium refund at the end of the policy term .</p>
Dividend Based Investment Account Products	
Softlogic Life Protected Savings Plan	
	<p>The Protected Savings Plan is a unique product that combines the benefits of term insurance and Protected Savings account are coupled with Life covered. The product offers an attractive dividend rate credited to the account on a monthly basis. After the first 90 days of the policy, the policyholder is able to make withdrawals (partial surrenders) from the policy using any Sampath Bank ATM island-wide. In addition to the flexibility offered by the partial surrender option of the policy, it also offers a life cover equal to twice the sum assured or the sum assured whichever is lower. The Sum Assured is calculated as the savings premium times the term of the policy. The policyholder is not charged a premium for the life cover provided, the full amount of the savings premium is allocated to the savings fund and accumulates dividends.</p>

Social and Relationship Capital - Customers

Dividend Based Investment Account Products	
Retire with Pride – Softlogic Life Retirement Plan	
	<p>The product provides retirement options to the policyholder where they can choose to receive the accumulated fund balance as a lump sum or select from one of four annuity options upon reaching retirement age. The annuity options are 10 year certain, lifetime or two joint lifetime options. There is a minimum guaranteed benefit in each case but the actual retirement benefit could be higher depending on the performance of the fund. The policyholder has the option of paying a single premium or regular premiums in order to build up the retirement fund. The policyholder is provided with a life cover as well as premium protection benefit (for regular premium policies) at no additional cost and is able to include additional riders as with existing conventional products.</p>
Softlogic Life Protected Investment Plan	
	<p>Softlogic Life Protected Investment Plan has two types of dividend payment versions. Customer can select the Monthly dividend option or at Maturity at the commencement of the policy. Dividend rate defined in the policy inception will remain fixed until maturity. In Addition, this product has a Hospitalization Benefit Bill cover up to the age of 65. A special Medical package is also included to provide much more complementary value additions to our potential customers.</p>
Term Cover Products	
Softlogic Life Level Term Plan	
	<p>The product provides retirement options to the policyholder where they can choose to receive the accumulated fund balance as a lump sum or select from one of four annuity options upon reaching retirement age. The annuity options are 10 year certain, lifetime or two joint lifetime options. There is a minimum guaranteed benefit in each case but the actual retirement benefit could be higher depending on the performance of the fund. The policyholder has the option of paying a single premium or regular premiums in order to build up the retirement fund. The policyholder is provided with a life cover as well as premium protection benefit (for regular premium policies) at no additional cost and is able to include additional riders as with existing conventional products.</p>
Decreasing Term Assurance Plan (DTAP)	
	<p>Softlogic Life Level Term plan is a simple term Life Insurance product available at a very attractive premium; this policy covers a variety of unfortunate tragedies that could take place. The sum assured is paid on the death of the life assured during the term of the policy.</p>
Softlogic Life Global Plan	
	<p>Softlogic Life Global Plan comes in 3 packages, 250,000 USD, 500,000 USD and 1,000,000 USD where the latter two provide a worldwide coverage excluding USA and Canada. 250,000 USD package provides coverage in Sri Lanka, India, Singapore and Malaysia. The special partnership with Apollo Hospitals India and Parkway Group of Hospitals Singapore which includes Mount Elizabeth Hospital will enable our policyholders to have specialized & prioritized medical services including Cashless hospitalization.</p>
Softlogic Life Group Life Plan	
	<p>Softlogic Life, Group life Plan is a tailor made life insurance in which a single contract covers an entire group of employees. Typically, the policy owner is an employer and the policy covers the employees of the group from unforeseen tragedies. This comes with a low premiums and it is the ideal plan which ensure our cooperate clients are in safe hands.</p>

Riders

Additional Life Benefit - Option to increase the life cover provided on Softlogic Life Family Plan or Softlogic Life Child plan.

Family Healthcare Benefit

Hospital bill reimbursement benefit with the annual benefit amount ranging from LKR 50,000 to LKR 75,000.

Family Healthcare Super Benefit

Hospital bill reimbursement benefit with the annual benefit amount ranging from LKR 100,000 to LKR 1,000,000.

Family Healthcare Benefit + Overseas Treatment

Family Healthcare Super Benefit + Overseas cover. New cover has been expanded from 100,000 to 10 million. On policies with a Family Healthcare Super Benefit + Overseas cover amount above 2,000,000 hospitalization in Malaysia, Singapore and India is also covered under the policy.

100 Years PLUS Life Cover

Whole of life assurance rider with a limited paying term. 10% of the benefit amount will be paid immediately on intimation of death (up to a maximum of 200,000).

Accidental Death Benefit

Additional sum payable in the event of a death of main life by an accident in respect of all policies issued for the same life shall not exceed (4) four times the basic sum assured of main policy and shall not exceed the market limit of Rs. 30 million.

Total Permanent Disability Benefit

60% of the sum assured will be paid at the outset in the event of a Total Permanent disability and the balance 40% will be paid in 4 equal installments spread over a period of 4 years.

Partial Permanent Disability Benefit

A percentage of the sum assured will be paid based on the type of partial permanent disability listed down in the benefit schedule in the policy contract

Premium Protector Benefit

Waiver of premium benefit in the event of a total or permanent disability

Spouse Cover Benefit

Optional life cover provided to the spouse of the main policyholder.

Hospitalisation Benefit

Daily benefit paid in the event of hospitalization, to help cover loss of income, medical bills, transport costs etc.

Funeral Expenses Benefit

Benefit paid to spouse in the event of Death of the main life as a Lump Sum.

Family Income Benefit

A monthly benefit paid in the event of a death or a total and permanent disability of the main life

Critical Illness Super Benefit

The benefit will be paid if the Life Assured is diagnosed for the first time as suffering from or proved to have undergone the type of surgery indicated in the list of 36 Critical Illnesses given in the Policy Document. The policyholder has the option of having the spouse covered under the same policy as well.

Social and Relationship Capital - Customers

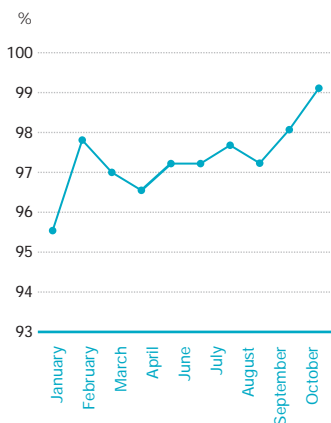
Delivering Superior Customer Service

At Softlogic Life, we have consistently improved the quality of our customer service and we strive to benchmark the industry by leveraging on innovation and technology. We firmly believe that price is not a long term differentiator, but that consumers will look to partner with an insurance company which offers them convenience and transparency and provide greater value to them in every customer engagement.

Our customer care center statistics for year 2016 are illustrated below:

Figure: Care Centre Performance - 2016

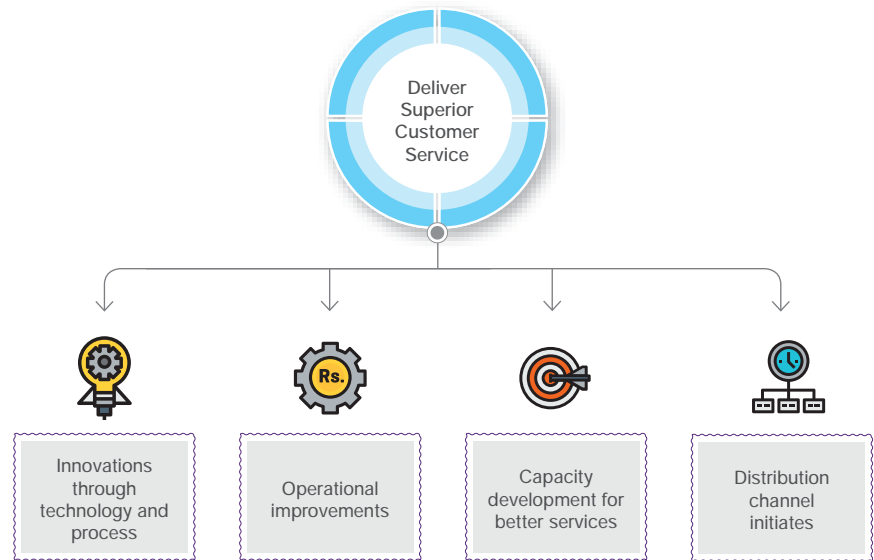
Service Level



Key Operational Innovation and Performance

The Company has undertaken many initiatives to maximize customer perceived value by way of improving Wellness, Nutrition and Fitness. We have

revolutionized innovation and technology that is delivering widespread convenience to our customers and creating new business avenues for us as mentioned below:



Technology and Process Innovation




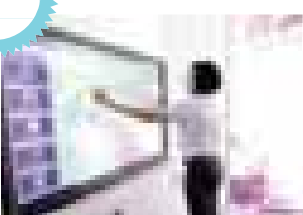



One -Day claim settlement and launch of real time claim meter

Keeping promises to our policy holders, more than 80% of claims are settled within one day which assist policyholders/nominees instantly to overcome their financial difficulties. One-day settlement ratio is displayed on the Company website on a daily basis in order to be transparent to the general public of our service level.



One-Day Death Claim Settlement

The Company has decided to settle all straightforward death claims within one day in order to assist nominees instantly to overcome their financial difficulties. Death claim settlement processes have now been revamped to facilitate this process and Softlogic Life has set a new benchmark in the industry as the fastest death claims settler.

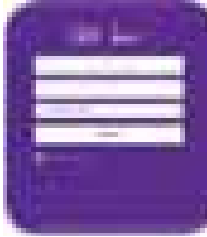

Technology and Process Innovation	
<p>1ST In the Industry</p> 	<p>Medicine Delivery to Customers' Doorstep The Company delivers medicines to customer's doorstep in an emergency. The customer can send the medical prescription via "LiFE UP App", Viber or WhatsApp.24/7 service for greater convenience.</p>
<p>1ST In the Industry</p> 	<p>Ambulance at Customers' Doorstep In a medical emergency, an Ambulance will be rushed to the requested location which facilitates medical investigations / test at customer's residence for greater convenience and value-addition to our customers. Further, if required, ambulance will facilitate transport of patient for emergency treatment.</p>
<p>1ST In the Industry</p> 	<p>Doctor Visit to Customers' Doorstep The Company launched another innovation that offer a Doctors facility at customers' doorstep in order to examine a medical condition of the customer or a member of the family.</p>
<p>1ST In the Industry</p> 	<p>Launch of 'Super Branch' The Company launched a unique concept of 'Super branch', which is fully equipped with modern technology to provide superior customer experience as "one stop shop". Customer can decide policy features on his or her own and are guided through online assistance. Further, customers are offered the facility of purchasing Softlogic Group products as well. In addition, Super branches are equipped with a play story which provides great entertainment.</p>
<p>1ST In the Industry</p> 	<p>Expansion of Life cashless claims settlement Cashless claims settlement process, which was initiated with Asiri Group of Hospitals as first in the industry, is now extended to over 60 hospitals island-wide, Apollo Hospitals India and Parkway Group of Hospitals Singapore which includes Mount Elizabeth Hospital in order to provide a superior service to our customers, as they are not required to pay their claims from out of their own pockets. Softlogic Life settles the claim directly to the hospital on behalf of the customer.</p>

Social and Relationship Capital - Customers

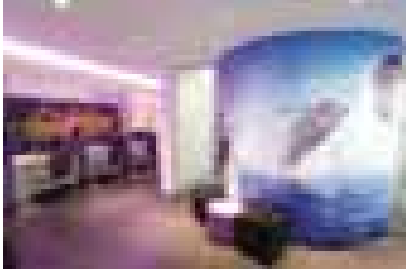
Technology and Process Innovation

<p>1ST In the Industry</p> 	<p>Customized Policy Document</p> <p>The Company took a new initiative to issue customized policy documents to our policyholders with the intention of increasing customer convenience, and in the process became the first-ever Sri Lankan insurance company to do so. This initiative is aimed at providing our policyholders with the ease of referring their policy document to identify the applicable policy benefits, thereby eliminating the cumbersome process of going through the entire policy document in search of relevant areas.</p>
<p>1ST In the Industry</p> 	<p>'LifeUp' Application</p> <p>'LifeUp' smart phone application is a great value-added tool to ease the life of all Softlogic Life policyholders. Customers can get quick access to their policy details through the app and do certain minor changes to the policy on their own. This will enable policyholders to pay premiums, intimation of claims, upload claim documents, view payment history, rate service received, process special letters request such as surrender value Certificates, Embassy letters and premium summary reports etc.</p>

Operational Improvements

	<p>New DTAP system</p> <p>'IME' is a fully automated web-based system introduced to our alternate business channel which supports the operation of Group Life, Decreasing Term Assurance (DTAP) etc. The system enables the confirmation, medical letters - even Re Insurance Synopsis submission - instantly. This provides greater convenience to customers as the system has reduced the duration of policy issuance cycle.</p>
	<p>Going Digital</p> <p>We are focused on completely eliminating paperwork and documentation to the greatest extent possible by digitizing all systems and processes. This is already helping us record greater operational efficiency across all functions, thereby moving employees up the value chain.</p>

Operational Improvements



Revamp of Customer Care Center

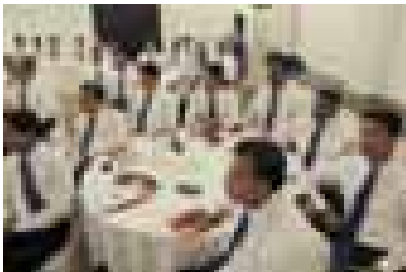
We deliver our services with absolute perfection at all times. The Company is focusing on regular improvements in all customer touch points in the business process. Accordingly, upgrades were done during the year in the Regional Service Offices, Client Relationship Unit, Customer Care Centre, Corporate Customer Service Unit, Policy Conservation Unit etc.

Complaint Management

Revamp of Customer Complaint Management System

During the year, company introduced the new application to gather, evaluate and respond to customer complaints. The process is discussed in details under Grievance Management on page 129.

Capacity Development for Better Services



Field Staff Training

The Company conducted a series of training programmes during the year focused on field staff to develop their capabilities in customer engagement, use of newly-introduced applications and other areas as requested by our field staff.



Customer Service Training

Softlogic Life identified that each interaction between employee and customer does not affect the number of customers retained, but employees with effective customer service skills will feel a greater sense of engagement and commitment to their job.

Our training provides advanced customer service tips to learn about customer service skills, building customer loyalty, creating effective first impressions, managing customer expectations, and more.

Social and Relationship Capital - Customers

Distribution Channel Initiatives



Bancassurance

The company introduced Banc-assurance channel during the year through which company can reach customer base in Banks as well as employees. Softlogic Life is very positive about the growth potential of this channel and a separate sales team has been created to directly engage with the banks.



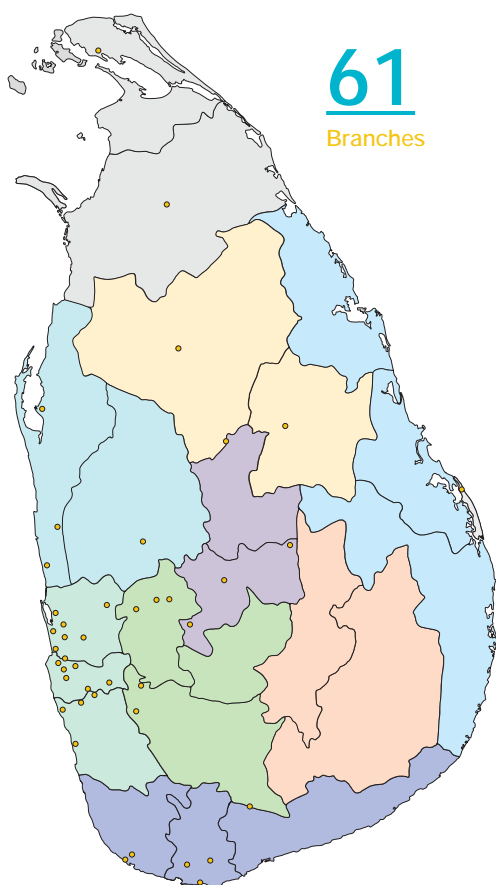
Distribution Channels Expansion

Our extensive branch network of Regional Distribution Offices located strategically throughout Sri Lanka was one of the critical factors of our success. Our island-wide agents' network is taking Softlogic Life's perception to the community. During the year, Softlogic Life expanded its reach by opening 06 new branches.

Further, the company agency distribution channel was rewarded for its excellence at the Insurance Industry Award 2016 which reflects Softlogic Life's strength in the industry.

Our island-wide branch distribution is graphically presented below:

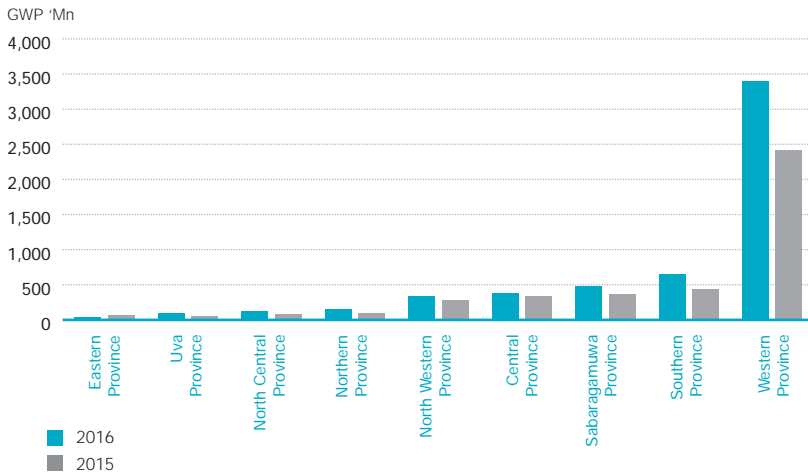
Operational Footprint



No	Branch	No	Branch	No	Branch
1	Dambulla	1	Kegalle	4	Head Office
2	Gampola	2	Rathnapura	5	Horana
3	Kandy	3	Warakapola	6	Ja-Ela
4	Gelioya	4	Mawanella	7	Kaduwela
5	Pilimathalawa	5	Embilipitiya Life	8	Kaluthara
1	Batticaloa	1	Galle	9	Kiribathgoda
2	Trincomalee	2	Matara - City	10	Kottawa
3	Trincomalee Metro	3	Matara - South	11	Minuwangoda
4	Batticaloa - 2	4	Matara - PCU (East)	12	Moratuwa
1	Anuradapura	5	Galle East	13	Negombo
2	Polonnaruwa	6	Tissa	14	Nugegoda
1	Chilaw	7	Matale	15	Panadura
2	Kurunegala	8	Ambalanthota	16	Piliyandala
3	Kurunegala Metro	1	Mahiyanganaya	17	Colombo Metro
4	Puttalam	2	Badulla	18	Awissawella
5	Wennappuwa	3	Monaragala	19	Ragama
1	Jaffna	4	Bandarawela	20	Thalawathugoda
2	Vavuniya	1	Battaramulla	21	Makola
3	Jaffna Metro	2	Colombo Central	22	Kadawatha
4	Kilinochchi Life	3	Gampaha	23	Malabe
				24	Negombo Metro

Low Populated Areas

Gross Written Premium by Markets Served 'Mn

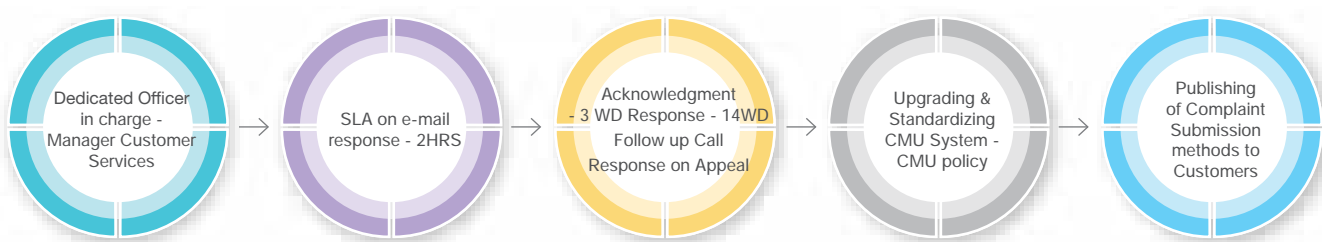


Grievance Management

One of the main aspects of driving customer-centricity is to ensure that customer complaints are handled with empathy and fairness. A complaint mapping exercise was completed, which enabled the individual arrangements business to define training models and improvement opportunities to drive the customer-centric culture across the business.

Below figure displays customer complaint management process and established service level agreements within the customer care unit.

Figure: Complaint Management Process



Successful complaint resolution is a key part of delivering our brand promise. We have a customer complaint commitment to resolve complaints promptly and fairly. This means offering first point complaint resolution wherever possible and resolving the majority of complaints within five business days. While complaints

can be made over the phone, online or in person, many of our customers are now choosing to raise their complaints via social media channels. Statistics on customer complaint received during the year are given below:

Table : Statistics on Compliants received in 2016

Description	2016	2015
No of complaints	92	80
Successfully resolved	89	75
Unresolved	3	5

A majority of the complaints received by Softlogic Life are related to dissatisfaction with the claim amount offered and clerical errors.

Out of 92 Life Insurance complaints, 89 were resolved in-house by the Company.

Customer Data Privacy

With the dawn of the digital age, it is an absolute prerequisite to protect and secure our customers' information. In the line of business, we collect large sums of sensitive information from our customers and Softlogic Life has taken the following initiatives to ensure that it is in safe hands:

- Softlogic Life has a comprehensive data privacy policy designed to protect the customer information that we collect.
- The IT department continuously monitors and evaluates the risks affecting customer data privacy. According to the IT threat assessment review, Softlogic Life had no instances reported on breach of data integrity.
- Internally, we hold mandatory privacy training for employees and additional specialized training for our front line teams such as sales teams, underwriting teams, and claim handlers etc, given their access to sensitive customer records. We also regularly communicate with employees about privacy through a variety of internal channels, including company-wide communications.
- In order to verify adherence to our high standards in this area, we

are working with the internal audit team on reviewing the operating effectiveness of the procedures implemented to adhere with the data privacy policy. The audit is conducted once every year and the results are reported to the management and the

Social and Relationship Capital - Customers

audit committee for decision-making purposes and rectification procedures when required.

There were no substantiated complaints received concerning breaches of customer privacy from outside parties and substantiated by the organisation or complaints from regulatory bodies which is due to leaks, thefts, or losses of customer data. Softlogic Life have a formal process in terms of substantiating customer complaints on breaches of sensitive information. There were no complaints received by the Company on breaching of sensitive information by customers or outside parties.

Product and Social Responsibility

Softlogic Life does not sell or market products that are banned in certain markets and neither subject to stakeholder questions or public debate. Our products designs are governed by a Board Approved Environment and Social Management Policy (ESMS policy). The ESMS policy has a standard exclusion list which governs the ethical dimensions of services offered by Softlogic Life.

1. Forced labour or child labour
2. Hazardous materials such as unbounded asbestos fibers and products containing PCBs
3. Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
4. Cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying regulations
5. The following:
 - a. Weapons and ammunitions
 - b. Radioactive materials

c. Gambling, casinos and equivalent enterprises

6. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
7. Pornography or prostitution
8. Significant conversion or degradation of critical habitat
9. Wildlife or wildlife products regulated under CITES
10. Racist and anti-democratic media
11. Significant alteration, damage or removal of any critical cultural heritage
12. Relocation of indigenous peoples from traditional or culturally significant land

In any event, if there is an instance that relates to the scope of the ESMS policy, the acceptability of such businesses are decided at the highest points of decision-making of Softlogic Life. During 2016, there were no instances reported on the breach of principles of the ESMS policy. On the regulatory perspective, our products and services are directly affected by the Insurance Board of Sri Lanka (IBSL). The boundaries and regulatory requirements set by the IBSL require all insurance companies to obtain prior approval for new products in the Life business. Furthermore, Softlogic Life is bound to comply with the provisions of Sri Lanka Consumer Affairs Authorities Act, No. 9 of 2003 and amendments thereto. The compliance with the ESMS policy and the regulator's requirements are monitored by the compliance officer and the extent of compliance is reported to the Audit Committee during its meetings.

We are proud to announce that there were no fines, penalties or warnings

for non-compliance with laws and regulations or voluntary codes concerning the provisions related to health and safety impacts of products and services during their life cycle and with laws and regulations concerning the provision and use of products and services to the best of the Company's knowledge. Softlogic Life has a formal process in terms of compliance with regulations followed by our Compliance & Risk Officers.

As discussed earlier, Softlogic Life has a separate product forum which evaluates the product before it is exposed to the public. At the time of product launch, a separate press conference is held and a Q&A session is conducted for each new product which prevents instances such as selling products banned in certain markets or the subject of stakeholder questions or public debate.

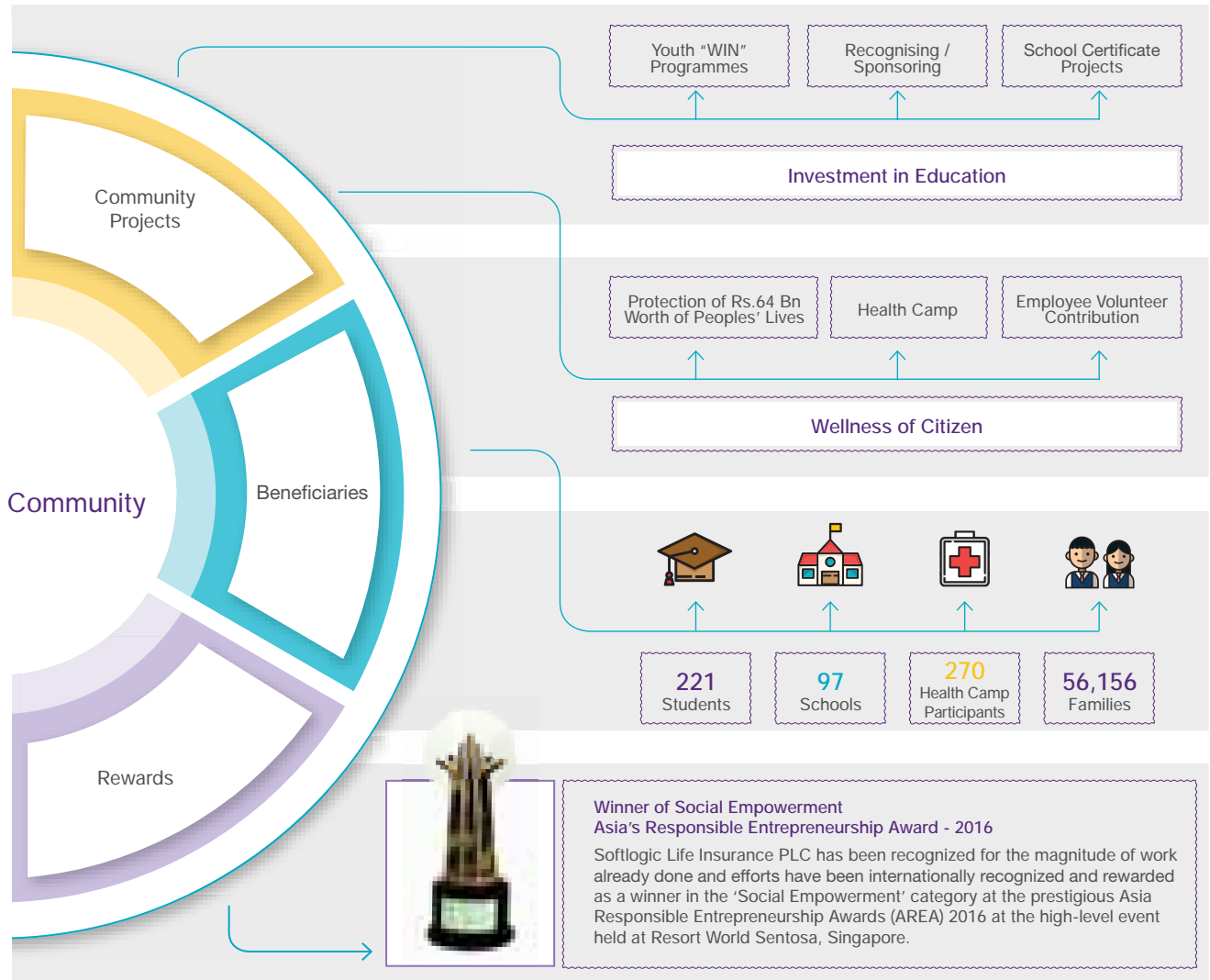
Looking Ahead

We believe that Softlogic Life is the most innovative Life insurance company and we strive to benchmark the industry through dynamic products and solutions that leverage on advanced IT platforms. Our business model places customer convenience and protection including Wellness, Fitness and Nutrition ahead of all other outcomes. The host of initiatives that were introduced during 2016 to enhance service of Life operations offers an insight into how far we will go to deliver our promise of trust and protection to our customers.

Life penetration is still low in Sri Lanka and we see tremendous opportunity to gain market share by using innovative approaches to growing the market so that many more citizens can derive the enduring benefits of Life insurance.

COMMUNITY

2016 at a Glance



Investment in Government Securities

4,138
Rs. Mn

Investment in Social Empowerment Projects

5
Rs. Mn

Payment to Government as Taxes

21
Rs. Mn

Social and Relationship Capital - Community

Where We Focus

Although the Company has the responsibility to deliver profitability to its stakeholders, we never lose sight of our sustainability focus and commitment to corporate stewardship. The Community at large is a key stakeholder for the Company and at the core of our business. Engaging with the local community not only forges strong bonds with the Company, but it also ensures that we remain sensitive and responsive to needs of the community. Our Community development strategy is focused on 'Empowering Youth' through development of the Sri Lankan education system and improves the 'Wellness' of our citizens to enjoy their life and

contribute to build a thriving economy as a responsible business in Sri Lanka.

Further, we focus on promoting honesty, fairness and responsibility in all advertising approaches to improve our brand's image and reputation, to earn the trust of our customers and develop long-term relationships while deriving sustainable revenue. This strong ethos of ethical operations underpins all our interactions with the community.

Softlogic Life value creation model acknowledges the importance of being a responsible business and generates values to our community as follows:

Investing in Our Community

At Softlogic Life, our purpose is to make a difference in people's lives by easing their financial worries through education and by improving the wellness of the citizens of our country.

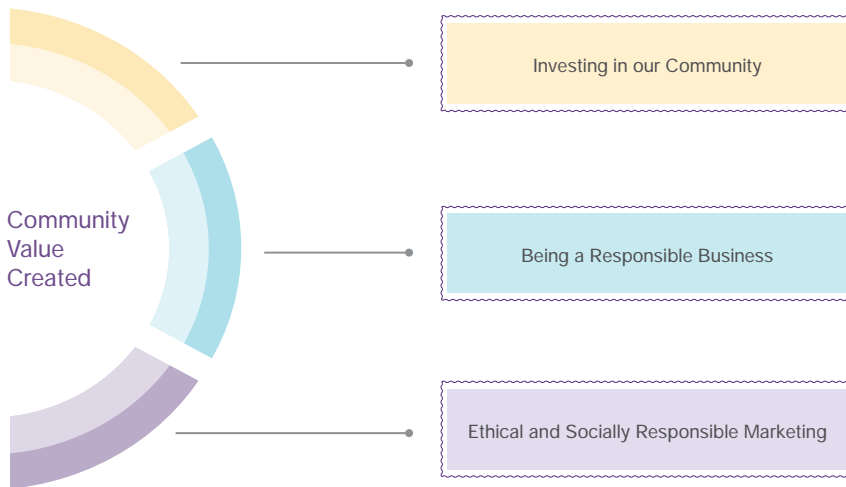
Softlogic Life has taken a step forward to help bridge the gap and provide a safety net to those disadvantaged communities and the underserved who are not supported by formal social support services. By sharing this sense of purpose with stakeholders, we motivate and connect with our employees, business partners and customers.

Our strategy in investing in education is focused on helping youth prepare for future employment and to contribute to their educational needs at the school level. The projects undertaken include primary, secondary and tertiary education initiatives.

Further, our business concept of 'Live Your Life' itself promotes health and wellbeing of all, and as a company, we invest in wellness programmes for the benefit of the community. Our employees are also encouraged to take an active part in these development initiatives and are passionate about volunteering their time and resources in these programmes.

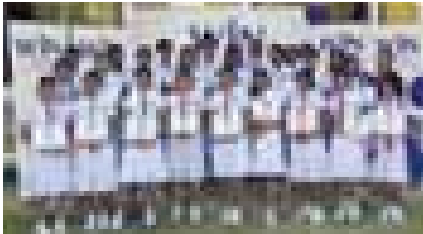
Details of the community development programmes carried out in the year 2016 are provided as follows:

Figure: Community Value Creation Model



Investing in Community Development Programmes

Education- Youth Empowerment



“WIN”- Programme

WIN is a career guidance programme where we aim to build the confidence and presentation skills of school leavers in the rural areas. Our continuous efforts are focused on mentoring youth to prepare them to meet the challenges of the corporate world.

Identifying Income Gap- Need Analysis

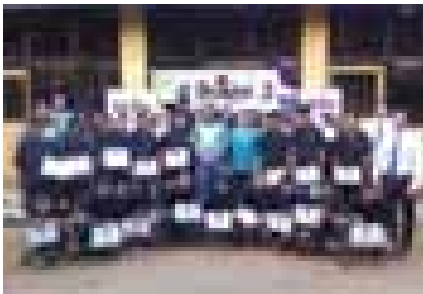
Our project began with a key insight which was highlighted at the need identification stage of our CSR strategy. We identified an income gap of Rs. 12,095 between urban and rural households and the root cause appeared to be gaps in attitude, confidence, knowledge and available opportunities for rural students.



Softlogic Life has been working with the youth of the rural communities by conducting career guidance and development programmes to ensure that it enhances employability by giving them confidence and strength of character to successfully face interviews and gain entry into competitive jobs. The target group for the WIN programme are A/L Qualified Students, as this programme offers internship opportunities for the students who successfully complete this programme.

Project Goal - 2023

This programme is expected to empower more than 5,000 underprivileged but outstanding youth. By elevating their employability, we are enabling a contribution of an additional income of Rs. 1 Bn to the rural economy by 2023 (which is 72 times the total invested on this project).



WIN Projects 2016

During the year, 6 projects were held covering 4 provinces. Details are provided in the following table:

Province	School Name	No.of Participants
North Central	Nikawewa Dewanapethis Vidyalaya	39
Central	Haththotamuna Haththotamuna Vidyalaya	26
Central	Manikhinna Manikhinna Vidyalaya	33
Southern	Athuraliya Athuraliya Vidyalaya	40
Central	Siyambalagoda Siyambalagoda Vidyalaya	43
Sabaragamuwa	Balangoda Shariputhra Vidyalaya	40
Total		221



The programme will be extended to all provinces of the country and in its next stage will partner organisations, which are able to provide jobs and can spot talent from these workshops. Softlogic Life also offers a one- month internship to two of the best participants in each programme to provide them exposure to working in a corporate environment.

Social and Relationship Capital - Community



“The WIN program has immensely benefited me. I really appreciate their help in helping me begin my career. I am confident that I will thrive in the corporate world under the protective wings of Softlogic Life.”

Case Study: Ms. Wathsala Herath – Works at Kurunegala Branch



Education- Youth Empowerment



School Certificates Project

At Softlogic Life, we believe that Sri Lanka’s state education sector faces many challenges in its pursuit of ensuring that the youth of Sri Lanka have access to free education. The Company partners with schools around the country to encourage and reward excellence.

In fact, the Company places a steadfast and abiding value on nurturing and developing the potential of the next generation and is playing an active role in assisting schools to present accolades to deserving, high achieving students, thereby honouring their achievements.

Project Goal

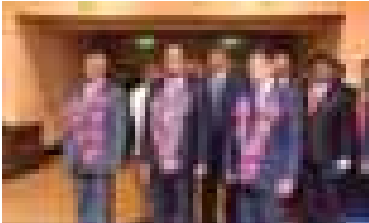
The aim of the project is to mould young professionals through recognition and encouragement of their talents. The Company identified that the cost of designing, printing and production of certificates proved too costly for schools, which resulted in demoralizing children who should rightfully be recipients of some formal recognition from these economically underprivileged schools. We stepped in to bear the entire cost of these school certificates of excellence, putting smiles back of the faces of children who are high achievers despite all odds. Over time, we have strengthened our collaboration with the schools and on realizing the positive impact our initiative is having on motivating students, we have sustained our commitment to this project.

Activities during the year

The Company distributed 97,823 certificates, covering 97 schools island-wide.

	2016	2015
No of Certificates	97,823	73,055
No of Schools	97	73

Education- Youth Empowerment



Recognizing and Sponsoring Undergraduates Encouraged to study Insurance

As a company engaged in Insurance, we understand the importance of encouraging Insurance studies at the Bachelors' level and to expand it as a specialized area in the Finance stream. We sponsor the best undergraduate student in the insurance stream in partnership with the University of Kelaniya. The winner was awarded gold medal with a sponsorship at the convocation to continue her studies.



Idea Night Sponsorship

We were the main sponsor of the annual occasion of Idea Night 2016 organized by the Department of Accountancy at the University of Kelaniya held at Hotel Galadari.

On this occasion, the best students were awarded for their highest performances at the internship programme. It helps to enhance the collaboration between the students and industry partners and to build up an ideal opportunity to open up new doors to the students for a success career.

Improve the Wellness of Citizen



Health Camp

Softlogic Life extended a helping hand to the people of the kidney disease-stricken Polpithigama area, by testing over 260 area residents for urological/kidney-related medical issues, as the first in a series of free health camps.



Need Analysis

Recognizing issues faced by Polpithigama residents in travelling a large distance to Kurunegala to obtain medical assistance. The programme was held with the input of Urologists of Asiri Surgical Hospital, Medical Officers and doctors from the area to identify those with urological conditions such as Haematuria (blood in the urine), Kidney Stones and infections.



Target Group

Area residents above 40 years of age were invited to participate at the Health Camp. In addition to screening, efforts were also made to improve the area residents' awareness/ understanding of urological/kidney-related conditions.

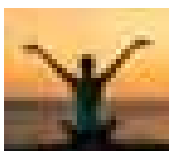
What we have done

At the Health Camp, patients were initially screened by four Medical Officers and then directed to Urologists based on need, given a second opinion and required tests free-of-charge - including Ultrasound (US) scan, Body Mass Index (BMI), Random Blood Sugar and Electrocardiogram (ECG) and patients detected with issues were referred to the Urology Clinic at General Hospital -Kurunegala.

Social and Relationship Capital - Community

Improve the Wellness of Citizen

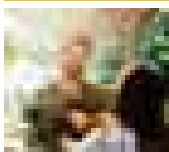
WELLNESS



FITNESS



NUTRITION



Protection of Rs. 64 billion worth of peoples' lives

The Company provides life insurance solutions with greater protection coverage to our citizens and their families to meet the health concerns of 'Wellness, Fitness and Nutrition'.

This policy concept gives people the opportunity to live a full and enriched life today rather than holding an average insurance policy to benefit upon the death.

As at end of December 2016, the Company provided protection coverage worth of Rs.64 billion peoples' lives.

Providing Innovative Health Solutions Free of Charge

Based on our new policy concept, Softlogic Life provides free medicine delivery and doctor visits services to the customers as a positive contribution to community.



Voluntary Contribution

The Company encourages employees to share their skills to support the successful delivery of our programmes and to contribute to their communities. In 2016, we launched many community programmes and awareness programmes, encouraging our employees to volunteer and support.

Donation to Cancer Hospital and Red Cross

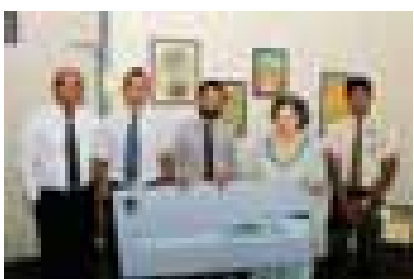
Softlogic Life employees donated their lucre to cancer hospital.

Contribution for the School Children Affected by Floods

Donated school bags for the children who have been affected by floods through Derana Media.



In addition to the above, employees donated their one-day salary to those who were badly affected by the floods and landslides.



Sponsorships for Sports

Rowing Sponsorship

Softlogic Life Insurance values the spirit of unrelenting hard work, extreme determination and passion for excellence and is therefore delighted to support the Asian International School (AIS) rowing crew for the rowing seasons of 2016 and 2017. The AIS squad comprises of around 24 young oarsmen and oarswomen who have made great strides and performed extremely well at both national and international regattas. The sport of Rowing is in the ascendancy, and the Gold sponsorship will see Softlogic Life Insurance branding proudly displayed on two of the new boats that the school has purchased, that are expected to be in action shortly, whilst the crew will carry the brand on mainstream regatta event t-shirts.

We are happy to support AIS Rowing as we share the values associated with the sport and look forward to a great season of rowing that will unfold soon and wish AIS rowing all success.

G4 - DMA	G4 - HR5	G4 - SO4	G4 - SO5
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Being a Responsible Business

Apart from investing in our community, as a responsible business we adhere to the procedures of anti-corruption safeguards, compliance, non-discrimination, business ethics and our Environmental and Social Risk Policy and other rules and regulatory governance in Sri Lanka.

Anti-Corruption Safe Guards

The wave of enforcement actions and investigations emphasizes the importance of effective compliance programmes. While the goal of any anti-corruption compliance programme is to prevent and detect misconduct, there are more immediate benefits in the event that a potential violation arises. Effective compliance programmes can also have an impact on the scope of potential penalties that Companies may face. Ultimately, an effective compliance programme can positively impact a company's bottom line by reducing the amount of a government or court imposed penalty.

Our Internal audit unit handles all internal anti-corruption activities, whereas our compliance officer handles all external anti-corruption activities and compliance. The Human Resource team reviews and discusses internal discrimination and corruption further. The table below summarises the incidents reported during the year:

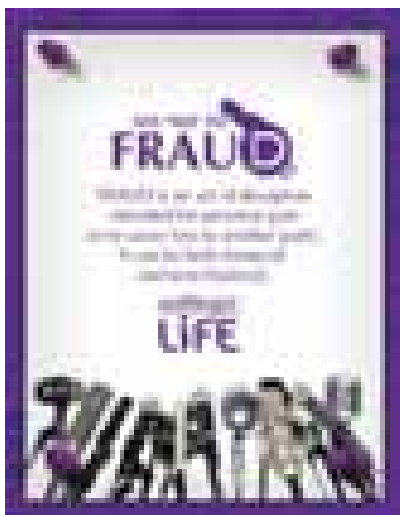


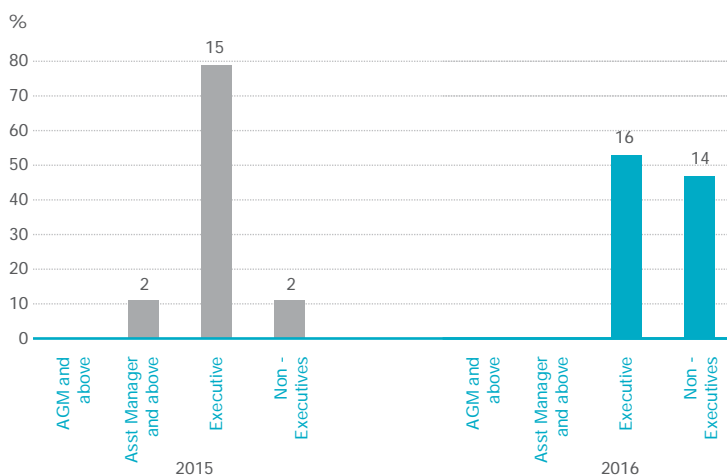
Table: Confirmed Incidents of Corruption and Actions Taken

Nature of incident	2016	2015
Misappropriation of funds	11 instances	12 instances
Misconduct	2 instances	-
Total Non-compliance with company procedure	13 instances	12 instances

Table: Confirmed Incidents in which Employees were Dismissed or Disciplined for Corruption

Nature of incident	2016	2015
Misappropriation of funds	9 instances	4 instances
Total Non-compliance with company procedure	9 instances	4 instances

Total Number and Percentage of Employees' Received Training on Anticorruption based on Employee Category



Anti-Corruption Incidents – Business Partners

We did not have any incidents when contracts with business partners were terminated or not renewed due to violations related to corruption or public legal cases regarding corruption brought against the organisation or its employees during the reporting period.

At the same time, the Company does not hire anyone below 18 years of age and also does not engage in any form of child labour or related activities as a company policy. According to our "environmental and social policy, we do not accept business which involves child

labour. To identify this, we have included a questionnaire in all our insurance agreements to ensure that we do not involve or participate in any kind of child labour activities by insuring any activity, production, use of, trade in, distribution of or involving such a practice.

We report the status of child labour in every Risk Committee meeting and discuss whether there are any matters arising in this regard each year.

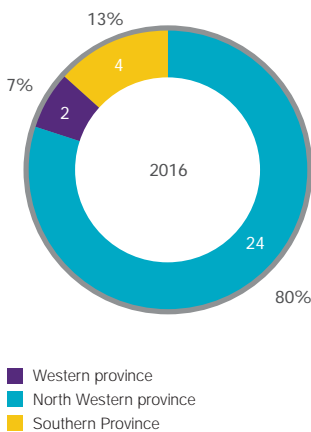
Anti-corruption policies and procedures have been communicated to all members of the governance body and all employees. But since we do not

Social and Relationship Capital - Community

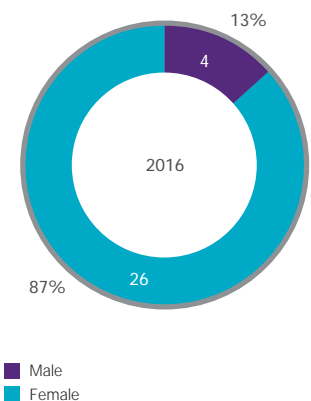
have business partners with material relationships, anti-corruption policies and procedures have not been communicated to them.

In order to keep employees' knowledge upto-date, during the year the Company provided Anti-corruption training and the figure below shows employee diversity amongst training participants.

Total Number and Percentage of Employees' Training on Anticorruption based on Region



Total Number and Percentage of Employees' Received Training on Anticorruption based on Gender



Our Environmental and Social Risk Policy (ESMS)

This policy aims to develop an understanding of Softlogic Life clients' approach to Environmental and Social Risk Management. Softlogic Life integrates the assessment of Environmental and Social Risks into its existing business-decision making and risk management procedures. We assess and review potential Environmental and Social Risks associated with all transactions to which the ESMS applies.

The policy includes an exclusion list that details harmful Industries we do not conduct any business with and it also includes a list of industries, that we can conduct business with but are deemed as high risk. Further, we do not make contributions directly or indirectly to any kinds of political activities for any reason.

Compliance

With regard to complying with regulations, our compliance officer monitors all the statutory payments and other regulatory requirements and reports monthly to the Board members. Therefore, there are no instances of significant fines on compliance matters since it is monitored accordingly.

Non-Discrimination

Since the Company has a formal policy on discrimination there were no incidents reported for discrimination and corrective actions taken with regard to them.

Ethical and Socially Responsible Marketing

Softlogic Life has embraced an ethical and socially responsible marketing strategy that gains the respect and the trust of the customers and offers long-term benefits all around. By balancing our self-interest with social responsibility, we believe our approach encourages a positive impact on all our company's stakeholders, including employees, community, customers, shareholders, business partners and regulators.

At Softlogic Life, we take care to hone the following practices to imbue our business with a strong social conscience.

Responsibility, Accountability, Transparency and Fairness

We take responsibility for our products and services and are honest and fair in our dealings with all our stakeholders. Our product forum evaluates each and every product before it is exposed to the general public. At the point of launching a new product, a press conference is held which is chaired by the product forum.

We are against advertising that scares customers into purchasing insurance policies by showing worst case scenarios. Instead, we invest in educating and familiarizing potential customers about how insurance can benefit their lives.

Respecting Customer Rights and Privacy

We protect customer rights including the rights of redress, the right to information and the right to privacy. The details are discussed under 'Customer segment' in this Social and Relationship Capital report.

Ethics in Advertising

Advertisement acts as a communicating bridge between buyer and seller. With globalization and expansion of market access, importance of advertising is steadily on the increase in modern society. Hence, we believe ethical aspect of our advertisement is extremely important for restoration of our culture, norms, and the creation of value for all stakeholders by incorporating social and environmental considerations in our products promotions. All our advertising is legal, decent, honest and truthful and prepares with a due sense of social responsibility and conforms to the principles of fair competition, as generally accepted in business.

We do not use advertisements to abuse the trust of our consumers or impair the public confidence.

Contribution to Society

We fulfill all legal, economic, philanthropic and societal responsibilities to all stakeholders; give back to the community and protect the ecological environment; maintain a positive and constructive engagement with the regulators by duly paying all the taxes to the government; full compliance with all the regulatory requirements; and appropriate participation in industry forums.

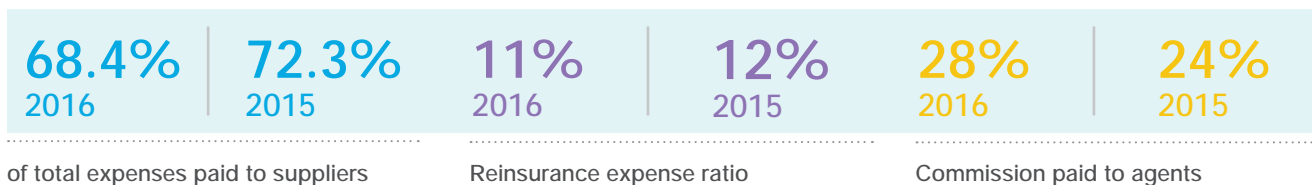
Looking Ahead

We are optimistic about the prospects for the insurance industry in the future and believe that the macro economic situation too will be supportive of industry growth. Considering that all of the above factors are perfectly aligned, Softlogic Life is poised for flight on an extraordinary journey, further imbued with a strong sustainability commitment which gives the Company a focus and a common goal which is to "make a difference in peoples' lives".

Social and Relationship Capital - Business Partners

BUSINESS PARTNERS

2016 at a Glance



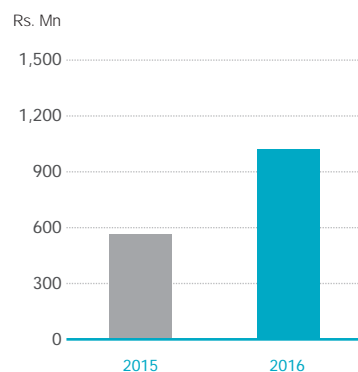
Role of Our Business Partners

At Softlogic Life, we deem the role of the Business Partners to be very important. We always strive to build trust and strong ties with our Business Partners such as Reinsurers, Actuaries, Field Staff, Suppliers, Banks and Financial Institutions etc. We communicate with them to share our goals and challenges, and always seek to partner with those who are trustworthy, have strong safety records, high labour standards and strong environmental performance.

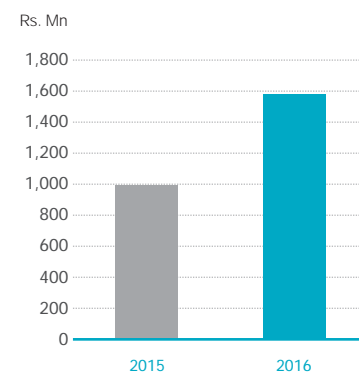
We can divide our main business partners as follows:



Total Expenses Paid to Suppliers



Comission Paid to Agents



All these parties play a vital role in Softlogic Life success story. The Company has established a process to ensure that we have engaged with all the business partners in a fair and transparent manner.

Our engagement with business partners ranges from routine to ad hoc and also the level of dependency can vary significantly as some categories are critical to our core operations. We have categorized our business partners according to the criteria depicted below:

Core to the Business	Ongoing Support	Non-routine Engagement
<ul style="list-style-type: none"> Reinsurers Field Staff Actuarial Partners 	<ul style="list-style-type: none"> Software Suppliers Maintenance Services Provider Banks and Financial Institutions 	<ul style="list-style-type: none"> Contractors

Reinsurers

Reinsurance is an essential tool used for managing risk in the insurance industry. Softlogic Life maintains an eminent panel of Reinsurers such as Munich Re and RGA which are recognized as best rated multinational reinsurers.

We are focused on increasing our goodwill with healthy reinsurance relationships. In some cases, through our good quality relationships, we have benefited our policyholders by paying the claims with a gesture of goodwill (ex- gratia) so that even reinsurer do not appear as liable. Also lessening the reinsurer's marginal costs with the long standing trust always stretches our customers' competitive policy options. During the year, the Company paid 11% of revenue to Reinsurers as a risk transferring mechanism.

Actuarial Partners

The Actuarial role is a specialized field associated with insurance business; hence, having quality actuaries' partnering us is key to operate a smooth business that is profitable in the long run. At Softlogic Life, our actuarial consultation is performed by Towers Watson & Co global professionals.

Field Staff

Our Field staff are on the frontline and convey the first impression of the company's image to our customers. Therefore, we invest heavily in training, developing and retaining our field staff. We provide them with adequate training and development opportunities, and structured sales tools and techniques that enhance their productivity and professionalism.

Invested during 2016

↑
1,160
Training hours

Invested in training and development

↑
16.5
Rs. Million

Suppliers

Our procurement decisions are made with suppliers fairly, transparently, honestly, and communicated clearly, thereby becoming mutually beneficial relationships. At a minimum, we require that our suppliers comply with local regulations, and we seek to ensure that they work to our exacting standards. Our suppliers include mainly service providers to run our daily operations such as Stationery suppliers, Cleaning and Maintenances, Electricity Board, National Water Supply and Drainage Board etc. We treat our suppliers fairly by settling dues on time.

Other Business Partners

Building trusted relationships with banks, asset management firms, and other financial institutions over a period

provides us with a sound platform on which to implement quick decision-making. The process of Asset and Liability Management (ALM) is pivotal for these businesses. Therefore, mutual trust and understanding, and reliance are very important to successful growth for everyone in the industry.

Looking Ahead

Softlogic Life will continue to build our relationship with our business partners with a view in achieving sustainable growth the long term.

INTELLECTUAL CAPITAL



We believe that intellectual property will take on a different meaning



TALENTED
EMPLOYEE BASE
535



OUR
BRAND
**softlogic
LIFE**



DIVERSIFIED BOARD OF
DIRECTORS

2016 at a Glance

Softlogic Life was the pioneer to introduce following new initiatives to the Life Insurance market:

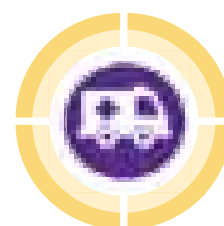


Doctor visit to your doorstep:

The Company launched another innovation that offer a Doctors facility at customers' doorstep in order to examine a medical condition of the customer or a member of the family.

Emergency Medical Facilities and Medical Tests at your doorstep:

In a medical emergency, an Ambulance will be rushed to the requested location which facilitates medical investigations / test at customer's residence for greater convenience and value-addition to our customers. Further, if required, ambulance will facilitate transport of patient for emergency treatment.



Delivery of prescription medicines to your doorstep:

The Company delivers medicines to customer's doorstep in an emergency. The customer can send the medical prescription via "LifeUp App", Viber or WhatsApp.24/7 service for greater convenience.

Key Performance Indicators

Rs. 24 Mn

Expenditure on Brand Building

38 %

Growth in Sales

Overview

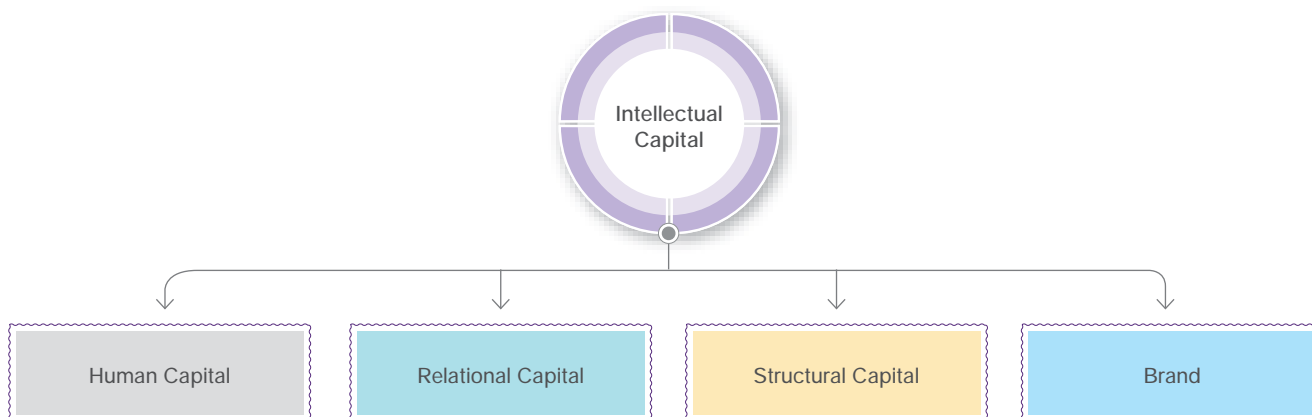
The Intellectual Capital of Softlogic Life is increasingly an important part of running a successful business and for value creation. Although physical and financial assets are important, a company's intellectual capital encompasses the applied experience, organizational technology, customer relationships and

corporate reputation that provide it with a competitive advantage in the market.

The Company is aware that pursuing GWP growth above the industry average and its sustainable competitive advantages are no longer driven only by investing in physical assets such as offices, but by investing in and managing intellectual capital.

Measuring intellectual property is important, so that the Company knows what it owns, but it does not capture the processes required to reach that stage. Intellectual capital can be both the end result of a knowledge transformation process or the knowledge that is transformed into intellectual property.

Intellectual Capital



Why Measure Intellectual Capital?

The Company measures intellectual capital for a variety of reasons:

- Measuring intellectual capital can help the Company formulate business strategies. By identifying and developing its intellectual capital, the Company may gain a competitive advantage.
- Measuring intellectual capital may lead to the development of key performance indicators that will help evaluate the execution of strategy. Intellectual capital, even if measured properly, has little value unless it can be linked to the firm's strategy.
- Using non-financial measures of intellectual capital can be linked to the Company's incentive and compensation plan.
- To communicate to external stakeholders what intellectual property the firm owns.

Human Capital

The principal sub-components of the Company's Human Capital are its workforce's set of skills and depth of expertise. Human resources can be thought of as the living and thinking part of intellectual capital resources.

Human capital includes

- Employee know how
- Education and vocational qualification
- Work-related knowledge and competencies

A high level of staff turnover would mean that a firm is losing these important elements of intellectual capital, therefore the Company takes all these factors into consideration when managing its intellectual capital. The Company's focus on employees is discussed under "Human Capital" on page 100.

Employee Know How

Our Board of Directors comprises a commercial lawyer, chartered accountant and chartered marketer, with accumulated industry experience of over 30 years, which shows appropriate mix of knowledge and experience at the senior level of the company. The senior management consists of well-qualified experts who have been working in the corporate industry for many years. The Company has taken all possible measures to retain highly qualified employees in technical areas such as Information technology, Underwriting, etc.

Education and Vocational Qualification

Education and vocational qualifications of employees are a critical measure of the success of their individual job role. Therefore, the Company has set its

Human Resource strategy in a way that it hires the best resources from the market. Extending this further, the Company bears professional membership fees on behalf of employees and during the year Rs. 1.8 Mn spent on reimbursement of membership fees.

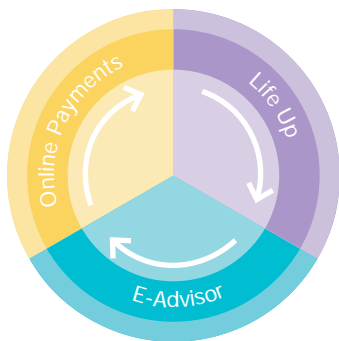
Work-related Knowledge and Competencies

Softlogic Life provides continuous training to its employees to bridge the knowledge gap of employees. Information about training programmes conducted during the year is included in the Human Capital report on pages 106 and 107.

The Company is cognizant of the fact that intellectual capital components will create value only if we retain our people. Accordingly, Softlogic Life has taken several initiatives for employee welfare which has been outlined in page 109.

Excellence in Human Capital

Investments made by the company in Human capital has in turn increasingly contributed to the extraordinary growth of Softlogic Life. Softlogic Life is proud to be the inventor of medical products in the life insurance business and the online insurance solution of Lifeup, of one-day claim settlement - all of which demonstrate the proven track record of excellence of Softlogic Life's intellectual capital.



“Our Main Applications to Customers”

Furthermore, 2016 was the landmark year for Softlogic Life due to the introduction of new innovations such as Doorstep doctor visit, Around the clock medicine delivery service, Ambulance service etc. These options are explained in detail in the Social and Relationship Capital Report on page no 125.

Relational Capital

The company takes into account all the relationships that exist between the company and its stakeholders. These can include customers, intermediaries, employees, suppliers, regulatory bodies (IBSL) and investors.

Relation with Customers

Customers being a top most line of the Company, strong relations with them could build customer loyalty. The Company fulfills its promises made to customers and caters to all socioeconomic and geographic segments from the outset. We take pride in helping to upgrade and improve the quality of lives of our customers. This is further discussed in the ‘Customer Section’ of this report on pages 115 - 130.

Relation with Intermediaries

Intermediaries such as sales agents and brokers play a vital role in the Company’s journey. Softlogic Life makes prompt

settlement for claims such as commission to build motivation and loyalty towards the company.

Relation with Employees

Detailed discussion on this is included in Human Capital Report on page 100

Relation with Investors

Our long term vision for the Company is driven by the loyalty and trust placed by the shareholders in the Company. Responding to their faith and confidence in the Company, we ensure that the Company strikes the perfect balance. DEG - Deutsche Investitions – und Entwicklungsgesellschaft mbH of Germany and FMO - Netherlands Financierings-Maatschappij Voor Ontwikkelingslanden N.V. of Netherlands jointly hold a 38% stake in the Company, which reflects the attractiveness of Softlogic Life for investors.

Business Partnering

The strength of Softlogic Life is Softlogic Holdings PLC, our parent, who is the unwavering giant in the corporate industry. The joint synergies have given rise to immense opportunities, especially in the healthcare sector, since the Softlogic Group owns 65% of the total private healthcare market. Softlogic Life is leveraging strategically on these and other emerging opportunities to consolidate its position as a leading insurer in the country by crossing many more milestones in its exciting journey.

Structural Capital

Structural capital is defined as the knowledge that stays within the firm through its organisational routines, procedures, systems, culture and governance. The corporate governance framework ensures the highest standards of business integrity, ethical values, and professionalism. Corporate governance best practices are discussed in detail on page no 182 (Corporate Governance Report).

Brand

Softlogic Life Insurance (SLI) was launched in 1999 as a Sri Lankan brand providing ‘tailor-made insurance’ solutions. SLI brand was positioned as being in the business of protection. Today, after 17 years, the Company is engaged in providing genuine protection to its customers and is widely respected by stakeholders and peers alike. The Softlogic Life Insurance brand is currently positioned on the platform basis of ‘Innovation’ with the ultimate objective of providing greater convenience to all our customers, as we truly understand their lifestyles and their priorities. The Softlogic Life brand is built on the values of Authenticity, Simplicity, Innovation, Care and Courage.

Why we went for a Brand Change

Typically, life insurance is known to be associated with death and other unfortunate circumstances, and the rest of the players in the market have not done anything differently to create a better image either. With the vision of becoming the market leader

He is Thinking	About how he can make the most of today
He is Feeling	Anxiety over uncontrollable aspects that hinder the life he imagined for himself and his family
Because	He doesn’t want to compromise on a lifestyle for him and his family
And Doing...	He needs to (proactively) nurture the wellbeing of himself and his family

Intellectual Capital

in the next 5 years and with the objective of increasing life penetration among SECA consumers, Softlogic Life wanted to take a different approach, so that we could:

- Align all business activities to a focused and a single clear strategy
- Establish a clear differentiation against competition
- Create a distinctive image and meaning deep within a consumer's mind
- Build a strong, consistent brand identity enabling the brand to be at the "top of the mind" of a consumer
- Align our culture and brand strategy to close gaps between our brand promise and what we truly deliver

Concept Behind the New Brand

Sri Lanka has one of the fastest growing and promising economies amongst South East Asian Countries. With the recent developments and the transition towards a more urbanized economy, the country's middle class has grown exponentially. With the middle class and upper class progressively driving the economy of the country, it is necessary to fuel the rising aspirations of this market, who will take this country forward. A modern economy is nothing without these game changers who are the leaders of progress and we as brand decided to choose them as the people we serve.

Customer Segment

A PROGRESSIVE achiever who wants to ENJOY all life's successes TODAY. He does not want to compromise on the best things that life has to offer. He wants to indulge in the best and take CONTROL of his life.

We started looking further into the lives of the middle and upper class segment of Sri Lanka and it was evident that the majority of these progress and preservation seekers already very strongly associate with brands under the Softlogic Group umbrella on a regular basis.

These conquerors have career focus, individual focus and a family focus. These are the Progressive achievers who want to enjoy all life's successes today. They look for peace of mind and good health which will help them to live the life to the fullest and they are constantly looking out for sophisticated products and services which will enable that today. We at "Softlogic" understood that we must take the high ground in the category and innovate in the future relevant spaces, which is Progress & Preservation. Softlogic as a group has always been Aspirational, Inspiring and Optimistic of the future. Softlogic is seen to be a truly Sri Lankan brand that takes the country forward by standing for those who dare to dream big, therefore a true enabler of world-class lifestyles.

Market leading brands owned by Softlogic.

Consumer Electronics	
Branded Apparel	
International Watches	
Eyewear	
Departmental Stores	Online Store
Restaurants	Furniture

Armed with this group strength and the vision of becoming the market leader in the next 5 years, we gave a new face to our insurance business” driven by a mission with a greater purpose where, we exist to nurture your wellbeing “so that you can enjoy life today”.

Re-branding Strategy

Brand Purpose– we exist to nurture your wellbeing “so that you can enjoy life today”.

to entail nutrition, health and fitness aspects by tailoring it to meet the growing health concerns of the new age consumer to foster Proactive Healthy Living

- Make basic protection more relevant through revolutionary service code driven by transparency, simplicity and digitization



Positioning Platforms

Positioning – Promote proactive health management / healthy lifestyle behaviours, we understood that our customer needed a change that redefines category norms:

- Insurance that works and benefits you now and while you live
- Broaden the scope of our products

- Make Insurance an enabler of confidence, freedom and give you control to enjoy life so that you can aspire to be the “best you”

Looking Ahead

It is expected that the initiatives set into motion as part of the new brand positioning will enhance the value and power of the Softlogic Life brand in future years.

WELLNESS	FITNESS	NUTRITION

AWARDS

ICASL Annual Report Awards



At the 52nd Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka (ICASL), Soft Logic Life Insurance clinched **Gold Award for Insurance Sector**.

Ranked among the top 10 Annual reports of the country

Insurance Industry Awards



Reaffirming its strong commitment to excellence in all key areas of operations, Softlogic Life has won acclaim at a national level for leadership in multiple subject areas - by bagging a record tally of three awards, the highest won by a single brand, at the inaugural Insurance Industry Awards of Sri Lanka 2016. Softlogic Life awarded for its excellence in Growth, Agency Distribution Channel and Innovative Technological Solution .

SAFA Best Presented Annual Report Awards 2016



Soflogic Life was awarded in insurance sector at SAFA best presented annual report award 2016.

CMA Excellence in Integrated Reporting Awards

Soflogic Life won an award at the “CMA Excellence in Integrated Reporting Awards” organized by the Institute of Certified Management Accountants of Sri Lanka (CMA), being one of the top ten best Integrated Reports presented during the year.

Great Place to Work Award 2016

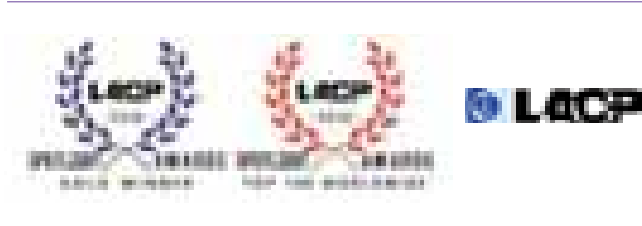


Softlogic life has been listed as one of the 'Top 25 Best Companies to work for in Sri Lanka' by the Great Place to Work Institute in partnership with LMD and the Ceylon Chamber of Commerce.

Asia Responsible Entrepreneurship Award

Soflogic Life Insurance PLC has been recognized as a winner in the 'Social Empowerment' category at the prestigious Asia Responsible Entrepreneurship Awards (AREA) 2016. At the high-level event held recently at Resort World Sentosa, Singapore to present the awards to the winners, Softlogic Life Insurance shared the stage with 170 nominees from the region.

LACP - League of American Communications Professionals



The 2016 Spotlight Awards Global Communications Competition drew one of the largest competition, representing a broad range of industries and organizational sizes. Softlogic Life won two awards based on

- Gold Award Winner up to \$ 100 million category
- Ranked 45th in overall ranking

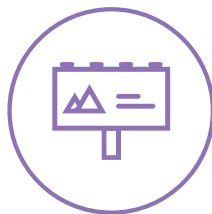
NATURAL CAPITAL



Let's contribute towards a greener environment; the small effort can lead to a greater change."



INTRODUCING E POLICY DOCUMENTS



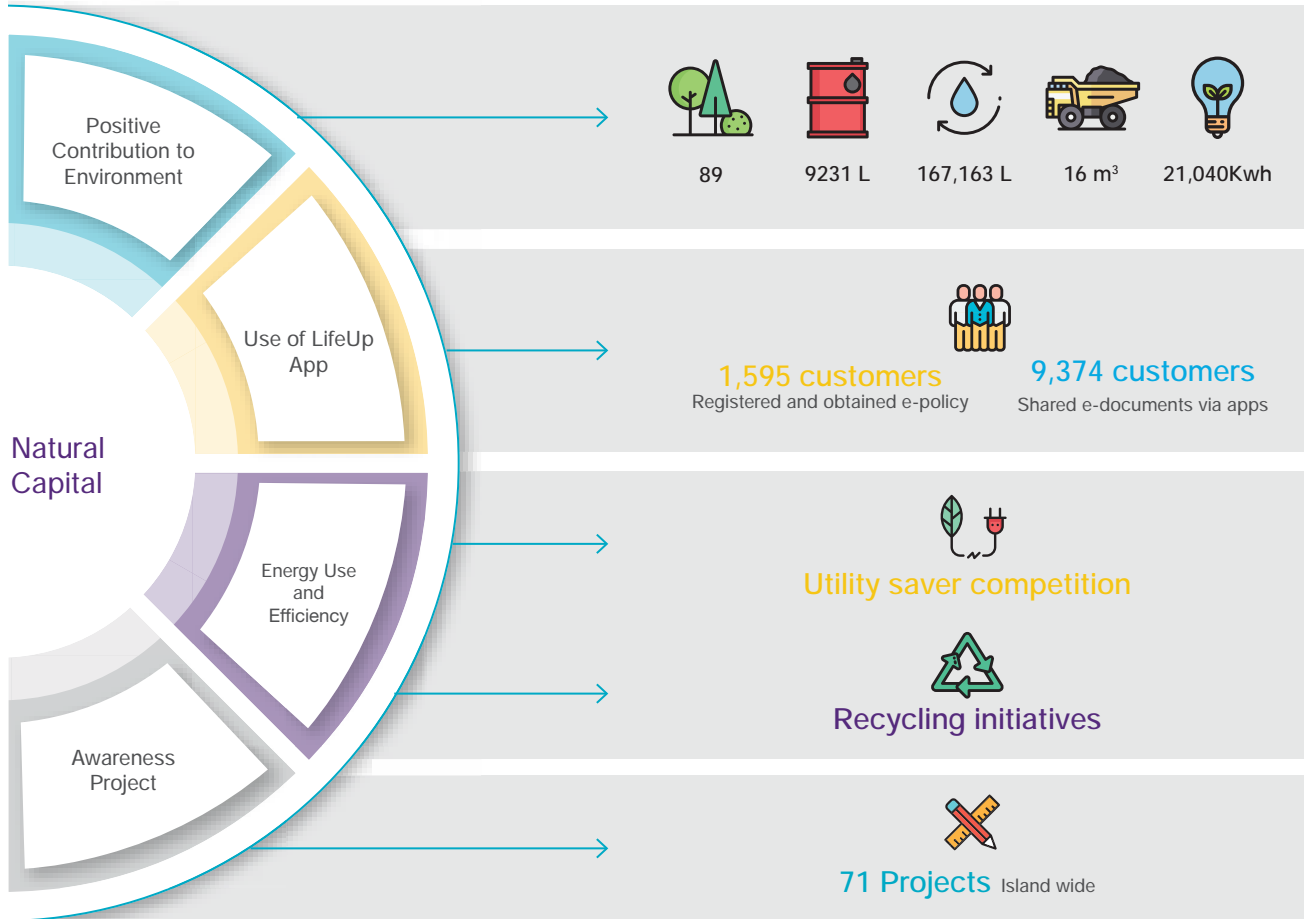
AWARENESS BOARDS ISLAND WIDE

71



USE OF E - APPLICATIONS

2016 at a Glance



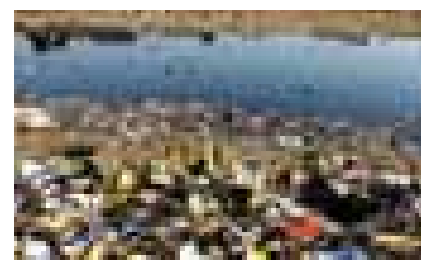
Nature and Environment

The future of humanity is inextricably linked to the future of Planet Earth. Apart from the fact that the Earth is our home, humans also depend on the planet to draw their sustenance. The long term sustainability of Earth therefore, ensures the long term viability of the human species as well. Considering this, we, in Sri Lanka, are even more blessed because of the geographical position of our island country, which has rendered it rich with bio diversity and natural resources. Sri Lanka has some of the highest density of flora and fauna found within a relatively small physical area.

Despite the fact that Sri Lanka still enjoys a vast green cover, the fact is that as a primarily agrarian economy implies that deforestation has continued apace to

make way for farming lands. In recent years, the impact of such denuded lands coupled with climate change has triggered adverse effects such as soil erosion, floods and landslides, leading to loss of life and property. Deforestation remains the primary threat to the survival of Sri Lanka's biodiversity.

However, the impact of humans on the biodiversity doesn't end with deforestation alone. Other major environmental concerns in Sri Lanka include increased pollution, freshwater resources being polluted by industrial waste and sewage runoff, waste disposal, air pollution in Colombo and other urban cities due to emissions from vehicles, factories and other industrial establishments, and coastal degradation from mining activities.



Natural Capital

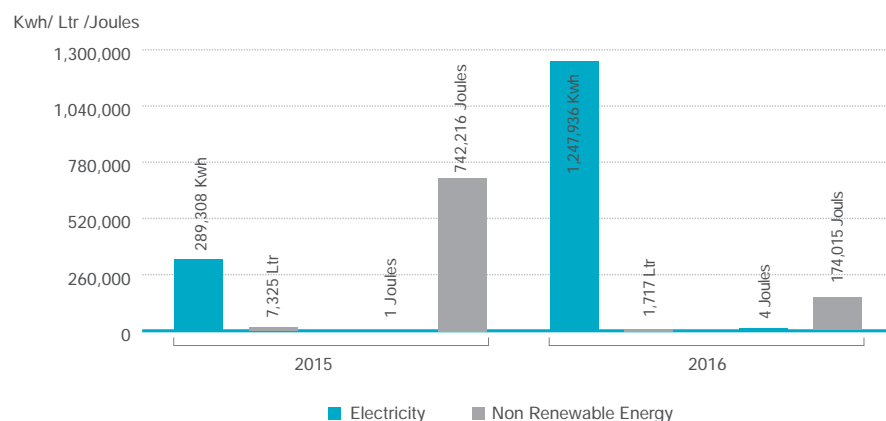
Where We Focus

Natural resources are under threat from many man-made causes and while they may be renewable, they are not infinite. Demand for natural resources could outstrip supply in the future with dire consequences unless definite steps are taken to reverse some of the harm that Mother Nature has suffered. As a responsible business, we have identified the need to quantify and value the impact of our operations on the environment, though by the nature of Softlogic Life's business, it has minimal adverse impact on the environment. However, our concern for making a significant sustainable contribution has led us to carry out Carbon Offsetting.

Carbon Offsetting

Carbon offsetting is an internationally recognised way to take responsibility for unavoidable carbon emissions. In simple terms, offsetting one tonne of carbon means there will be one less tonne of carbon dioxide in the atmosphere than there would otherwise have been. It is the fastest way to achieve emissions reductions and the only way to achieve carbon neutrality. By using the carbon offsetting indicator, we identify and quantify the impact of the environment as a responsible business.

Energy Consumption



For the purpose of measures the Company's renewable and non-renewable energy consumption into joules, we have used two separate websites converters for Kwh and Liters from www.convertunits.com and www.rapidtable.com respectively.

Units in Joules**	2016	2015
Non Renewable Sources	174,015	742,216
Renewable Fuel Consumption (Electricity)	N/A	N/A
Sold (Electricity)	N/A	N/A
Total Energy	174,015	742,216

Water Management

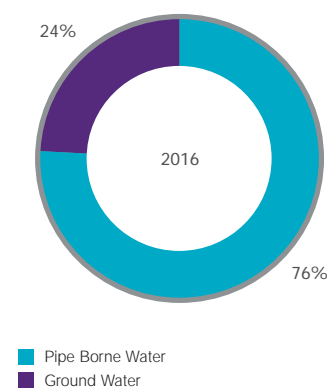
It is vital to conserve water to ensure a supply chain of clean water especially with the threat of global water scarcity looming. Softlogic Life has promoted sustainable practices in water usage, while ensuring a smooth supply of clean water to all the employees.

Water withdrawal by source and Water Usage

Our company monitors and measures water from all sources, which includes ground water and pipe-borne water from the National Water Supply and Drainage Board. The company withdrew a total of 11,460 units of water during the year 2016.

Further, Softlogic Life supplies mineral water to the employees through a third party supplier. In 2016 the Company consumed 252,990 units of water for drinking purposes.

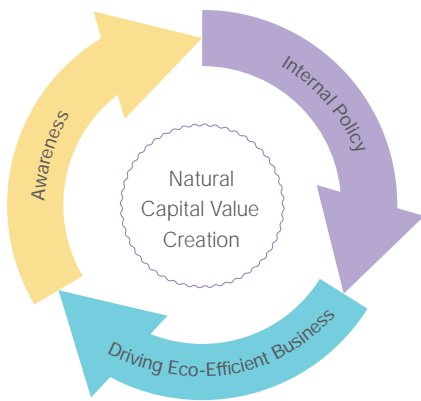
Water Withdrawal by Source



Although environmental awareness is rapidly improving in the society, taking decisive action to protect natural capital and ensuring its future sustainability is inadequate. At Softlogic Life, our efforts remain ongoing even beyond monitoring the impact on the environment.

We have created value drivers to improve our positive contribution towards the environment and to reduce the impact as below:

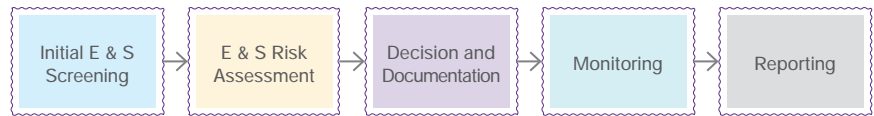
Figure: Softlogic Life Natural Capital Value Creation



Value Creation - Internal Policy

In order to protect our environment, Softlogic Life follows a set of comprehensive environmental and social management principles which assess and review potential environment and social risks associated with all transactions. The Company integrates the assessment of environmental risks into its existing business decision-making and risk management procedures based on those principals. The Company's environment and social management system procedures are comprised of five main activities for the management of Environment and Social (E & S) Risk Assessment as follows:

Figure: Environmental and Social Risk Assessment model



Our environment and social principles are not just a set of words on a piece of paper but a concept in practice integrated to core business activities. It allows the top management down to the ground level staff to define key metrics and identify and implement projects to reduce our environmental footprint. Our programme extends beyond the boundaries of the Company, as we are incorporating our environmental standards into supplier engagements.

We understand that due to the nature of our business activities, we may be limited in some cases in our ability to influence our environmental performance or behaviour of our clients. We will nonetheless engage with our clients where possible and actively seek to work with those whose business practices are in alignment with our Environmental and Social Management System standards. Where clients do not meet our standards and expectations, we will initially address the identified issues with the hope of improving their performance and where client practices fail to improve or do not demonstrate commitment to improvement, we always consider exiting the business relationship.

Value Creation - Driving Eco-efficient Business

We are constantly in the process of applying and expanding eco-efficiency in our business. Softlogic Life has incorporated several eco-efficient initiatives in its business activities to combine sustainable development by way

of increasing productivity of resources and reducing usage of resources. Below are some of the key initiatives:

Waste Management

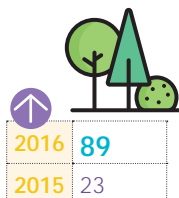
Waste management and management of paper consumption were prioritized in the same vein as the previous year. Compared to 2016, we boosted our savings of greenhouse gas emissions over 260% by partnering with Neptune Recycles Private Ltd.

Our paper waste managing partner, Neptune Recycles, shreds our waste papers in an environmentally friendly manner, which not only saves natural resources, but also assists our company in securely disposing our company's confidential documents. We do not incur costs regarding waste disposal, emission treatment and remediation cost, since none of the third parties charge a fee for the services provided.

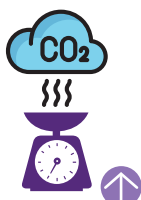
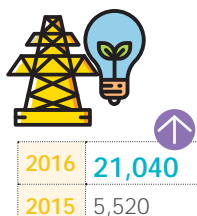
Our paper recycling efforts delivered substantial savings while positively contributing to the environment:

Natural Capital

FULLY GROWN TREES

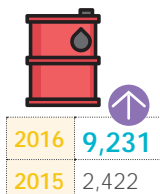


ELECTRICITY (KWH)

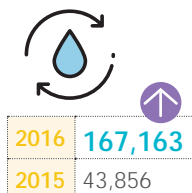


2016	5,026
2015	1,387

OIL (LITERS)



WATER (LITERS)

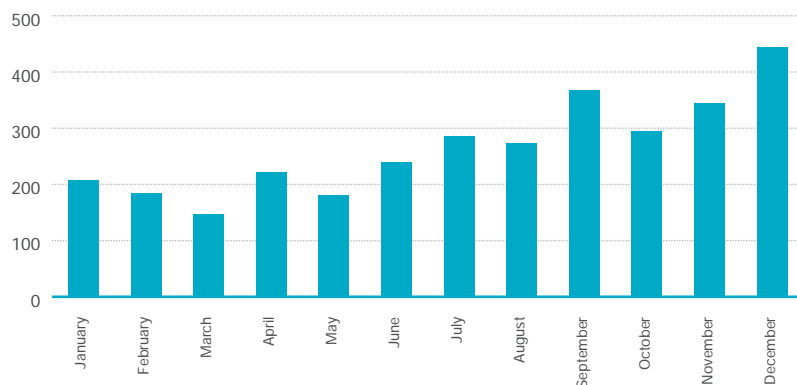


LAND FILL (CUBIC METER)



Saving to Natural Capital	2016	2015	%
Fully grown trees	89	23	287
Oil (Liters)	9,231	2,422	281
Electricity (Kwh)	21,040	5,520	281
Water (Liters)	167,163	43,856	281
Land fill (cubic meter)	16	4	300
Reduction of Greenhouse gas emission (Kg's of carbon)	5,026	1,387	262

No. of Downloaded Documents via LifeUp App



Using e-App Insurance Applications

As one of the Company's best practices, we have introduced an automated underwriting system and an e-policy issuing process called 'E-advisor' and 'LifeUp' applications to minimize paper usage. As at 31st December 2016, 1,595 customers registered for using these new Applications and 9,374 e- documents were sent via these apps by customers. Further, a significant number of our customers actively used online payments to settle their premiums during the year under review.

Using Customized Product Policy Documents

The Company introduced a customized policy document to reduce unnecessary paper usage. Through this concept, the customer receives only his or her policy conditions rather than receiving a typical policy document which contains all the rules and regulations in general. It has also served to simplify customers' requirements and made it easy to understand the same. This is another industry first initiative from us.



Energy Use and Efficiency

The Energy Indicators cover the five most important areas of organizational energy use, which include both direct and indirect energy. Direct energy use is energy consumed by the organization and its products and services. Indirect energy use, on the other hand, is energy that is consumed by others who are serving the organisation.

Our facilities management teams are continuously working to monitor efficiency in water and electricity consumption. Valuable energy saving initiatives is leveraged on by the Company. Listed below are a few such initiatives:

- Sending an SMS instead of written reminders to pay premium
- Best Printing and Stationary Saver and utility saver Competition
- "Power Saving" – Softlogic Life Sustainability Programme
- Recycling bin project

Details of each program are as follows;



Utility Saver Competition

Company initiates Utility Saver Competition every month, and where the winning branch or head office department gets a prize for being the most energy saver in the particular month.



Best Printing and Stationary Saver Competition

It is wonderful to see our employees' enthusiasm to save utility expenses at branches include head offices departments. We have created an opportunity for employees' effort to be recognized and rewarded as the best savers of printing and stationary. The winner for each division is assessed based on percentage saving for the quarter compared to last quarter.



Recycling Initiatives

Recycling Initiatives have been put in place to ensure that we take the best use of recycling materials. Company carried out some random inspections and recognized and rewarded the best users based on the floor to encourage the best practices.

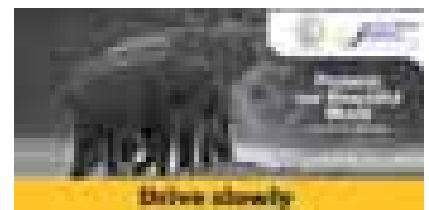
Value Creation - Awareness

Wildlife and Biosecurity Awareness

Apart from verdant nature, Sri Lanka is blessed with a rich heritage going back centuries. However, many of these deeply important religious, cultural and environmental sites are under threat from overuse and pollution. Recognizing the value of these natural heritage sites, Softlogic Life is proud to be at the forefront of proactively contributing towards preserving our motherland, the pearl of the Indian Ocean, launching two large scale projects.

The Company's CSR journey has maintained the awareness boards in the outskirts of the Yala National Park, Habarana, Minneriya and Galle to create awareness on preserving wildlife, which forms an integral part of nature's equilibrium, under the theme 'Protect Your Beautiful World'.

Summary of key projects are as follows:



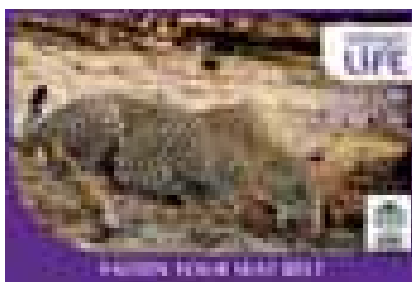
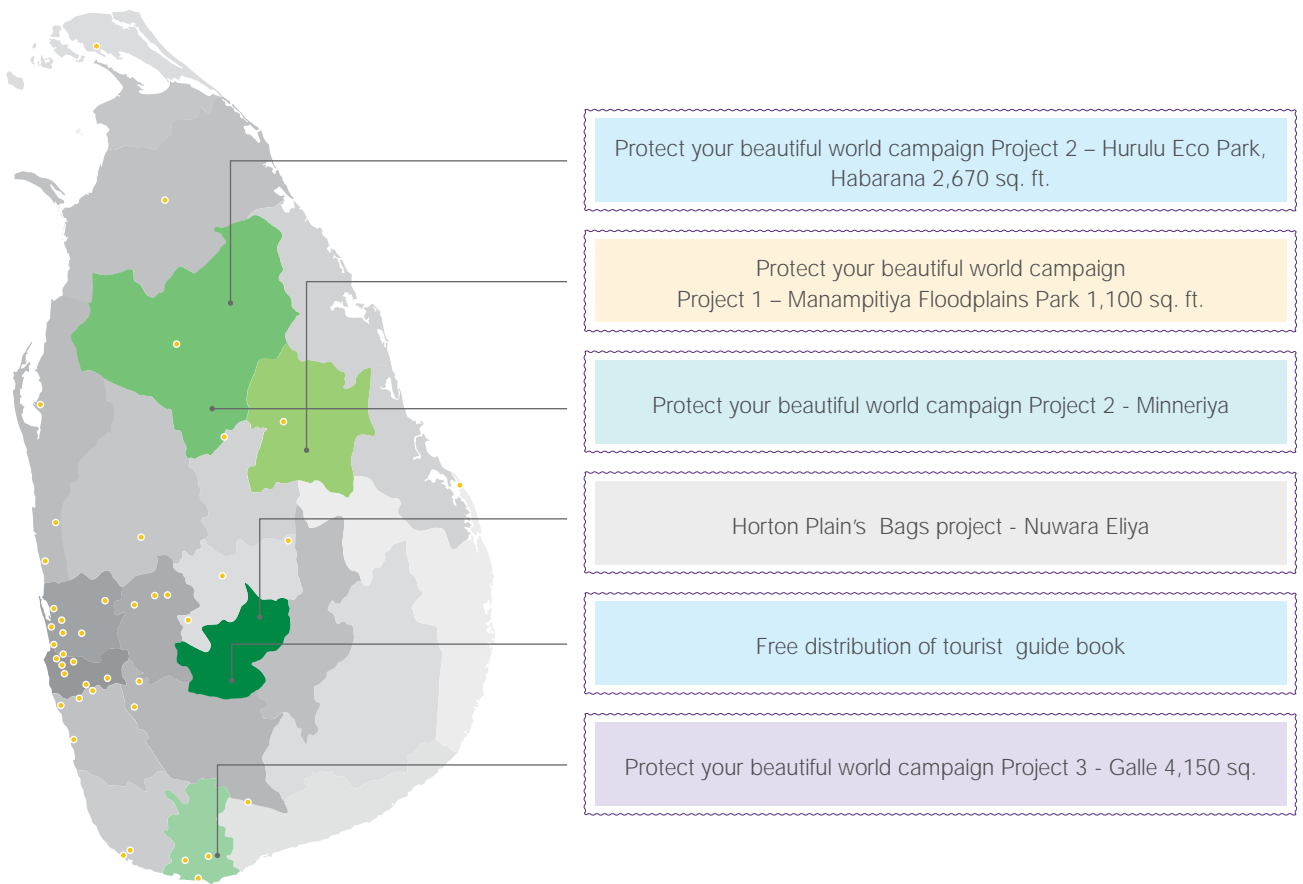
The Company has erected 71 boards along the stretch of road between Batticaloa and Polonnaruwa road to Manampitiya, Hurulu Eco Park on the Habarana-Trincomalee road to Minneriya and Yala in 2015 and continued its maintenance during the year 2016. Details of projects are shown in below table and islandwide coverage is shown as follows. The banners are in all three languages and carry slogans instructing "Drive slow" and "Be watchful", while the luminous surface allows the banners to glow in the dark and be seen clearly by drivers at night. The main objective of executing these projects is to address the pressing need of the hour, where a number of wild animals suffered fatalities due to accidents while crossing the main road which is being developed across the forest. In year 2016, we managed to maintain and continue these awareness initiatives.

Natural Capital

Table : Bio Diversity Projects

Project Name	Province	No of Hoarding
Minneriya Project	North Central Province	13
Habarana Project	North Central Province	15
Yala Project	Southern Province	17
Polonnaruwa Project	North Central Province	18
Galle Project	Southern Province	8
Total		71

Figure: Island wide coverage



Branches Operated in the Bio-diversity Areas

The Company does not operate branches within any area with high biodiversity value or one that is protected. Nevertheless, we use our presence in the broader geographical areas with biodiversity significance to make a difference in the fight to protect the environment we love.

Looking Ahead

The objective of Softlogic Life is to provide long-term protection and security for the future of our next generation. The nurturing and mentoring role we have adopted ensures the well-being, health and financial security of our stakeholders. Our commitment to the environment is born out of this desire to extend the platform of protection to include our natural resources.

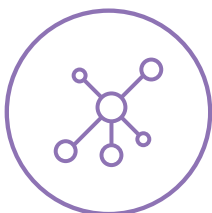
Our greening initiatives so far, coupled with efforts to raise awareness on the need to be sensitive and supportive of natural resources have engaged stakeholders closely, and added value to conservation of the environment. We are committed to sustain and indeed strengthen this commitment to have a greater impact on preserving the rich biodiversity that Sri Lanka has been blessed with.



MANUFACTURED CAPITAL



Manufactured capital will be used to provide unmatched end customer experience which will set industry benchmarks



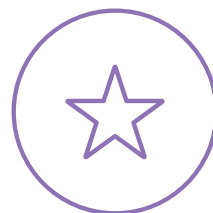
ISLAND WIDE
BRANCH NETWORK

61



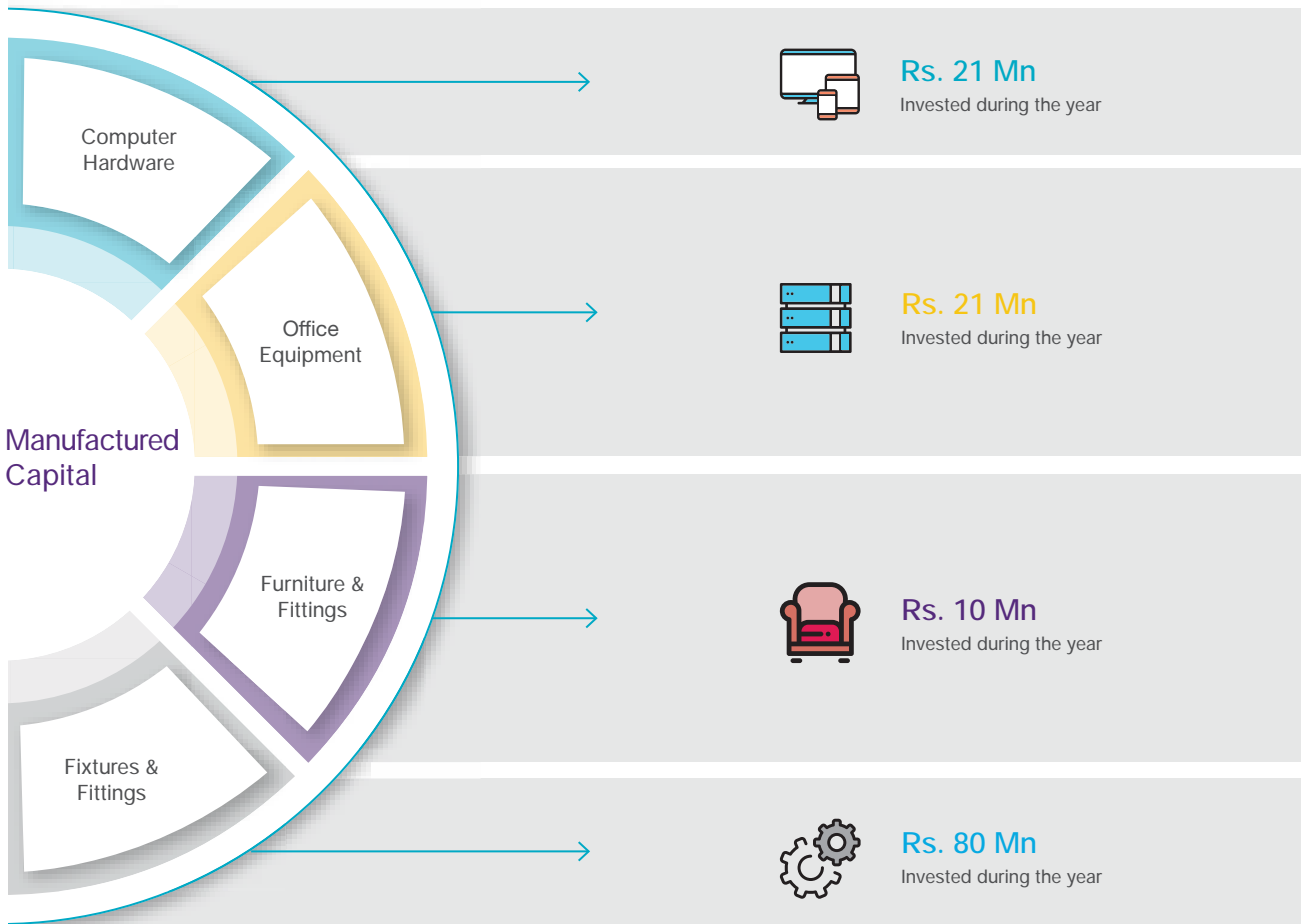
NEW
INVESTMENT

Rs. 137 Mn



INTRODUCING SUPPER
BRANCH CONCEPT

2016 at a Glance



Supper
Branches

2
No.

New
Customers

23,756
No.

New
Branches

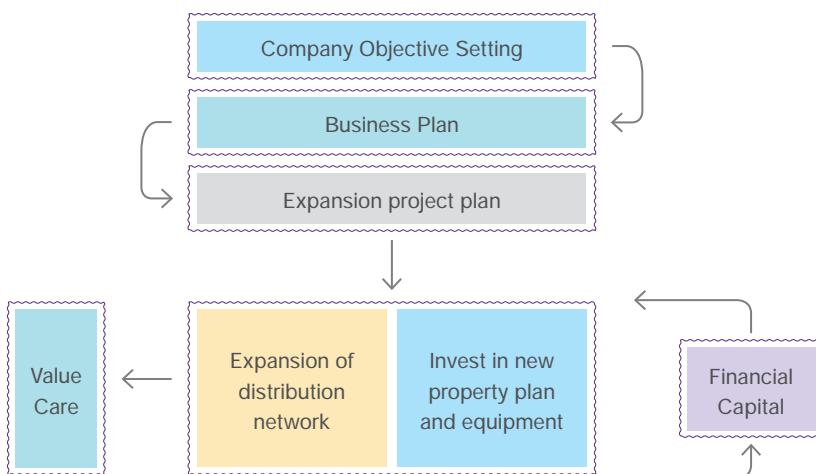
6
No.

Manufactured Capital

Overview

The components of the Company's manufactured capital, as shown in the diagram below, include both 'hard' and 'soft' elements. Manufactured capital of the softlogic Life is a mix of its Building, Property Plan and Equipment, Branch network etc. Even though it is not a cardinal aspect of the revenue generation process of the Company, it is an integral part of the Company's value creation process.

Softlogic Life Manufactured Capital Building Process



Softlogic Life has set a long term goal to achieve 15% market share by 2019. One of the priority actions of the short term plan is to achieve higher sales growth which is also above industry average. This could be achieved through:

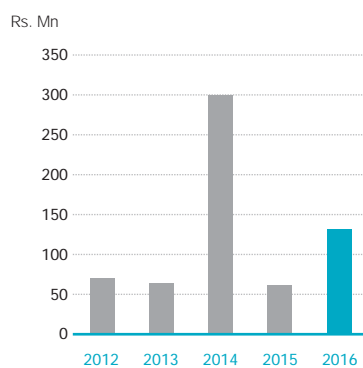
1. Expansion of Distribution channel
2. Introducing innovative products
3. Process improvement focusing customer convenience

All above options require investment in fixed assets which in turn will create value to the company by generating future cash inflows. We continue to invest in our branch network and technology infrastructure to create a Company more accessible to its customers. As evidence of this, we attract 23,756 new customers to the Company.

As part of the above process, the Company is using manufactured capitals in the nature of common infrastructure such as roads, building, bridges etc.

Details of investment in manufactured capital over the last five years is given below:

Additions of Fixed Assets



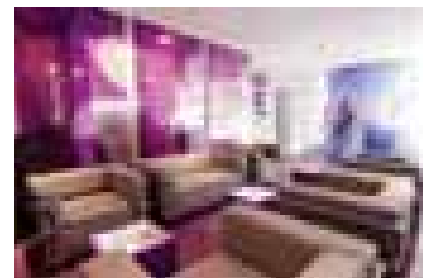
Compound Annual Growth rate of 13.53%

Expansion of Distribution Network

The Company operates 61 branches island wide as depicted in page no 128 of this report. The Company encourages organic growth which empowers the expansion of regional hubs and on-

distribution territories with satellite offices. This organic expansion has ensured high productivity levels. Further, the Company's geographical distribution strategy is planned carefully in alignment with the country's development strategy.

Accordingly, the Company opened six new branches at Batticaloa, Matale, Badarawela, Ambalantota, Negombo and Malambe.



During the year, the branch network has been improved through a combination of refurbishment and re-positioning.

Investment in Property, Plant and Equipment

The Company invested Rs. 131 million in new property, plant and equipment. The investment is utilized to enhance company facilities provided to its employees, customers and other stakeholders, improved customer service and customer retention.

Looking Ahead

The Company will strategically invest in manufactured capital to achieve its ultimate goal. Further, manufactured capital will be used to provide unmatched end customer experience which will set industry benchmarks.

FUTURE OUTLOOK

Softlogic Life Insurance is poised at the optimum cutting-edge position in its history– boasting a robust Balance Sheet, strong operational efficiencies, prudent risk and governance framework, a growing customer base, facility to leverage on group synergies with parent, Softlogic Holdings, and a professional team of employees who are equally dedicated to sustaining the Company's reputation as the most rapidly growing Insurance Company in Sri Lanka. All the key performance indicators are glowing green and the Company holds strong credentials in pioneering innovations, customer comfort and building long term relationships as the most trusted insurer in the country. Our systems and processes are primed for rapid growth and the segregations of operations we believe will further help us to differentiate on a strong customer oriented products and service platform. We have the right people positioned in the right functions and they will steer our business to profitability and ensure that we deliver our brand promise with consistency.

We are optimistic about the prospects for the insurance industry in the future

and believe that the macro economic situation too will be supportive of industry growth. The Company will continue to integrate its risk management process with its sustainability strategy through consistent tracking and reporting of key risk indicators on areas such as greenhouse gas emissions, talent attrition, third party claims, non-compliance and stakeholder concerns with regards to the Company's operations. While maintaining the robust sustainability performance management framework, the Company will also work to ensure that sustainability and risk management practices are further entrenched across its significant value chain partners through the implementation of responsible sourcing practices, where practical and relevant. Our sustainability performance targets for each stakeholders have been illustrated under each capital reports.

Considering that all of the above factors are perfectly aligned, Softlogic Life is poised for flight on an extraordinary journey, further imbued with a strong sustainability commitment which gives the Company a focus and a common goal - insuring our beautiful world.

INDEPENDENT ASSURANCE REPORT



KPMG

(Chartered Accountants)
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We have been engaged by the directors of Softlogic Life Insurance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2016. The Sustainability Indicators are included in the Softlogic Life Insurance PLC 's Integrated Annual Report for the year ended 31 December 2016 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	18 - 19

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Sustainability performance indicators - Non Financial Highlights	20
Information provided on following capitals	
Financial	70 - 97
Human	98 - 113
Social and Relationship	114 - 141
Intellectual	142 - 149
Natural	150 - 157
Manufactured	158 - 161

Our conclusions:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended

31 December 2016 are, in all material respects, prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 Content Index Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators,

as defined above, for the year ended 31 December 2016, have not in all material respects, been prepared and presented in accordance with the GRI G4 Content Index Guidelines.

Management's responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the GRI G4 Content Index Guidelines.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance

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

MR Mahipala FCA
Y.J.S. Rajakari FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunasinghe FCA
R.H. Rajin ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapaksa FCA
C.P. Jayatilaka FCA
Ms. S. Joseph FCA
S.T.D.L. Perea FCA
Ms. B.K.D.N. Rodrigo FCA
Principals - S.R. Perera FCA/ACU/L, Attorney-at-Law, M.S. Coornewalders ACA



conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the GRI G4 Content Index Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability

Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;

- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the GRI G4 Content Index Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.



Chartered Accountants
Colombo

9th March 2017

GRI G4 - CONTENT INDEX

The Global Reporting Initiative (GRI) is a non-profit organisation that promotes economic, environmental and social sustainability. GRI's Sustainability Reporting Guidelines enables all companies and organisations to measure and report their sustainability performance.

We have focused the content of this report on our most material CR issues and in doing so, we self-declare this report is in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines at Core option.



General Standard Disclosures

	Page	External Assurance	Description
Strategy and Analysis			
G4-1	26 - 29	None	Statement from the most senior decision maker of the organisation
Organizational Profile			
G4-3	14	None	Report the name of the organization
G4-4	120 - 123	None	Report the primary brands, products, and services
G4-5	8	None	Report the location of the organization's headquarters
G4-6	Only in Sri Lanka	None	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report
G4-7	14-15	None	Report the nature of ownership and legal form
G4-8	129	None	Report the markets served
G4-9	18,73,101,116, 120 - 123,128	Yes	Report the scale of the organization
G4-10	101,102,104	Yes	Report employees by contract and gender
G4-11	We do not have any collective bargaining agreements	None	Report the percentage of total employees covered by collective bargaining agreements
G4-12	10-13	None	Describe the organization's supply chain
G4-13	17	None	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain
G4-14	196	None	Report whether and how the precautionary approach or principle is addressed by the organization
G4-15	124-128,197	None	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses
G4-16	67	None	List memberships of associations

	Page	External Assurance	Description
Identified Material Aspects and Boundaries			
G4-17	64	None	List all entities
G4-18	64 - 66	None	Aspect Boundaries
G4-19	66	None	List all the material Aspects identified in the process for defining report content
G4-20	67	None	Report the Aspect Boundary within the organization
G4-21	67	None	Aspect Boundary outside the organization
G4-22	65	None	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements
G4-23	65	None	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries
Stakeholder Engagement			
G4-24	59	Yes	Provide a list of stakeholder groups engaged by the organization
G4-25	58	Yes	Report the basis for identification and selection of stakeholders with whom to engage
G4-26	60-63	Yes	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process
G4-27	60-63	Yes	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns
Report Profile			
G4-28	6	None	Reporting period (such as fiscal or calendar year) for information provided
G4-29	65	None	Date of most recent previous report
G4-30	Annually	None	Reporting cycle
G4-31	8	None	Provide the contact point for questions regarding the report or its contents
G4-32	64,162-163,164-167	None	Report the 'in accordance' option
G4-33	8,218-220	None	External Assurance
GOVERNANCE			
G4-34	195-196	None	Report the governance structure of the organisation
Ethics and Integrity			
G4-56	196	None	Describe the organization's values and codes of ethics

GRI G4 - Content Index

Specific Standard Disclosures

Material Aspect	DMA and Indicators	Omissions	External Assurance	Page	Description
Category: Economic					
Economic Performance	G4-DMA	-	Yes	70-90,110	
	G4-EC1	-	Yes	93	Direct economic value generated and distributed
	G4-EC3	-	Yes	110	Coverage of the organisation's deined benefit plan obligation
Category: Environmental					
Energy	G4-DMA	-	Yes	152	
	G4-EN3	-	Yes	152	Energy Consumption
Water	G4-DMA	-	Yes	152	
	G4-EN8	-	Yes	152	Total water withdrawal by source
Category: Social					
Sub-Category: Labour Practices and Decent Work					
Employment	G4-DMA	-	Yes	104	
	G4-LA1	-	Yes	103,105	New Employee Hires and Employee Turnover
	G4-LA3	-	Yes	104	Return to Work
Training and Education	G4-DMA	-	Yes	106-108	
	G4-LA9	-	Yes	106	Average hours of Training
	G4-LA10	-	Yes	106-108	Programs for Skills Management
	G4-LA11	-	Yes	108-109	Percentage of Employees receiving Regular Performance
Diversity and Equal Opportunity	G4-DMA	-	Yes	100-101	
	G4-LA12	-	Yes	101	Composition of Governance Bodies and Employees
Equal Remuneration for Women and Men	G4-DMA	-	Yes	109	
	G4-LA13	-	Yes	109	Ratio of Basic Salary and Remuneration of Women to Men
Sub-Category: Human Rights					
Non-Discrimination	G4-DMA	-	Yes	113	
	G4-HR3	-	Yes	113	Incidents of Discrimination
Child Labour	G4-DMA	-	Yes	113,137	
	G4-HR5	-	Yes	113,137	Incidents of Child Labour

Material Aspect	DMA and Indicators	Omissions	External Assurance	Page	Description
Sub-Category: Society					
Local Communities	G4-DMA	-	Yes	132-136	
	G4-SO1	-	Yes	132-136	Local Community Engagement, Impact Assessments, and Development Programs
Anti-Corruption	G4-DMA	-	Yes	137	
	G4-SO4	-	Yes	137	Anti-corruption Policies and Procedures
	G4-SO5	-	Yes	137	Incidents of Corruption
Public Policy	G4-DMA	-	Yes	138	
	G4-SO6	-	Yes	138	Value of Political Contributions
Compliance	G4-DMA	-	Yes	138	
	G4-SO8	-	Yes	138	Compliance with laws and Regulations
Sub-Category: Product Responsibility					
Customer Health And Safety	G4-DMA	-	Yes	130	
	G4-PR2	-	Yes	130	Incidents of non-compliance
Marketing Communications	G4-DMA	-	Yes	130	
	G4-PR6	-	Yes	130	Sale of Banned Products
Customer Privacy	G4-DMA	-	Yes	129	
	G4-PR8	-	Yes	129	Breaches of Customer Privacy
Compliance	G4-DMA	-	Yes	130	
	G4-PR9	-	Yes	130	Non-compliance with Laws and Regulations
	Sector specific indicator	-			
	FS-13	-	Yes	128	Access Points in Low - Populated or Economically Disadvantage by Area and Type

STEWARDSHIP

Stewardship

Board Of Directors	170
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Risk Committee Report	225
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“We strive to incorporate good corporate governance throughout the Company in order to be accountable to all our stakeholders. We hold the view that transparency and accountability are essential for our Company to thrive and succeed in the short, medium and long term. //”



Ashok Pathirage
Chairman



BOARD OF DIRECTORS

Year 2016 marked an important juncture for Softlogic Life Insurance in its 17 year history



01

Mr. Ashok Pathirage
Chairman

Mr. Pathirage is one of the co-founders of Softlogic and was appointed Chairman of Softlogic in 2000. He serves as Chairman/Managing Director of the Asiri Hospital chain, Softlogic Capital PLC, Softlogic Finance PLC, Softlogic Life Insurance PLC, and Odel PLC, which are listed in addition to the private companies of the Group operating in Leisure & Restaurants, Retail, Automobile and ICT industries. He is also Deputy Chairman of the National Development Bank PLC and Chairman of NDB Capital Holdings PLC. Due to his business acumen and corporate leadership, he is one of the leading business leaders in the Country.



02

Mr. Paul Ratnayeke
Deputy Chairman

Mr. Paul Ratnayeke is a leading commercial lawyer and a Senior Partner and Founder of Paul Ratnayeke Associates, an established law firm in Sri Lanka. Mr. Ratnayeke graduated with Honours from the University of Ceylon (Colombo) and has also been awarded a Masters Degree in Law by the University of London. He is a Solicitor of the Supreme Court of England and Wales and an Attorney-at-Law of the Supreme Court of Sri Lanka. Mr. Ratnayeke specializes in corporate and commercial areas of law including in the fields of mergers and acquisitions, aviation, insurance and shipping. Currently, Mr. Ratnayeke holds directorships in several companies.



03

Mr. Iftikar Ahamed
Managing Director

Mr. Iftikar Ahamed was appointed Managing Director of Softlogic Life Insurance PLC in January 2014. He heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the Financial Services' Sector Holding Company. He is a Non-Executive Director of Softlogic Finance PLC and an Executive Director of Softlogic Stockbrokers (Pvt) Ltd. He counts over 30 years of experience in a wide range of métiers within the financial services industry and has extensive banking experience both in Sri Lanka and overseas, having held senior management positions as Deputy Chief Executive Officer at Nations Trust Bank PLC and Senior Associate Director at Deutsche Bank AG. He holds an MBA from University of Wales, UK.



04

Mr. Sujeewa Rajapakse
Director

A Fellow of the Institute of Chartered Accountants of Sri Lanka and the Society of Certified Management Accountants of Sri Lanka, Mr. Sujeewa Rajapakse is the Managing Partner of BDO Partners a Firm of Chartered Accountants. He holds a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

Mr. Rajapakse is a Past President of the Institute of Chartered Accountants of Sri Lanka. He was the Technical Advisor of the South Asian Federation of Accountants (SAFA). He was also a Technical Advisor to the Confederation of Asia Pacific Accountants (CAPA). Mr. Sujeewa Rajapakse represented the Monetary Policy Consultative Committee of Central Bank of the Sri Lanka as a member and was a Board member of NDB Bank PLC. He is currently a board member of Haycarb PLC and Dipped Product PLC. Mr. Rajapakse was a member of the National Pay commission. He is also a Council Member of the University of Sri Jayewardenepura.

Board of Directors



05

Mr. Mohan Ray Abeywardena
Director

Mr. Abeywardena holds an MBA from the University of Wales and a Post Graduate Diploma in Marketing from The Chartered Institute of Marketing, UK (CIM). He serves as the Group Managing Director/CEO of Acuity Partners (Pvt) Ltd; a Joint Venture Investment Banking firm equally owned by the DFCC Bank and Hatton National Bank PLC. He has over 30 years of work experience in the Capital markets in Sri Lanka of which 23 years was spent in stockbroking & since 2009 he has been in Investment Banking. He was appointed to the Board of Directors of the Colombo Stock Exchange in 2013. He is the Chairman of Acuity Stockbrokers (Pvt) Ltd & Acuity Securities Ltd, and he also holds Directorship's in Guardian Acuity Asset Management Ltd & Lanka Ventures PLC & LVL Energy Fund Ltd.



06

Mr. Johannes W. H. Richters
Director

Mr. Johannes W. H. Richters has garnered international management experience in markets as varied as South America, the Caribbean and Asia. He counts extensive experience in medium term planning, budgeting and reporting processes and is particularly adept at setting up and effecting the turnaround of Greenfield projects. He is responsible for restructuring companies and negotiating joint venture agreements. He holds a Masters Degree in Law from the Free University of Amsterdam and underwent further corporate management training at ING Insurance, Netherlands. He has functioned as Chairman and CEO of ING Mexico and CEO and Managing Director of ING Argentina in the past. He has almost 40 years experience in the global insurance field and is affiliated to government committees in Suriname and other global insurance bodies. His early education and experience has given him a strong affinity with European and emerging markets. He brings with him proven negotiating and contracting capabilities in both the public and private sectors in an international environment.



07

Mr. Jatinder Mukhi

Director

Jatinder Mukhi is currently the CEO of Asia Insurance 1950 Pte Ltd, a fully registered insurance company in Thailand, dealing mainly in Non-Life Insurance. He has spent the whole of his working career in the Insurance industry and has over 40 years of Insurance experience of which 20 years have been in Asia. He understands all facets of the Insurance Industry and has vast knowledge in all areas of an Insurance company from operations, pricing, marketing, distribution and general management.

Jatinder Mukhi has held various senior positions in Insurance companies and is highly skilled in setting up Greenfield operations as well as enhancing the performance of existing companies. Prior to taking on his current position, he took Zurich Japan from a premium income of \$US 80m to \$US 500m and to the number 2 market share position in the direct channel. He has provided advice to Insurance Companies in Asia, in order to improve operations and sales distribution.

Jatinder Mukhi is 61 years old and was born in India, but migrated to Australia in 1971 and is an Australian Citizen. His education entails both Eastern as well as Western standards as he completed his high schooling in India whilst his undergraduate as well as postgraduate studies have been in Australia. He holds a Masters in Business Administration from the University of Technology, Sydney, and is an Associate of the Australian Insurance Institute.

THE EXECUTIVE COMMITTEE

Our philosophy and culture of knowledge and learning has made the Softlogic Life workplace a crucible of leadership to take our Company from “Good to Great”.



01

Mr. Iftikar Ahamed

Managing Director

Detailed Profile appears on page 171.

Mr. Chula Hettiarachchi

Chief Operating Officer

B.Com, M.Com, Postgrad Dip (Finance and Business Management)

He holds B.Com. and M.Com degrees from the University of Kelaniya and also holds a Postgraduate Diploma in Finance and Business Management from the Institute of Chartered Accountants of Sri Lanka. He has received extensive overseas training with Allied Dunbar UK, FALIA Japan, and OLIS Japan, as well as the Indian Insurance Institute, Pune, and Munich Re in Germany. His career spans a period of 35 years, 22 of which is in the life insurance field. He spearheads the Life distribution operations in an astute and professional manner.



02



Mr. Thilanka Kiriporuwa

Head of Human Resources

MBS (UOC), CIM(UK), Dip in HR, Dip in IT

He holds a Masters in Business Studies (UOC), CIM (UK), Diploma in Human Resources and a Diploma in Information Technology. He is a multi-talented personality, counting over 15 years' experience in Human Resources, Customer Service, Logistics, Administration, Facilities Management, Retail and General Operations. He overlooks the Corporate Services Function which focuses on Customer Care, Admin- Facilities & investigations aspect for Softlogic Life.

THE SENIOR MANAGEMENT

Sales and Distribution Management



01

Kapila Suriyarachchi

GM Sales - Panadura SBU



02

Sandamal Hettiarachchige

GM Sales - Colombo Central SBU



03

Susantha Abeytunge

GM Sales - Colombo Western SBU



04

Lal Hettige

DGM - Customer Relationship Development



05

Hiran Gunawardena

DGM - Training & Knowledge Management



06

Mihilal Nishantha

DGM Sales - Negombo SBU



07

Soma Hettiarachchi

AGM Sales - Kottawa SBU



08

Piyumal Wickramasinghe

AGM - Alternate Channels



09

Roshan Jansen

AGM Sales - Wealth Planning



10

Susil Atapattu

AGM Sales - Colombo Province SBU

Corporate and Operations Management



01

Amal Dharmapriya

DGM - ICT



02

Dilan Christostom

DGM Finance



03

Lasitha Wimalaratne

DGM Life Operations



04

Nuwan Pushpakumara

Head of Finance



05

Dayan Ranasinghe

Head of Treasury



06

Nuwan Widyapathige

Head of Marketing



07

Ruwantha Arukwatta

Head of Internal Audit



08

Rukmal Bandaranayake

Head of Human Resources



09

Joel Saverymuthapulle

Chief Manager - Finance & MIS



10

Saranga Wijayarathne

Chief Manager - IT Online Applications



11

Shamendra Thushan

Chief Manager - IT Core Applications

The Senior Management

Kapila Suriyarachchi

GM Sales - Panadura SBU

Diploma in Business Management

Mr. Kapila Suriyarachchi commenced his career with Softlogic Life as a Regional Distribution Manager in 2001. A loyal employee since, he functions as a General Manager - Life Sales - SBU Panadura currently. Prior to joining the Company he had garnered 12 years of experience in the insurance field.

He has consistently been conferred Best Regional Distribution Manager in 2004, 2005, 2007, 2009 and 2010. He won the runner up position for the same award in 2006. During his tenure with the Company, he has participated in many foreign and local training programmes in the area of life insurance, having travelled to India, Japan and Malaysia.

Sandamal Hettiarachchi

GM Sales - Colombo Central SBU

Mr. Sandamal Hettiarachchi counts over 25 years of experience in the insurance sector with special emphasis on sales and distribution. Currently, he is responsible for the sales and distribution management of Colombo Central Strategic Business Unit at Softlogic Life.

Prior to rejoining Softlogic Life in 2014, he was attached to a multinational insurance giant and was instrumental in setting up their life business in Sri Lanka. Under his leadership the aforesaid company achieved the highest industry growth in the country for 6 consecutive years.

He started his professional career in the aeronautical field. Subsequently he entered the insurance industry as a sales consultant and moved up the ladder to represent the senior management in Sales & Distribution. Incidentally, he is one of the few industry professionals to reach the head of sales and distribution position, starting from the life sales consultant position.

Susantha Abeyatunge

GM Sales – Colombo Western SBU

CIAM, LUTCF

Mr. Abeyatunge was awarded the Chartered Insurance Agency Manager (CIAM) status by LIMRA International USA. He is a fellow of the Life Underwriting Training Council (LUTC) – USA and holds a Diploma in Life Insurance Marketing – LUTC and a Diploma in Management from the Open University of Sri Lanka. He has completed the Financial Advisers' International Qualification awarded by CII UK. He is a member of the AMTC and a certified moderator – LIMRA by LUTC

His work experience spans more than thirty years in the Insurance Industry, having held senior positions in sales management. Before joining Softlogic Life, he worked at Ceylinco Life, Eagle Insurance, and Union Assurance PLC.

Lal Hettige

DGM - Customer Relationship Development

Dip - Systems Analysis, NCT - Electricity/Electronics, National Industrial Relation Laws, C.M.A. - Professional Management Development Programme. Practical Business Operation of Life Insurance - OLIS Japan

Lal Hettige was initially a Research Assistant at the National Aquatic Resources Agency, Ministry of Fisheries (Sri Lanka) and then gained further exposure as an Inventory Analyst at Alghanim Industries a multinational group from General Motors -USA in Kuwait. He opted for a career as Executive Personal Assistant to the MD at El-Karajji Corporation (KSA), a group company of Saudia with a track record of HR management with over 5,000 multinationals. He then went on to serve as Former Project Coordinator, Eppawala Phosphate and SLT Fiber Optic at Novel International Pvt. Ltd (Sri Lanka), an NGO collaboration with Feeport Mc Moran (USA) and Tomen Corporation (Japan).

Armed with exposure to multidisciplinary fields such as Marine, Automobile, IT, HR and Project management etc., he joined Softlogic Life as an Assistant Manager - Administration in 1999 and held subsequent positions of Manager - Administration, Manager - Credit Control and Manager - Policy Conservation, and now functions as AGM - Customer Relation Development.

Hiran Gunawardena

DGM - Training & Knowledge Management

BA (Defence), CIAM (USA), LUTC - Fellow (USA), CMFA (USA), AMTC (USA), Dip.LIM (USA), NLP Business Practitioner (India)

He joined the Company in 2014 and is responsible for all aspects pertaining to Training and Knowledge Management, which directly support the sales force of the Company.

He counts over 17 ½ years' experience at Ceylinco Life as well as 10 years of military experience in the 8th Medium Regiment of the Sri Lanka Artillery. In his prior job, he was Assistant General Manager - Training & Development. In his illustrious military career, he was Officer Cadet, Troop Commander 23 Med. Battery, Machine Gun Platoon Commander, Intelligence Officer 8th (RFT) Regiment, Acting Adjutant 8th (RFT) Regiment, HQ Battery Captain, 25 Med. Battery Captain. He took part in the military operations conducted against LTTE Terrorists in North and East Operational Theater, such as Revirasa, Hayepara, Akunusara etc.

Mihilal Nishantha

DGM Sales - Negombo SBU

Master's in Business Administration (MBA) UK, Pgt.Dip.in Business Mgt.(UK)

Mr. Nishantha commenced his career at Softlogic Life as a Regional Distribution Manager in 2008. Leading an illustrious career, within a short period of time he rose to the position of Zonal Manager in

2010, Provincial Sales Manager in 2012, Sales Manager in 2013 and Assistant General Manager in 2015. At present he functions as the Deputy General Manager - Strategic Business Unit (Negombo).

He has received extensive foreign and local training including FALIA (Japan) in the realm of Life Insurance within his career of 25 years in the Life Insurance Industry.

Soma Hettiarachchi
AGM Sales - Kottawa SBU

Mr. Soma Hettiarachchi commenced his career as an Insurance Advisor and has held the positions of Financial Services Consultant, Team Leader, Team Manager, Regional Distribution Manager, Zonal Manager, Provincial Sales Manager, and has moved up to the position of Assistant General Manager for Kottawa SBU (Life) at Softlogic Life Insurance.

He possesses 26 years of experience in the industry.

Mr. Hettiarachchi has been conferred the Best Regional Distribution Manager award at Softlogic Life in 2008 and won the runner up award in 2013 and has made an immense contribution in developing leaders in the life insurance industry.

Prior to joining the insurance industry Mr. Hettiarachchi worked as the Sales Manager in a reputed print media publication for 6 years in his career.

During his tenure with the Company, he has participated in many foreign and local training programmes in the realm of life insurance, including "Champions of Champions" Life Insurance Congress and "Asia Pacific Life Insurance Congress" in Thailand, OLIS - Japan and undergone through foreign training programmes at Indian National Insurance Academy in Pune, India.

Piyumal Wickramasinghe
AGM – Alternate Channels

B.A (Hons) in Business Management – Middlesex University, London MBA - Cardiff Metropolitan University, Cardiff

Mr. Piyumal Wickramasinghe, commenced his career at Softlogic Life as a Chief Manager to the Head of Motor Insurance Division in 2014. He was instrumental in implementing the highly successful award winning Click2Claim (C2C) venture. He joined the Life Insurance Division of Softlogic Life in April 2016 as AGM- Life Operations and is presently heading the Alternate Distribution Channel of which the main pillars are Bancassurance, Direct, Affinity, & Online. He holds a Master's in Business Administration (Cardiff Metropolitan University), & a B.A (Hons) in Business Management (Middlesex University). His previous experience counts for more than 10 years at AIA Insurance Lanka PLC. He was awarded the Managing Director's special award from both AIA and Softlogic Life recognizing his contribution towards business excellence.

Roshan Jansen
AGM Sales – Wealth Planning
MBA - Australia, FABE (UK)

He has a MBA from the Australian Institute of Business and a Professional Certificate level in Marketing from Chartered Institute of Marketing (UK). He is a fellow fellow of the Association of Business Executives (UK). Mr. Jansen has 17 years of local and overseas experience of which, 6 years he was attached to Softlogic Finance PLC. He has been awarded as the "Highest Individual Performer" in 2013 by Softlogic Finance PLC and was awarded as the "Best Performing Sales Team Head". He was offered a special recognition for managing The "Highest Deposit Portfolio" of the Company.

Susil Atapattu
AGM Sales – Colombo Province SBU

Dip. Marketing & Management (LUTC – USA), MSS (LIMRA – USA)

Susil consist of over 20 year of experience in the Life insurance circuit. He joined Softlogic Life in 2010 and has been outstanding from a Territorial to a Zonal Manager level around the Country.

Susil has had many local and foreign training sessions mainly in India, Korea, Vietnam, Singapore, Canada & USA. He has been a member of the MDRT and COT – USA, while he was the Country Chair for MDRT in 2010-11.

Currently, Susil's scope is focused in the Colombo SBU and the Eastern Province.

Amal Dharmapriya
DGM - ICT

B. Sc.(Applied Science), M. Sc. (Computer Science), MBA

Mr.Dharmapriya counts over 15 years of broad-based experience in the field of IT, covering areas such as Project management, System development & Business process automation, Mobile application technology, ERP integration & implementation and CRM & Big data technologies. He also has a special interest in Team building, IT capacity planning and IT security & Compliance. The high point of his career in Softlogic Life was to spearhead the in-house development of an award winning insurance solution for the Company.

Mr. Dharmapriya is a Certified Information Security Manager (CISM) – ISACA and a Member of the Australian Computer Society (MACS). He is also a visiting lecture of the University of Sabaragamuwa and holds a BSc in Applied Sciences from the University of Sri Jayewardenepura, MSc in Computer Science from the University of Colombo and an MBA from the University of Sri Jayewardenepura.

The Senior Management

Dilan Christostom

DGM Finance

ACCA

He is an Associate Member of the Association of Chartered Certified Accountants (ACCA). His career spans over 14 years, of which 5 years was spent overseas. He has participated in many foreign and local training programmes on Insurance, Finance, Accounting and Risk Management including FALIA (Japan) and was a member of the Softlogic Team that won the international Asset & Liability Management competition conducted in Germany by DEG and FMO. His extensive knowledge and experience in Finance and Accounting brings a wider perspective to the company.

Lasitha Wimalaratne

DGM Life Operations

B.A. (Hons), MBA, FCII, ANZIIF (Fellow), ACIM, Chartered Insurer

Lasitha commenced his career at Softlogic Life as the Assistant General Manager –Life Operations in March 2014. Prior to that, he had worked at AIA Insurance Lanka PLC as a Senior Manager for 7 years. Lasitha is currently overlooking the Life Operations and Alternate Sales Channels of the Company and also serves as the Specified Officer of Softlogic Life Insurance PLC.

He is a Chartered Insurer and a Fellow of the Chartered Insurance Institute, UK (FCII). He is also a Fellow of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and an Associate Member of the Chartered Institute of Marketing, UK (ACIM). He holds an MBA from the University of Wales, UK and a B.A.(Hons) degree in Business Studies from the University of Sunderland, UK.

His career spans over 19 years, including 16 years in Life Operations and three years of Marketing and Sales in London. Lasitha has been serving as a Council Member for the Sri Lanka Insurance Institute (SLII) since 2011 and currently holds the position of Honorary Assistant Secretary. He also serves as an Honorary Secretary General for the Association of

Chartered Insurance Professionals (ACIP), in Sri Lanka. He had published a book on importance of Life Insurance in 2003.

Nuwan Pushpakumara

Head of Finance

MBA PIM (SRI.J), Bachelor of Business Management Finance Sp, ACA, ACMA

Mr. Nuwan Pushpakumara holds a Masters in Business Administration from the Postgraduate Institute of Management (PIM) of the University of Sri Jayawardenepura and also holds a Business Management Finance Special Degree. He is a Member of the Institute of Chartered Accountants (ICASL) of Sri Lanka, the Certified Management Accountants of Sri Lanka and the Finance Technical Sub Committee (FTSC) of the Insurance Association of Sri Lanka (IASL).

Nuwan joined Softlogic Life as the Senior Manager in January 2014 and was subsequently promoted as the Head of Finance w. e. f. Feb 2017. He counts over 12 years of management experience in many fields including insurance, finance and audit. The high point of his career was spearheading the in-house IFRS convergence and active participation on the Industry panel of IFRS convergence. He is member of the Banking, Insurance, Public Sector Committee at the Institute of Certified Management Accountants and Member of the Continuous Professional Development Committee at Institute of Chartered Accountants of Sri Lanka.

He served as an industry expert of the committee of drafting the Insurance syllabus for the Department of Finance of the University of Kelaniya.

Dayan Ranasinghe

Head of Treasury

BA, ACMA, CGMA

Dayan Ranasinghe has previously worked in several institutions in the financial sector which covered areas of audit, leasing and hire purchase as well as asset management and gained experience in treasury, research, factoring, auditing and marketing prior to joining Softlogic Life in 2007. He rapidly revamped the existing

investment portfolio and processes to create a diversified and balanced fund which combined with active management, resulted in profitable and sustainable returns.

He was subsequently seconded to Softlogic Capital PLC to overlook the sector treasury function whilst spearheading projects entered into with DFIs which include FMO and DEG (Development Financial Institutions – equity and credit infusions), GuarantCo (a local credit guarantee provider) and TCX (special purpose fund providing OTC derivatives to hedge currency and interest rate risk).

Dayan is an alumnus of the University of Colombo and an Associate of the Chartered Institute of Management Accountants (U.K)

Nuwan Widyapathige

Head of Marketing

B.Com (Special) – University of Kelaniya

Mr. Nuwan Widyapathige is an accomplished marketer with over a decade of diverse marketing experience which spans FMCG (consumer), IT and Financial services. Prior to taking over the marketing reins at Softlogic Life, Mr. Widyapathige was with multinational giant, Unilever for over five years, where his expertise was harnessed in brand building for some the Company's iconic brands such as Lux, Pond's and Lakme. His journey began in sales in the IT industry. He was awarded the citation for Asia's best Marketer at the CMO Asia 7th Edition held in Singapore 2016. Nuwan holds a B.Com (Special) Degree from University of Kelaniya and is currently reading for an MSc in Strategic Marketing.

Ruwantha Arukwatta

Head of Internal Audit

ACA, IIA, ACFE

Ruwantha joined Softlogic Life Insurance PLC in 2014 and is a fellow of the Institute of Chartered Accountants of Sri Lanka (ICASL). Further, he is a Member of the Institute of Internal Auditors (IIA) and Association of Fraud Examiners, (USA).

Whilst having a cumulative experience of 11 years varying both public accounting practice and internal audit, he also has more than 5 years' experience in the finance and insurance industry.

Rukmal Bandaranayake

Head of HR

MBA PIM (USJ), B.B Mgt, Assoc. CIPD-UK

Rukmal Bandaranayaka holds a B.B Mgt Special degree in HR from University of Kelaniya and a MBA from the Postgraduate Institute of Management (PIM). He is an Associate of IPM and has also been serving IPM as a part time lecturer for the last 10 years. Rukmal is also an Associate Member of CIPD – UK and counts over 10 years' experience in the field of People Management. He previously worked at AIA Insurance as a Senior Manager of Human Resources.

Joel Saverymuthapulle

Chief Manager – Finance & MIS

M.S. Finance, MCIM (UK)

Joel holds a Bachelors & Masters in Financial Analysis from Portland State University USA, and is also a Member of the Chartered Institute of Marketing (MICM – UK).

He has 12 years of experience working in both Sri Lanka and the US, which also includes a decade in the telecommunication industry in fields of Business Planning, Treasury, & Revenue & Market Planning.

He has participated in many local and foreign training programs for M&A, BI implementation, & Market Planning that has enabled him to bring a broader perspective in the areas of both Finance & Marketing.

Saranga Wijayarathne

Chief Manager – IT Online Applications

Post Graduate Dip in Information Systems, BCS

Saranga has a post graduate diploma in Information Systems from University of Colombo and is currently reading for the Masters in Information Systems at the

University of Colombo. Mr. Wijayarathne is a member of the British computer society (BCS). His career spans over 15 years of widespread experience in the field of IT, covering areas such as Application designing & Development, Project Management, implementation of insurance & ERP systems with experiences and award winning mobile application solutions such as Click2Claim, LifeUP. He has participated in many foreign and local training programmes on IT. The high point of his career at Softlogic Life was in spearheading the in-house development of award winning, complete insurance solution for the Company

Shamendra Thushan

Chief Manager – IT Core Applications

B.Sc. (University of Colombo)

Shamendra holds a Bachelor of Science Special Degree in Computer Science from the University of Colombo, Faculty of Science. He has over 15 years of widespread experience in the field of IT & Life Insurance, covering areas such as Application designing & Development, Project Management, implementation of insurance & ERP systems with experiences.

He is passionate about computer science, software engineering and data science which has led to remarkable innovations which we experience today.

He is a dedicated team member who always enjoy contributing to the team, with strong belief of the power of collective effort for a successful software outcomes.

The high point of his career in Softlogic Life was in spearheading the in-house development of award winning and complete insurance solutions for the Company.

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

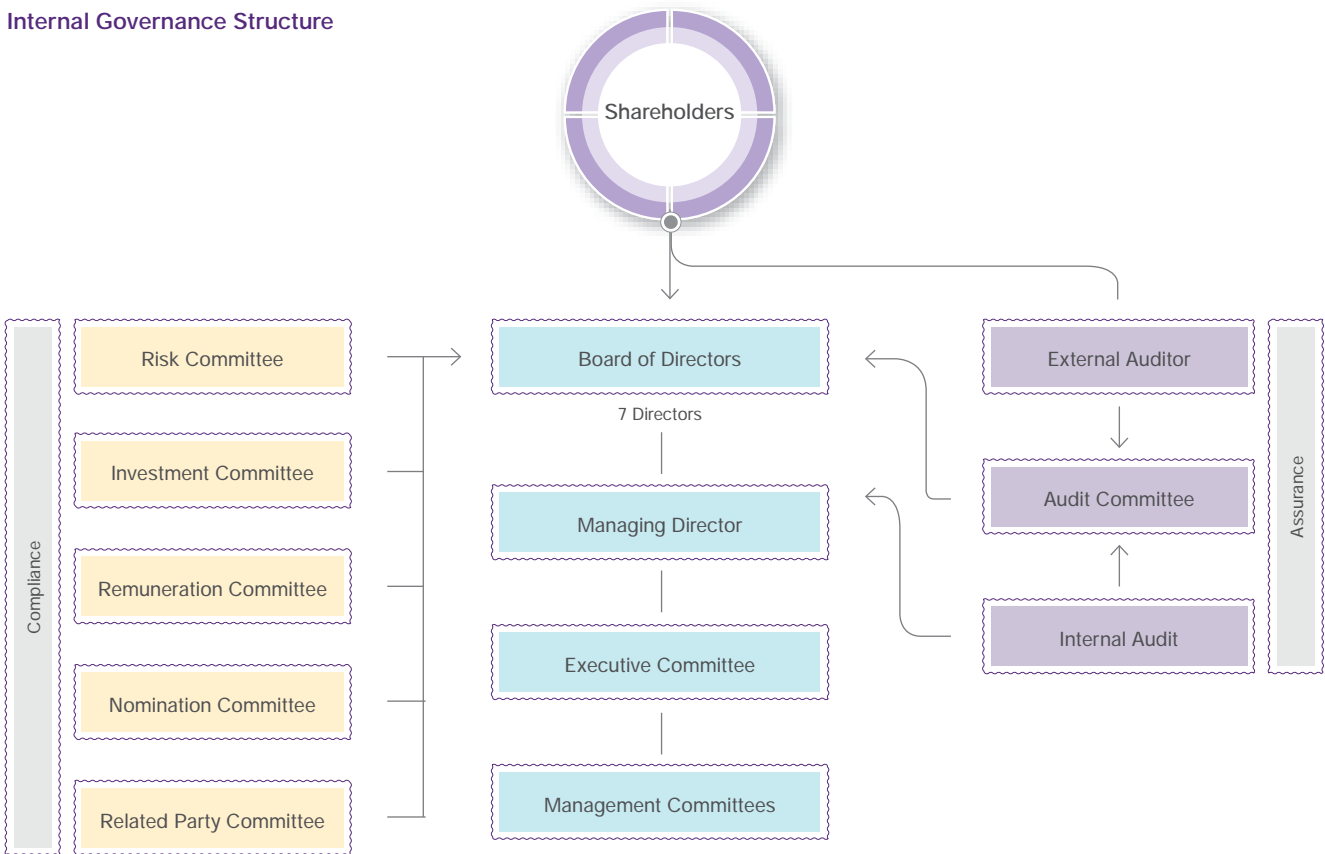
Softlogic Life Insurance PLC is fully compliant with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC). In addition, we have achieved the status of 'fully compliant' with the applicable sections of the Listing Rules issued on Corporate Governance by the Colombo Stock Exchange (CSE).

The status of compliance with each section of the Code of Best Practice on Corporate Governance issued jointly by ICASL and SEC appears on pages 198 to 209. The Company has also included a table which summarizes the status of compliance with Rule No. 7.10 of the Listing Rules of the CSE, on pages 210 to 212.



Ashok Pathirage
Chairman

Internal Governance Structure



Our Corporate Governance framework exists to facilitate effective entrepreneurial and prudent management and to reinforce public confidence and ensure sustainability of its operations. Therefore, it is vital that a robust corporate governance framework be implemented for the sustainable business performance of a Company. In preserving the interest of stakeholders and serving to attain

company objectives, Softlogic Life Insurance PLC encompasses a corporate governance framework inclusive of all aspects and functions.

Shareholders

The Board and the Senior Management acknowledges their responsibility to represent the interests of all shareholders and to maximize shareholder value.

Therefore, one of the main objectives of the Board is to represent, formulate and realize the interests and expectations of shareholders, who are the owners of the Company. In fulfilling the expectations of the shareholders, the Company has the following primary objectives:

- Provide a reasonable return to shareholders maintaining a satisfactory Return on Equity

- Provide a satisfactory distribution of dividends out of the profits earned
- Communicate effectively and efficiently with the shareholders in order to inform them regarding the affairs of the Company

Communication with shareholders

The techniques which Softlogic Life Insurance PLC uses to be in touch with its shareholders were discussed in the Stakeholder Engagement (Refer Pg 58 to 63). In general, the modes of communication could be listed as follows:

- Annual General Meeting
- Extraordinary General Meeting
- Annual Report
- Corporate Website

Communication with Institutional Shareholders

We are committed to maintain a constant dialogue with institutional investors, brokers, and financial analysts in order to improve their understanding of our operations, strategy and plans, and thereby enable them to raise any concerns which may in turn affect their perceived value of the Company. However, the Board and the Management strictly adhere to the statutory and ethical guidelines regarding their responsibility of maintaining confidentiality of price sensitive information.

Communication with Other Investors

Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions. Also, they are encouraged to participate in the AGM and exercise their voting rights.

Annual General Meetings (AGM)

This is considered as a sturdy mode of communication, since an AGM allows the shareholders to directly communicate with the Board of the Company.

Notice of the AGM is circulated to all shareholders 15 working days ahead, in accordance with the requirements of the Companies Act.

The most recent shareholders’ AGM was the 17th Annual General Meeting (AGM) of the Company held on 31st of March 2016, at 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10.

Matters Discussed

- To receive and consider the Report of the Directors and the audited financial statements for the year ended 31st December 2015 and the Report of the Auditors thereon.
- To re-elect Mr. J.H.P. Ratnayake who retires by rotation in terms of Articles 98 of the Articles of Association of the Company as a Director of the Company.
- To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- To transact any other business of which due notice had been given.

Extraordinary General Meetings (EGM)

The most recent shareholders’ meeting of the Company was held on 11th of October 2016, at 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10.

Matters Discussed

- To pass a special resolution to resolve that the name of the Company be changed to Softlogic Life Insurance PLC. The resolution was put to the shareholders for approval, which was passed.

Feedback from shareholders

The Company is committed to healthy communication with shareholders which is depicted via the introduction of the Investor Feedback Form. This was introduced from the first Integrated Annual Report in 2013, which was continued in the preceding year and provides the opportunity for shareholders to comment on their Company. Refer to page 395 for the feedback form.

Enquiries by shareholders

Shareholders are encouraged to maintain direct communication with the Company. They may raise inquiries and concerns with the Board by contacting the Company Secretary, P. R. Secretarial Services (Pvt) Ltd, through the following channels:

Telephone -
 +94 11 2671439/+94 11 3040542
 +94 11 2697893/+94 11 2671441

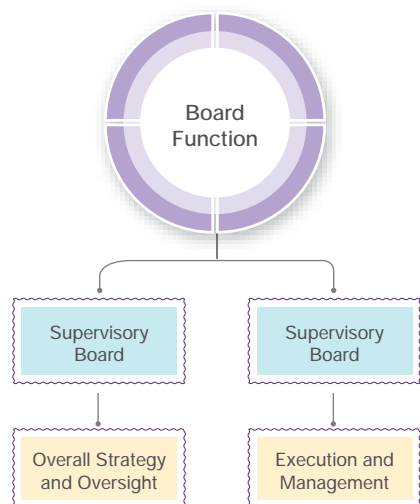
E-mail-
 info@prsslk.com / prsecs@gmail.com

Address-
 P. R. Secretarial Services (Pvt) Ltd
 59, Gregory’s Road,
 Colombo 7, Sri Lanka.

**Board of Directors
Structure of the Board**

The primary function of the Board of Directors which acts as representatives of the shareholders is to oversee the performance of the organization and ensure that it continues to operate in the best interests of all stakeholders.

At Softlogic Life, the Board function has been apportioned over two formal bodies - a Supervisory Board and a Management Board. The Supervisory Board is responsible for overall strategy and oversight, whilst execution and management is carried out by the Management Board, which is led by the Managing Director (MD).

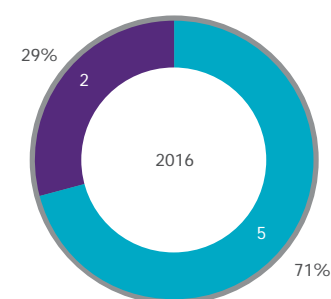


Corporate Governance

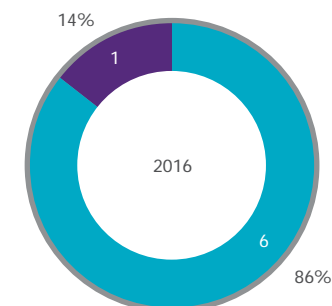
Board Composition

The board consists of 07 Directors. The MD is an Executive Director whilst the other directors hold office in a Non-Executive capacity, whereas the 5 Non-Executive Directors are independent. The MD, with his experience, knowledge and skills, adds to the successful operation of the Company, while the Non-Executive Directors' role is to provide an inspiring contribution to the Board by providing objective criticism.

Figure : Board Composition



■ Independent Directors
■ Non-Independent Directors



■ Executive Directors
■ Non-Executive Directors

Powers, Duties and Responsibilities of the Board

The precise role of the Board is determined by the powers, duties, and responsibilities delegated to it or conferred upon it by the Articles of Association and Companies Act No. 7 of 2007. Members of the Board have a duty to act in good faith and exercise their powers in the best interest of policyholders, shareholders and the Company as a whole, in compliance with

the law. Directors may not allow their own personal interests to come before or in conflict with the interest of the Company and this is reviewed by the Board from time to time.

Responsibilities of Board

The entire Board of Directors is collectively responsible for the formulation, implementation and monitoring of business strategies of the Company. In order to do so, the Board appoints management committees of the main Board to assist the main Board in fulfilling its stewardship function by reviewing systems of internal control, internal and external audit, risk management, IT system and financial reporting to shareholders.

The main responsibilities of the Board include:

- Setting, reviewing, directing, approving and monitoring the corporate strategies.
- Providing guidance to Director/ MD and senior management and ensuring they possess the relevant skills, experience and knowledge to implement the strategies.
- Setting strategic targets and implementation plans and evaluating their effectiveness via periodic board meetings with the management
- Ensuring the effectiveness of internal controls and risk management via reviewing of internal audit reports, compliance reports and management letters (external auditors)
- Appointing the MD and succession planning of senior management
- Discharging its duties through various sub committees of the main board
- Monitoring performance against budgets on a regular basis via monthly review of financial performance reports
- Compliance with laws, regulation (IBSL) and statutory payments via review of compliance reports
- Reporting to shareholders on their stewardship

- Reviewing the effectiveness of annual and interim financial statements for reporting purpose
- Reviewing Company's values and standards that are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations
- Ensuring the integrity of financial information, internal controls, risk management and financial statements

Qualifications of the Board Members

We realize that today's Boards need to comprehend complex issues related to the insurance business, actuarial science, accounting, law, computer models and management compensation. Hence, we have equipped ourselves with a high quality set of members, which is discussed in their respective profiles on page 170 to 173.

The Board consists of professionals in the field of Insurance, Accounting, Management, Economics, and Business Management.

Appointment and re-election of Board Members

New Board appointments are governed by the Company Policy that is reviewed annually. Appointments are formal, transparent and subject to Board and shareholder approval. There is a clear division of responsibility to ensure a balance of power, so that no one individual has unfettered powers of decision-making.

The appointment of Non-Executive Directors as well as MD to the Board is governed by the Articles of Association and such appointments are reviewed by the Nomination Committee. Newly-appointed Directors resign at the first Annual General Meeting (AGM) following their appointment, but are available for re-election by the shareholders at the same meeting. Non-Executive Directors are required to resign every three years by rotation, but may stand for re-election at the AGM.

Policy on appointment of Directors

On appointment, each Director undertakes a comprehensive induction

programme which introduces the Director to Softlogic Life's businesses and its senior management. The Company Secretary is responsible for ensuring that each Director receives an induction on joining the Board. When new Directors are appointed to the Board, they are apprised of the:

- Values and the culture of the Organization
- Operations of the Company and its strategies
- Policies, governance framework and processes
- Responsibilities as a Director in terms of prevailing legislation
- The Code of Conduct demanded by the Company

On access to information and professional development, it is essential that the Directors are upto-date with key business developments to maintain and enhance their effectiveness.

The Directors have access to:

- Information necessary to carry out duties and responsibilities effectively and efficiently
- External and internal auditors
- Updates on regulations, best practices as relevant to the business and other matters which are considered to warrant Board attention
- Financial plans, including budgets and forecasts and periodic performance reports
- Experts and other external professional services as required
- Company secretaries whose appointment and/or removal is the responsibility of the Board
- Senior management

Training of New and Existing Directors

The Board acknowledges the need for continuous development and expansion of knowledge and skills of new and existing Directors.

Accordingly, new Directors are inducted to the Board by providing them with a comprehensive understanding of their duties and responsibilities. Moreover, adequate knowledge sharing opportunities are provided to both new and existing Directors on a continuous basis at the Company's cost in respect of matters relating to the general aspects of directorship as well as matters specific to the industry and the Company.

The Directors are also constantly updated on the latest trends and issues facing the Company and the insurance industry.

Chairman and Board of Directors

Softlogic Life maintains a dual panel structure, namely, the Board of Directors and the MD/CEO and Executive Committee. It thus distinguishes clearly between the members of the Board of Directors as the supervisory body and those of the management including the division of responsibilities between the Chairman and CEO. Therefore, the Chairman is independent from the CEO/ MD.

Roles of Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer (Managing Director) are separate. The Chairman provides firm and objective leadership to the Board. The Chairman presides over Directors' and shareholders' meetings and ensures the smooth functioning of the Board in the interests of good governance. The Board has delegated responsibility for the delivery of the strategy and the day-to-day running of the business to the Managing Director, who in turn has delegated authority to the Executive Committee (Exco).

Roles of Independent Non-Executive Director

In addition to Non-Executive Directors' expertise and fresh perspectives, these directors also bring independent judgment to the Board and take an unbiased stance in situations where conflicts of interest may arise. Further information on the determination of independence of directors and declarations of independence are given on page 237.

Role of Board Secretary

P. R. Secretarial Services (Pvt) Ltd, serve as the Board Secretary. Their role is to support the Chairman, the Board and the Sub-Committees of the Board by ensuring a proper flow of information and also by ensuring that Board policies and procedures are followed.

Although the Board Secretary reports to the Chairman, all Directors may call upon them at any time for advice and assistance in respect of their duties and the effective operation of the Board and Board Sub-Committees. The Board Secretary also plays a critical role in maintaining the relationship between the Company and its shareholders and regulators, including assisting the Board in discharging its obligations to shareholders.

Maintaining Independence of Directors

Each Board member has a responsibility to determine whether he has a potential or actual conflict of interest arising from external associations, interest in material matters and personal relationships which may influence his judgment. Such potential conflicts are reviewed by the Board from time to time.

Details of companies in which Board members hold Board positions or Board committee positions are available with the Company for inspection by shareholders on request. To avoid potential conflicts or bias, Directors adhere to a process where review takes place prior to appointment, once appointed, and during Board meetings.

- Carrying not less than 10% of voting rights of a Company
- Self or close family member is a Director or employee of another company of trustee
- Any relationship resulting in income / non cash benefits equivalent to 10% of the director's annual income
- Close family member who is a Director or CEO
- Has been employed by the Company during the period of two years immediately preceding appointment as a Director
- Has served on the Board continuously for a period exceeding nine years

Corporate Governance

The independence of the Non-Executive Directors was reviewed on the basis of criteria summarized below:

	Shareholding	Director/ Employee of another institute	Material Business relationship	Family member is a Director/CEO	Employment by the Company	Consecutive service of nine or more years
	(1)	(2)	(3)	(4)	(5)	(6)
Mr. Ashok Pathirage	✓	✗	✓	✓	✓	✓
Mr. Paul Ratnayake	✓	✗	✓	✓	✓	✗
Mr. Iftikar Ahamed	✓	✓	✓	✓	✗	✓
Mr. Sujeewa Rajapakse	✓	✓	✓	✓	✓	✓
Mr. Ramal Jasinghe**	✓	✓	✓	✓	✓	✓
Mr. Ray Abeywardena	✓	✓	✓	✓	✓	✓
Mr. Jatinder Mukhi	✓	✓	✓	✓	✓	✓
Mr. Johannes Richters	✓	✓	✓	✓	✓	✓

✗ do not meet independence criteria

✓ Compliant

** Mr. Ramal Jasinghe (Resigned w.e.f from 3rd October 2016)

Submission of Independence Declaration

Declaration of independence has been submitted by all Directors.

Committees of the Board

While the entire Board remains accountable for the performance and affairs of the Company, it delegates certain functions to sub committees and the management to assist it in discharging its duties.

The details of the Board Committees are presented in the following table:

Description	Audit Committee	HR and Remuneration Committee	Nomination Committee	Risk Committee	Investment Committee	Related Party Committee
Chairman	Mr. Sujeewa Rajapakse	Mr. Ashok Pathirage	Mr. Ashok Pathirage	Mr. Jatinder K. Mukhi	Mr. Ashok Pathirage,	Mr. Sujeewa Rajapakse
Members	Mr. Ray Abeywardena Mr. Jatinder Mukhi Mr. Johannes Richters	Mr. J.H.P. Rathnayake, Mr. Ray Abeywardena Mr. Sujeewa Rajapakse	Mr. J.H.P. Rathnayake, Mr. Ray Abeywardena	Mr. Iftikar Ahamed, Mr. Johannes Richters, Mr. Ramal Jasinghe**, Mr. Ray Abeywardena	Mr. Iftikar Ahamed Mr. Sujeewa Rajapakse Mr. Jatin Mukhi Mr. Johannes Richters Mr. Ramal Jasinghe**	Mr. Johannes Richters Mr. Jatinder Mukhi

Description	Audit Committee	HR and Remuneration Committee	Nomination Committee	Risk Committee	Investment Committee	Related Party Committee
Agenda	Available	Available	Available	Available	Available	Available
Circulation of the agenda and papers	One week in advance	One week in advance	One week in advance	Two week in advance	One week in advance	One week in advance
Secretary	Board Secretary	Head of HR	Board Secretary	Board Secretary	Board Secretary	Board Secretary
Invitees	MD, COO, DGM Finance, Head of Finance, DGM Operation, Group Head Audit and Risk, Compliance Officer, Head of Internal Audit, Representing FMO/DEG, DGM IT, Representing KPMG	MD		COO, DGM Finance, Head of Finance, DGM Operations, DGM Actuary, DGM – IT, Head of Group Audit and Risk Head of Internal Audit, Head of Legal and Compliance, SM Risk, Manager – IT Security and Risk,	Head of Treasury Head of Investments – SHL DGM Finance, Head of Finance	MD, DGM Finance, Head of Finance, Deputy Head of Legal/ Compliance Officer
Meeting Frequency	Bi Monthly	Yearly	When Required	Quarterly	Quarterly	Quarterly
Availability of Terms of Reference	Available	Available	Available	Available	Available	Available
Objectives	Refer Audit Committee report page no. 218	Refer Remuneration Committee report page no. 221	Refer Nomination Committee report page no. 224	Refer Risk Committee report page no. 225	Refer Investment Committee report page no. 223	Refer Related Party Transactions Review Committee report page no. 227

**Mr. Ramal Jasinghe(Resigned w.e.f from 3rd October 2016)

Corporate Governance

Composition of Board and Board Committees is depicted in the following table:

Director	Status	Board	Committee Membership					
			Audit Committee	Nomination Committee	HR and Remuneration Committee	Risk Committee	Investment Committee	Related Party Committee
Mr. Ashok Pathirage	Chairman (NED)	√	×	√	√	×	√	×
Mr. Paul Ratnayake	Deputy Chairman (INED)	√	×	√	√	×	×	×
Mr. Iftikar Ahamed	MD (ED)	√	By invitation	×	By invitation	√	√	By invitation
Mr. Sujeewa Rajapakse	INED	√	√	×	√	×	√	√
Mr. Ramal Jasinghe**	Director (NED)	√	By invitation	×	×	√	√	×
Mr. Ray Abeywardena	INED	√	√	√	√	√	×	×
Mr. Jatinder Mukhi	INED	√	√	×	×	√	√	√
Mr. Johannes Richters	INED	√	√	×	×	√	√	√

** Ramal Jasinghe (Resigned w.e.f from 3rd October 2016)

NED – Non Executive Director

ED – Executive Director

INED – Independent Non-Executive Director

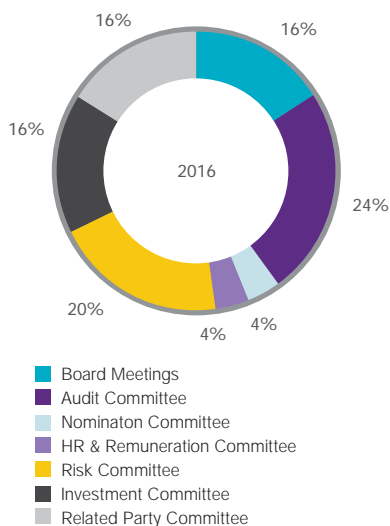
Meetings and Attendance

The Board meets quarterly to deal with the ordinary business of the Company and ad hoc as and when necessary. Apart from that Sub Committee, meetings are held depending on the requirements. Please refer to table below for Board Members attendance:

	Board Meeting	Audit Committee	Nomination Committee	HR and Remuneration Committee	Risk Committee	Investment Committee	Related Party Committee
Number of Meetings Held	4	6	1	1	5	4	4
Mr. Ashok Pathirage	4	N/A	1	1	N/A	4	N/A
Mr. Paul Ratnayake	3	N/A	1	1	N/A	N/A	N/A
Mr. Iftikar Ahamed	4	N/A	N/A	N/A	4	4	N/A
Mr. Ramal Jasinghe**	3	N/A	N/A	N/A	4	3	N/A
Mr. Sujeewa Rajapakse	4	6	N/A	1	N/A	4	4
Mr. Ray Abeywardena	4	6	1	1	N/A	N/A	N/A
Mr. Jatinder Mukhi	4	5	N/A	N/A	5	4	4
Mr. Johannes Richters	3	4	N/A	N/A	4	3	4

** Ramal Jasinghe (Resigned w.e.f from 3rd October 2016)

No. of Meetings Held



Assessment of the Board Compensation

The Company has established a robust remuneration procedure for Directors and the Management to support the strategic aims of the business and enable recruitment, motivation and retention, while also complying with the requirements of regulation.

The HR and Remuneration Committee is delegated responsibility for setting remuneration for all Directors and the Chairman, including pension rights and any compensation payments. The Committee also recommends and monitors the level and structure of remuneration for Senior Management.

Remuneration procedure

The Company has established a formal and transparent procedure on remuneration for individual directors. No director is involved in deciding his own remuneration. Accordingly, the Remuneration Committee consisting exclusively of non-executive Directors has been set up to make recommendations to the Board within agreed terms of reference.

Level and structure of remuneration

Due care is taken to ensure that remuneration paid to Board Members is commensurate with their skills, knowledge and involvement in Board activities and in reference to remuneration paid to other Non-Executive Directors of comparable companies. Some key elements towards a strategy based remuneration policy is as follows:

Pay positioning – In comparison to the external environment

Pay Parity – The stance taken among internal equity

Pay approach – Compensation matching role definition

Disclosure of remuneration

The breakdown of remuneration paid to Non-Executive Directors is disclosed among the other disclosures regarding remuneration on page 285 in the Annual Report.

A Brief on the Code of Conduct and Ethics for Directors of the Company's Strategy

Conflict of Interest

Conflict situations can arise when one's private interests interfere or appear to interfere, in any way, with the interests of the Company.

Corporate Opportunities

Directors are prohibited from taking for themselves or their own companies or other companies with which they have a fiduciary relationship, any opportunities arising as a result of the director holding a directorship in the Company, unless such opportunities are fully disclosed by such Directors.

Compliance with Laws and Regulations and Fair Dealing

Directors are expected to carry out their responsibilities in compliance with all laws, rules and regulations applicable to the Company and with the highest standards of the business ethics.

Confidentiality

Directors must maintain the confidentiality of non-public proprietary information entrusted to them by the Company or its customers or other parties with whom the Company does business, except when such disclosure is authorized or legally required. This principle applies to all communications, whether oral, written or electronic.

Encouraging and reporting any illegal or unethical behaviour

Directors are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules and regulations.

Dealings with third parties

The persons named in the code solely are authorized to deal with third parties on behalf of the Company.

Protection and proper use of company assets

All directors must protect the company's assets and ensure efficient use.

Enforcement

The board will review and investigate any allegation of a breach of this policy by a director, with or without the participation of any director who may be the subject of such report.

Management Committees Summary of key objectives, members and frequency of the meetings

In order to achieve the strategic objectives, the Company has formed various management committees to maintain and enhance the performance governance under the leadership of the Managing Director.

Corporate Governance

Management Committees

Description	Capital Expenditure Committee	IT steering Committee	Supplies Committee	Actuarial Committee	Advertising Review Committee	Product Development Committee	Sustainability Committee	Assets Liability Committee (ALCO)
Objective	Purchasing assets of the right quality, at the right time and at a reliable price considering the cost benefit and budget allocation	Continuously monitor the progress and productivity of IT and MIS of the Company and designing IT policies with a view to making recommendations to the Board on IT capital expenditure	Selecting the right supplier considering the quality, price, delivery date	Continuously monitor performance of life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.	Implementing advertising strategies in line with business strategies to protect the professional image of the Company.	Focus on revamping SLI's existing products in order to compete with industry's prominent products. Suggestions made will be taken up for new product development, thereby acting as a medium to convey information from sales	Conform the responsibility to the stakeholders in respect of the policies and practices that relate to the sustainable growth of the Company on a universal basis	The Committees' main responsibility is to advice on market risks faced by the Company, ensure that adequate returns are earned by managing assets and liabilities and formulating strategies to ensure liquidity of the Company through efficient cash flow management mechanisms.
Members	MD, COO, DGM Finance	MD, COO, DGM Finance, DGM IT	COO, DGM Finance, Head of HR	MD, Consultant Actuary, DGM – Life, DGM Finance, COO- Life, DGM – Life Actuary	MD, COO, DGM Finance, Chief Manager Marketing	DGM Life Actuarial, DGM- Life Operations, Head of Finance	MD, COO, DGM Finance, Head of Finance, Head of HR, DGM Operation, Head of Marketing	MD, COO, DGM Finance, Head of Finance, DGM Life Operation, DGM Actuarial, Head of Treasury SM – Risk AM – Risk
Frequency of meeting planned and held	As and when needs arise	Quarterly	Bi Annually	Monthly	Quarterly	Quarterly	Quarterly	Quarterly

Performance evaluation of the Board

The success of any business ultimately depends upon the capacity of its directors to provide the vision and direction needed not only to survive, but to develop and prosper. Having recognized this, there is a performance evaluation procedure at Softlogic Life, where the performance of the Board and its sub committees are evaluated by the Chairman.

During the year, the Board conducted a self-evaluation of its performance, using a checklist which covered a range of areas including, but not limited to, the composition of the Board, skills and experience of the members, adequacy of sub-committees, proceedings of meetings and quality of reports and materials submitted. Each director filled the checklist and submitted it to the Board Secretary, who in turn compiled and tabled a summary with the Board for discussion. The objective of this evaluation was to improve the performance of the Board to support the achievement of the Company's objectives.

Evaluation of the Audit Committee

The Audit Committee also continued its self-assessment process from the previous years to ensure it functions effectively and efficiently and discharges all its responsibilities as outlined in the Charter of the Audit Committee.

In addition, the management also assessed the performance of the Audit Committee using a checklist, which was prepared so as to cover the responsibilities of the Committee, derived from its Charter.

The results of both the self-assessment and the Management's assessment of the Audit Committee were tabled at the Board and are expected to be used to further enhance the effectiveness of the Audit Committee.

Moreover, the Company expanded this process of evaluating the Audit

Committee to a 360-degree appraisal in 2016, involving both Internal and External Auditors as well.

Appraisal of MD/CEO Setting Annual Targets for the MD/CEO

The Board, in consultation with the MD/CEO, sets reasonable financial and non-financial targets in line with the short, medium and long term objectives of the Company, which are to be achieved by the MD/CEO every year.

These corporate objectives are included in the Corporate Plan for the year, which is, in turn, reviewed and approved by the Board. The main focus areas of the Corporate Plan 2016 were:

- Market Share
- Grow Life Gross Written Premium
- Underwriting results
- Profitability
- Premium persistency
- Dividend payout
- Remuneration of employees
- Sustainability

The Board monitored the achievement of these targets throughout the year and provided guidance to the MD/CEO where necessary.

Performance Evaluation of the MD/CEO

The performance of the MD/CEO is evaluated by the Board at the end of each year, based on the agreed objectives described above. Remuneration for the MD/CEO is determined based on the achievement of these set targets.

Risk Management

The Risk Committee is required to review the effectiveness of risk management via reviewing the internal control systems (whether internal controls are functioning as intended) and audit systems of the Company and assuring the implementation of the recommendations (if appropriate) made by the auditors.

Risk Management is embedded in the policies and procedures and all employees at the Company accept the need for risk management. Therefore, at Softlogic Life, risk management is entrenched in the Company's culture in a way that it is part of the way we do business. Further, this culture is nurtured by including risk management responsibilities within job descriptions, informing all staff in the organization of the need for risk management and establishing performance indicators that can monitor risks.

Corporate governance is involved in monitoring the risks and internal controls in relation to those risks and the process of internal audit provides the board the assurances that risks are effectively managed.

The Board takes responsibility for the overall risk framework of the Company. The Board integrated the Risk Management Committee to ensure that the risk taken in Credit, Operational, Market, Strategic, and other areas were within the approved risk appetite set out by the Board to the Company. The findings of the Board Integrated Risk management Committee are submitted to the main Board for their review and further action if required.

The details of the strategies adopted to manage and mitigate risk exposed by the Company are disclosed in the Risk Management report on page 229 to 233 and Financial Statement Note 39 on page 337 to 355

Access to Independent professional advice

The Charter of the Board of Directors permits all Directors to seek independent professional advice at the Company's expense, if considered appropriate and necessary, at any time. However, no such advice has been taken by any of the Directors during the year.

Corporate Governance

Code of Business Conduct & Ethics for Directors and members of senior management

The Company introduced a Code of Business Conduct and Ethics for Directors. Further, the Company has in place a Code of Business Conduct and Ethics for all its employees, and has mandated that it should be followed without exception.

Code of Business Ethics and Standard of Corporate Behaviour

A Code of Ethics for Directors has been introduced with the intention of providing guidance on recognizing and handling areas of ethical issues, information on how to report unethical conduct and to help foster a culture of openness and accountability.

Business Focus, Objectives and Strategies

The Company's Business objectives and details of business focus are disclosed in page 54. Further details of the Company's strategies together with key value drivers which is used for the business are presented in page 57 to this report.

Human Resources Governance

Our Company competes with the best for skills and strives to attract, motivate and retain people of the right caliber. At Softlogic Life, we believe our ability to achieve success depends on deeply engaged and high performing employees. Employees at Softlogic Life are deemed to be our most valuable resource and therefore we believe in recognizing and rewarding them for their performance and contribution to the success of the business. We are only able to achieve this in a culture of recognition and acknowledgement along with a proper HR governance process.

By establishing an HR governance system at Softlogic Life, we intend to achieve following objectives:

- To achieve our strategic and business objectives

- Establish a clear communication and reporting structure
- Provide a motivating culture by enhancing the transparency of the performance appraisal system
- Minimize duplication of activities.
- Training and Education
- Clear recruitment process
- Fair treatment to every employee regardless of sex, race, age and beliefs.
- Transparency in carrying out all HR related activities according to processes / policies and procedures.
- Maintain the highest standards of competence, business ethics and dignity as advocated by the company
- Comply with Risk Committee recommendations in relation to HR issues
- Not accept gifts other than those of a promotional nature such as diaries, calendars, etc

Information Technology Governance

The Board is responsible for ensuring that prudent and reasonable steps have been taken with respect to IT governance, including aligning the IT strategy to the Company's strategic objectives. This

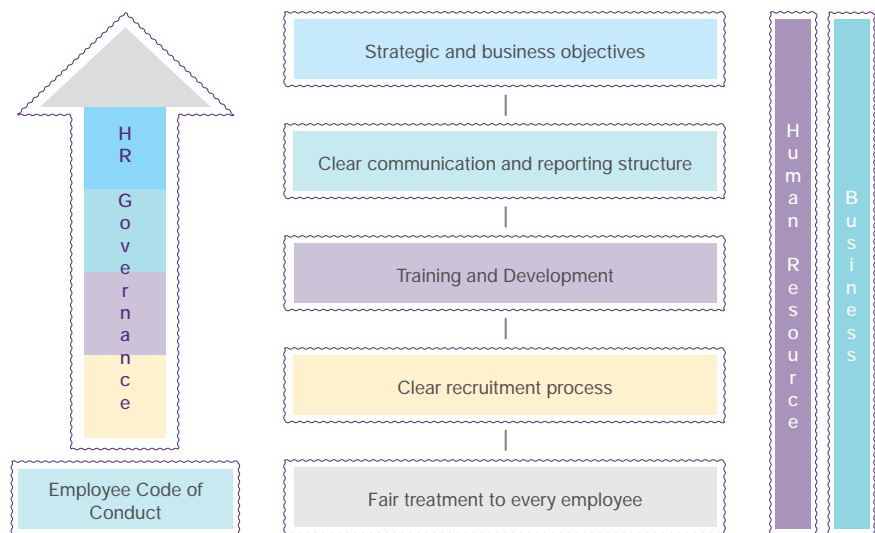


Figure : Objectives intended to be achieved via the HR Governance System

The best Corporate Governance practices are adopted into business processes are when employees are actively involved in planning and implementing such good corporate governance, which is set-up by various internal committees under the leadership of the MD.

The employee code of conduct issued by the Company requires all employees to:

- Act professionally and with courtesy when contacting/contacted in the course of their duties

enables it to measure the performance of IT as a support role received towards driving the Company forward and facilitating an integrated approach in order to meet regulatory requirements.

The key objective of driving the IT governance process is to align with the Company's business strategy, risk management, support in achieving business objectives and measuring overall performance.

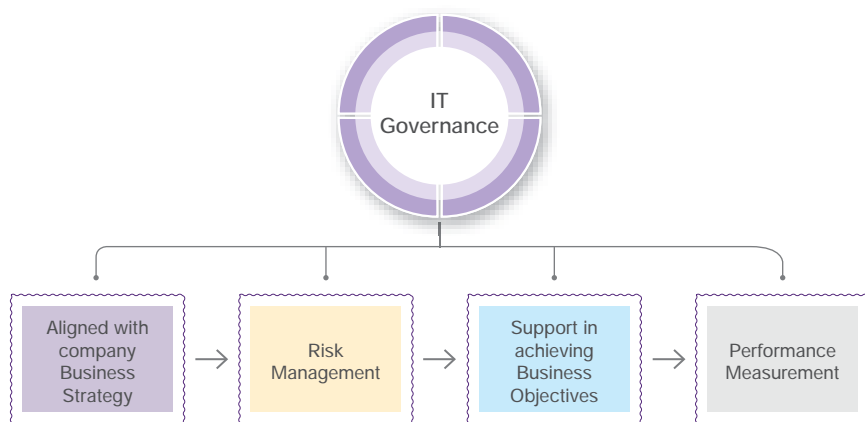


Figure : IT Governance Framework

IT standards within Softlogic Life are continuously improved with regular reviews by both the Executive Committee and IT Steering Committee. Independent evaluation by Internal/External audits ensures the adherence to key governance objectives at operational and service level, periodic performance measurements and reviews guaranteed operational performance, ensuring continuous monitoring and the mitigation of current and emerging threats and exploiting opportunities in both the external and internal environment. These periodic and continuous reviews facilitate continuous improvement of the IT governance process within the Company.

IT controls in Financial Reporting

The accuracy of financial reporting is heavily dependent on a well-controlled IT platform. Therefore, at Softlogic Life, the following IT controls have been implemented in the course of financial reporting in order to ensure the accuracy and quality of information used:

- Exercise security controls in order to prevent unauthorized use of the system.
- Based on the Manual of Financial Authority (MOFA) limits, all the transactions are carried out with dual authentication.
- An integrated IT system is in place, Oracle (E Business Suite), which is

capable of providing customized reports on time for decision making.

- Periodic backup facility is provided for confidential data and stored both on-site at SLI as well as off-site.
- Data replication (Real time/online) at SLT-IDC for the purpose of disaster recovery of Life and Non life systems and Oracle (E Business Suite).
- System software controls over the effective acquisition, implementation and maintenance according to industry best practice in system software, security software and utility software.
- All in-house system developments and modifications are made according to well-defined change management procedure.

Actuarial Valuation of Insurance Liabilities

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and non-participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Wills Towers and Watson (WTW) as at 31 December 2016 according to Solvency Margin (Risk Based Capital) Rules 2015 with effect from 1st January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act, No. 43 of 2000.

The Actuary's Report - life is available on page 249.

Investment Governance

At Softlogic Life, it is believed that corporate governance is an important factor in enhancing the risk/return performance of investments. The Company has a proactive approach to investment governance that emphasizes the reduction of risk in making investment decisions. The Investment governance policy of our Company provides a framework for governance decisions that are in the best interest of both the policyholders and shareholders.

Investment Governance structure at Softlogic Life:

- Existence of critical decision making bodies
 - o E.g. Board of Directors, Investment Committee and In-house investment team
- Segregation of front office, middle office and back office functions
- Clear division of roles and responsibilities - approval, supervision and management
- Effective delegation practices
- Existence of decision and/or approval authority limits.
- Adequate knowledge and skill sets - Internally qualified investment personnel.
- Existence of ongoing education for decision-making and investment staff.
- Review of the Investment strategy and procedure by the Investment Committee at least quarterly and more frequently if required.

ASSURANCE MECHANISM Board Sub-Committees

Many Boards delegate work to the Board Committees to deal more effectively with complex or specialized issues.

Corporate Governance

The benefits of using Sub-Committees include:

- More thorough research consideration of information
- More time at the regular board meeting for regular business
- Better dialogue between Committee members and staff and community members on the specific topic

Employee Participation

Whistle Blowing

Whistle Blowing Policy at Softlogic Life Insurance PLC encourages and enables stakeholders to raise serious concerns within the organization rather than overlooking a problem or “Blowing the Whistle” outside.

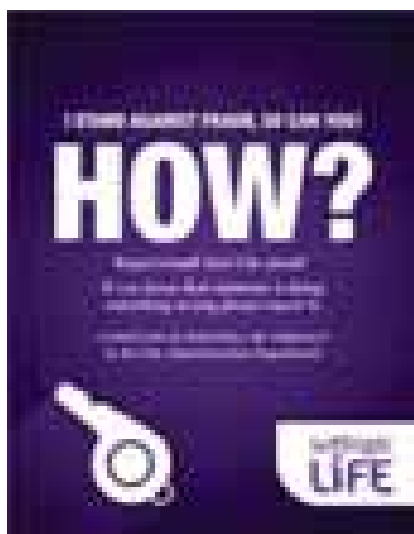


Figure : Images used for the e-mail campaign

The aim of the policy is to encourage stakeholders to feel confident and comfortable to voice their concerns, question and act upon the same regarding practices, reassuring them that they will be protected from possible reprisals or victimization, if they have reasonable belief that they have made any disclosures which are in the public interest. Breach of law, breach of company policy, frauds, misuse of data, unfair discrimination and harassment,

abuse of power are some of the concerns which this policy aims to address.

The whistle-blower could bring up their concern to any officer indicated below;

- a) Chairman of the Board Audit Committee
- b) Member of the Executive Committee
- c) Head of Internal Audit
- d) Compliance Officer

All the complaints received by those assigned in this policy, apart from complaints received by the Board Audit Committee Chairman, will be examined, evaluated and investigated by the Head of Internal Audit and the final report on such investigation will be submitted to the Executive Committee to decide the actions which needs to be taken. If an investigation leads to conclude that an improper or unethical act has been committed, the Executive Committee may take such disciplinary or corrective action as it deems fit. The Head of Internal Audit will submit a report of all the complaints dealt by him on a quarterly basis to the Board Audit Committee.

The Chairman of the Board Audit Committee shall proceed with the due process and submit any complaints received by him to the Head of Internal Audit unless the complaint is against any member of the Senior Management or against the Head of Internal Audit where the Chairman of the Board Audit Committee will decide how to proceed with the complaint as he deems appropriate. Findings of each investigation, whether it has been carried out by the Head of Internal Audit or any other manner as the Chairman of the Board Audit Committee deemed appropriate, will be presented to the Board Audit Committee or the Board of Softlogic Life Insurance PLC depending on the circumstances.

Internal Control Process and Internal Audit

Internal control at Softlogic Life aims to ensure that business activities are efficient

and proficient; that financial reporting is reliable and that applicable laws, regulations and the Company's internal policies are followed.

Internal audit is an independent and objective function which examines and evaluates the risk management, internal control and governance processes. The core role of internal audit is to provide assurance that the main business risks are being managed and that the relevant internal controls are operating effectively.

The primary responsibility for providing assurance on the adequacy of internal controls and risk management lies with the management. However, the internal audit function provides the Audit Committee with independent and objective assurance over the appropriateness, effectiveness and sustainability of the Company's system of internal controls to mitigate significant risks. The Audit Committee reviews the financial, operational and compliance controls, and risk management systems of the Company.

Internal audit contributes to the effectiveness of internal controls by ensuring that internal controls take into account the risks facing the Company and that the risks are reduced to a minimum level (risk appetite). The risk-based internal auditing provides assurance to the Audit Committee that the risk management processes are operating as intended. This is achieved by ensuring that our risk management system has a strong design, that management responses to risks are adequate and effective in reducing the risks to acceptable level (risk appetite level), and that appropriate controls are in place to mitigate risks.

Internal Compliance

Softlogic Life Insurance PLC engages the services of an in-house Compliance Officer. The Compliance Officer reports to the Managing Director (MD) and the Board of Directors. The responsibilities of the Compliance Officer include the following:

- Ensure that the Company complies with the provisions of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and any Regulations/Rules and Determinations made there under by the Insurance Board of Sri Lanka (IBSL)
- Develop and implement the Anti-Money Laundering (AML) programme of the Company in keeping with the requirements of the Financial Transactions Reporting Act No. 06 of 2006
- As a listed entity, ensure that the Company complies with the Rules issued by the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange
- To cooperate with the Company Secretaries and monitor compliance with the Companies Act No. 07 of 2007 and any Regulations made there under
- To cooperate with other Departments of the Company and ensure that statutory and regulatory compliance requirements are met, including the Finance Department, to ensure all taxes and statutory payments are duly paid; the Human Resources Department, to ensure that employee related dues and other statutory entitlements are granted
- Regulatory reporting on behalf of the Company, including regular reporting requirements of the IBSL and the Financial Intelligence Unit (FIU) of the Central Bank regarding cash and suspect transactions
- To maintain a communication link with all agencies regulating the operations of the Company
- Provide guidance to the Board and senior management on compliance related matters

- Regular reporting to the MD and Board Audit Committee on the compliance status of the Company with recommendations to satisfy compliance requirements
- Monitor compliance with certain Internal Policies and Procedures, such as the AML programme of the Company and the Whistleblower Policy
- Educate and train employees of the Company on compliance matters and play an active role in creating a compliance culture within the Company

External Audit Function

Corporate governance aims to resolve problems which arise from the principal-agent relationship, whereby owners have an interest in maximizing the value of their shares – whereas managers tend to be more interested in “the private consumption of firm resources and the growth of the firm”. Hence, the role of the external auditor is essential in order to encourage managers to be held more accountable. The Company’s External Audit function is carried out by Messrs KPMG, firm of Chartered Accountants. They are responsible for reporting on whether the financial statements are fairly presented in conformity with SLFRs and LKAs. The preparation of the financial statements is the responsibility of management. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit services.

Sustainability Reporting

Sustainability reporting is a scheme of corporate or organizational reporting, that conveys sustainability-related information in a way that is comparable with financial reporting, and provides reporting on a fresh platform where the ultimate motive of a business is not solely profits, but also safeguarding the environment which it operates in. Softlogic Life Insurance PLC considers GRI Guidelines in reporting for sustainability. Refer Sustainability section for more details (page 58 to 167)

Sustainability Integration

“We have fashioned and are executing our CSR activities under the pillars of Sustainable Environment Protection and development of a knowledge platform that will uplift both our industry and our rural youth, whom we consider to be the future life-blood of our Country. Our contribution to the socio economic development of our Country is consistent with the nature and size of our operations.” – Iftikar Ahamed – Managing Director

Our corporate sustainability approach

Corporate Responsibility (CR) is integrated within our strategy. It is about sustainable value creation, where we aim to create sustainable value for each of our main stakeholder groups by focusing on what we do best and on the enablers of business success – actions we need to take to achieve our strategic objectives.

Hence, we strive to promote a culture where the culmination of insurance should be sustainable growth, which delivers long lasting economic, environmental and social benefits to our stakeholders. Therefore, for Softlogic Life Insurance, sustainability management means minimizing ecological and social risks and thereby causing a positive economic impact, opportunities and continued growth. At the same time, we want to be a model corporate citizen and contribute to an economically stable ecologically responsible and socially just development of our society.

Sustainable Governance

We believe that sustainability is everyone’s responsibility, from the boardroom, to its sub committees, to our customers and suppliers. We look at sustainability holistically and recognize that sustainability expertise is to be found across the whole organization and also in the nature of the products and services we provide.

Thus, our Corporate Governance and risk framework have become our core strength in guiding the operations of the business to achieve the set corporate objectives. The Board of Directors sets

Corporate Governance

an excellent tone at the top, being accountable to the stakeholders of the Company whilst overseeing all significant business issues of the Company such as strategy and long-term business plans, product issues, corporate responsibility, legal and ethical compliance, executive selection and compensation and Board conduct.

In keeping with the standards of a democratically operated and transparent Organization, the Board of Softlogic Life placed many mechanisms as given below, for the Company's stakeholders to submit ideas or provide feedback to the Board of Directors.

- Meetings of shareholders and policyholder
- Quarterly Management Meeting
- Regional committee meetings
- Annual or special general meetings of the companies

The composition of the Board and its sub committees with their key functions are detailed in page 186 and 187 respectively.

Ethical conduct and conflict of interest

We hold ourselves accountable for operating with integrity. We view Softlogic Life's reputation as a valuable business asset - one that requires sustained attention from all levels of our business. Our Compliance Practices and Standards ensure ethical conduct and avoid conflicts of interest, detailing on anti-corruption, non-discrimination, human rights and non-retaliation policies. The Code is more than words on paper - it is the guide that helps every employee adhere to the highest standards of ethical conduct. Every year, we require all employees to affirm their commitment to and compliance with the Code, and we communicate to employees how they can report activities and behaviours that may be in violation of the Code.

We have built our success as a Company that exemplifies fair dealing, integrity and trustworthiness. Softlogic Life's excellent reputation is reinforced by our pledge to deliver value and world-class service to all who do business with us.

We help employees understand that even the appearance of collusion with a competitor may be enough to put us at risk and bring serious penalties

Sustainability as a Precautionary Approach

We believe sustainability management is an important precautionary approach to economic, social and environmental risk management. The Company applies the precautionary principles mainly from two angles:

- Compliance Review with the applicable laws and regulatory requirements.
- Operational Policies and Procedures.
- Obligation to take anticipatory action to prevent harm of any kind.
- Decisions taken by the Company with regard to the application of the precautionary principle should be

"open, informed, and democratic" and "must include affected parties".

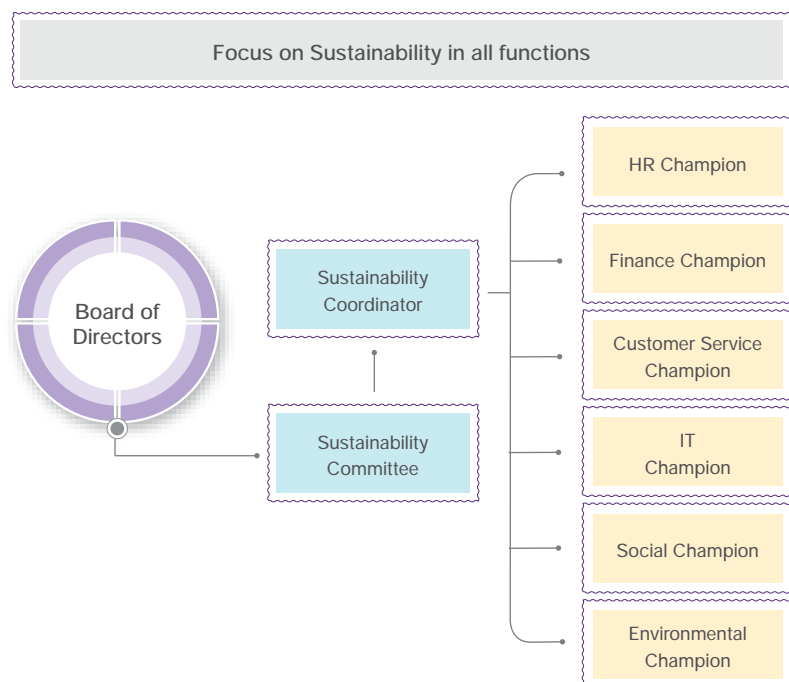
Committing to the cause

In 2016, we ignited an ambitious project to fully integrate corporate responsibility into our everyday business operations. Building upon existing commitments and activities, we set out to:

1. Establish an appropriate governance structure for managing corporate responsibility priorities.
2. Guiding and educating the employees to be held accountable for performance on Softlogic Life's corporate responsibility priorities.
3. Integration with key business objectives with corporate responsibility priorities.

As a result of these initiatives, the sustainability committee continued, creating a platform bridging the efforts on the ground level with the levels of oversight of the Company, assisting the continuation of integration of corporate responsibility objectives into everything we do.

Figure : Softlogic Life's CSR and Sustainability Committee

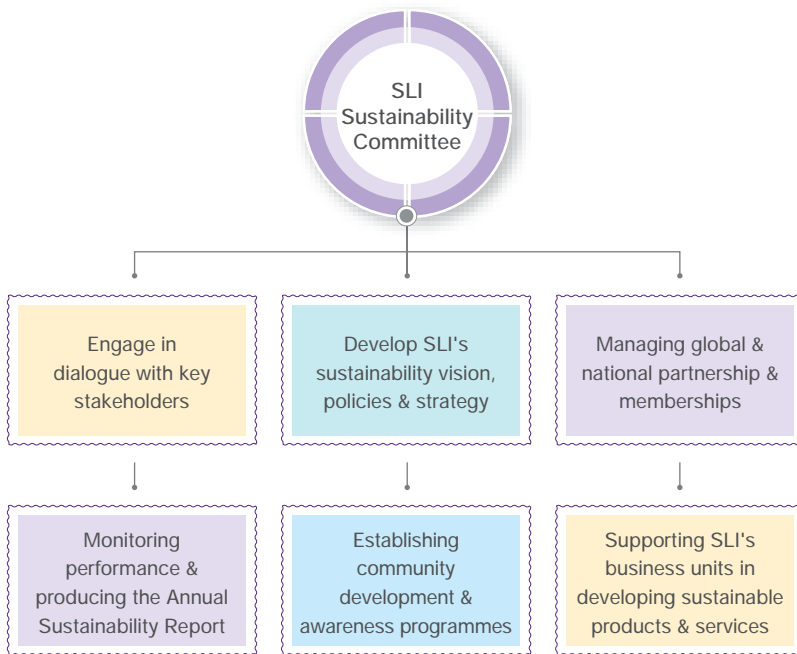


Softlogic Life's Sustainability Champions

Young people care deeply about the fate of the planet, its people, and their future. Given the opportunity, youth have great power to influence positive change in their communities. The ultimate goal of having a network is for the champions to build relationships with each other. Therefore, the Company has appointed sustainability champions representing each department in 2016. These members monitor the social, environmental and economic performance of each area and report on a quarterly basis to the sustainability coordinator.

Our sustainability activities are led and coordinated by the sustainability coordinator and there are four sustainability champions to assist him/her in the matters of reporting and coordination. The sustainability committee consists of the executive committee of the Company and being a direct extension of the Board of Directors, assists the committee to carry out its duties with more diligence. The charter of the committee contains the following:

Figure : Softlogic Life Sustainability Committee



In the year 2014, the sustainability committee introduced a sustainability framework defining the sustainability vision, policies and strategies or management approach towards priority issues. The framework assisted the committee to develop a methodology to focus on the issues that matter most to us and to our stakeholders. The pillars of sustainability were based on the key priorities of SLI which was identified through the stakeholder engagement framework.

Regulatory Governance

Softlogic Life Insurance PLC is primarily governed by the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and any Regulations/Rules made there under by the IBSL. As a listed entity it is also governed by the Rules of the CSE, SEC, and provisions of the Companies Act. The Company's transactions are under the oversight of the FIU, which is mandated by the Financial Transactions Reporting Act to monitor money laundering attempts at Financial Institutions.

In addition, the operations of the Company are regulated by several statutory authorities, including the Central Bank, Registrar of Companies, Inland Revenue Department and the Department of Labour.



Sustainability Champions of Softlogic Life

Corporate Governance

Principle	Requirement	Status of Compliance	Comments
A	Directors		
A.1	The Board		
	Every public company should be headed by an effective Board		
A.1.1	The Board should meet regularly - at least once every quarter	Compliant	For details of the frequency of Board and Board Sub-Committee meetings, please refer page 188
A.1.2	Responsibilities of the Board	Compliant	For details of responsibilities and duties of the Board, please refer to page 184
A.1.3	The Board must act in accordance with the law and obtain independent professional advice where necessary	Compliant	The Board places utmost importance on compliance with all applicable laws and regulations. In addition to the in-house compliance function and legal department, the services of independent consultants is obtained, where necessary
A.1.4	All Directors should have access to the advice and services of the Company Secretary	Compliant	The secretarial function has been outsourced to a professional secretarial service firm, PR Secretarial Services (Pvt) Ltd, and all Directors have access to the counsel of the secretaries
A.1.5	Independent judgment of Directors	Compliant	The Board consist of a high calibre of professionals capable of exercising independent judgment in the Board decision-making process. The Board promotes an environment where challenging contribution from the Non-Executive Directors is welcomed and encouraged.
A. 1.6	Every Director should dedicate adequate time and effort to matters of the Board	Compliant	Directors dedicate time and effort by attending Board meetings and Board Sub-Committee meetings (Please refer page 188 for frequency of meetings). Directors evaluate all material relating to such meetings and make additional enquiries from the management. Further, Directors transact business of the Board through Board Memorandums and circular resolutions
A. 1.7	Training and continuous development of Directors	Compliant	All Directors have adequate knowledge and experience in the insurance industry, and management regularly updates Directors of any developments in the insurance industry. In addition, Directors engage in continuous professional development in their respective fields (Please refer page 170 to 173 for a brief resume of each Director)
A.2	Chairman and Chief Executive Officer (CEO)		
	There should be a clear division of responsibilities at the head of the Company such that no one individual has unfettered powers of decision		
A.2.1	The posts of Chairman and CEO/MD vested in one person should be justified	Compliant	The position of Chairman and MD is segregated. Refer page 185

Principle	Requirement	Status of Compliance	Comments
A.3	Chairman's Role		
	The Chairman should preserve order and facilitate the effective discharge of Board functions		
A. 3.1	The Chairman's role in the conduct of Board meetings	Compliant	<p>The Chairman of the Company is a Non-Executive Director. The Chairman's role encompasses:</p> <ul style="list-style-type: none"> • Ensuring that the Board Members are given appropriate induction, covering terms of appointment, duties and responsibilities. • Leading the Board and managing the business of the Board while taking full account of the issues and concerns of the Board. • Approving the agenda for each meeting prepared by the Board Secretary. • Ensuring that the Board Members receive accurate, timely and clear information, in particular about the Company's performance to enable the Board to take sound decisions, monitor efficiently and provide advice to promote success of the Company. • Ensuring regular meetings, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors. • Facilitates and encourages discussions amongst all Directors where decisions are needed on matters of risk and strategy. • Encouraging effective participation of all Directors in the decision-making process to optimize contribution • Representing the views of the Board to the public • Initiates the process for self-assessment of the Board from its members and uses the meaningful feedback to further improve the effectiveness of the Board.
A.4	Financial Acumen		
A.4	The Board should have sufficient financial acumen	Compliant	Members of the Board possess the necessary financial knowledge to understand and provide guidance on financial matters of the Company (please refer page 170 to 173 for a brief resume of the Directors)
A.5	Board Balance		
	Balance of Executive and Non-Executive Directors		
A.5.1	Number of Non-Executive Directors	Compliant	The Board consists of 7 Directors, of which 6 are Non-Executive Directors. (please refer page 188).

Corporate Governance

Principle	Requirement	Status of Compliance	Comments
A.5.2	Number of independent Non-Executive Directors	Compliant	Five out of the six Non-Executive Directors are deemed as independent Directors (please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 237)
A.5.3	Determination of Independence	Compliant	Please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 237
A.5.4	Declaration of independence of Non-Executive Directors	Compliant	Each non-executive Director submits an annual declaration of his/her independence in the specified form
A.5.5	Determination of independence and disclosure in the Annual Report	Compliant	Please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 237
A.5.6	Alternate Directors for Non-Executive Directors and independent Non-Executive Directors should satisfy the same criteria	Not applicable	There were no appointments of alternate Directors in the period under review
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint a senior independent Director	Not applicable	The Role of Chairman and CEO is segregated
A.5.8	The Senior independent Director should make himself available for confidential discussions with other Directors who may have concerns	Not applicable	
A.5.9	The Chairman should hold meetings with the Non-Executive Directors as necessary and at least once each year	Compliant	The Chairman presides over several Board Sub-Committees consisting of Non-Executive Directors. In addition, the Chairman holds meetings with Non-Executive Directors as and when necessary
A.5.10	Matters which cannot be unanimously resolved should be recorded in the Board Minutes	Compliant	All proceedings at Board meetings are recorded by the Company Secretary. The Chairman fosters an environment in which decisions are reached unanimously
A.6	Supply of Information		
	The Board should be provided with timely information		
A.6.1	Management has an obligation to provide the Board with appropriate and timely information	Compliant	The management provides the Board with monthly financial and management information. The Board Sub-Committees are provided with all necessary information in the frequency in which meetings are held. In addition, information is provided whenever requested by the Board/ Board Sub-Committees.
A.6.2	The minutes, agenda and papers required for Board meetings should be provided at least seven (7) days before the meeting	Compliant	The minutes, agenda and all other information required for Board and Board Sub-Committee meetings is circulated no less than seven (7) days before the meetings

Principle	Requirement	Status of Compliance	Comments
A.7	Appointments to the Board		
	There should be a formal and transparent procedure for the appointment of new Directors to the Board		
A.7.1	A Nomination Committee should be established in order to make recommendations on all new appointments to the Board. The Chairman and members of the Nomination Committee should be identified in the Annual Report	Compliant	For details of the Nomination Committee and its functions please refer the Nomination Committee Report on page 224
A.7.2	Board composition should be assessed annually	Compliant	The combined knowledge and experience of the present composition of the Board matches with the strategic direction of the Company. However, if there is any change in the directorate, the composition of the Board will be reviewed accordingly
A.7.3	Appointment of a new Director to the Board should be forthwith disclosed to shareholders	Not applicable	There were no new appointments to the Board in the period under review
A.8	Re-election		
	All Directors should be required to submit themselves for re-election at regular intervals		
A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election	Compliant	All Directors are subject to retirement by rotation. At every AGM the longest standing Director shall retire and the retiring Director shall be eligible for re-election
A.8.2	All Directors including the Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years	Compliant	According to the Articles of Association of the Company, the Chairman and Managing Director (MD), while holding such office shall not be subject to retirement by rotation Except for Chairman & MD, all other Directors are subject to election by shareholders.
A.9	Appraisal of Board Performance		
	Boards should periodically appraise their own performance		
A.9.1	The Board should annually appraise itself on its performance	Compliant	Goals and targets of the Board of Directors have been clearly set out and evaluated at the end of the year by the members. Further, each member of the Board carries out a self-assessment of his/her own view of the effectiveness of the Board.
A.9.2	The Board should undertake an annual self-evaluation of its own performance and of its Committees	Compliant	
A.9.3	The Board should state how performance evaluations have been conducted in the Annual Report	Compliant	Please refer to page 191 for details of the performance evaluation of the Board and its Sub-Committees.

Corporate Governance

Principle	Requirement	Status of Compliance	Comments
A.10	Disclosure of Information in respect of Directors		
	Shareholders should be kept advised of relevant details in respect of Directors		
A.10.1	<p>The Annual Report should set out the following information on each Director:</p> <ul style="list-style-type: none"> • name, qualifications and brief profile; • the nature of expertise in relevant functional areas; • immediate family and/or material business relationships with other Directors of the Company; • whether executive, non-executive and/or independent Director; • number/percentage of Board meetings of the Company attended during the year; • names of listed companies in Sri Lanka in which the Director serves as a Director; • names of other companies in which the Director serves as a Director; • the total number of Board seats held by each Director indicating listed and unlisted Companies and • whether in an executive or non-executive capacity; • names of Board Committees in which the Director serves as Chairman or a member; and number/percentage of committee meetings attended during the year 	Compliant	<p>Please refer page 170 to 173</p> <p>Please refer page 170 to 173</p> <p>Please refer page 186</p> <p>Please refer page 188</p> <p>Please refer page 189</p> <p>Please refer page 237 to 245</p> <p>Please refer page 237 to 245</p> <p>Please refer page 237 to 245</p> <p>Please refer page 237 to 245</p> <p>Please refer page 237 to 245</p>
A.11	Appraisal of Chief Executive Officer (CEO)		
	The Board should be required, at least annually, to assess the performance of the CEO		
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO/ MD, should set financial and non-financial targets that should be met by the CEO / MD	Compliant	The Board in consultation with the MD set financial and non-financial targets in line with the objectives of the Company (please refer page 191 for details of the performance evaluation of the MD)
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year	Compliant	The achievement of these targets is monitored by the Board throughout the year and a performance evaluation is carried out by the Board at the end of the year

Principle	Requirement	Status of Compliance	Comments
B	Directors' Remuneration		
B.1	Remuneration Procedure		
	Companies should establish a formal and transparent procedure for developing policy on executive remuneration		
B.1.1	Board should set up a Remuneration Committee to make recommendations on the framework of remunerating executive directors	Compliant	<p>Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Director and the Corporate Management.</p> <p>The Committee determines and agrees with the Board, the broad policy framework for the remuneration of the MD. The MD participates at meetings when deciding the remuneration of the Corporate Management in order to recruit, retain and motivate the Corporate Management team.</p> <p>For details about the composition of the Remuneration Committee, please refer to page 221</p>
B.1.2	Remuneration Committee should consist exclusively of Non-Executive Directors and a Chairman appointed by the Board	Compliant	The Remuneration Committee consists of all Non-Executive Directors.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report	Compliant	The Remuneration Committee Report is given on page 221
B.1.4	The Board should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee	Compliant	The Board as a whole determines the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and an additional fee for being a member of the Committee. They do not receive and performance related incentive.
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO and have access to professional advice	Compliant	<p>Input of the Chairman is obtained by his involvement as a member of the said sub-committee. External professional advice is sorted by the Remuneration Committee on a need basis through the Board Secretary.</p> <p>For more information refer to page 221</p>
B.2	The Level and Make-up of Remuneration		
	Levels of remuneration should be sufficient to attract directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be linked to corporate and individual performance		

Corporate Governance

Principle	Requirement	Status of Compliance	Comments
B.2.1	The Remuneration Committee should provide the packages needed to attract and retain Directors of the quality required	Compliant	The Board is mindful of the fact that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the MD is structured to link rewards to corporate and individual performance. For details of the Remuneration policy of the Company, please refer the Remuneration Committee Report on page 221
B.2.2	The Committee should judge where to position levels of remuneration of the Company, relative to other companies	Compliant	The Remuneration Committee in deciding the remuneration of the Directors (including the MD) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors entailed in his job.
B.2.3	The Committee should be sensitive to remuneration elsewhere in the Company or Group of which it is a part	Compliant	The size and scale of the Company is not comparable with any other Group company.
B.2.4	The performance-related elements of remuneration of Executive Directors should be designed to align their interests with the Company	Compliant	Please refer to section B.2.1
B.2.5	Executive share options should not be offered at a discount	Not applicable	There is no executive share option scheme in the Company
B.2.6	In designing schemes of performance-related remuneration, the Committee should follow the provisions set out in this Code	Compliant	For details of the Remuneration Policy of the Company please refer to Remuneration Committee Report on page 221
B.2.7	The Committee should consider what compensation commitments in the Directors' contracts of service, if any, entail in the event of early termination	Compliant	
B.2.8	Where the initial contract does not explicitly provide for compensation commitments, the Committee should tailor their approach in early termination cases to the relevant circumstances	Compliant	
B.2.9	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role	Compliant	
B.3	Disclosure of Remuneration		
	The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole		

Principle	Requirement	Status of Compliance	Comments
B.3.1	The Annual Report should set out the names of Directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy, and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer the Remuneration Committee Report on page 221. Remuneration paid to the Board of Directors is disclosed (in aggregate) is in Note 15 in the Financial Statements on page 285
C	Relations with Shareholders		
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings		
	Board should use the AGM to communicate with shareholders and should encourage their participation		
C.1.1	All proxy votes should be counted	Compliant	All proxies lodged before meetings are recorded and all proxy votes cast at meetings are recorded by the Company Secretaries
C.1.2	Separate resolution should be proposed at the AGM on each substantially separate issue	Compliant	All substantial matters are proposed as separate resolutions
C.1.3	The Chairmen of the Audit, Remuneration and Nomination Committees should be available to answer questions at the AGM	Compliant	These Sub Committee Chairmen were present at AGM 2016 and available to answer any questions posed by shareholders
C.1.4	Notice of the AGM and related papers should be sent to shareholders as determined by statute	Compliant	The Company ensures that the notice period as required by the Companies Act and the Articles of Association is strictly observed and the shareholders are served with all related papers to make informed decisions
C.1.5	A summary of the procedures governing voting at General Meetings should be circulated with every Notice of General Meeting	Compliant	The Notice of Meeting and Proxy Form incorporate instructions for shareholders on voting
C.2	Communication with Shareholders		
	The Board should implement effective communication with shareholders		
C. 2. 1	There should be a channel to reach all shareholders in order to disseminate information	Compliant	The Company makes effective use of General Meetings to communicate with all its shareholders. Important announcements are published on the CSE and media. Further, the Company maintains a dedicated section on its website for investor relations. Please refer Page 96 for more information
C. 2. 2	The policy for communication with shareholders should be disclosed	Compliant	For details of the Investor Relations Policy of the Company, please refer to the Share Information & Stakeholder engagement sections of the Annual Report on pages 368 and 58
C. 2.3	How the above policy is implemented should be disclosed	Compliant	
C. 2. 4	The contact person for such communication should be disclosed	Compliant	Please refer to page 8 in Inquiries by Shareholders for more information

Corporate Governance

Principle	Requirement	Status of Compliance	Comments
C. 2. 5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process should be disclosed	Compliant	The Company Secretary shall maintain records of all correspondence received and deliver same to the Board or individual Directors as applicable.
C. 2. 6	The person to contact in relation to shareholders' matters should be decided (the relevant person with statutory responsibilities is the Company Secretary or in his/her absence should be a member of the Board)	Compliant	Shareholders are encouraged to bring matters of concern to the attention of the Board through the Company Secretaries, whose contact details are given on page 183
C. 2. 7	The process for responding to shareholder matters should be formulated by the Board and disclosed	Compliant	Refer C.2.2-C.2.5 above
C.3	Major and Material Transactions		
	Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter the Company's net assets base		
C.3.1	Prior to engaging in 'Major Related Party Transactions' involving the acquisition, sale or disposition of greater than one-third of the value of the Company's assets, Directors should disclose to shareholders all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an Extraordinary General Meeting	Compliant	Section 185 of the Companies Act requires all major transactions (whether related or not) to be approved by shareholders by way of special resolution. In addition, with the CSE Listing Rule on Related Party Transactions came into effect from 2016, all proposed non-recurrent related party transactions must be reviewed by a Board Sub-Committee and transactions exceeding threshold limits must be subject to shareholder approval by way of special resolution
D	Accountability and Audit		
D.1	Financial Reporting		
	The Board should present a balanced assessment of the Company's financial position, performance and prospects		
D.1.1	The Board's responsibility to present a balanced assessment extends to interim and other price-sensitive public reports and reports to regulators	Compliant	The Board takes responsibility for the Company's interim financial statements, public announcements and returns filed with the regulator
D.1.2	The Directors' Report in the Annual Report should contain certain declarations to the effect set out in the Code	Compliant	Please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 237
D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control	Compliant	Please refer the Statement of Directors' Responsibility to Financial Reporting, Independent Auditors' Report and Directors' Statement on Internal Controls on pages 246 to 247 and 216 respectively

Principle	Requirement	Status of Compliance	Comments
D.1.4	The Annual Report should contain a "Management Discussion & Analysis"	Compliant	Please refer the Management Discussion and Analysis on page 35
D.1.5	The Directors should report that the business is a going concern	Compliant	Please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 237
D.1.6	If the net assets of the Company fall below 50% of the value of the shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting to notify shareholders	Not applicable	
D.1.7	The Board should adequately disclose related party transactions in the Annual Report	Compliant	Please refer to Note 50 - Related Party Disclosures in Notes to the Financial Statements on page 360
D.2	Internal Control		
	The Board should have a process of risk management and a system of internal control to safeguard shareholders' investments and the Company's assets		
D.2.1	The Directors should conduct an annual review of the risks facing the Company and the effectiveness of the system of internal controls	Compliant	The Board is responsible for establishing sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis. Through such as effective framework, Softlogic Life PLC manages business risks and ensures that the financial information on which business decisions are made and published is reliable, and also ensures that the Company's assets are safeguarded against authorized unauthorized use or disposition.
D.2.2	Company should have an internal audit function	Compliant	Since 2014, the internal audit function was completely brought under the in-house internal audit department. Accordingly, the resource and staff requirements of the internal audit department were enhanced.
D.2.3	Audit Committee should carry out a review of the effectiveness of risk management and internal controls	Compliant	The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management & internal control system including the internal controls over financial reporting.
D.2.4	Responsibility of Directors in maintaining a system of internal controls	Compliant	Please refer Directors' Statement on Internal Controls on page 216
D.3	Audit Committee		
	The Board should establish formal and transparent arrangements for considering how to select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Auditors		
D.3.1	The Audit Committee should be comprised exclusively of Non-Executive Directors, a majority of whom should be independent	Compliant	Refer page 218

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Principle	Requirement	Status of Compliance	Comments
D.3.2	The duties of the Audit Committee	Compliant	For details of the Duties of the Audit Committee and its Terms of Reference please refer the Audit Committee Report on page 218
D.3.3	The Audit Committee should have a written Terms of Reference, dealing with its authority and duties	Compliant	
D.3.4	Disclosures		
	The Annual Report should disclose the names of Directors comprising of the Audit Committee, a determination of the independence of the Auditors and a report by the Committee	Compliant	Please refer Audit Committee Report on page 218
D.4	Code of Business Conduct & Ethics		
	Companies must adopt a Code of Business Conduct & Ethics for Directors, and Key Management Personnel		
D.4.1	The existence of a Code of Business Conduct & Ethics for Directors and key management personnel should be disclosed in the Annual Report with an affirmative declaration of compliance	Compliant	Please refer page 192 for a brief description of the Code of Business Conduct & Ethics
D.4.2	The Chairman must affirm in the Annual Report that he is not aware of any violation of the Code	Compliant	Please refer to Chairman's Statement of Compliance on page 182
D.5	Corporate Governance Disclosures		
	Directors should be required to disclose the extent to which the Company adheres to established principles of good Corporate Governance		
D.5.1	The Annual Report should include a Corporate Governance Report	Compliant	This part forms a part of the Corporate Governance Report, which commences from page 182
E	Institutional Investors		
E.1	Shareholder Voting		
	Institutional shareholders have a responsibility to make considered use of their votes		
E.1.1	A regular and structured dialogue should be conducted with shareholders	Compliant	The management and Board maintain a regular dialogue with the institutional shareholders and their views are considered on all major transactions Please refer page 183
E.2	Evaluation of Governance Disclosures		
	When evaluating governance arrangements, institutional investors should be encouraged to give due weight to all relevant factors	Compliant	The views of institutional shareholders, especially FMO and DEG (which are internationally renowned development finance institutions) have been instrumental in shaping current governance arrangements of the Company

Principle	Requirement	Status of Compliance	Comments
F	Other Investors		
F.1	Investing/ Divesting Decision		
	Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	Compliant	The information disseminated by the Company is adequate for individual shareholders to undertake an analysis of the Company and/or seek independent investment advice regarding the prospects of the Company Please refer page 183
F.2	Shareholder Voting		
	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	Compliant	All shareholders are given adequate notice of General Meetings and provided with all the necessary information to make informed decisions at Meetings Please refer page 395
G	Sustainability Reporting		
G.1	Principles of Sustainability		
G.1.1	Principle 1 – Economic Sustainability How the organization takes responsibility for the impacts of its activities on economic performance	Compliant	For detailed coverage of these principles, please refer to the Financial Capital Report on Page 70
G.1.2	Principle 2 – The Environment An organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their activities	Compliant	Please refer Value Creation: Natural Capital Report on page 150
G.1.3	Principle 3 – Labour Practice All policies and practices relating to work performed by or on behalf of the organization	Compliant	Please refer Value Creation on Human Capital page 98
G.1.4	Principle 4 – Society Support for and building a relationship with the community, including responsible public policy participation, fair competition and responsible community involvement	Compliant	Please refer Value Creation on Social and Relationship Capital on page 114
G.1.5	Principle 5 – Product Responsibility Manufacturing quality products and ensuring that the products are safe for the consumers and the environment	Not applicable	
G.1.6	Principle 6 – Stakeholder Identification, engagement & effective communication with stakeholders	Compliant	For details of stakeholder engagement policy of the Company please refer the section on Stakeholder Engagement on page 58
G.1.7	Principle 7 – Sustainable Reporting	Compliant	Please refer to GRI - G4 Context Index on page 164

Corporate Governance

Continuing Listing Requirements – Corporate Governance

Principle	Requirement	Status of Compliance	Comments
7.10.1	Number of Non-Executive Directors One-third of the total number of directors	Compliant	The Board consists of 7 directors, of which 6 are Non-Executive Directors
7.10.2(a)	Number of independent directors One-third of the Non-Executive Directors	Compliant	5 out of the 6 Non-Executive Directors are deemed as independent directors. Please refer page 188
7.10.2(b)	Declaration of independence Each non-executive director is required to submit to the Board annually a declaration of his/her independence or non-independence	Compliant	All Non-Executive Directors have submitted a declaration in the specimen form provided under the Rule.
7.10.3	Disclosures relating to directors		
	(a) The names of Non-Executive Directors determined to be 'independent'	Compliant	Please refer page 188
	(b) In the event a director does not qualify as 'independent' against any criteria set out in the Rules, however, the Board is of the opinion that the director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination	Compliant	Please refer Annual Report of the Board of Directors on the Affairs of the Company on page 243
	(c) A brief resume of each director including information on the nature of his/her expertise in relevant functional areas	Compliant	Please refer page 170 to 173
	(d) In the event of an appointment of a new director, a brief resume of such director shall be submitted immediately to the CSE for dissemination to the public	Not applicable	There were no new appointments to the Board during the year under review
7.10.5	Remuneration Committee		
7.10.5(a)	Composition Non-Executive Directors, a majority of whom shall be independent, and one of the Non-Executive Directors shall be appointed as the Chairman	Compliant	The Remuneration Committee comprises of three Non-Executive Directors, of which all 3 are independent and Mr. Ashok K Pathirage, who is a non-executive director acts as the Chairman
7.10.5(b)	Functions The Committee shall recommend to the Board the remuneration payable to the executive directors and Chief Executive Officer.	Compliant	Please refer the Remuneration Committee Report on page 221
7.10.5(c)	Disclosures in the Annual Report		
	Names of directors comprising the Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 221
	Statement of the remuneration policy	Compliant	
	The aggregate remuneration paid to executive and non-executive directors	Compliant	Please refer Annual Report of the Board of Directors on the Affairs of the Company on page 237 to 245

Principle	Requirement	Status of Compliance	Comments
7.10.6	Audit Committee		
7.10.6(a)	<p>Composition Non-Executive Directors, a majority of whom shall be independent and one non-executive director shall be appointed as Chairman by the Board;</p> <p>Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend audit committee meetings;</p> <p>The Chairman or one member of the Committee should be a Member of a recognized professional accounting body</p>	Compliant	<p>The Audit Committee comprises of four independent Non-Executive Directors and Mr. Sujeewa Rajapakse acts as the Chairman</p> <p>The MD and CFO attend meetings of the Committee by invitation</p> <p>The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Society of Chartered Accountants, as well as a past president of the Institute of Chartered Accountants of Sri Lanka</p>
7.10.6(b)	<p>Functions Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards;</p> <p>Oversee compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements;</p> <p>Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards;</p> <p>Assessment of the independence and performance of the external auditors;</p> <p>Make recommendations to the Board on appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement</p>	Compliant	Please refer the Audit Committee Report on page 218
7.10.6(c)	<p>Disclosures in the Annual Report</p> <p>The names of the directors comprising the Audit committee</p> <p>The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination</p> <p>A report by the Committee setting out the manner of compliance in relation to the above</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>	Please refer the Audit Committee Report on page 218

Corporate Governance

Principle	Requirement	Status of Compliance	Comments
9	Related Party Transactions Review Committee		
9.2.1	<p>Functions</p> <p>Except for the transactions set-out in Rule 9.5 all other Related Party transactions should be reviewed by the Committee in-line with the requirements of the Rule</p>	Compliant	Please refer the Related Party Transactions Review Committee Report on page 227
9.2.2	<p>The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition of the Committee may also include Executive Directors at the option of the Listed Entity. One Independent Non-Executive Director shall be appointed as Chairman of the Committee.</p>	Compliant	
9.3.2.	Disclosures in the Annual Report		
9.3.2 (a -b)	<p>Information on non-recurrent related party transactions, if aggregate value of the non-recurrent related party transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements information on recurrent related party transactions, if the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent related party transactions entered into during the financial year in the Annual Report. The name of the related party and the corresponding aggregate value of the related party transactions entered into with the same related party must be presented in the specified format</p>	Compliant	Please refer to page 243 in the Affairs of the Board of Directors in the Annual Report
9.3.2 (c)	Report by the Committee	Compliant	Please refer the Related Party Transactions Review Committee Report on page 227
9.3.2 (d)	Declaration by the Board of Directors either as an affirmative or negative statement of compliance with the Rule	Compliant	Please refer Annual Report of the Board of Directors on the Affairs of the Company on page 237 to 245

PERFORMANCE GOVERNANCE

“Integrated Approach to Performance Governance”

Strategic Direction and Corporate Objectives

A solid performance governance structure along with the Corporate Governance Structure underpins all components of our business and seeks to enhance stakeholder confidence in Softlogic Life as an effective tool to monitor performance while managing the risks associated with the business operations.

Performance Governance at Softlogic Life is derived from the strategic planning processes to set organisational direction and objectives aimed at successfully managing business risk.

Strategic planning is a bottom up process, involving staff at all levels, creating ownership and commitment, as well as harnessing their creative potential. The process commences with the Board setting broad objectives for the year from the top line and profitability perspective. Based on these requirements, the Executive Committee reviews the Company's vision, mission and values and analyses the market position, competitive and macro environment, competitor positioning and organisational strengths, weaknesses, opportunities and threats (SWOT Analysis). Based on this information, the Executive Committee identifies the issues and challenges during the planned period and formulates broad strategies and objectives.

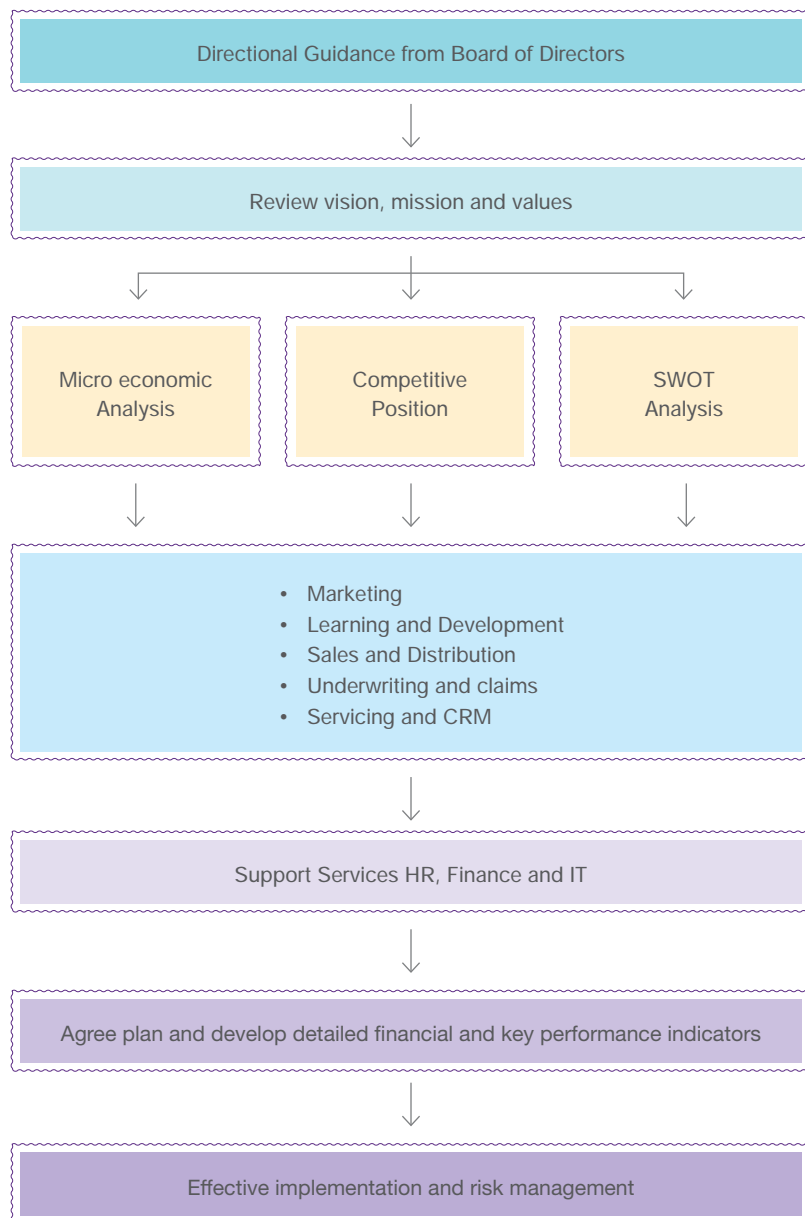
Financials and key performance indicators

Simultaneously, the Company conducts planning meetings at regional/ distribution channel level. The strategic plans derived from these workshops are synchronized with the objectives determined by the Executive Committee at a broader planning forum comprising the Executive Committee and key representatives from the functional/ distribution channels. Once

agreed, financial budgets and objectives are set and presented to the Board.

An outline of the process is provided below.

Effective implementation



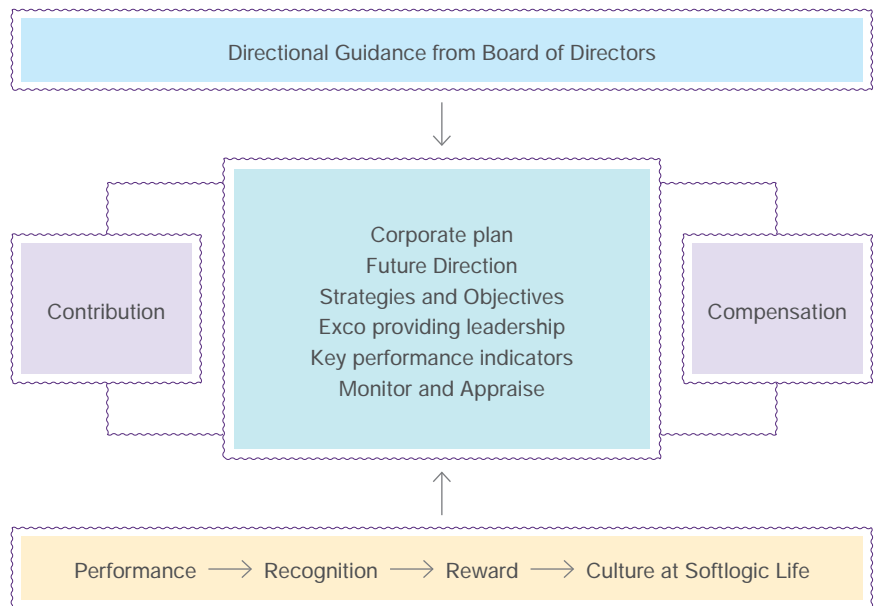
Performance Governance

The Executive Committee reviews the strategic plan deliverables and budgets on a monthly basis and analyses variances between expected and actual results. The same information is also reviewed by the Board. Every employee at Softlogic Life is provided with a target linked to objectives and a deadline to achieve the allocated targets. The achievement of these targets is monitored closely at different levels on a periodic basis throughout the year, which demonstrates the management by objective and contribution plus compensation culture within the Company. Rewards are strongly linked to performance. Some mechanisms used to evaluate performance are stated below:

- Discussion of the Company performance at Executive Committee meetings based on monthly management information.
- Submission of monthly financial information to the board, including KPIs in comparison with budgets.
- Weekly discussion with management regarding weekly performance and the growth achieved in each week compared to the same week in the previous year.

Future Outlook

The Company is equipped with a strong corporate governance framework studded with an intricate network of internal regulation to ensure that every system and process is under the governance scanner. This strong tone for implementation of good governance is set at the top and the Company has a well respected director profile on the



board to stand as custodians of the Company's legacy. Our whistle-blower policy and other internal controls ensures that each and every employee of the Company is accountable for their actions. We believe that corporate governance is in the interests of the Company and the shareholders and this is espoused by our board of directors as well. Our comprehensive risk, governance and compliance system encompasses strategy, technology, governance and people in the Company. Softlogic Life prides itself on its ethical operations and remains committed to strengthening its governance framework in line with shifting business needs. Both parties use a dashboard with key performance indicators (KPIs) to monitor the progress. The KPIs are linked to the strategic objectives of the Company as reflected below.

Life Insurance strategic objectives and key performance indicators

Strategic objectives	Key performance indicator	Relevance	2016 Update
Expansion of distribution network with productivity and efficiency	GWP generated from regular Business	Allocate investments for further expansions	Use Softlogic outlets to locate the life branches
	Location wise expense ratio	To manage expenses	Added 6 new life branches to the distribution network Launch of "Super Branch" concept
Continuous improvement in service standards	Number of innovations	To reduce lead time	Launch of Real Time Claim Meter and One Day Claim Settlement Introducing "LifeUp" application
Enhance learning and development	Training hours by staff category	Measure the training inputs received	9 training hours per employee
New product development	GWP generated from new products	Ultimate measure of success of a new product update	Launched "Softlogic Life Million Dollar Health Plan" Product
Operational excellence	Life surplus and embedded value	Measures current and future profitability of the business	Increase in underwriting results by 9%
	Underwriting profit Results Average Policy Value	Measure profit generated from the core function of the business	

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Introduction

The following statement fulfils the requirement to publish the Director's statement on internal controls as per the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.

Responsibility

The Board of Directors ("Board") is responsible for the adequacy and maintaining an effective system of internal controls to safeguard shareholders' investments and company assets. The Board has structured an enterprise risk management process to identify the principle risks impacting the business and mitigating actions taken by management. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Company. In this light, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risk faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. This process is put in place for the year and is reviewed periodically by the Board through its Audit Committee and Risk Management Committee which is supported by the Internal Auditors.

The management assists the Board in implementing policies and procedures on risk and control by identifying and assessing the risks faced by the Company, as well as in the design, operation and monitoring of suitable internal controls to mitigate these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System on Financial Reporting

The key processes established to review the adequacy and integrity of the system of internal controls related to financial reporting include the following:

- Various appointed committees are established by the Board to assist in ensuring the effectiveness of the Company's daily operations and its alignment with business direction/ strategies, corporate objectives, annual corporate budget, and approved policies.
- The Internal Audit Department of the Company checks for compliance with policies and procedures and the effectiveness of the internal control system on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all departments and branches, in accordance with the annual audit plan approved by the Audit Committee. The frequency of audits of branches is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audit are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Company reviews internal control issues identified by the Internal Audit

Department, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The Minutes of the Audit Committee meetings are tabled at the meetings of the Board of Directors of the Company on a periodic basis. Details of the activities undertaken by the Audit Committee of the Company are set out in the 'Audit Committee Report' which appears on pages 218 to 220

- Initiated regular IT system audits to ensure the integrity of financial information, data security and adequate access controls are in place with regard to processing of data. In addition to the above, engage the external auditors to review the critical components of the IT environment as part of the statutory audit,
- A Risk Management Committee assist the Board in overseeing the risk management framework of the company. The management has prepared a Risk Register identifying all key risks faced by the Company. The implementation of the proposed new controls is followed up by the risk and compliance department. The report of the Risk Committee is provided on page 225 to 226 of the Annual Report,
- An ongoing, bottom up process is in place for identifying, evaluating and managing the risks faced by the Company,
- New risks, mitigating actions and changes of risk status of earlier identified risks are highlighted separately,
- Contemplating robust security measures and risk management, the Company has appointed an independent IT security officer,

- Improvements in line with industry and/or non-industry best practices are also implemented on an on-going basis

Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance

With the Sri Lanka Accounting Standards, requirements of the Company's Act No. 7 of 2007, Regulations of Insurance Industry Act No. 43 of 2000 and the listing rules of the Colombo Stock Exchange.

On behalf of the Board;

(Sgd.)

Ashok K. Pathirage
Chairman

(Sgd.)

Iftikar Ahamed
Managing Director

(Sgd.)

Sujeewa Rajapakse
Chairman – Audit Committee

Colombo, Sri Lanka
09th March, 2017

AUDIT COMMITTEE REPORT

Charter of the Committee

The Board Audit Committee ("the Committee") of Softlogic Life Insurance PLC (the Company) is a standing Committee of the Board of Directors ("Board").

The role of the Audit Committee is to assist the Board in satisfying its oversight responsibilities for the integrity of the financial statements of the Company, the internal control and risk management systems of the Company and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function. The scope of functions and responsibilities are set out in the terms of reference of the Committee which has been affirmed by the Board and is reviewed annually.

The effectiveness of the Committee is assessed annually by each member of the Committee and the results are conveyed to the Board.

Composition of the Committee and Meetings

The Board Audit Committee ("the Committee") appointed by and responsible to the Board of Directors with comprises of four (4) Independent Non-Executive Directors.

The Chairman of the Audit Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka and Society of Certified Management Accountants of Sri Lanka. He is the Managing Partner of BDO Partners, a firm of Chartered Accountants. The members bring a multitude of varied expertise and knowledge to the Audit Committee, which enables the effective conduct of operations. The following members serve / served on Audit committee;

Members

Name	Position
Mr. Sujeewa Rajapakse (Chairman)	Independent Non-Executive Director
Mr. Ray Abeywardena	Independent Non-Executive Director
Mr. J. K. Mukhi	Independent Non-Executive Director
Mr. J. W. H. Richters	Independent Non-Executive Director

The Managing Director, Head of Finance and Group Head - Audit and Risk attend meetings by invitation.

The Committee conducted proceedings in accordance with the terms of reference approved by the Board. The Board has determined that the Committee possesses an adequate blend of financial and industry expertise in order to efficiently carry out its duties.

The Audit Committee conducted 6 (six) meetings during the year. Attendance by the Committee members at each of these meetings is given in the table on page 188 of the Annual Report.

Members of the Executive Committee, Compliance Officer, the External Auditors, the Head of Internal Audit and other senior management team members attended meetings as and when required.

The Company's board secretary Messrs PR Secretarial Services (Pvt) Ltd acted as secretaries to the Audit committee. The minutes of the Audit Committee meetings were tabled at Board meetings on a regular basis.

Any individual member of the Committee has the opportunity to raise specific issue at the meetings. The undersigned was in regular contact with the management including the Chief Financial Officer and Chief Manager – Internal Audit during 2016 on matters coming under the purview of the Committee.

Expertise of the Committee

Each of the members of the Committee has a depth of financial expertise and collectively the Committee has considerable financial experience on which to draw from. More information on experience of and brief profiles of the members are given on pages 170 to 173 of the Annual Report.

Objectives

An Audit Committee Charter defining the objectives, authority, composition, meetings and responsibilities of the Committee was established and approved by the Board.

The Committee is empowered by the Board of Directors to:

- I. Ensure that the financial reporting system is able to present accurate and timely financial information to the Board of Directors, regulators and shareholders,
- II. Ensure that the financial statements are prepared in accordance with Sri Lanka Accounting standards (SLFRSS and LKASs), companies Act No 7 of 2007, Regulation of Insurance Industry Act No 43 of 2000 and other relevant laws and regulations
- III. Monitoring the Company's internal controls including controls relating to financial statement reporting; and
- IV. Liaise with Risk Management Committee and the Management to ensure that the risk management framework of the Group is implemented effectively to mitigate risks reporting
- V. Review the design and implementation of internal control systems and to take steps to strengthen them where necessary
- VI. Ensure that the conduct of the business is in compliance with the applicable laws and regulations of the country and the policies and procedures of the Company
- VII. Monitoring and reviewing the activities and performance of the internal, external and outsourced auditor/s, including monitoring their independence and objectivity.
- VIII. To evaluate the ability to continue as a going concern in the foreseeable future

The Audit Committee is empowered to seek any information it so desires from the management and staff of the Company or from external parties. The Committee is also authorized to meet the management and staff, External and Internal Auditors, Consultant Actuaries, regulators or outside counsel in order to achieve the objectives stated above.

Continuous Professional Development

The Committee is conscious of the need to keep its knowledge up to date and Committee members participated at presentations and workshops conducted internally and externally on relevant topics.

Financial Reporting

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements, prior to publication, with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs), the appropriateness and changes in accounting policies and material judgmental matters. The Committee also discussed with the External Auditors and management the matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee, in acknowledgement of its responsibility to monitor the financial reporting process of the Company, reviewed the following areas, in consultation with the External Auditors and the management where necessary:

- Significant accounting and reporting issues
- Development in the financial reporting framework.
- Reviewed the consistency and appropriateness of the accounting policies adopted by the Company to ensure compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs).

- Disclosure requirements and other applicable accounting and financial reporting requirements such as the Companies Act, No. 07 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto
- Reviewed all four (4) Quarterly financial statements and the Annual Financial Statements for the year 2016 of the Company prior to its publication,

Internal Audit, Risks and Controls

The Committee monitors the effectiveness of the internal audit function and is responsible for effectiveness of the internal control systems to ensure that processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in preparation and presentation of Financial Statements and is responsible for approving their appointment or removal and for ensuring they have adequate access to information required to conduct their audits. During the year, the Committee reviewed the internal audit plan and recommended changes and further monitored the progress on a regular basis.

The scope of internal audit covers the Head Office functions and all its branch activities, and includes the review of the adequacy, effectiveness and efficiency of the internal controls and the action taken to mitigate operational and business risks. In addition, they monitor and report on compliance with statutory regulations and the Company's accounting and operational policies. The internal audit representatives are present at Audit Committee meetings during discussions relating to their respective audit reports.

External Audit

The Committee conducted meetings with the External Auditors to discuss the audit scope and plan. Discussions were also carried out between the Committee, the management and the External Auditors regarding the coordination of the audit effort to assure the External Auditors

have the access to required information and co-operation from all employees and regularly overlooked the implementation of the prescribed corrective actions.

The External Auditors were given adequate access to the Audit Committee as well as to all relevant information required. The Committee met with the external auditor 2 (two) times during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and auditor's independence.

The Committee reviewed the audited financial statements with the external auditor who is responsible for expressing an independent opinion on its conformity with the Sri Lanka Accounting Standards (SLFRSs & LKASs) and also the Management Letters issued by the external auditor together with the management responses thereto.

The Committee met the external auditors without the presence of the corporate management once during the year to ensure that there was no limitation of scope in relation to the audit and to allow for full disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit, and concluded that there was no cause for concern.

Independence and objectivity of the External Auditors

The Audit Committee undertook the annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process. As far as the Audit Committee is aware, Auditors do not have any relationship (other than that of Auditors) with the Company. The Committee has also received a declaration from Messrs KPMG, Chartered Accountants as required by the Company's Act No 07 of 2007, confirming that they do not have any relationship with the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance issued jointly by the

Audit Committee Report

Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka and the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

In addition, the lead Audit Partner is rotated, every five years.

Provision of Non Audit Services

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence.

Re-appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as Auditors for the financial year ending 31 December 2016 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendation to the Board with regards to the remuneration of the Auditors.

Compliance with Rules and Regulations

Reviewed the Compliance Report prepared by the Compliance Officer to ensure compliance with Directions of the Insurance Board of Sri Lanka and other regulatory and statutory requirements in order to ensure that the Company adheres with all statutory requirements, including those stipulated by the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto.

Corporate Governance

The Company is fully compliant with the applicable rules on Corporate Governance under the listing rules of the Colombo Stock Exchange (CSE). In addition, the Company is in substantially compliant with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL).

Risk Management

The Risk Management Committee provides information pertaining to the risk management function with the purpose of keeping the Audit Committee abreast of the latest developments and in order to carry out its statutory, regulatory and other responsibilities. A detailed report of the Risk Management Committee is given on pages 225 and 226.

Ethics and Good Governance

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, a Code of Ethics and Whistle-Blowers Charter was put in place and followed for educating and encouraging all members of staff to resort to whistle-blowing, if they suspect wrong doings or other improprieties. The highest standards of Corporate Governance were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means. The Whistle-Blowers Charter guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers.

Sri Lanka Accounting Standards

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRSs & LKASs) applicable to the Company and made recommendation to the Board of Directors. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

Divestment of General Insurance Business

The Company has divested its fully owned subsidiary Asian Alliance General Insurance Limited to Fairfax Asia Limited during the reporting period. Derecognition of the subsidiary has been accounted in comply with Sri Lanka Accounting Standards (SLFRSs & LKASs). Detailed note is given on pages 334 to 335 of the Annual Report.

Committee Evaluation

An independent evaluation of the effectiveness of the Committee, was carried out by the other Members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.

Professional Advice

The Committee has the authority to seek external professional advices on matters within purview.

Conclusion

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. The Company's External Auditors have been effective and independent throughout the year.

In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conducts have been followed. The Committee is also satisfied that the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Group are true and fair.

(Sgd.)

Sujeewa Rajapakse
Chairman - Audit Committee

Colombo, Sri Lanka
09th March, 2017

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

Composition of the Committee

The Human Resources & Remuneration Committee ("the Committee"), appointed by and responsible to the Board of Directors comprises four (4) Non - Executive Directors of whom three (3) are Independent Directors. The following Directors serve on the HR and Remuneration Committee.

Members

Name	Position
Mr. Ashok Pathirage (Chairman)	Non-Independent Director - Non-Executive Director
Mr. Sujeewa Rajapakse	Independent Non-Executive Director
Mr. Paul Ratnayake	Independent Non-Executive Director
Mr. Ray Abeywardena	Independent Non-Executive Director

Brief profiles of the Directors are given on pages 170 to 173 of the Annual Report.

The Managing Director / Chief Executive Officer (MD / CEO) who is responsible for the overall management of the Company, attends meetings and participates in the Committee meetings by invitation. The MD / CEO took part in all deliberations except when his own interest, performance and compensation were discussed.

The Head of Human Resource functions as the Secretary to the Committee.

Charter of the Committee

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors, on any matter that may influence the Human Resource Management of the entity and shall particularly incorporate.

Responsibilities / objectives of the Remuneration Committee

- Determining the remuneration of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the organization, while ensuring that no Director is involved in setting his or her own compensation.
- Determining the compensation and benefits of the Key Management Persons (KMP) and establishing

performance parameters in setting their individual goals and targets.

- Formulate guidelines, policies and parameters for the remuneration structures for all Executive Staff of the entity and oversee the implementation thereof.

- Review information related to executive pay from time to time, to ensure same is in par with the market/industry rates or as per the strategy of the Company.
- Evaluate the performance of the Managing Director and KMP against the pre-agreed targets and goals.
- Make recommendations to the Board of Directors from time to time, of the additional/new expertise required by the Company.
- Assess and recommend to the Board of Directors, of the promotions of KMP, address succession planning and issues connected to the Organizational Structure.
- Make recommendations/decisions/ directions pertaining to the statutory payments made by the Company on behalf of its employees (EPF, ETF,

terminal Benefits, etc.), ensuring the effective fulfillment of all commitments arising as a result of the employer-employee relationship.

- Approving annual increments, bonuses, changes in perquisites and incentives
- Making sure that the remuneration packages of employees are linked to individual performance, responsibility, expertise and contribution to team and overall Company objectives
- Ensuring that no Director is involved in setting his own remuneration package

Policy

The Remuneration Policy of the Company aims to attract and retain employees with appropriate professional, managerial and operational expertise necessary to achieve the Company objectives.

It is the Committee's aim to ensure that the total remuneration package is competitive not just in the industry but to attract from other industries.

Remuneration of MD / CEO

The Remuneration Committee policy is to place the basic salaries broadly around the market median with other variable components which reflect the Company's business strategies and the challenges it face.

Remuneration Package

a. Employees

The remuneration packages of employees consist of a fixed component, variable component and other benefits as noted below:

Fixed Component	Variable Component	Other Benefits
Basic Salary	Annual bonus	<ul style="list-style-type: none"> Insurance Benefits Professional Membership Subscription Scheme
Traveling Allowance	Production and Quality incentive for Sales and Distribution Management Team	Examinations Loans

Human Resource and Remuneration Committee Report

Fixed Components

Basic salary is the fixed component in the package which is based on the scope and complexity of the role and is reviewed annually. Annual performance appraisals are conducted and increments and promotions are granted purely based on results of such appraisals. Overall competence and performance are key factors that determine an individual's base pay.

Variable Components

The main component of our variable pay is the annual bonus to employees at all levels based on individual performance as evaluated at the annual performance appraisals and the performance of the Company. In addition, the distribution management team is entitled for a production and quality incentive scheme based on achievement of business targets under predetermined criteria.

Other Employee Benefits

Benefits provided to employees include examination loans and various insurance benefits.

Retirement Benefits

There are no retirement benefits to employees other than gratuity.

b. Board of Directors

No remuneration is paid to Non - Executive Directors other than the directors' fees paid based on their participation at Board meetings and other sub-committee meetings. The Managing Director's remuneration are decided by the Board annually on the recommendation of the Remuneration Committee based on the achievement of Company objectives and individual performance.

Total fees and remuneration paid to all Directors is disclosed on Note 15 on page 285 to this report

Non-Executive Directors are not entitled to retirement benefits.

Share Option Plans for Directors

The Company does not have a share option plan for Directors.

Directors' Shareholding

The shareholdings of Directors are provided on page 237

Personal Loans for Directors

No Director is entitled to Company loans.

Remuneration Committee Meetings

The Committee met once during the year 2016. Other Board members may attend meetings on invitation. Attendance at the meetings is given in page 188 of the Annual Report.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview.

Committee Evaluation

The Committee completed the evaluation process with self-assessment in 2016, which was conducted by the Chairman and Committee Members and was deemed to be satisfactory.

(Sgd.)

Ashok Pathirage

Chairman – Human Resource & Remuneration Committee

Colombo, Sri Lanka
09th March, 2017

INVESTMENT COMMITTEE REPORT

Members

Name	Position
Mr. Ashok Pathirage (Chairman)	Non-Independent Non-Executive Director
Mr. Sujeewa Rajapakse	Independent Non-Executive Director
Mr. Iftikar Ahamed	Non-Independent Executive Director
Mr. Johannes Richters	Independent Non-Executive Director
Mr. Jatinder Mukhi	Independent Non-Executive Director

Secretary to Committee

PR Secretarial Services (Pvt) Ltd

Composition of the Committee

The Committee consists of 4 Non-Executive Directors of which 3 are Independent while the Chairman remains Non-Independent. The other Director being the MD is Executive and Non-Independent.

Number of Committee Meetings

The Committee formally met 4 times during the year under review when all members were present.

Terms of Reference of the Committee

- Recommended policy for approval by the Board, to ensure that investments are undertaken as per the said policy and monitor performance on a quarterly basis.
- Monitor the management of the portfolios by reviewing written reports from Treasury/Fund Manager(s) or by discussions with relevant Treasury/ Fund Manager(s) on a quarterly basis.
- Evaluate investment performance. The evaluation will take into account compliance with investment policies, guidelines and risk levels.
- At its discretion decide to appoint a Fund Manager(s) to perform this mandate.

Key functions performed during the year under review

- The Committee shall receive and review data on the current economic conditions, outlook for the economy, industry growth sectors, inflation and interest rates.

- The Committee shall receive and review balance sheet liquidity as well as projections for underwriting, commissions and claims.
- The Committee is mandated with the performance of the Overall Portfolio, and as such is responsible for managing both existing projects and new initiatives of the Company.

Objectives

- Maximize net rate of return
- Maximize safety of investments
- Meet liabilities
- Meet regulatory requirements
- Meet working capital requirements
- Assets and Liability Management

Methodology of the Committee

The Committee works closely with the Board of Directors in relation to the matters referred to it by making appropriate and suitable recommendations.

The year ahead

The Committee would continue to make decisions and recommendations which meet the risk and other applicable parameters for investments, and ensure acceptable implementation of risk/reward strategies to achieve budgeted returns for the year.

(Sgd.)

Ashok Pathirage
Chairman – Investment Committee

Colombo , Sri Lanka
09th March, 2017

NOMINATION COMMITTEE REPORT

Composition of the Nomination Committee

The Nomination Committee ("the Committee") comprises of 3 Non-Executive Directors appointed by the Board of Directors of the Company. The following Directors serve/served on the Nomination Committee during the year under reference;

into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.

- A member of Nominations Committee opts out in decisions relating to his own appointment.

Re-election / re-appointment of Director at the 17th AGM

The name of Director – Mr. J.H.P. Ratnayake was proposed for re-election / re-appointment at the 17th AGM to be held on 31st March 2017, and the Committee decided to recommend the said name to be approved by the full Board.

Members

Name	Position
Mr. Ashok Pathirage (Chairman)	Non-Independent Non-Executive Director
Mr. Paul Ratnayake	Independent Non-Executive Director
Mr. Mohan Ray Abeywardena	Independent Non-Executive Director

Brief profiles of the members of the Committee are given on pages 170 to 173 of the Annual Report.

The Board Secretary functions as the Secretary to the Nomination Committee.

Terms of Reference of the Board Nominations Committee

The Term of Reference (TOR) of the Nomination Committee was adopted by the Board of Directors. The Nomination Committee was established to ensure Board's oversight and control over the selection of Directors. The Committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision on the matter. The Committee focuses on the following objectives in discharging its responsibilities;

- To Implement a procedure to select Directors to the Board,
- Provide advice and recommendations to the Board or the Chairman on any such appointment
- To ensure that the Directors are fit and proper persons to hold office
- To consider and recommend the re-election of current Directors, taking

Objectives of the Nomination

Committee

- Propose a suitable charter for the appointment and re-appointment of directors to the Board and to act in accordance with such Charter in proposing appointments and re-appointments.
- Consider the making of any appointment or re-appointment to the Board
- Provide advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment
- Regularly review the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

Committee Attendance

Attendance by the Committee members at the meetings is given in the table on page 188 of the Annual Report. The MD/CEO also attended meetings by invitation.

Committee Effectiveness

The performance of the Committee is reviewed each year as a part of the Board Effectiveness Review. The Committee completed the self-assessment for the year 2016, which was conducted by the Chairman and Committee members and the review concluded that the Committee continues to operate effectively.

(Sgd.)

Ashok Pathirage
Chairman – Nomination Committee

Colombo, Sri Lanka
09th March, 2017

RISK COMMITTEE REPORT

Members

Name	Position
Mr. Jatinder Mukhi (Chairman)	Independent Non-Executive Director
Mr. Iftikar Ahamed	Non-Independent Executive Director
Mr. Ramal Jasinghe	Non-Independent Non-Executive Director (Resigned w.e.f from 3rd October 2016)
Mr. Johannes Richters	Independent Non-Executive Director
Mr. Ray Abeywardena	Independent Non-Executive Director (appointed to the Risk Committee w.e.f 25th November 2016)

- Review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile.
- Review reinsurance treaties annually and advise the board on their sustainability or otherwise.

Secretary to Committee

PR Secretarial Services (Pvt) Ltd

Composition of the Committee

All members of the Committee shall be Directors and membership shall be composed of Non- Executive Directors as well as Executive Directors. Membership of executive directors are limited to 50% of total members.

	24th February 2016	10th May 2016	27th June 2016	16th August 2016	25th November 2016
Jatinder Mukhi	√	√	√	√	√
Iftikar Ahamed	√	√	√	Excused	√
Ramal Jasinghe**	√	√	√	√	N/A
Johannes Richters	√	Excused	√	√	√

** Ramal Jasinghe (Resigned w.e.f from 3rd October 2016)

Objective

The Risk Management Committee (the "Committee") of Softlogic Life Insurance PLC ("the Company") is a standing Committee of the Board of Directors ("Board"). The purpose of the Committee is to assist the Board in fulfilling its responsibility with respect to oversight of the Company's risk management framework, including the significant policies and practices used in managing risks.

Authority

In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been empowered to have direct access to, and receive regular reports from, management, and be provided with any information it requests relating to its responsibilities. The Committee has the authority to engage independent professional advisors on matters within its purview

Number of Committee Meetings

The Committee formally met five times during the year under review. Attendances at the meetings were as follows.

Terms of Reference of the Committee

This Committee shall have supervisory functions over the risk management, the risk profile, the enterprise wide risk management framework, of the Company and any other risk related matters determined by the board. The main functions of the Committee shall be to:

- Assist in the oversight of the review and approval of the companies risk management policy including risk appetite and risk strategy;
- Review the adequacy and effectiveness of risk management and controls;
- Oversee management process for the identification of significant risks across the company and the adequacy of prevention, detection and reporting mechanisms;
- Review the Company's compliance level with applicable laws and regulatory requirements

Key functions performed during the year under review

- Approval of the Companies risk management policy and the Company's risk appetite and risk strategy;
- Approval of the Company's Business Continuity Plan and Environmental and Social Responsibility Policy.
- Reviewed the adequacy and effectiveness of existing risk management controls.
- Reviewed and provided feedback on the identified significant risks across the company and the adequacy of prevention, detection and reporting mechanisms.
- Reviewed changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile.
- Reviewed and approved reinsurance treaties and disseminated advised on applicable strategies.

Risk Committee Report

Methodology of the Committee

- The Committee chairman will report formally to the Board on its proceedings whenever there are major decisions taken
- The Committee shall deliver a report with recommendations to the Board upon conclusion of the review of the reinsurance treaties annually
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its terms of reference where action or improvement is needed

The Year Ahead

The Committee would continue to review identified risks, identification processors and mitigation strategies and make recommendations on the mentioned in order to ensure the Company is within its risk appetite.

(Sgd.)

Jatinder Mukhi

Chairman – Risk Committee

Colombo, Sri Lanka
09th March, 2017

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee was established by the Board of Directors in pursuance of Rule 9 of the Listing Rules of the Colombo Stock Exchange and compliance of which was made mandatory with effect from 1st January 2016.

The core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders are taken into consideration when entering into related party transactions and compliant with the said rules.

Composition of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company. As at 31st December 2016 it comprised of the following Directors:

Name	Position
Mr. Sujeewa Rajapakse (Chairman)	Independent Non-Executive Director
Mr. Jatinder Mukhi	Independent Non-Executive Director
Mr. Johannes Richters	Independent Non-Executive Director

At present, the Related Party Transactions Review Committee comprises only of Non- Executive Directors all of whom are independent. On the invitation of the Committee, the Managing Director has attended meetings of the Committee during the year.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee conducts itself as per the approved Policy and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules.

Accordingly, except for exempted transactions all other Related Party Transactions are required to be reviewed by the Related Party Transactions Review Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- Reviewing related party transactions of the Company except those explicitly exempted under the Listing Rules;
- Adopting policies and procedures to review related party transactions of the Company;
- Assessing whether the related party transactions are in the best interests of the Company and its Shareholders as a whole;

- Determining whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- For related party transactions that are ongoing (recurrent related party transactions) the Committee may establish guidelines for senior management to follow in its dealings with the relevant related parties.

The Committee has access to and/or ensure that they have access to enough knowledge or expertise to assess all aspects of Related Party Transaction and access to internal and external resources, and may seek the advice of Company's auditors, Counsel or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee or with respect to any related party transaction and if necessary obtain such advice as necessary.

Related Party Transactions Review Committee Guiding Principles

The Related Party Transactions Review Committee in ensuring that all transactions with related parties of the Company are treated on par with other shareholders and constituents of the Company, is empowered to issue guidelines to the senior management, setting the necessary processes to identify, approve, disclose and monitor all transactions with related parties and the threshold limits and agreed upon terms and conditions with respect to related party transactions.

Accordingly, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them. Hence the Company adopts a disclosure based approach in identifying the related parties. Based on the information furnished in these declarations, the Company has set-up a process which enables the Company to generate data on related party transactions throughout the Company's network.

If a member has a material personal interest in a matter being considered or a related party transaction involves directly or indirectly one of the members of the Committee, the conflicted member must inform the Committee immediately and exclude themselves at the meeting and such member shall not be present while the matter is being considered at the meeting and vote on the matter.

Committee Meetings

The Committee met three (04) times during the year under review, and the attendance of committee members at meetings is stated in the table on page 188 of the Annual Report.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors during the year.

Related Party Transactions Review Committee Report

Related Party Transactions During 2016

During the year 2016, there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the above period is disclosed in note 50 to the financial statements.

Declaration

An affirmative statement of compliance with rules pertaining to Related Party Transactions by the Board of Directors is captured in pages 243 of the Annual Report.

(Sgd.)

Sujeewa Rajapakse

Chairman - Related Party Committee

Colombo, Sri Lanka
09th March, 2017

INTEGRATED RISK MANAGEMENT

Introduction and Overview

Risk is the combination of a likelihood of an occurrence of an event and the impact that can be caused by that event. The occurrence of such events could hamper business objectives of the Company. The purpose of risk management is to identify, measure and effectively manage the risks through adequate monitoring, analysis and mitigation strategies.

The management of these potential exposures is vital for the Company's operation as it can affect the achievement of the Company's strategic, financial and operational objectives

To get a comprehensive understanding about the risk management at Softlogic Life, you are requested to read details of pages 338 to 355 provided in the Financial section (includes discussion on Financial and Insurance risk along with this report.)

Risk Management Objectives

The Company's key objectives towards managing and mitigating these risks are:

- Setting the framework, strategy and policy and procedures for Risk Management
- Building a risk-awareness culture and disseminating the culture across the organization
- Establishing a risk framework that defines the ownership and accountability of management of the risks identified.
- Implementation of a rigorous risk assessment process to carry out continuous risk identification, control and mitigation processors
- Aligning risk taking with expertise core competence and business directives
- Establishing the Company's risk appetite and risk limits
- Support the decision-making process of the Company with reliable analysis of risk exposures

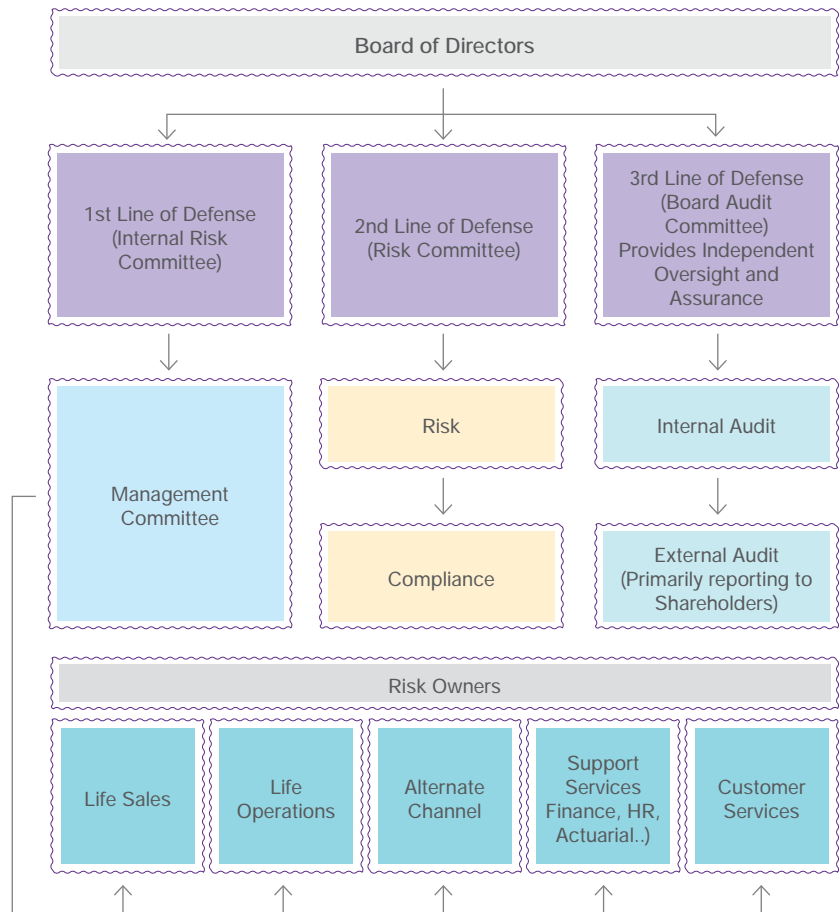
- Strengthening systems, policies, processes, and measurement tools as needed to provide robust Risk Mitigation
- Modify mitigation strategies according to changes in internal and external environment
- Ensuring that the Board Risk Management Committee (BRMC) has all the required information to enable it to efficiently exercise its governance function.
- Disseminating information on risk for the Board and other stakeholders

Risk Governance Structure

The Company's governance structures and processes are aligned with enterprise-wide value and risk management (EVRM) principles. The

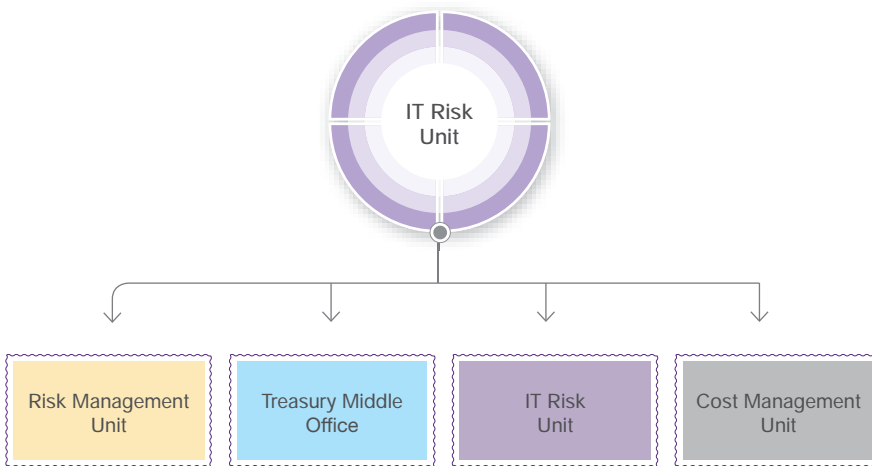
Board has adopted the three lines of defence model for managing risk. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues throughout the Company. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the Organisation. The implementation of this model ensures that risk management is embedded in the culture of the Organisation and provides assurance to the Board and Senior Management that risk management is effective. The Board of Directors and their standing Committees provide oversight of the group's risk management activities. The Managing Director utilises the Executive Committee Management and Key Management Committees to manage the components of risk.

Figure : Risk Governance Structure



Integrated Risk Management

Figure : Internal Architecture of the Risk Management Unit



The identified risks are reviewed by the Internal Risk Committee after which they are submitted to the Board Risk Committee for review.

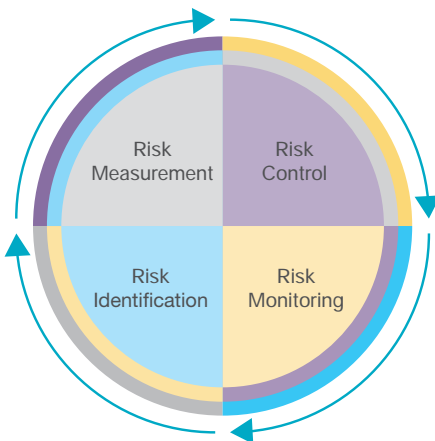
Risk Register

The Risk Register comprises of identified risks that if they materialise would have a material impact on the Company.

It also comprises of a detailed action plan on how these risks will be analysed, mitigated and eliminated.

The Register is reviewed and updated on a quarterly basis and presented to the Board Risk Committee.

Figure : Risk Management Process of the Company



Risk Landscape of the Company

The risk landscape of the Company is provided below:

Insurance Risk	Operational Risk	Market Risk	External Risk	Strategic Risk
<ul style="list-style-type: none"> Underwriting Risk Expense Risk Persistency Risk Mobidity and Mortality Risk Catastrophic Risk Competitor Product Risk 	<ul style="list-style-type: none"> IT Risk Business Continuity People Risk Fraud Risk Reputation Risk 	<ul style="list-style-type: none"> Interest Rate Risk Equity Risk Asset Quality Risk Concentration Risk 	<ul style="list-style-type: none"> Regulatory Risks Political Risk Country Demographic Risk Economic Risks 	<ul style="list-style-type: none"> Global Industry Trends Competitor Risk

Rating of identified risks

All risks are rated according to its likelihood of occurrence and the potential impact on the Business as defined in a pre-agreed risk matrix for the Company.

Risk Policy

The Company is equipped with a detailed Risk Management Policy which is the foundation of the Company's risk identifying, monitoring and reporting process. The Policy outlines the risk framework that will be applied at Softlogic Life Insurance PLC. The design of the ERM framework is based on the ISO 31000:2009 International Standard. The Policy also formalises the Risk Management processes, standards, roles and responsibilities and assists in the efficient management and mitigation of risks. The Policy is approved by the Board Risk Committee and is reviewed on an annual basis.

Risk Identification and Mitigation Strategies

Risks are identified by department. As these risks are specific to each department, this allows the Company to identify the main areas that need attention so as to mitigate any future losses as well as opportunities to be gained by identifying new control mechanisms. These risks can be scored and analysed to achieve optimal decision-making.

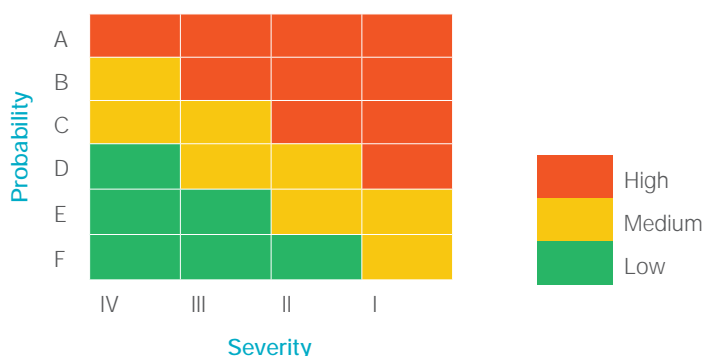
The potential impact of a risk is evaluated based on the severity of the impact on business continuity, profit, and the loss of business portfolio. As such, the levels of severity have also been defined as Marginal, Significant, Critical and Catastrophic as shown below.

Severity	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
Business Continuity	< 4 Hours	> 4 Hours < 1 Day	> 1 Day < 2 Days	> 2 Days
Profit	< 5 Mn	> 5 Mn < 100 Mn	> 100 Mn < 500 Mn	> 500 Mn
Loss of Business Portfolio	< 2.5%	> 2.5% < 10%	> 10% < 25%	> 25%

The likelihood of the occurrence of the risk is examined based on the historical experience and probabilities of occurrence under current market and economic conditions. The matrix defines the probability of occurrence as the likelihood of an event occurring in a particular time period. As such, we have defined six probabilities of occurrence as given below.

Probability	Description	Definition
A	Very High	< 1 Week
B	High	1 Week < 3 Months
C	Occasional	3 Months < 1 Year
D	Low	1 Year < 15 Years
E	Very Low	15 Years < 100 Years
F	Almost Impossible	>100 Years

These risks once rated according to the above are plotted on the traffic light matrix below.



The ownership of risks lie with the heads of relevant functions and the responsible personnel are required to provide the action plans on how the high rated risks will be improved and the timeliness to achieve these targets.

This enhanced process of risk management was developed throughout the year.

Risk Appetite and Tolerance

The Company's risk appetite and tolerance levels are discussed and set by the Internal Risk Committee and approved by the Board Risk Committee. The Board Risk Committee reviews these levels annually while the Internal Risk Management Committee is responsible for continuous monitoring and reporting of these limits as well as any business responses in times where these limits maybe significantly challenged. The limits are set considering global best practices, regulatory requirements, industry benchmarks and internal benchmarks as appropriate.

The limits are reviewed annually and linked to the overall strategy of the Company.

Integrated Risk Management

Mitigation strategies adopted at Softlogic Life PLC to address its risk landscape

Risk	Risk Rating 2016	Risk Rating 2015	Mitigation strategies
Strategic Risks			
Competitor Risk	●	●	Communication of the Corporate strategy, goals and initiatives to all staff Constant monitoring and reporting of Company's Performance.
Co-operation and awareness of common direction	●	●	Close monitoring of global industry trends and competitor activity locally.
Regulatory Risk			
Minimum Capital Adequacy Ratio	●	●	Reviewing and monitoring of all regulatory requirements by the Compliance Department
Increased Regulatory /Compliance Requirements	●	N/A	Performing forward forecasts on a quarterly basis in order to ascertain if key regulatory requirements such as solvency and determination are in line with requirements.
Compliance with statutory requirements and laws and regulations	●	●	
Operational Risk			
Business Continuity	●	●	Knowledge sharing sessions were conducted on the procedures to be followed in the event of a disaster for staff at Head Office.
Improving IT DR Facilities	●	●	
Internal Controls	●	●	Disaster Recovery Simulation exercise was conducted successfully for the life operations staff which revealed that business continuity maybe restored within the required recovery time objectives.
Staff Turnover	●	●	
Reputational Risks	●	●	Extensive testing was also carried out on IT disaster recovery. As such improvements were carried out to further strengthen the Company's IT DR site and a full cut over of essential systems were carried out successfully. The testing revealed that systems were recoverable well within the stipulated recovery time objectives.
Occupational Health and Safety	●	●	Detailed analysis on staff turnover so that HR strategy may be aligned to mitigate issues revealed through analysis. Dedicated personnel to handle reputational issues that could arise owing to adopting social media marketing

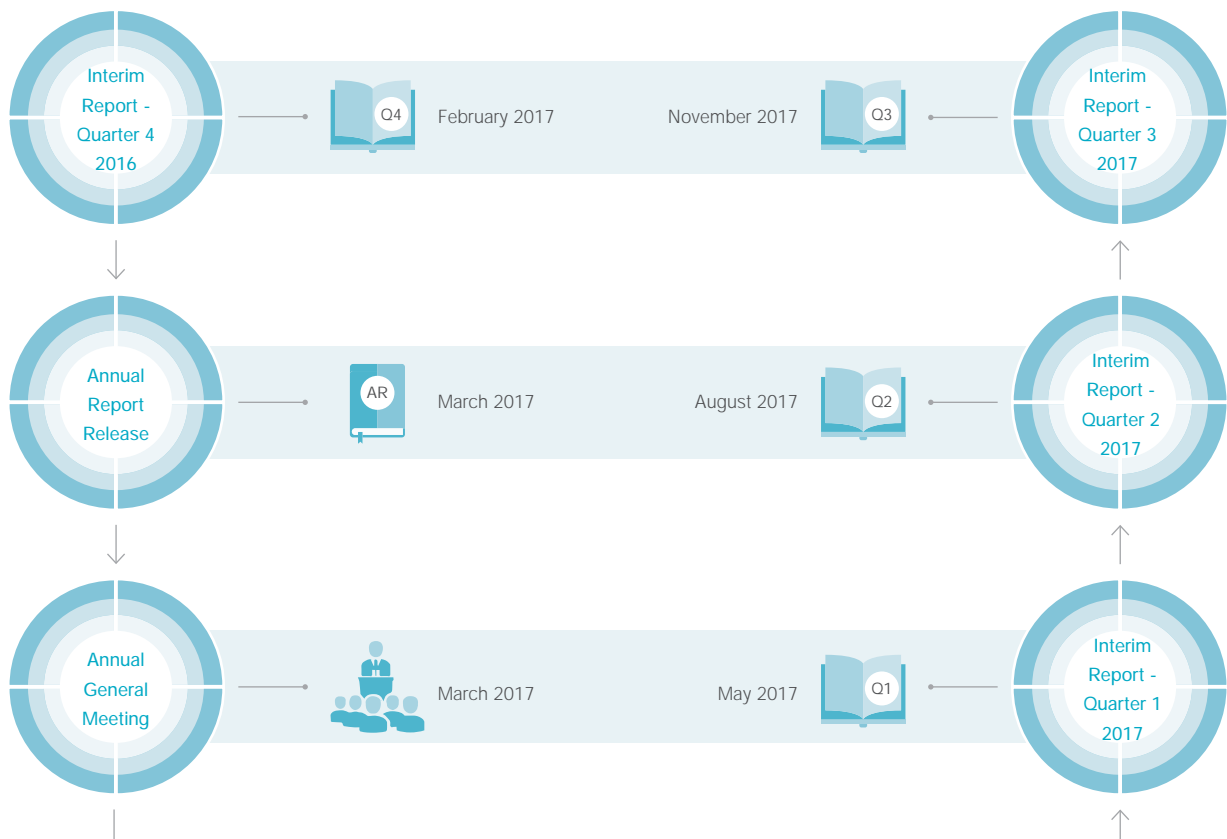
Risk	Risk Rating 2016	Risk Rating 2015	Mitigation strategies
Insurance Risks			
Expense Ratio	●	●	Refer Financial Notes
Product Implementation Process	●	N/A	<p>A formal process was implemented within the year to strengthen the product implementation process.</p> <p>A committee has been formed in this regard and will be headed by the DGM – LO. The Committee includes representatives from Life Operations (Claims, Underwriting, Reinsurance), Medical Team, IT, Actuarial, Finance, Marketing, Training, Compliance and Risk.</p>
Quality of Agents	●	●	<p>A unique career and recognition structure is in place that help reduce turnover amongst sales staff.</p> <p>Structured training programmes are conducted continuously for Sales staff on motivation and leadership</p>
Unproductive Staff	●	●	<p>Productivity of Sales staff are monitored on a continuous basis through a special central monitoring unit which is independent of the distribution network, which allows for an early indication / warning when an individual's performance is below standard.</p> <p>The life operation has in place a set number of KPI's to measure staff efficiency. These indicators are monitored and tracked regularly.</p> <p>Live dashboards are used as a management tool to monitor new business proposals, those in work in progress and thereby staff productivity on a real time basis.</p>
Premium Persistency	●	●	Refer Financial Notes on page no. 339 to 343
Morbidity Risk	●	●	Refer Financial Notes on page no. 339 to 343
Mortality Risk	●	●	Refer Financial Notes on page no. 339 to 343
Market & Investment Risks			
Equity Risk	●	●	The Treasury Middle Office continues to identify, measure and manage all Treasury Specific Risks on a day to day basis. The investment portfolio is valued daily and gains/losses are tracked and reported on a daily basis.
Investment Concentration Risk	●	●	Duration on the Fixed Income portfolio is measured on a monthly basis by the Treasury Middle Office (TMO).
Interest Rate Risk / Asset and Liability Management	●	●	The Company's Asset Liability Management was also strengthened during the year. Asset and Liability Duration is calculated by fund as well as on a total basis to understand the cash flow gaps and maturity gaps at a given date.

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FINANCIAL PLANNER

Financial Calendar	Target date in 2017	Achievement in 2016
Submission of the Interim Financial Statements in Terms of the Rule 7.4 of the Colombo Stock Exchange		
1st Quarter	May 2017	May 2016
2nd Quarter	August 2017	August 2016
3rd Quarter	November 2017	November 2016
4th Quarter	February 2018	February 2017
Annual Report and Financial Statement to Shareholders		
2015		March 2016
2016	March 2017	
Annual General Meeting		
18th Annual general Meeting to be Held		31st March 2017
19th Annual general Meeting to be Held	March 2018	



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY AND STATEMENT OF COMPLIANCE OF THE CONTENTS OF THE ANNUAL REPORT AS REQUIRED BY SECTION 168 OF THE COMPANIES ACT NO. 07 OF 2007.

1. PREFACE

The Directors of Softlogic Life Insurance PLC (the Company) have pleasure in presenting to the shareholders the Annual Report of your Company together with the Audited Financial Statements of the Company for the year ended 31st December 2016 and the Auditors' Report on those Financial Statements conforming to all relevant statutory requirements. This Report provides the information as required by the Companies Act No. 07 of 2007, Insurance Industry Act No. 43 of 2000 and amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) and the recommended best practices.

This Report was approved by the Board of Directors on 09th March 2017. The

appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

The Company is a Licensed Insurance Company registered under the Insurance Industry Act No. 43 of 2000 and was incorporated as a Public Limited Liability Company in Sri Lanka on 21st April 1999 under the Companies Act No 17 of 1982 and was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 6 July 2007, under the Registration No. PQ 31. The registered office of the Company is at No. 283, R. A De Mel Mawatha, Colombo 03, Sri Lanka

where the Company's Head Office too is situated.

The ordinary shares of the Company are quoted on the Diri Savi Board of the CSE since November 2000.

The Ultimate Parent of the Company is Softlogic Holdings PLC which has a direct holding of 0.05 % and indirect holding of 43.05 % which amounts to 43.55 % in total as at 31st December 2016.

As required by the Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report prepared for the year ended 31st December 2016;

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Annual Report page Reference for Compliance
The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer Section 1.4 on page 263.
Signed Financial Statements of the Company for the accounting period completed	Section 168 (1) (b)	The Financial Statements of the Company for the year ended 31st December 2016 which were duly certified by the Chief Financial Officer and were approved by two members of the Board as appearing on pages 256 to 367 form an integral part of this Report.
Auditors' Report on the Financial Statements of the Company	Section 168 (1) (c)	Refer page 253 for the "Independent Auditors' Report"
Accounting Policies of the Company and any changes therein	Section 168 (1) (d)	Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 263 to 367. There were no changes to the Accounting Policies used by the Company during the year except as mentioned in Note 2.2 on page 263.
Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Note 15.1 to the Financial Refer on page 285.
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Note 15 to the Financial Statements on pages 284 and 285.
Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer Note 12.1 on page 240.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Annual Report page Reference for Compliance
Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Section 168 (1) (i)	Refer Note 15 to the Financial Statements on pages 284 and 285.
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Auditors do not have any other relationship or interest in contracts with the Company other than being the Auditors for the Company Refer Note 35 on page 244.
Acknowledgement of the contents of this Report/ Signatures on behalf of the Board	Section 168 (1) (k)	Refer page 246 and 247.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission Statements are exhibited on pages 10 and 11 of the Annual Report.

The business activities of the Company are conducting and maintaining the highest level of ethical standards in achieving its Vision and Mission, which reflects our commitment to high standards of business conduct and ethics.

2.2 Principal Activity

The principal business activity of the Company is Life Insurance business which is remained unchanged during the financial year.

2.3 Review of Operations of the Company

A review of the Company's financial and operational performance during the year is contained in the Chairman's Message on pages 22 to 25. The Company's business, strategy and performance is on pages 52 to 57. These reports, together with the Financial Statements, reflect the state of affairs of the Company and form an integral part of this integrated report.

2.4 Changes to the Company Structure

The Company has divested its fully owned subsidiary Asian Alliance General Insurance Limited to Fairfax Asia Limited during the reporting period. The derecognition of the subsidiary has been done in accordance

with the Sri Lanka Accounting Standards (LKAS 27 and SLFRS 5).

A Detailed Analysis is given in Note 41 to the Financial Statements on pages 332 and 333.

2.5 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company, reflecting a true and fair view of the financial position and performance of the Company. The Directors are of the view that the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 263 to 367 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with the requirements of the Insurance Industry Act No. 43 of 2000 and amendments thereto and the Listing Rules of the Colombo Stock Exchange. The "Statement of Directors' Responsibility" appearing on pages 246 and 247 forms an integral part of this Report.

2.6 Significant Accounting Policies

The significant accounting policies adopted in preparation of Financial Statements are given on pages 263 to 367 comply with section 168 (1) (d) of the Companies Act.

3. FUTURE DEVELOPMENTS

The Company having realised both financial and non-financial benefits of Online and Mobile App facilities, will continue to capitalise the potential in this area enabling customers' easy access to most services 24/7.

As required under section 168 (1) (a) of the Companies Act, an overview of envisaged development of the Company is given in the Chairman's Message on pages 22 to 25, the Managing Director's Review is on pages 26 to 29.

4. TURNOVER / GROSS WRITTEN PREMIUM (GWP)

The Gross Written Premium (GWP) of the Company for the year 2016 was Rs. 5.6 billion (Rs. 4.1 billion in 2015)

A Detailed Analysis of the total GWP recorded by the Company is given in Note 7 to the Financial Statements on pages 276 and 277.

5. RESULTS AND APPROPRIATIONS

5.1 Performance of the Company

The net profit before tax of the Company amounted to Rs. 0.9 billion (Rs. 0.9 billion in 2015). Further, the net profit after tax of the Company amounted to Rs. 0.9 billion in 2016 (Rs. 0.9 billion in 2015).

A synopsis of the Company's performance is presented below.

<i>Financial Results</i>	Company	
	2016	2015
Rs. '000		
Profit after taxation	966,843	992,562
Profit brought from previous years	1,469,737	1,040,523
Un-appropriated profit brought forward	2,436,580	2,033,085
Appropriations		
Re-measurement of Defined Benefit (liability)/Asset (Net of tax)	(13,304)	71
Dividend paid	(200,000)	(187,500)
Un-appropriated profit carried forward	2,223,276	1,845,655

5.2 Dividends on Ordinary Shares

Details of Information on dividends are given in Note 18 and 44 to the Financial Statements on pages 289 and 336. The first interim dividends of Rs. 0.53 per share was paid out of the profits of the Company, hence, were subjected to a 10% withholding tax.

The Directors approved to pay a second interim dividend of Rs. 2.16/- per share which will be subject to a 10% withholding tax subsequent to the reporting date.

The Board of Directors provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of each dividend payment in terms of Section 56 (2) of the Companies Act No. 07 of 2007.

The Board of Directors also fulfilled the requirement of the Solvency test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividends and will ensure the compliance of Solvency test after the payment of aforesaid second interim dividend to be paid in 29th March 2017.

<i>Financial Results</i>	2016	2015
	Rs. '000	Rs. '000
Stated Capital	1,062,500	1,062,500
Revaluation Reserve	24,903	24,903
Available-for-Sale Reserve	(1,348,513)	(495,123)
Retained Earnings	2,223,276	1,469,737
Total	1,962,166	2,062,017

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 259 and 260 to the Financial Statements.

6. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

Information on Property, Plant & Equipment and Intangible assets of the Company are given in Notes 19 and 20 to the Financial Statements on pages 291 to 292 respectively.

Specific information on extent, location, valuations of the land and buildings held by the Company are given in Note 20.13 to the Financial Statements on pages 296.

7. MARKET VALUE OF PROPERTIES

The Company carried out a revaluation of all its freehold land and buildings as at 31st December 2015 and recognised the surplus on revaluation in the Financial Statements.

The revaluation process for the land and buildings of the Company was carried out by professionally qualified independent valuer and the Board of Directors of the Company are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

The next revaluation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2017.

The details of the revaluation and relevant accounting policies are provided in Note 20 to the financial statements respectively.

8. STATED CAPITAL

The Stated Capital of the Company as at 31st December 2016 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary shares. The details are provided in Note 30 to the financial statements respectively.

9. MINIMUM CAPITAL REQUIREMENTS

Minimum Capital (Stated Capital)

Insurance Board of Sri Lanka (IBSL) by its Gazette dated 07th May 2013 has increased the Minimum Capital requirement for all Insurance Companies to Rs. 500 million with effect from 11th February 2015.

Softlogic Life Insurance PLC has an issued and fully paid stated capital of Rs. 1,062.5 million (2014 - Rs. 1,062.5 million) and therefore has already fulfilled this statutory requirement.

Total Available Capital (TAC)

In addition to the above insurance Companies are required to maintain minimum of Rs. 500 million as total available Capital as per solvency margin (Risk base Capital) rules 2015 with effect from 01st January 2016. The Company maintain Rs. 8,570 million as at 31st December 2016, which is well above the requirement.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

10. SHARE INFORMATION

10.1 Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages are given in the Section on 'Shareholder Information Supplement' on pages 368 to 373.

Minimum Solvency Margin (RBC)

The Company requires to maintain minimum of 120% capital adequacy ratio (CAR) according to the solvency margin (RBC) rules 2015 with effect from 01st January 2016. The Company maintain 195% CAR which is well above the requirement.

10.2 Information on Earnings, Dividend, Net Assets and Market Value

Information relating to earnings, dividend, net assets and market value per share is given in 'Financial Highlights' on page 18. Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given in the Section on 'Shareholder Information Supplement' on pages 368 and 373.

10.3 Substantial Shareholdings

Names of the top twenty shareholders for voting shares, percentages of their respective holdings and percentage holding of the public, etc. are given in the Section on 'Shareholder Information Supplement' on pages 368 and 373.

11. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all shareholders are treated equitably.

12. INFORMATION ON THE DIRECTORS OF THE COMPANY

12.1 Information on Directors as at 31st December 2016

The Board of Directors of the Company as at 31st December 2016 consisted of Seven Directors (Eight Directors as at 31st December 2015) with wide financial and commercial knowledge and experience as detailed in the 'Board of Directors Profiles' on pages 170 to 173.

Names of the Directors of the Company during and as at the end of 2016, as required by the Section 168 (1) (h) of the Companies

Act No. 07 of 2007, are given below:

Name of the Director	Executive/ Non-Executive Status	Independence/ Non-Independence Status
Mr. A. K. Pathirage (Chairman)	Non-Executive	Non-Independent
Mr. J. H. Paul Ratnayake (Deputy Chairman)	Non-Executive	Independent
Mr. T. M. I. Ahamed (Managing Director)	Executive	Non-Independent
Mr. S. Rajapakse - Director	Non-Executive	Independent
Mr. M. R. Abeywardena - Director	Non-Executive	Independent
Mr. J. K. Mukhi - Director	Non-Executive	Independent
Mr. J. W. H. Richters - Director	Non-Executive	Independent
Resignations/Cessations during 2016		
Mr. Ramal Jasinghe (Resigned w.e.f. 03rd October 2016)	Non-Executive	Non-Independent

12.2 Recommendations for Re-election

The Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation), have been longest in office, since their last election or appointment.

As recommended by the nomination committee in terms of article 98 of the article of association the Board recommended the re-election of the following Directors, after considering the contents of the Affidavits and Declarations submitted by them.

- Directors to retire by rotation:
Mr. Sujeewa Rajapakse
- Directors who served on the Board for over 9 years:
None

12.3 Directors' Meetings

Details of the meetings of the Board of Directors are presented on page 188.

13. BOARD SUB-COMMITTEES

The Board of Directors, while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board sub-committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance Standards of the Listing Rules of the Colombo Stock Exchange (CSE) and adopting best practices. Accordingly, the following Board sub-committees have been constituted.

Board Sub-Committees	Committee Report Reference
Audit Committee	218
Human Resources and Remuneration committee	221
Nomination Committee	224
Investment Committee	223
Risk Management Committee	225
Related Party Transaction Review Committee	227

These Committees play a critical role in order to ensure that the activities of the Company at all times are conducted with the highest ethical standards and in the best interest of all its stakeholders. The terms of Reference of these Sub-Committees conform to the recommendations made by various regulatory bodies, such as the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, and the Colombo Stock Exchange.

The composition of each Board sub-committee is given on page 188 which is a part of the Annual Report of the Board.

14. DISCLOSURE OF DIRECTORS' DEALING IN SHARES

Individual ordinary voting and non-voting shareholdings of persons who were Directors of the Company at any time during the financial year are as follows:

Name of Director	As at 31st December 2016	As at 31st December 2015
Ashok Pathirage	Nil	Nil
Paul Ratnayake	Nil	Nil
Iftikar Ahamed	Nil	Nil
Ramal Jasinghe*	Nil	Nil
Sujeewa Rajapakse	Nil	Nil
Mohan Ray Abeywardena	Nil	Nil
Johannes W. H. Richters	Nil	Nil
Jatinder Mukhi	Nil	Nil

* (Resigned w.e.f. 03rd October 2016)

15. DIRECTORS INTEREST REGISTER

In terms of the Companies Act No. 07 of 2007 an Interest Register was maintained during the accounting period under review. All Directors of the Company have disclosed their interest in other Companies to the Board and those interests are recorded in the Directors interest register, confirming to the provision of the Companies ACT No. 07 of 2007.

16. DIRECTORS INTEREST IN CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed as follows.

Name of Director	Position	Company	Relationship
Ashok K. Pathirage	Chairman / Managing Director	Softlogic Holdings PLC	Parent Company
	Chairman / Managing Director	Asiri Hospitals Holdings PLC	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Asiri Surgical Hospital PLC	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Asiri Central Hospitals Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Central Hospital Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Asiri Hospital Kandy (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Softlogic Retail (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Ceysands Resorts Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Finance PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Life Insurance PLC	Group Company of Softlogic Holdings PLC
	Chairman	NDB Capital Holdings Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Properties (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Australia (Pty) Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic City Hotels (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Brands (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman	Odel PLC	Group Company of Softlogic Holdings PLC
	Deputy Chairman	National Development Bank PLC	Director Related Entity
	Director	Sabre Travel Network Lanka (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Odel Properties One (Private) Limited	Group Company of Softlogic Holdings PLC

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Name of Director	Position	Company	Relationship
J.H.P Ratnayeke	Chairman	Asia Fort Sri Lanka Direct Investment Fund Limited	Director Related Entity
	Chairman	Asia Growth Fund 1 (Private) Limited	Director Related Entity
	Chairman	P.R. Intellectual Property Services (Private) Limited	Director Related Entity
	Chairman	P.R. Secretarial Services (Private) Limited	Director Related Entity
	Chairman	Nature holdings Limited	Director Related Entity
	Chairman	Healthscan (Private) Limited	Director Related Entity
	Chairman	Healthscan Services (Private) Limited	Director Related Entity
	Chairman	Rose Hills Hotel (Private) Limited	Director Related Entity
	Chairman	Cal Solar (Private) Limited	Director Related Entity
	Chairman	Asia Capital PLC	Director Related Entity
	Chairman	Fairway City Hotels (Private) Limited	Director Related Entity
	Chairman	Asia Leisure Holdings (Private) Limited	Director Related Entity
	Deputy Chairman	Richard Pieris & Company PLC	Director Related Entity
	Director	Nuwara Eliya Hotels Limited	Director Related Entity
	Director	Sierra Cables PLC	Director Related Entity
	Director	Sierra Construction (Private) Limited	Director Related Entity
	Director	Vauxhall Street Towers (Private) Limited	Director Related Entity
	Alternate Director	Allied Export and Import Agencies (Private) Limited	Director Related Entity
	Alternate Director	Colombo Agencies Limited	Director Related Entity
	Alternate Director	Jims Farm (Private) Limited	Director Related Entity
Senior Partner	Paul Ratnayeke Associates	Director Related Entity	
Sujeewa Rajapakse	Director	Cornucopia Lanka (Private) Limited	Director Related Entity
	Director	Lanka Holdings (Private) Limited	Director Related Entity
	Director	Haycarb PLC	Director Related Entity
	Director	Dipped Products PLC	Director Related Entity
T.M. Iftikar Ahamed	Managing Director	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Non - Executive Director	Softlogic Finance PLC	Group Company of Softlogic Holdings PLC
	Executive Director	Softlogic Stockbrokers (Private) Limited	Group Company of Softlogic Holdings PLC
	Non - Executive Director	Softlogic Corporate Services (Private) Limited	Group Company of Softlogic Holdings PLC
	Non - Executive Director	Capital Reach Portfolio Management (Private) Limited	Director Related Entity
Mohan Ray Abeywardena	Director	Colombo Stock Exchange	Director Related Entity
	Director	Lanka Ventures PLC	Director Related Entity
	Director	Lanka Energy Fund	Director Related Entity
	Managing Director	Acuity Partners	Director Related Entity
	Chairman	Acuity Stockbrokers	Director Related Entity
	Chairman	Acuity Securities	Director Related Entity
	Director	Guardian Acuity Asset Management	Director Related Entity

The Directors have also disclosed transactions if any, that could be classified as Related Party transactions in terms of the Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures'. Please refer Note 50 to the Financial Statements on pages 360 to 362 for those transactions disclosed by the Directors.

Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

17. DIRECTORS FEES AND REMUNERATION

The amount of the Directors fees and Remuneration paid during the year is Rs. 24.8 million.

The Managing Director’s remuneration is decided by the Board with the recommendation of the Remuneration Committee, in consideration of the individual and Company performance. Due attention is also paid to industry standards, inflationary factors and future plans when deciding the remuneration package of the Managing Director.

No remuneration is paid to Non - Executive Directors other than the fees paid in line with the attendance of each Director at Board and sub-committee meetings.

Directors are not entitled to obtain loans of any kind from the Company.

18. DIRECTORS’ INSURANCE

The Company has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Company and the Directors as defined in the insurance policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

19. USE OF COMPANY INFORMATION BY DIRECTORS

Subject Matter of Information	Date of Authorization by the Board	Authorization granted at a board meeting/ by circular resolution
None	None	None

20. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments including all taxes, duties and levies payable by the Company due to the Government, other regulatory institutions and related to the employees have been made on time or where relevant provided for.

21. EVENTS AFTER THE REPORTING PERIOD

No event of material significance that require adjustments to the Financial Statements, has occurred subsequent to the reporting period, other than those disclosed in Note 44 to the Financial Statements on page 336.

22. RELATED PARTY TRANSACTIONS

No related party transaction exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure to CSE and a separate disclosure in the Annual Report. As required by Section 9.3.2 (d) of the Listing Rules, the Board confirms that the Company has complied with all requirements as per Section 9 of the Listing Rules.

The Directors have disclosed the transactions with Related Parties in terms of Sri Lanka Accounting Standard 24 (LKAS 24), Related Party Disclosures in Note 50 on pages 360 to 362 which is adopted in the preparation of these Financial Statements.

23. FINANCIAL INVESTMENTS

Financial Investments mainly comprise the Company’s investment portfolios, which have been segregated into different categories as required by Sri Lanka Accounting Standards (SLFRS / LKAS). The amount of financial investments held by the Company as at 31st of December 2016 amounted to Rs. 8,218 million (2015 - Rs. 7,744 million). A detailed description of the financial investments is enclosed in Note 21 to the Financial Statements on pages 297 to 309.

24. INTANGIBLE ASSETS

The carrying value of intangible assets as at the Reporting Date amounted to Rs. 13 million (2015 - Rs. 22 million). Movement of intangible assets from the balance as at the 01st of January 2016 to the balance as at the 31st of December 2016, additions and disposals made, together with the amortisation charge for the year, are set out in Note 19 to the Financial Statements on pages 290 to 291.

Following their initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

25. DONATIONS

There were no donations made by the Company during the Year.

26. CAPITAL COMMITMENTS

There is no Capital Expenditure Commitments as at 31st December 2016.

27. GOING CONCERN

The Board of Directors has conducted necessary reviews and inquiries to assess the Company’s ability to apply the assumption of going concern in the preparation of these Financial Statements. These included, amongst others, a review of the Company’s budget and Corporate Plan for ensuing years, future prospects and risks, capital expenditure requirements and cash flows. Following such reviews, the Board is satisfied that the Company possesses adequate resources to continue its operations into the foreseeable future and hence endorses the continuous adoption of the assumption of going concern.

28. LIABILITIES AND PROVISIONS

The Board of Directors has arranged external actuaries to value the Life Fund and the Gratuity Liability.

The basis adopted for provisioning is disclosed in Notes 33, 35 and 39 on pages 322, 328 and 331 to the Financial Statements.

As at the reporting date, the Directors are not aware of any circumstances, which would render inadequate the amounts provided for in the Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

29. RESERVES

The reserves consist of Available for Sale Reserve, Retained Reserves and Revaluation Reserve. The details and movements of reserves are disclosed in Note 31 the Financial Statements on page 320 and in the Statement of Changes in Equity on pages no 259 and 260 to the Financial Statements.

30. TAXATION

Income taxes are computed based on rates enacted or substantively enacted as at the Reporting Date. The income tax rate applicable to the Company's operations for the year under review is 28% (2015 - 28%).

The provision for taxation is computed at the rates as disclosed in Note 16 on page 286 to the Financial Statements.

31. APPOINTMENT OF AUDITORS AND THEIR REMUNERATION

The present Auditors, Messrs. KPMG were appointed as Auditors of the Company at the Annual General Meeting held in 31st March 2016 to carry out the audit of the Company for the year ended 31st December 2016.

The retiring Auditors, Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company.

A resolution to reappoint KPMG as Auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting to be held on 31st March 2017.

Expenses incurred in respect of Audit Fees and Fees for other services rendered during the accounting period are given in Note 15 to the Financial Statements on pages 284 and 285.

32. COMPLIANCE WITH RULES AND REGULATIONS

The Company has complied with the regulations issued by the Insurance Board of Sri Lanka (IBSL) and Tax & other regulations applicable to the Company and have submitted all the returns and the details to the relevant parties by the due dates.

In addition the Company complies with the Financial Transaction Reporting Act No 06 of 2006 and the Convention on the Suppression of Terrorist Financing Act No 25 of 2005, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL).

Compliance Reports also have been submitted to the Audit Committee on a quarterly basis confirming same.

The Audit Committee Report is disclosed in page 218.

33. IMPLEMENTATION OF RISK BASED CAPITAL (RBC)

The Insurance Board of Sri Lanka (IBSL) has decided to implement a Risk Based Capital (RBC) module in Sri Lanka to monitor the financial strength of Insurance companies in the country, replacing the existing solvency regime. The deadline given by the IBSL for the implementation of RBC is January 2016.

In order to ensure the smooth transition from the current solvency regime to RBC, the IBSL launched the RBC Road Test from September 2012 to June 2013. Based on the results of the Road Test, the IBSL issued the final draft of the RBC framework in October 2013 and it was decided that a compulsory parallel run would be conducted in 2014 and 2015 to help insurers to shift to the RBC regime whenever they consider themselves to be ready.

Softlogic Life Insurance PLC participated in the RBC Road test from its inception till the end and provided all information required by the IBSL. We also provided required information in a timely manner to Insurance Board of Sri Lanka (IBSL) under the compulsory parallel run which started from the beginning of 2014. Accordingly, the Company successfully implemented RBC framework with effect from 01st January 2016.

34. CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Board of Directors have acknowledged the responsibility to maintain an effective Corporate Governance Structure and process and to be in compliance with all relevant rules, regulations and best practices.

The Company being listed on the Colombo Stock Exchange is fully compliant with the rules on Corporate Governance under listing rules of the CSE. In addition, the Company is substantially in compliance with the Best Practices on Corporate Governance issues jointly by the Securities & Exchange Commission of the Colombo Stock Exchange of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. (CA Sri Lanka)

Company's compliance with rules on corporate governance are given in corporate governance report on pages 182 to 212.

35. LEAD AUDITORS' INDEPENDENCE DECLARATION

Independence Confirmation has been provided by Messrs KPMG as required by the Section 163 (3) of the Companies Act No 07 of 2007, in connection with the audit for the year ended 31st December 2016 confirming that KPMG is not aware of any relationship with or interest in the Company audited by KPMG that in their judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable as at the Reporting date.

36. INFORMATION ON RATIOS, MARKET PRICES OF SHARES AND CREDIT RATINGS

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Shareholder Information Supplement' on pages 368 to 373.

37. ENVIRONMENT

The Company's activities can have direct or indirect effects on the environment. It is the policy of the Company to minimize any such adverse effects by recycling resources as much as possible and creating awareness among its staff on current global environmental threats. The Company does its best to comply with the relevant environmental laws and regulations and has not engaged in any activity that is harmful or hazardous to the environment.

38. HUMAN RESOURCES

A brief description of the Company's HR Policy and the Remuneration Methodology given in the Remuneration Committee Report on page 221.

39. EMPLOYMENT POLICY

The Company policy is to respect the merits of the individuals and provide career opportunities, irrespective of sex, race or religion. The Company's strength of manpower as at 31st December 2016 was 530. (2015 - 469). Medical and Group Life Insurance covers available for all employees of the Company, irrespective of their period of service. The Company encourages sports and recreational activities by supporting the Sports Club.

40. CODE OF CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without any exception. The Company has also adopted a Code of Conduct and Ethics for Directors. There were no violations reported of the code during the year.

There were no material violations of the Code during the year except for certain insignificant violations noted at the operational level, for which appropriate action has been taken.

The Directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics.

41. WHISTLE BLOWING

A Whistle Blowing Policy is operative within the Company and the same has been communicated to all members of the staff. In addition to above the Company has conducted training sessions to educate staff with regard to whistle blowing. This enables any member of the Company to raise issues with the management and the Board, in order to identify possible risks faced by the Company at an early stage.

42. RISK AND INTERNAL CONTROL

The Board understands that strong internal controls are integral to the sound management of the Company and therefore is committed to maintain strict financial, operational and risk management controls.

The Board of Directors are ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is sought to be designed to minimise rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board Statement on internal control is given on page 216 and form an integral part of this report.

The Company has an ongoing process for identifying, evaluating and managing risks faced, and during the year the Directors reviewed this process through the Audit Committee and the Risk Management Committee. The Board is satisfied with the effectiveness of the system of internal control for the year under review and up to the date of approval of the Annual Report and Financial Statements.

Reports by the Audit Committee and the Risk Management Committee, highlighting its roles and the responsibilities, on pages 218 and 225 respectively.

43. TECHNOLOGY

As encapsulated in the Corporate Strategy, our business processes are underpinned by technology. All of our processes involve information technology, and we use technology to deliver superior products and services to our customers. Correspondingly, the nature of the business is more heavily intertwined with technology than ever before.

44. OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating cost the Company has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.

45. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4th Floor, Central Hospital (Private) limited, No. 114, Norris Canal road, Colombo 10, on 31st March 2017 at 10.00 a.m. The notice of Annual General Meeting is given on page 387.

46. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

(Sgd.)

P. R. Secretarial Services (Pvt) Ltd
Company Secretary

On behalf of the Board;

(Sgd.)

Ashok Pathirage
Chairman

Colombo
09th March 2017

(Sgd.)

Iftikar Ahamed
Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITY TO FINANCIAL REPORTING

The Statement sets out the responsibility of the Directors, in relation to the Financial Statements of the Softlogic Life Insurance PLC. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the 'Auditors' Report is given on page 253.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31st December 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company give a true and fair view of:

1. The state of affairs of the Company as at the date of the Statement of Financial Position; and
2. The financial performance of the Company for the financial year ended 31st December 2016.

COMPLIANCE REPORT

In preparing these Financial Statements, The Board of Directors also wishes to confirm that :

- a. Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 263 to 367 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent Judgments have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;
- b. The Financial Statements for the year 2016, prepared and presented in this Annual Report have been prepared based on the Sri Lanka Accounting Standards (SLFRSs and LKASs) are in agreement with the underlying books of account and are in conformity with the requirements of the following:
 - Sri Lanka Accounting Standards;
 - Companies Act No. 07 of 2007;
 - Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
 - Insurance Industry Act No. 43 of 2000 and amendments thereto;
 - Statement of Recommended Practice (SoRP) issued by Insurance Board of Sri Lanka;
 - Listing Rules of the Colombo Stock Exchange CSE and;
 - Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).
- c. These Financial Statements comply with the prescribed format issued by the Insurance Board of Sri Lanka for the preparation of Annual Financial Statements of Insurance Companies.
- d. The Directors have taken appropriate steps to ensure that the Company maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Audit Committee, the Report of the said Committee is given on pages 218 the Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.
- e. The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
- f. The Directors also have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The "Directors' Statement on Internal Control" is given on page 216 of this Annual Report.
- g. As required by the Section 56 (2) of the Companies Act No. 07 of 2007, the directors have authorised distribution of the dividends paid and proposed upon being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with the Section 57 of the Companies Act No. 07 of 2007 and have obtained in respect of dividends paid and proposed, and also for which approval is now sought, necessary certificates of solvency from the External Auditors.
- h. As required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE.
- i. That all shareholders in each category have been treated equitably in accordance with the original terms of issue.
- j. That the Company has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable.
- k. The Financial Statements of the Company has been certified by the Company's Chief Financial Officer, the officer responsible for their preparation, as required by the Companies Act. In addition, the Financial Statements of the Company has been signed by two Directors of the Company on 09th March 2017 as required by the Companies Act and other regulatory requirements. Under the Section 148 (1)

of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions are maintained and that the Company's financial position, with reasonable accuracy, at any point of time is determined by the Company, enabling preparation of the Financial Statements, in accordance with the Act to facilitate proper audit of the Financial Statements.

- i. The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant, provided for.
- m. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the ICASL and the SEC, the Directors have a reasonable expectation that the Company possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements of the Company.

Accordingly The Directors are of the view that all their responsibilities as set out in this Statement have properly discharged.

On behalf of the Board;

(Sgd.)
Ashok Pathirage
Chairmen

(Sgd.)
Iftikar Ahamed
Managing Director

Colombo
09th March 2017

CEO'S AND CFO'S RESPONSIBILITY STATEMENT

The Financial Statements of the Softlogic Life Insurance PLC as at 31st December 2016 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP) issued by Insurance Board of Sri Lanka;
- Listing Rules of the Colombo Stock Exchange CSE and;
- Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed by the IBSL. The Company presents the financial results to its shareholders on a quarterly basis.

The significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Application of Significant Accounting Policies and Estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and Company's External Auditors.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The best estimates and judgments were made in order that these Financial Statements are presented in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in

installing a system of internal controls and accounting records for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

Comparative information has been restated to comply with the current presentation, where applicable. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

The Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their Report is given on page 253. The Audit Committee pre-approves the audit and non-audit services provided by Messrs KPMG, in order to ensure that the provision of such services does not impair KPMG's independence and objectivity.

The Audit Committee of the Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material

litigations that are pending against the Company other than those arising in the normal course of conducting insurance business.

Also taxes, duties and all statutory payments by the Company and in respect of the employees of the Company as at the reporting date have been paid or where relevant accrued.

We also confirm that the Company has complied with the following IBSL requirements:

- a). The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry act.
- b). The Company has arranged reinsurance arrangements with approved reinsurers as per IBSL guidelines, for all risk commitments exceeding retention limits.
- c). Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets.
- d). The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.
- e). The Company has implemented the necessary steps to implement segregation of insurance funds.
- f). The Company has taken necessary steps to comply with guide lines issued on maintenance of one off release due to implementation of RBC regime.
- g). The Company has taken necessary steps to comply with related party transactions requirement as stipulated by Colombo Stock Exchange (CSE).

(Sgd.)

T.M. Iftikar Ahamed
Managing Director / Chief Executive Officer

(Sgd.)

Dilan Christostom
Chief Financial Officer

Colombo
09th March 2017

ACTUARY'S REPORT - LIFE

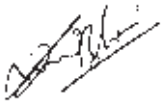
Willis Towers Watson

TO THE SHAREHOLDERS OF SOFTLOGIC LIFE INSURANCE PLC

Certificate of the Actuary

I, Kunj Behari Maheshwari, being the Actuary for the life insurance business, to the best of my knowledge certify the following:

- (a) that proper records have been kept by Softlogic Life Insurance PLC in conducting the valuation of liabilities for the purpose of Section 48 of the Regulation of Insurance Industry Act No. 43 of 2000, and the Solvency Margin (Risk Based Capital) Rules, 2015;
- (b) that I have taken all reasonable steps to ensure the accuracy and completeness of the records mentioned in item (a) above;
- (c) that I have complied with the provisions of the said act in item (a) above; and
- (d) that I have complied with provisions of the Solvency Margin (Risk Based Capital) Rules, 2015 and guidance notes/guidelines prescribed by the Board there under in the determination of the net amount of liabilities as at 31st December 2016.



Kunj Behari Maheshwari, FIA, FIAI
Director, Risk Consulting, India,
Willis Towers Watson
09th March 2017

Towers Watson Private Limited
Registered Office
2nd floor, Tower B, Unitech Business Park,
South City -1, Sector 41,
Gurgaon 122001
India

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E TW.Fin.India@willistowerswatson.com
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CIN - U67190HR1996PTC051336

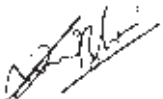
REPORT ON THE LIABILITY ADEQUACY TEST (LAT) - LIFE

Willis Towers Watson

TO THE SHAREHOLDERS OF SOFTLOGIC LIFE INSURANCE PLC

We have been engaged by Softlogic Life Insurance PLC to act as its Independent Actuaries in connection with a liability adequacy test ("LAT") review and opinion letter.

- 1.1 The Sri Lanka Accounting Standard 'SLFRS 4, Insurance Contracts' prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash-flows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Softlogic Life Insurance PLC as contemplated by SLFRS 4.
- 1.2 In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within the risk based capital framework as prescribed by the IBSL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all the cash in- and out-flows required to settle the obligations related to existing in-force insurance contracts.
- 1.3 The projections are based on in-force policies and riders as at 31st December 2016.
- 1.4 Based on the checks undertaken, I certify:
 - that the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - that the assumptions used for such valuation are reasonable estimates based on available experience studies and after allowing for suitable margins for adverse deviation; and
 - that the long term insurance provisions maintained within the life fund of Softlogic Life Insurance PLC as per the audited accounts of the Company for the year ended 31st December 2016 is in excess of the liabilities computed in the above mentioned manner.



Kunj Behari Maheshwari, FIA, FIAI
Director, Risk Consulting, India,
Willis Towers Watson
09th March 2017

Towers Watson Private Limited
Registered Office
2nd floor, Tower B, Unitech Business Park,
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CIN - U67190HR1996PTC051336

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INDEPENDENT AUDITORS' REPORT



KPMG
 (Chartered Accountants)
 32A, Sir Mohamed Macan Markar Mawatha,
 P. O. Box 186,
 Colombo 00300,
 Sri Lanka.

Tel : +94 - 11 542 8426
 Fax : +94 - 11 244 5872
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 Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOFTLOGIC LIFE INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Softlogic Life Insurance PLC, ("the Company"), which comprise the statement of financial position as at 31st December 2016 of the company, and the Income Statement, Statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement of the company and the Group (up to the date of discontinued operation) for the year then ended and a summary of significant accounting policies and other explanatory notes set out on pages 256 to 367.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31st December 2016, and financial performance and cash flows for the year then ended of the company and the Group (up to the date of discontinued operation).

Emphasis of Matter

We draw attention to Note 33.9 to the financial statements, which describes the adjustment made to the retained earnings of the Company and the Group in order to recognize the additional Life Fund Liability based on an independent

Actuarial valuation performed for the year ended 31st December 2015, as directed by Insurance Board of Sri Lanka. Accordingly the comparative Statement of Financial position as at 31st December 2015 has been re-stated. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - 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.
 - the financial statements of the Company comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

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 Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

Chartered Accountants
 09th March 2017
 Colombo

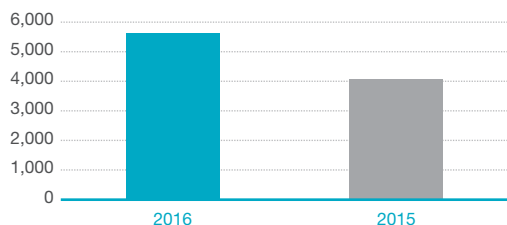
KPMG, a Sri Lanka partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG network Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Purna FCA	C.P. Jayatilaka FCA
T.J.S. Rajaguru FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.O.C. Abeyaratne FCA	S.T.D.L. Parina FCA
G.A.L. Karunasinghe FCA	R.M.D.B. Rajapakshe FCA	Ms. B.X.D.T.H. Rodrigo FCA
R.H. Rajan ACA		
Principals S.R.. Perera FCMA/LLC, LLB, Attorney-at-Law, H.S. Gunewardene ACA		

FINANCIAL HIGHLIGHTS

Gross Written Premium

Rs. Mn

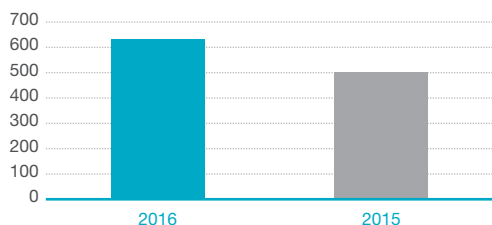


37.76%

2016	-	5,636 Mn
2015	-	4,091 Mn

Premiums Ceded to Reinsurers

Rs. Mn

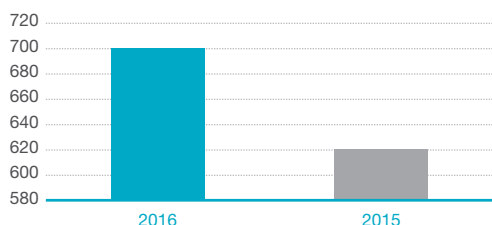


26.22%

2016	-	633 Mn
2015	-	501 Mn

Income from Financial Investment

Rs. Mn

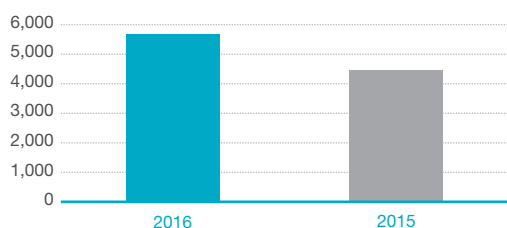


12.73%

2016	-	700 Mn
2015	-	621 Mn

Total Net Revenue

Rs. Mn

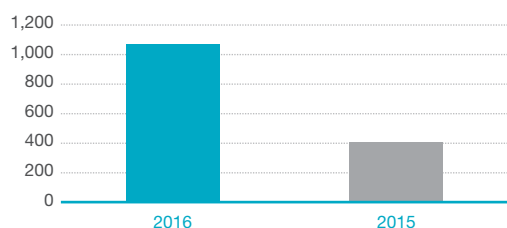


27.13%

2016	-	5,666 Mn
2015	-	4,457 Mn

Net Insurance Benefit and Claims Paid

Rs. Mn

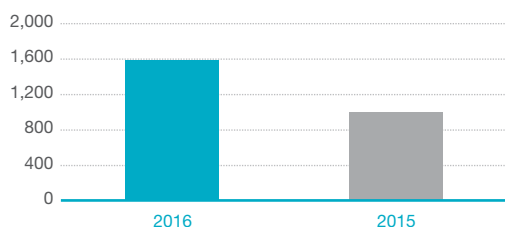


161.08%

2016	-	1,073 Mn
2015	-	411 Mn

Underwriting and Net Acquisition Cost

Rs. Mn

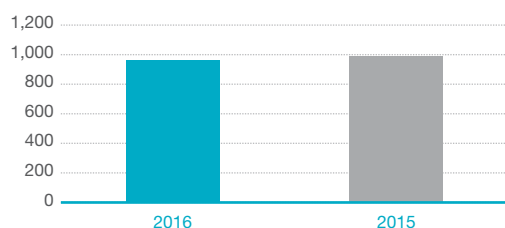


↑
59.11%

2016	-	1,580 Mn
2015	-	993 Mn

Profit After Tax

Rs. Mn

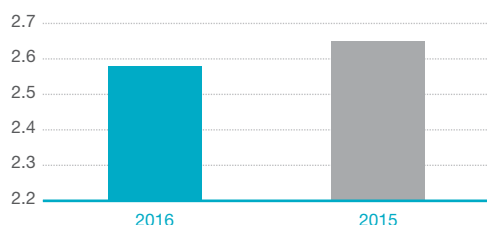


↓
-2.59%

2016	-	967 Mn
2015	-	993 Mn

Earnings Per Share

Rs.

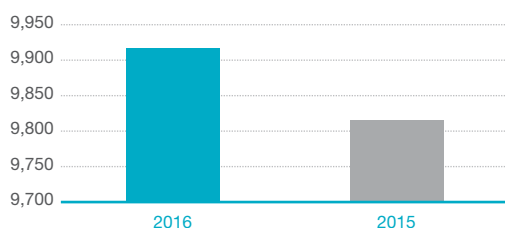


↓
-2.64%

2016	-	Rs. 2.58
2015	-	Rs. 2.65

Total Assets

Rs. Mn

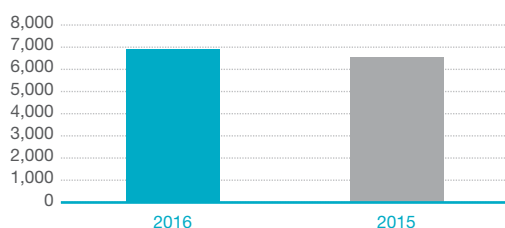


↑
1.04%

2016	-	9,917 Mn
2015	-	9,815 Mn

Insurance Contract Liabilities

Rs. Mn



↑
5.57%

2016	-	6,935 Mn
2015	-	6,569 Mn

INCOME STATEMENT

For the Year ended 31st December			Group		Company		Change
	Note	Page	2016 Rs. '000	2015 (Restated) Rs. '000	2016 Rs. '000	2015 Rs. '000	%
Continuing Operations							
Gross Written Premium	7	276	5,635,701	4,091,042	5,635,701	4,091,042	38
Premiums Ceded to Reinsurers	8	277	(632,953)	(501,471)	(632,953)	(501,471)	26
Net Earned Premium			5,002,748	3,589,571	5,002,748	3,589,571	39
Other Revenue							
Net Finance Income	9	278	700,170	621,083	700,170	621,083	13
Net Realized Gains	10	280	59,235	126,329	59,235	126,329	(53)
Net Fair value (Losses) / Gains	11	281	(95,888)	80,514	(95,888)	80,514	(219)
Other Operating Income			88	39,828	88	39,828	(100)
			663,605	867,754	663,605	867,754	(24)
Total Net Revenue			5,666,353	4,457,325	5,666,353	4,457,325	27
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims Paid	12	282	(1,073,493)	(411,179)	(1,073,493)	(411,179)	161
Net Change in Insurance Claim Outstanding	13	283	1,327	(22,553)	1,327	(22,553)	(106)
Change in Insurance Contracts Liabilities Life Funds	12.1	283	(287,685)	(966,452)	(287,685)	(966,452)	(70)
Underwriting and Net Acquisition Cost	14	283	(1,580,473)	(992,572)	(1,580,473)	(992,572)	59
Other Operating and Administration Expenses	15	284	(1,780,776)	(1,046,670)	(1,780,776)	(1,046,670)	70
Finance Cost			(67,810)	(25,337)	(67,810)	(25,337)	168
Total Benefits, Claims and Expenses			(4,788,910)	(3,464,763)	(4,788,910)	(3,464,763)	38
Profit for the Year from Continuing Operations Before Tax			877,443	992,562	877,443	992,562	(12)
Discontinued Operations							
Profit Before Tax for the Period from Discontinued Operations	41.1	333	(306,011)	(99,097)	-	-	
Realised Gain from Disposal of Subsidiary	41.4	334	469,060	-	89,400	-	
Profit Before Tax			1,040,492	893,465	966,843	992,562	(3)
Income Tax Expenses	41.1/16	286	(4,329)	30,844	-	-	
Total Profit for the Year			1,036,163	924,309	966,843	992,562	(3)
Profit from Continuing Operations Attributable To;							
Owners of the Parent			877,443	992,562	877,443	992,562	(12)
Non Controlling Interest			-	-	-	-	
			877,443	992,562	877,443	992,562	(12)
Profit from Discontinued Operations Attributable To;							
Owners of the Parent			158,720	(68,253)	89,400	-	
Non Controlling Interest			-	-	-	-	
			158,720	(68,253)	89,400	-	
Basic / Diluted Earnings Per Share							
Continuing Operations	17	288	2.34	2.65	2.34	2.65	
Discontinued Operations	17	288	0.42	(0.18)	0.24	-	

The Notes appearing on pages 263 to 362 form an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

			Group		Company	
			2016	2015	2016	2015
<i>For the Year ended 31st December</i>						
	Note	Page	Rs. '000	(Restated) Rs. '000	Rs. '000	Rs. '000
Profit for the Year from Continuing Operations			877,443	992,562	877,443	992,562
Profit / (Loss) for the Period from Discontinued Operations			158,720	(68,253)	89,400	-
			1,036,163	924,309	966,843	992,562
Other Comprehensive Income						
Items that will not be Reclassified to Income Statement						
Remeasurement of Defined Benefit Liability	35.2.c	329	(13,304)	71	(13,304)	71
Revaluation of Land and Buildings	20.13.1	297	-	24,903	-	24,903
			(13,304)	24,974	(13,304)	24,974
Items that are or may be Reclassified Subsequently to Profit or Loss						
Available for Sale Financial Asset - Net Change in Fair Value	31	320	(160,310)	(364,298)	(160,310)	(364,298)
Available for Sale Financial Asset - Net Change in Fair Value - Life Fund	31	320	(675,953)	(515,523)	(675,953)	(515,523)
Available for Sale Financial Asset Reclassified to Income Statement	31	320	(17,127)	(68,507)	(17,127)	(68,507)
			(853,390)	(948,328)	(853,390)	(948,328)
Total Other Comprehensive Loss from Continuing Operations			(866,694)	(923,354)	(866,694)	(923,354)
Other Comprehensive Income / (Loss) from Discontinued Operations, Net of Tax	41.2	334	145,317	(151,296)	-	-
Total Comprehensive Income / (Loss) for the year			314,786	(150,341)	100,149	69,208
Total Comprehensive Income / (Loss) Attributable to:						
Owners of the Company			314,786	(150,341)	100,149	69,208
Non - Controlling Interests			-	-	-	-
			314,786	(150,341)	100,149	69,208

The Notes appearing on pages 263 to 362 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Page	Company		Group
			2016	2015	2015
			Rs. '000	(Restated) Rs. '000	(Restated) Rs. '000
Assets					
Intangible Assets	19	290	13,236	21,982	22,219
Property, Plant and Equipment	20	292	485,014	427,519	518,911
Investment in Subsidiary	41	332	-	800,000	-
Financial Investments	21	297	8,218,287	7,744,020	9,265,451
Loans to Life Policy Holders and Others	23	314	162,448	143,640	145,314
Reinsurance Receivables	24	314	85,940	62,643	122,169
Premium Receivables	25	315	92,318	67,274	550,995
Amounts due from Related Companies	26	317	-	634	865
Receivables and Other Assets	27	317	627,810	354,790	434,345
Insurance Contract - Deferred Expenses	28	318	-	-	125,922
Deferred Tax Assets	16.3	289	-	-	61,904
Cash and Cash Equivalents	29	319	232,554	192,118	223,936
Total Assets			9,917,607	9,814,620	11,472,031
Equity and Liabilities					
Equity					
Stated Capital	30	319	1,062,500	1,062,500	1,062,500
Available for Sale Reserve	31	320	(1,348,513)	(495,123)	(640,440)
Revaluation Reserve			24,903	24,903	24,903
Retained Earnings	32	320	2,223,276	1,469,737	1,400,443
Total Equity			1,962,166	2,062,017	1,847,406
Liabilities					
Insurance Contract Liabilities - Life	33	320	6,935,047	6,568,532	6,568,532
Insurance Contract Liabilities - General	34	325	-	-	1,322,011
Employee Benefits	35	328	73,436	45,796	63,358
Current Tax Liabilities			-	-	12,325
Reinsurance Payable	36	330	139,262	92,972	139,946
Insurance Contract - Deferred Revenue	37	331	-	-	10,738
Amounts due to Related Companies	38	331	27,621	31,603	-
Other Liabilities	39	331	648,609	382,736	496,967
Short Term Borrowings	40	332	-	269,700	269,700
Deferred Tax Liabilities	16.3	287	-	-	7,905
Bank Overdraft	29	319	131,466	361,264	733,143
Total Liabilities			7,955,441	7,752,603	9,624,625
Total Equity and Liabilities			9,917,607	9,814,620	11,472,031
Net Asset per Share (Rs.)			5.23	5.50	4.93

The Notes appearing on pages 263 to 362 form an integral part of these Financial Statements.

These Financial Statements are in compliance with the requirement of the Companies Act No 07 of 2007.

(Sgd.)

Dilan Christostom
Chief Financial Officer

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

Signed for and on behalf of the Board By

(Sgd.)

Ashok Pathirage
Chairman

Colombo
09th March 2017

(Sgd.)

Iftikar Ahamed
Managing Director

STATEMENT OF CHANGES IN EQUITY - GROUP

<i>For the Year ended 31st December</i>	Stated Capital	Available for Sale Reserve	Revaluation Reserves	Retained Earnings - (Restated)	Total (Restated)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2015	1,062,500	455,472	-	855,693	2,373,665
Profit for the Year	-	-	-	924,309	924,309
Other Comprehensive Income for the Year					
Available For Sale Financial Asset - Net Change in Fair Value	-	(364,298)	-	-	(364,298)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	(515,523)	-	-	(515,523)
Available For Sale Financial Assets Reclassified To Income Statement	-	(68,507)	-	-	(68,507)
Remeasurement of Defined Benefit Liability	-	-	-	71	71
Revaluation of Land and Buildings	-	-	24,903	-	24,903
Other Comprehensive Income from Continuing Operations	-	(948,328)	24,903	71	(923,354)
Other Comprehensive Income from Discontinued Operations, Net of Tax	-	(147,584)	-	(3,712)	(151,296)
Total Other Comprehensive Income	-	(1,095,912)	24,903	(3,641)	(1,074,650)
Total Comprehensive Income for the Year	-	(1,095,912)	24,903	920,668	(150,341)
Balance as at 31st December 2015, as Previously Reported	1,062,500	(640,440)	24,903	1,776,361	2,223,324
Adjustment made as directed by Insurance Board of Sri Lanka (Note 33.9)	-	-	-	(375,918)	(375,918)
Balance as at 01st January 2016, as restated	1,062,500	(640,440)	24,903	1,400,443	1,847,406
Profit for the Year	-	-	-	1,036,163	1,036,163
Other Comprehensive Income for the Year					
Available For Sale Financial Asset - Net Change in Fair Value	-	(160,310)	-	-	(160,310)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	(675,953)	-	-	(675,953)
Available For Sale Financial Assets Reclassified to Income Statement	-	(17,127)	-	-	(17,127)
Remeasurement of Defined Benefit Liability	-	-	-	(13,304)	(13,304)
Other Comprehensive Income from Continuing Operations	-	(853,390)	-	(13,304)	(866,694)
Other Comprehensive Income from Discontinued Operations, Net of Tax	-	145,317	-	-	145,317
Total Other Comprehensive Income	-	(708,073)	-	(13,304)	(721,377)
Total Comprehensive Income for the Year	-	(708,073)	-	1,022,859	314,786
Transaction with the Owners of the Company,					
Distributions					
First Interim Dividend Paid	-	-	-	(200,000)	(200,000)
Share Issue Transaction Cost	-	-	-	(26)	(26)
Balance as at 31st December 2016	1,062,500	(1,348,513)	24,903	2,223,276	1,962,166

The Notes appearing on pages 263 to 362 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

<i>For the Year ended 31st December</i>	Stated Capital	Available for Sale Reserve	Revaluation Reserves	Retained Earnings - Restated	Total Restated
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2015	1,062,500	453,205	-	853,022	2,368,727
Profit for the Year	-	-	-	992,562	992,562
Other Comprehensive Income for the Year					
Available For Sale Financial Asset - Net Change in Fair Value	-	(364,298)	-	-	(364,298)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	(515,523)	-	-	(515,523)
Available For Sale Financial Assets Reclassified to Income Statement	-	(68,507)	-	-	(68,507)
Remeasurement of Defined Benefit (Liability) / Asset	-	-	-	71	71
Revaluation Gain on Land and Buildings	-	-	24,903	-	24,903
Total Other Comprehensive Income	-	(948,328)	24,903	71	(923,354)
Total Comprehensive Income for the Year	-	(948,328)	24,903	992,633	69,208
Balance as at 31st December 2015, as previously reported	1,062,500	(495,123)	24,903	1,845,655	2,437,935
Adjustment made as directed by Insurance Board of Sri Lanka (Note 33.9)	-	-	-	(375,918)	(375,918)
Balance as at 01st January 2016, as restated	1,062,500	(495,123)	24,903	1,469,737	2,062,017
Profit for the Year	-	-	-	966,843	966,843
Other Comprehensive Income for the Year					
Available For Sale Financial Asset - Net Change in Fair Value	-	(160,310)	-	-	(160,310)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	(675,953)	-	-	(675,953)
Available For Sale Financial Assets Reclassified to Income Statement	-	(17,127)	-	-	(17,127)
Remeasurement of Defined Benefit (Liability) / Asset	-	-	-	(13,304)	(13,304)
Total Other Comprehensive Income Net of Tax	-	(853,390)	-	(13,304)	(866,694)
Total Comprehensive Income for the Year	-	(853,390)	-	953,539	100,149
Transaction with the Owners of the Company,					
Distributions					
First Interim Dividend paid	-	-	-	(200,000)	(200,000)
Balance as at 31st December 2016	1,062,500	(1,348,513)	24,903	2,223,276	1,962,166

The Notes appearing on pages 263 to 362 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31st December	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Continuing Operation				
Cash Flows from Operating Activities				
Profit Before Taxation	877,443	992,562	877,443	992,562
Adjustments for :				
Depreciation of Property, Plant and Equipments	78,858	48,052	78,858	48,052
Amortization of Intangible Assets	8,746	11,280	8,746	11,280
Provision for Employee Benefits	14,934	10,638	14,934	10,638
Net Realized (Gains)	(54,284)	(126,329)	(54,284)	(126,329)
Net Fair Value Losses / (Gains)	95,888	(80,514)	95,888	(80,514)
Net Amortization of Financial Investments	(57,290)	-	(57,290)	-
(Gain) / Loss on Sale of Property, Plant and Equipments	(4,936)	445	(4,936)	445
	959,360	856,134	959,360	856,134
Change in Operating Assets	Note A (126,223)	(127,883)	(126,223)	(127,883)
Change in Operating Liabilities	Note B 674,696	1,480,697	674,696	1,480,697
Cash Flows from Operating Activities	1,507,833	2,208,948	1,507,833	2,208,948
Gratuity paid	(599)	(7,438)	(599)	(7,438)
Income Tax paid	-	-	-	-
Net Cash Generated from Operating Activities	1,507,234	2,201,510	1,507,234	2,201,510
Cash Flows from Investing Activities				
Investment in Subsidiary	(600,000)	(700,000)	(600,000)	(700,000)
Consideration Received from Disposal of Subsidiary	1,276,089	-	1,276,089	-
Acquisition of Financial Securities	(4,018,585)	(1,422,947)	(4,018,585)	(1,422,947)
Consideration Received from Disposal of Investments	2,706,613	-	2,706,613	-
Net Acquisition / Capitalization of Property, Plant and Equipment	(136,353)	(149,804)	(136,353)	(149,804)
Acquisition of Intangible Assets	-	(2,864)	-	(2,864)
Proceeds from Sale of Property, Plant and Equipment	4,936	155	4,936	155
Net Cash used in Investing Activities	(763,300)	(2,275,460)	(763,300)	(2,275,460)
Cash Flows from Financing Activities				
Dividend Paid	(200,000)	(168,569)	(200,000)	(168,569)
Net Short Term Borrowings	(269,700)	115,216	(269,700)	115,216
Net Cash used in Financing Activities	(469,700)	(53,353)	(469,700)	(53,353)
Net Increase / (Decrease) in Cash and Cash Equivalents	270,234	(127,303)	270,234	(127,303)
Net Cash and Cash Equivalents as at the Beginning of the Year	(169,146)	(41,843)	(169,146)	(41,843)
Net Cash and Cash Equivalents as at the end of the Year - Continued Operation	101,088	(169,146)	101,088	(169,146)
Net Cash Flows from Discontinued Operations (Note 41.3)	18,520	(340,060)	-	-
Notes to the Cash Flow Statement				
A. Change in Operating Assets				
(Increase) / Decrease in Loans to Life Policyholders	(18,808)	(7,536)	(18,808)	(7,536)
(Increase) / Decrease in Reinsurance Receivables	(23,297)	10,673	(23,297)	10,673
(Increase) / Decrease in Premium Receivables	(25,044)	(17,106)	(25,044)	(17,106)
(Increase) / Decrease in Receivable and Other Assets	(59,074)	(113,914)	(59,074)	(113,914)
	(126,223)	(127,883)	(126,223)	(127,883)
B. Change in Operating Liabilities				
Increase / (Decrease) in Insurance Contract Liabilities - Life	366,515	968,920	366,515	968,920
Increase / (Decrease) in Reinsurance Payables	46,290	78,268	46,290	78,268
Increase / (Decrease) in Other Liabilities	261,891	433,509	261,891	433,509
	674,696	1,480,697	674,696	1,480,697
C. Increase in Cash and Cash Equivalents				
Cash and Cash Equivalents	232,554	192,118	232,554	192,118
Bank Overdrafts	(131,466)	(361,264)	(131,466)	(361,264)
Net Cash and Cash Equivalents as at 31st December	101,088	(169,146)	101,088	(169,146)
Net Cash and Cash Equivalents as at the Beginning of the Year	(169,146)	(41,843)	(169,146)	(41,843)
Increase / (Decrease) in Cash and Cash Equivalents	270,234	(127,303)	270,234	(127,303)

The Notes appearing on pages 263 to 362 form an integral part of these Financial Statements.

INSURANCE REVENUE ACCOUNT

For the Year ended 31st December

	2016 Rs. '000	2015 Rs. '000
Life Insurance		
Gross Written Premium	5,635,701	4,091,042
Premiums Ceded to Reinsurers	(632,953)	(501,471)
Net Written Premium	5,002,748	3,589,571
Finance and Other Income	665,571	699,249
Net Benefits and Claims	(1,072,166)	(433,740)
Change in Insurance Contract Liabilities	(287,685)	(966,451)
Underwriting and Net Acquisition Costs (Including Reinsurance)	(1,580,473)	(992,559)
Expenses	(1,837,995)	(1,086,070)
Surplus from Life Insurance Fund	890,000	810,000
Finance and Other Income not Attributable to Policyholders	76,843	182,562
Profit for the Year Company	966,843	992,562
General Insurance**		
Gross Written Premium	1,784,967	1,977,002
Outward Reinsurance	(156,340)	(191,077)
Net Written Premium	1,628,627	1,785,925
Net Change in Reserve for Unearned Premium	(266,222)	(188,134)
Net Earned Premium	1,362,405	1,597,791
Policy Fee Income	31,632	23,935
Total Income	1,394,037	1,621,726
Net Insurance Benefits and Claims Paid	(1,008,327)	(1,183,159)
Net Change in Insurance Claims Outstanding	14,521	(12,273)
Underwriting and Net Acquisition Costs (Including Reinsurance)	(199,471)	(156,534)
Expenses	(449,172)	(517,898)
Total Benefits and Expenses	(1,642,449)	(1,869,864)
Underwriting Loss	(248,412)	(248,138)
Finance and Other Income	(34,030)	172,530
Non Technical Expenses	(23,569)	(23,489)
Income Tax (Expense) / Reversal	(4,329)	30,844
Loss for the Year Company	(310,340)	(68,253)
Key Ratios General Insurance		
Net Loss Ratio	73%	75%
Net Expense Ratio*	45%	41%
Net Combined Ratio	118%	116%

* Net of policy fee income.

** General Insurance performance as stated above is for nine months ended period for current year.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Softlogic Life Insurance PLC (“The Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka and the ordinary shares of the Company are listed on the Colombo Stock Exchange (CSE). The Company is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re - registered under the Companies Act No. 07 of 2007 and the registered office is situated at 283, R. A De Mel Mawatha, Colombo - 03.

As described in Note 41 to the Financial Statements, Company has divested its 100% stake in Asian Alliance General Insurance Limited to Fairfax Asia Limited with effect from 03rd October 2016.

1.2 Changing the name of the company

At the Extraordinary General Meeting held on 11th October 2016 a special resolution was unanimously passed for the purpose of changing the Company name from Asian Alliance Insurance PLC to Softlogic Life Insurance PLC. The Registrar General of Companies has given the approval on 24th October 2016 by re-issuing new incorporation certificate complying with section 8 of the Company’s Act no 7 of 2007.

1.3 Number of Employees

The staff strength of the Company as at 31st December 2016 was 530 (2015 was 469).

Corporate information is given in page 263 of this Annual Report.

1.4 Principal Activities and Nature of Operations of the Company

Entity	Principal Business Activities
Softlogic Life Insurance PLC	The principal business activity of the Company is Life insurance Business. There were no significant changes in the nature of the principal activities during the financial year under review other than the divestment of its General Insurance business operation as explained in Note 41 on page 332.

1.5 Parent Entity and Ultimate Parent Entity

The parent entity of the Company is Softlogic Capital PLC. In the opinion of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act, No 43 of 2000 ,Statement of recommended Practice (SoRP) issued by the Insurance Board of Sri Lanka and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at www.casrilanka.com.

The Company did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs regulations governing the preparation and presentation of the Financial Statements.

2.2 Changes in Accounting Policies

The Company has consistently applied the accounting policies to all periods presented in these Financial Statements except for Insurance Contract Liabilities as described in Note 33 on page 320.

Details of the Company’s Significant Accounting Policies followed during the year are given in pages 267 to 362.

These Financial Statements include the following components:

- **Statement of Financial Position** providing the information on the financial position of the Company as at the year-end (Refer page 258);
- **Income Statement and Statement of Profit or Loss and Other Comprehensive Income** Providing the information on the financial performance of the Company for the year under review (Refer pages 256 and 257);
- **Statement of Changes in Equity** Depicting all changes in shareholders’ Equity during the year under review of the Company (Refer pages 259 and 260);
- **Statement of Cash Flows** Providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 261); and
- **Notes to the Financial Statements comprising accounting policies and other explanatory information (Refer pages 263 to 362).**

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements as per the provisions of the Companies Act No. c07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the ‘Annual Report of the Board of Directors’, ‘Statement of Directors’ Responsibility’ and the certification on the Statement of Financial Position on pages 237,246 and 258, respectively.

2.4 Basis of Measurement

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

NOTES TO THE FINANCIAL STATEMENTS

	Item	Basis of measurement	Note	Page reference
Assets	Non-derivative financial instruments at fair value through profit or loss	At fair value	21.4	304
	Available for Sale Financial Assets	At fair value	21.3	300
	Land and Building	At fair value	20	292
Liabilities	Employee Benefit	Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	35	328
	Policyholders' liabilities	Actuarial-determined values based on value at actuarial guidelines issued by Insurance Board of Sri Lanka (IBSL)	33 and 34	320 and 325

2.5 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Further Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern as explained by Statement of Recommended practise (SORP) issued by Insurance Board of Sri Lanka.

Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Changes in Equity and Statement of Cash Flows of the Group for the year ended 31st December 2016 represent full year

performance of the Company and 9 months of the Subsidiary, Asian Alliance General Insurance Limited. As described in Note 41 to these Financial Statements Investment in the Subsidiary was disposed during the year. Accordingly as at 31st December 2016 Consolidated Statement of Financial Position will not be applicable.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.7 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31st December 2016 (including comparatives for 2015), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 09th March 2017.

2.8 Supplementary Statements - Statement of Financial Position

Supplementary Statement of Financial Position of Life Insurance Fund together

with notes are disclosed in page numbers 364 to 367 as per the requirement of the Statement of Recommended Practice (SORP) for Insurance Contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka.

2.9 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency). There was no change in the Company's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Company's Functional and Presentation Currency.

2.10 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclose in the Accounting Policies of the Company.

2.11 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 - LKAS 1 on 'Presentation of Financial Statements'.

2.12 Financial Period

The Financial Statements are prepared to a financial year ended 31st December.

2.13 Comparative Information

The comparative information is and reclassified wherever necessary to confirm with the current year's classification in order

to provide a better presentation. The details of such and reclassifications have been provided in Note 45 and page 336.

2.14 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

3. USE OF JUDGMENTS AND ESTIMATES

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Particularly in insurance, the use of estimates for measuring technical provisions is of substantial significance, given that measurement is invariably based on models and the development of future cash flows from insurance contracts cannot be conclusively predicted. But judgement and estimates play a significant role in the case of other items as well.

Our internal processes are geared to determining amounts as accurately as possible, taking into account all the relevant information. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date. Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge.

The most significant areas of estimation uncertainty and critical judgements, in applying Accounting Policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

Assumptions and Estimation uncertainties

3.1 Valuation of Insurance Contract Liabilities

The liability for Life Insurance contracts with discretionary participating features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a Liability Adequacy Test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and Surrender rates and discount rates as further detailed.

For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectation about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

The valuation of the Long Term insurance business as at 31st December 2016 was carried out Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Wills Towers and Watson (WTW) based on the assumptions set out in Note 33.3 to the Financial Statements on page 323.

All Life Insurance contracts are subject to the Liability Adequacy Test (LAT) as required by SLFRS 4 - Insurance Contracts. The LAT was carried out by Mr. Kunj Behari Maheshwari, Messrs. Wills Towers and Watson (WTW). For further details please refer to the Note 33.7 to the Financial Statements on page 324.

3.2 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 22 on page 308.

3.3 Financial Assets and Liabilities Classification

The Significant Accounting Policies of the Company provide scope for assets and liabilities to be classified at inception into different accounting categories under certain circumstances.

- In classifying financial assets or liabilities at 'Fair value through profit or loss', the Company has determined that it has met the criteria for this designation set out in Note 21.4 on page 304.
- In classifying financial assets as 'Held-to-maturity', the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 21.1 on page 299.

3.4 Impairment of Financial Investments - Available-for-Sale

The Company reviews the debt securities classified as available-for-sale investments at each Reporting date to assess whether they are impaired. This requires similar judgments as applied on the individual assessment of loans and advances.

The Company also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost along with the historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

NOTES TO THE FINANCIAL STATEMENTS

3.5 Impairment Losses on Non-Financial Assets

The Company assesses whether there are any indicators of impairment for an asset or a Cash-Generating Unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires the Management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows.

This valuation requires the Company to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

3.6 Fair value of Land and Buildings

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The Valuation was carried out by Mr. P. B Kalugalagedara, Chartered Valuation Surveyor. The key assumption used to determine the fair value of the land and building and sensitivity analysis are provided in Note 20.13 to on page 296.

3.7 Useful Life-time of the Property, plant & Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each Reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.8 Employee Benefit

The cost of defined benefit plans which is gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used by the actuary in the estimates are contained in Note 35.2.b to the Financial Statements.

3.9 Deferred Tax Assets and Liabilities

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

3.10 Provisions for Liabilities and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

The table below provides the reference for different locations in this report which discusses the estimates in detail.

Critical Accounting Estimate / Judgment	Disclosure Reference	
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Insurance Contract Liabilities - Life and key actuarial assumptions	3.1/33	265/320
Insurance Contract Liabilities - General	34	325
Liability Adequacy Test (LAT) - Life	33.7	324
Liability Adequacy Test (LAT) - General	34	326
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Deferred Acquisition of cost	6.3.1	274
Valuation of Employee Benefit Obligation - Gratuity	35	328
Assessment of Impairment	3.4/3.5/4.9	265/266/271
Determination of the Fair Value of Financial Instruments	3.2/22	265/308
Provisions for Liabilities and Contingencies	3.1	266
Valuation of Land and Buildings	20	292

4. SIGNIFICANT ACCOUNTING POLICIES

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow and reference to the respective notes.

Significant Accounting Policies	Reference to the Note	Page Reference
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NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting Policies – Common

4.1 Basis of Consolidation and Subsidiaries

The Financial Statements comprise the Financial Statements of the Company as at 31st December 2016 and its discontinued subsidiary as at 30th September 2016. Business combinations are accounted for using the acquisition method when control is transferred to the Group.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of that enterprise so as to obtain benefits from its activities. The Financial Statements of subsidiary is included in the Financial Statements from the date that control effectively commences until the date that control effectively ceases. Accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

When separated Financial Statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the Company's Statement of Financial Position for the year ended 31st December 2015 and as at reporting date Subsidiary has been disposed off at cost less accumulated impairment losses.

4.2 Non-Controlling Interest (NCI)

The Non-controlling Interest is measured at their appropriate share of acquiree's identifiable net assets at the date of acquisition.

4.3 Loss of Control

Upon the loss of control, the Company de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Income Statement. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the

Company's Accounting Policy for financial instruments depending on the level of influence retained.

4.4 Intra-Group Transactions & Accounting for Investment in Subsidiaries

Intra-group balances, intra-group transactions and resulting unrealised profits are eliminated in full in the Consolidated Financial Statements. Unrealised losses resulting from intra-group transactions are eliminated unless the cost cannot be recovered.

4.5 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-Monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in Income Statement. Non-Monetary items that are measured based on historical cost in a foreign currency are not translated.

STATEMENT OF FINANCIAL POSITION

4.6 Insurance and Investment Contracts

4.6.1 Product classification

Insurance Contracts

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 contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario,

excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Investment Contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, price of the financial instrument, 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.

Subsequent Classification

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.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF").

Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;

- That are contractually based on:
 - The performance of a specified pool of contracts or a specified type of contract
 - Realised and or unrealised investment returns on a specified pool of assets held by the issuer
 - The profit or loss of the Company, fund or other entity that issues the contract

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the Income Statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and/or investment contract with DPF is measured at fair value through the Income Statement.

IBSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a company (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

4.7 Impact of unrealized gains and losses on available-for-sale assets on liabilities from insurance contracts

Unrealised gains or losses arise on available-for-sale assets, the adjustment to the liabilities arising from insurance contracts is equal to the effect that the realisation of those gains or losses at the end of the reporting period would have had on those liabilities (and related assets) and is recognised directly in Other Comprehensive Income.

4.8 Financial assets and financial liabilities

4.8.1 Non-derivative financial assets

4.8.1.1 Initial recognition and measurement

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

In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

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

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories:

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

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and /or carried at amortized cost. Please refer Note 21 for further details on classification of Financial Instruments.

The Company's existing non derivative financial assets and their classifications are summarised in the table below.

Financial Asset	Category			
	AFS	HTM	L & R	FVTPL
Treasury Bonds	√	√		
Reverse repurchase agreements			√	
Quoted Shares	√			√
Unquoted Shares	√			
Corporate Debts	√		√	
Policy loans			√	
Staff and Advisor Loans			√	
Term Deposits			√	
Cash and Cash Equivalents			√	
Reinsurance Receivables			√	
Premium Receivables			√	
Unit Trusts				√
Other Receivables			√	

NOTES TO THE FINANCIAL STATEMENTS

4.8.1.2 Subsequent measurement

Refer Note 20 for on pages 297 to 307 for details on different types of financial assets recognised on the Statement of Financial Position.

Other Financial Assets categorised under loans and receivables including policy loans, staff loans, cash & cash equivalents, reinsurance receivable, premium receivable and other receivables Subsequently measured at amortised cost using EIR and allowances for impairment.

4.8.2 Non-derivative financial liabilities

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

A financial liability 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 recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

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

4.8.3 De-recognition of Financial Assets and Financial Liabilities

4.8.3.1 Financial Assets

The company derecognises a Financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the Financial asset are transferred or in which the company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the Financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

4.8.3.2 Financial Liabilities

The Company derecognises a Financial liability when its contractual obligations are discharged or cancelled or expired.

4.8.4 Offsetting

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

Income and expenses are presented on a net basis only when permitted under SLASs, or for gains and losses arising from a company of similar transactions such as in the Company's trading activity.

4.8.5 Amortised cost measurement

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

4.8.6 Reclassification of Financial Assets and Liabilities

The Company reclassifies non derivative financial assets out of the 'held-for-trading' category and into the 'available-for-sale', 'loans and receivables', or 'held-to-maturity' categories as permitted by the Sri Lanka

Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain

circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR.

In the case of a financial asset that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed off. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to profit or loss.

The Company may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category, if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the Management and is determined on an instrument-by-instrument basis.

The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the Company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

4.9 Identification and measurement of impairment

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a company of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired may include:

- significant financial difficulty of the borrower or issuer,
- default or delinquency by debtor
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization
- adverse changes in the payment status of issuers or debtors in the Company
- In the case of equity a significant or prolonged decline in its fair value below its cost

a. Impairment of Financial Assets carried at amortized cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at specific asset.

b. Measurement of Impairment and recognition

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in Income Statement under 'Allowance for impairment' account against loans

and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognised.

c. Reversal of Impairment

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

d. Impairment of Financial Assets - Available-for-sale

For available for sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment is impaired.

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

Future interest income is based on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets too is recorded within 'Net Finance income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

e. Impairment of Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on

a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

f. Impairment of Reinsurance receivables

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 is recorded in the Income Statement.

g. Impairment of Premium receivables

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognized in the Income Statement.

4.9.1 Impairment of Non - Financial Assets

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

For Impairment testing, assets are grouped together into the smallest company of assets that generates cash inflow from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or

NOTES TO THE FINANCIAL STATEMENTS

companies of CGUs that are expected to benefit from the synergies of the combination.

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 risk specific to the assets or CGU.

An impairment loss is recognised if the carrying amount of an assets or CGU exceeds its recoverable amount.

Impairment losses are recognized in Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reserved 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.

4.10 Fair Value of Financial Investments

Fair value measurement of financial instruments including the fair value hierarchy is explain in the Note 22 on pages 308 to 313.

4.11 Inventories

Inventory consists mainly of stationery, printed material and complimentary items. Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Cost is determined on a weighted average basis. Net realizable value is the price at which inventories can be sold in the ordinary course of business.

4.12 Equity Movement

4.12.1 Ordinary Shares

The Company has issued ordinary shares that are classified as equity instruments.

4.12.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Shareholders of the Company in accordance with the articles of association.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

4.13 Non-current Assets Held for Sale and Disposal Groups

The company intends to recover the value of Non - current Assets and disposal company classified as held for sale as at reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal company is available for immediate sale in its present condition. Management has committed to the sale and the sale is expected to be completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard - SLFRS 5 on 'Non-current Assets held for Sale and Discontinued Operations', these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a company of investment is impaired. The company recognizes an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset only to the extent to the cumulative impairment losses that has been recognised previously. As a result once classified, the company neither amortises nor depreciates the assets classified as held for sale.

INCOME STATEMENT

4.14 Other Income

Other income is recognised on an accrual basis.

4.15 Reinsurance Commission Income

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

4.16 Finance cost

Interest paid is recognised in the Statement of Income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

4.17 Finance Expenses relating to investment acquisition

Finance expenses consist of costs relating to investment such as custodial fees, bank guarantee fee and brokerage fee etc. These expenses are recognised on an accrual basis.

4.18 Proposed Dividends

Dividend proposed by the Board of Directors after the reporting date is not recognised as a liability and is only disclosed as a Note to the Financial Statements. (Note 44 in page 336)

4.19 Cash Flow Statements

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of 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.

Interest received and dividend received is classified as operating cash flows, while dividends paid are classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

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

Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 29 on page 319.

5. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements.

Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

5.1 Standard issued but not yet adopted which may have impact to Company's Financial Statements

SLFRS 9 Financial Instruments

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of Financial Statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The actual impact of adopting SLFRS 9 on the company's financial statements is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

i. Classification - Financial assets

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

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing LKAS 39 categories of held to maturity, loans and receivables and available for sale.

Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

ii. Impairment - Financial assets and contract assets

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

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

iii. Classification - Financial liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

However the Institute of Chartered Accountants of Sri Lanka on their letter dated 24th November 2016 has 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 2021 or adopting the revised SLFRS 4, which is currently expected to commence in 2020.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- 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
- its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 01st 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.

5.2 Standards Issued but not yet Adopted which may not have Significant Impact

SLFRS 15 Revenue from contracts with customers

Effective from 01st January 2018.

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 transaction with the implementation of this standard. The company is assessing potential impact on its financial statements resulting from application of this standard.

5.3 Standards Issued but not yet Adopted which is not Expected to have an Impact

The following new or amended standards are not expected to have an impact of the Company's Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 16 - Leases

Effective from 01st January 2019

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off - balance sheet operating leases. Instead there will be a single on balance sheet accounting model that is similar to the current finance lease accounting. The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

6. SPECIFIC ACCOUNTING POLICIES RELATING TO GENERAL INSURANCE (DISCONTINUED)

USE OF JUDGMENTS AND ESTIMATES

6.1 Valuation of Insurance Contract liabilities

For General Insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. All General Insurance contracts are subject to a Liability Adequacy Test (LAT). For further details please refer to the Note 34 to the Financial Statements on Page 326.

STATEMENT OF FINANCIAL POSITION

6.2 Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related and the combined instrument is not measured at fair value through profit or loss.

- **Separable embedded derivatives**

Changes in the fair value of separated embedded derivatives are recognised immediately in Income Statement.

- **Other non-trading derivatives**

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in Income Statement as a component of income from other financial instruments at fair value through profit or loss.

6.3 Deferred expenses

6.3.1 Deferred Acquisition costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. DAC is not calculated for Life Insurance Contracts as the acquisition costs are incurred in line with the revenues earned.

DAC is amortised over the period in which the related revenues are earned. In line with the available regulatory guidelines from the Insurance Board of Sri Lanka (IBSL), the DAC is calculated based on the 1/365th basis for non marine and 60:40 basis for marine class. The re-insurers share of deferred acquisition costs is amortised in the same manner as the unearned premium reserve is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

6.3.2 Impairment of DAC

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the Statement of Income. No such Indication of Impairment was experience during the period.

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

6.4 Reinsurance commissions - Unearned commission reserve (UCR)

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

6.5 Contract Liabilities

Measurement

Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and Incurred but Not Reported, and Incurred but Not Enough Reported - IBNR / IBNER) and the provision for unearned premium and the provision for premium deficiency.

Gross Claims Payable including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is decided by an independent external actuary.

Reserve for Unearned Premiums (UPR)

The reserve for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term

of the contract in accordance with the pattern of insurance service provided under the contract.

Provision for unearned premium is calculated on a 1/365 basis except for marine / cargo class which is subject to 60 : 40 basis.

Liability adequacy test (LAT)

At the end of each reporting period the Group reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions.

If the assessments show that the carrying amount of the unearned premiums (less related Deferred Acquisition Costs) is inadequate, the deficiency shall be recognised in the Statement of Income by setting up a provision for liability adequacy.

INCOME STATEMENT

6.6 Gross Written Premium

Gross Written Premium recognised on the date on which the policy commences.

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

6.7 Unearned Premium Reserve (UPR)

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

Unearned premiums are calculated on the 1/365 basis except for the marine and title policies which are computed on a 60 - 40 basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

6.8 Reinsurance Premium

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

6.9 Unearned Reinsurance Premium

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts. Unearned reinsurance premiums are calculated on the 1/365 basis except for the marine policies which are computed on a 60:40 basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under Insurance contract liabilities - General.

6.10 Benefits, Claims and Expenses

6.10.1 Gross benefits and claims

Gross claims expense include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR). The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

Actuarial valuations are performed on an annual basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

6.11 Net Deferred Acquisition Expenses

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

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

6.12 Economic Service Charge (ESC)

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

However with the amendment made by Inland Revenue to the Act, if the Company in relation to any relevant quarter commencing on or after April 01, 2012, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act No, 10 of 2006 for the year of assessment 2011/2012, is more than zero, the relevant turnover for such quarter shall be deemed to be zero.

6.13 Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act No. 9 of 2009 and the amendments thereto, NBT should be payable at the rate of 2% on the liable turnover as per the relevant provisions of the Act.

NOTES TO THE FINANCIAL STATEMENTS

7. GROSS WRITTEN PREMIUM

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Gross written premiums comprise the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross written premium is generally recognised in full at the inception of the policy.

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

Product portfolio of the Company

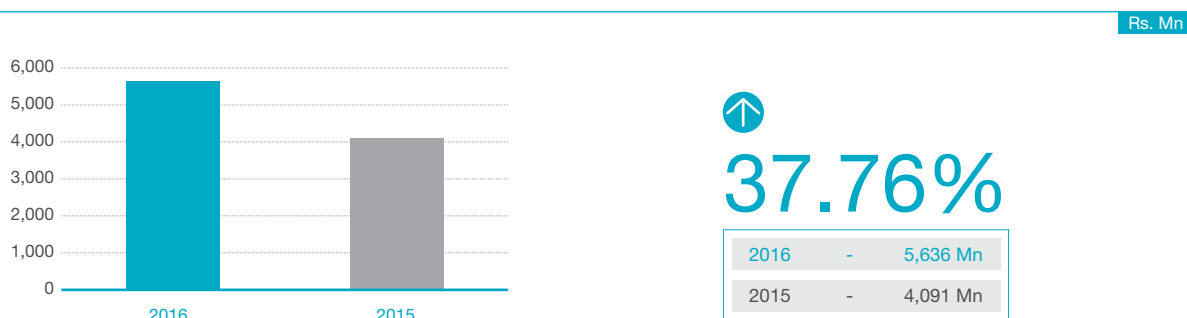
All product sold by the Company are insurance contracts and therefore classified as Insurance Contracts thus the Company does not have any investment contracts within its portfolio as at reporting date.

Further information above the classification of the Products refer Note 4.6.1 on page 268.

GWP Mix



Gross Written Premium



The Premium Income for the year by major classes of business is as follows;

7.1 Life Insurance

<i>For the year ended 31st December,</i>	Group & Company	
	2016 Rs. '000	2015 Rs. '000
First Year Premium	2,050,282	1,375,679
Renewal Premium	3,374,614	2,609,741
Group Life Premium	188,607	98,986
Single Premium	22,198	6,636
Total for Life Insurance GWP	5,635,701	4,091,042

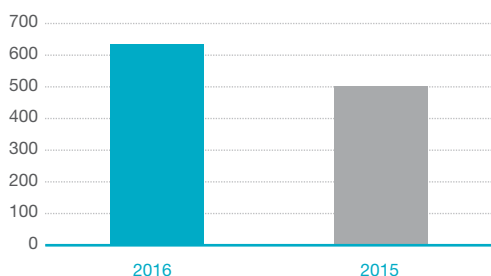
8. PREMIUMS CEDED TO REINSURERS

Premium ceded to reinsurers represents the premium paid by the company to its reinsurers in order to manage its underwriting risks.

Accounting Policy

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 reinsurer.

Premiums Ceded to Reinsurers



↑
26.22%

2016	-	633 Mn
2015	-	501 Mn

Rs. Mn

<i>For the year ended 31st December,</i>	Group & Company	
	2016 Rs. '000	2015 Rs. '000
Life Insurance	632,953	501,471
	632,953	501,471

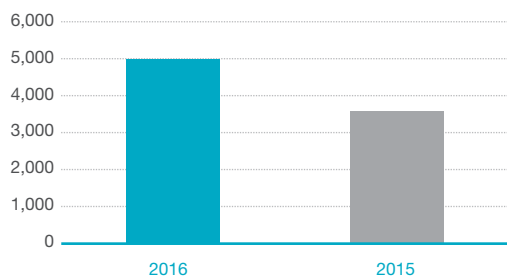
NOTES TO THE FINANCIAL STATEMENTS

8.1 Net Earned Premiums

This represents the Net Earned Premiums for the Financial year subsequent to the deduction of reinsurance premium from Gross Written Premium.

Net Earned Premium

Rs. Mn



39.37%

2016	-	5,003 Mn
2015	-	3,590 Mn

9. NET FINANCE INCOME

Net Finance Income consist with investment income generated by the Company from its various financial assets carried throughout the reporting period.

Accounting Policy

Interest Income

Interest income are recognised in Income Statement 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.

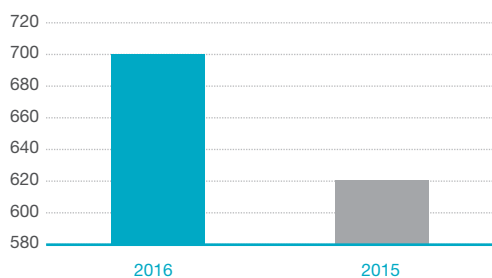
The calculation of the Effective Interest Rate includes all transaction costs and fees and points paid or received that are an integral part of the Effective Interest Rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Dividend Income

Dividend income is recognized when the right to receive payment is established. Usually this, occurs on 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.

Income from Financial Investment

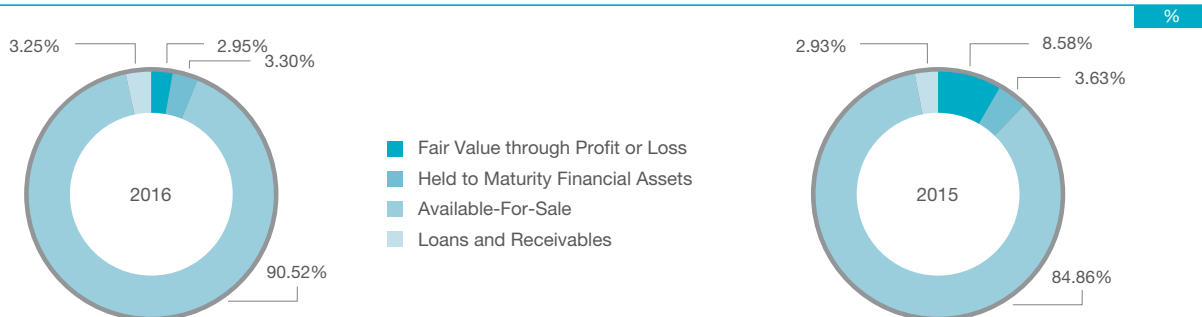
Rs. Mn



12.73%

2016	-	700 Mn
2015	-	621 Mn

Investment Income Analysis



For the year ended 31st December,

Group & Company

		2016	2015
		Rs. '000	Rs. '000
Income from Financial Assets classified at Fair Value through Profit or Loss	Note 9.1	20,636	53,288
Income from Financial Assets classified at Held to Maturity	Note 9.2	23,128	22,560
Income from Financial Assets classified at Available-For-Sale	Note 9.3	633,788	527,043
Income from Financial Assets classified at Loans and Receivables	Note 9.4	22,618	18,192
Total Finance Income		700,170	621,083

For the year ended 31st December,

Group & Company

		2016	2015
		Rs. '000	Rs. '000
9.1 Income from Financial Assets classified as Fair Value through Profit or Loss			
Interest Income - Treasury Bonds		456	13,125
Dividend Income - Equity Shares		20,180	40,163
		20,636	53,288

For the year ended 31st December,

Group & Company

		2016	2015
		Rs. '000	Rs. '000
9.2 Income from Financial Assets classified as Held to Maturity Financial Assets			
Interest Income - Treasury Bonds		23,128	22,560
		23,128	22,560
9.3 Income from Financial Assets classified as Available-For-Sale			
Interest Income	9.3.a	607,326	469,464
Dividend Income	9.3.b	26,462	57,579
		633,788	527,043
		22,618	18,192

NOTES TO THE FINANCIAL STATEMENTS

9. NET FINANCE INCOME (CONTD.)

9.3 Income from Financial Assets classified as Available-For-Sale (Contd.)

For the year ended 31st December,	Group & Company	
	2016	2015
	Rs. '000	Rs. '000
9.3.a Interest Income		
Treasury Bonds	438,371	328,995
Debentures	168,955	140,469
	607,326	469,464

9.3.b Dividend Income

Equity Shares	26,462	57,579
	26,462	57,579

9.4 Income from Financial Assets classified as Loans and Receivables

Interest Income	9.4.a	22,618	18,192
		22,618	18,192

9.4.a Interest Income

Interest Income from Reverse Repo Agreements	13,154	6,212
Term Deposits	68	-
Loans to Life Policyholders	9,396	11,980
	22,618	18,192

10. NET REALIZED GAINS / (LOSSES)

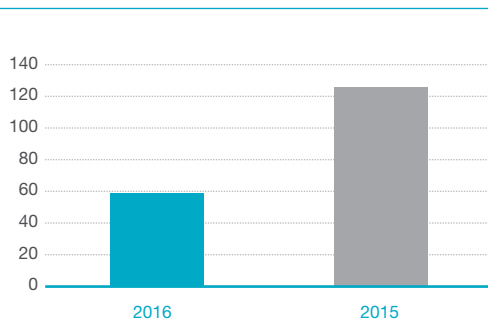
Accounting Policy

Realized gains and losses recorded in the Income Statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Gain or loss on disposal of an item of property, plant and equipment

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

Net Realized Gain



-53.11%

2016	-	59 Mn
2015	-	126 Mn

Rs. Mn

		Group & Company	
		2016 Rs. '000	2015 Rs. '000
<i>For the year ended 31st December,</i>			
Net (Loss)/Gain from Available-for-sale Financial Assets	Note 10.1	(14,494)	68,952
Net (Loss)/Gain from Property, Plant and Equipment		4,936	(445)
Net Realised Capital Gain on Sale of Shares		63,240	38,617
Net Realised Capital Gain on Sale of Unit Trust		1,045	-
Net Realised Capital Gain on Sale of Treasury Bond		4,508	19,205
Total Net Realised gains		59,235	126,329

		Group & Company	
		2016 Rs. '000	2015 Rs. '000
<i>For the year ended 31st December,</i>			

10.1 Net Gains / (Loss) from Available-for-sale financial assets

Realised gains

Equity securities		-	16,904
Money Market securities - Treasury Bonds		8,825	49,904
Debt securities		-	2,144

Realised losses

Equity securities		(23,319)	-
		(14,494)	68,952

11. NET FAIR VALUE (LOSSES) / GAINS

Fair value gains and losses recorded in the Income Statement on investments include fair value gains & losses on financial assets at fair value through profit or loss.

Net Fair Value Gains/(Losses)



		Group & Company	
		2016 Rs. '000	2015 Rs. '000
<i>For the year ended 31st December,</i>			
Financial Investments at Fair Value through Profit or Loss	Note 11.1	(95,888)	82,846
Loss on Derivative Financial Instrument		-	(2,332)
Total Fair Value Gains / (Losses)		(95,888)	80,514

NOTES TO THE FINANCIAL STATEMENTS

11. NET FAIR VALUE (LOSSES) / Gains (CONTD.)

	Group & Company	
	2016	2015
<i>For the year ended 31st December,</i>	Rs. '000	Rs. '000
11.1 Financial Investments at Fair Value through Profit or Loss		
Unrealised Gains / (Losses)		
Equity Securities	(99,096)	138,383
Treasury Bonds	-	(57,307)
Unit Trust	3,208	1,770
	(95,888)	82,846

12. NET INSURANCE BENEFITS CLAIMS PAID

Accounting Policy

Gross benefits and claims

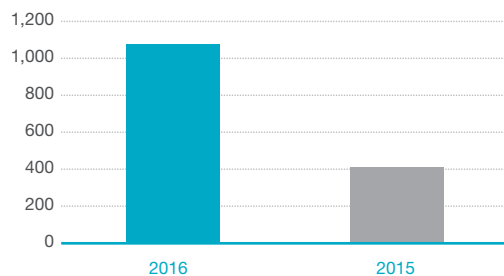
Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

Reinsurance claims

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

Net Insurance Benefit and Claims Paid

Rs. Mn

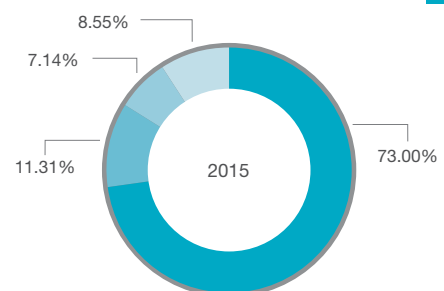
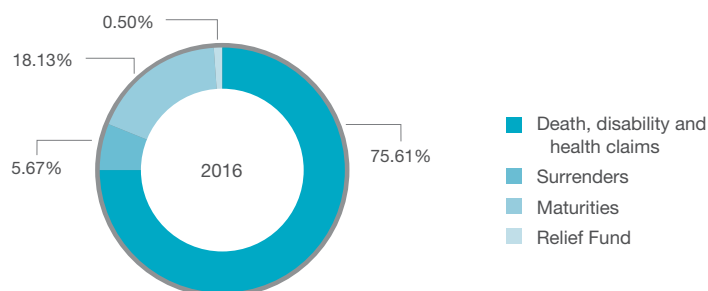


161.07%

2016	-	1,073 Mn
2015	-	411 Mn

Total Net Life Insurance and Claims Expense

%



<i>For the year ended 31st December,</i>	Group & Company	
	2016 Rs. '000	2015 Rs. '000
Gross Benefits and Claims paid	1,452,290	676,443
Claims Ceded to Reinsurers	(378,797)	(265,264)
Total Net Insurance Benefits and Claims paid	1,073,493	411,179

12.1 Changes in valuation of insurance contract liabilities - Life Funds

This represent movement in liability valuation based on the Actuarial Valuation.

Accounting Policy

Note 33 to these Financial Statements explains in detail about the change in methodology of valuation of the Insurance Contract Liabilities as required by the Solvency Margin (Risk Based) Rules 2015 with effect from 01st January 2016.

A reconciliation of the change in Insurance Contract Liabilities is reflected in Note 33.1 to these Financial Statements.

Actuarial Valuation of Life Insurance Fund

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

The Independent Actuaries report is provided in page 249 to this report and further details of the life fund valuation is provided in Note 4 to 48.1 these Financial Statements.

<i>For the year ended 31st December,</i>	Group & Company	
	2016 Rs. '000	2015 Rs. '000
13. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING		
Gross change in Insurance Contract Liabilities	15,167	8,444
Change in Contract Liabilities Ceded to Reinsurers	(16,494)	14,109
Total Insurance Benefit and Claims (Net)	(1,327)	22,553

13.1 Net Insurance Benefits and Claim Expense Analysis

Net Insurance benefit and claims paid	Note 12	1,073,493	411,179
Net change in insurance claims outstanding	Note 13	(1,327)	22,553
Total Net Insurance Claim Expense	Note 13.1.1	1,072,166	433,732

13.1.1 Life Insurance Benefit and Claims Expense (Net)

Death, disability and hospitalisation claims	1,109,513	499,987
Surrenders	84,472	77,431
Maturities	266,088	48,926
Relief Fund	7,384	58,543
Reinsurance recoveries	(395,291)	(251,155)
Net Life Insurance Benefits and Claims	1,072,166	433,732

NOTES TO THE FINANCIAL STATEMENTS

14. UNDERWRITING AND NET ACQUISITION COST

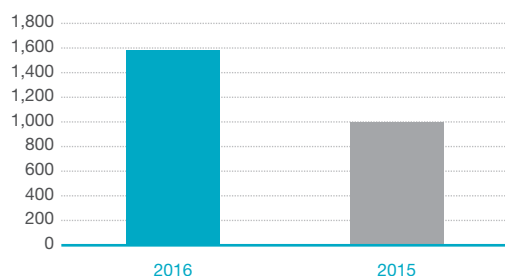
Accounting Policy

All acquisition cost are recognised as an expense when incurred.

Reinsurance commission income on outward insurance contracts is recognised as revenue when receivable.

Underwriting and Net Acquisition Cost

Rs. Mn



↑
59.11%

2016	-	1,580 Mn
2015	-	993 Mn

For the year ended 31st December,

Group & Company

	2016 Rs. '000	2015 Rs. '000
Underwriting and Policy Acquisition Cost	1,647,287	1,081,334
Reinsurance Commission including Profit Commission	(66,814)	(88,762)
Total Net Acquisition Cost	1,580,473	992,572

15. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Accounting Policy

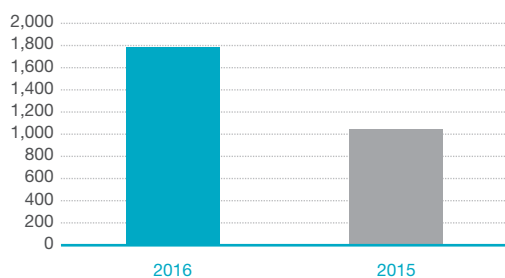
Expenditure Recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Income Statement.

For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

Other Operating and Administrative Expenses

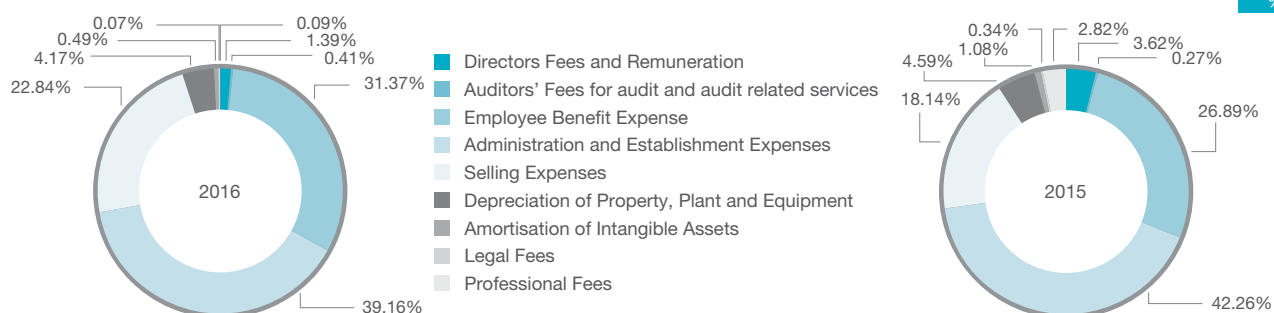
Rs. Mn



↑
70.11%

2016	-	1,781 Mn
2015	-	1,047 Mn

Other Operating and Administrative Expenses



For the year ended 31st December,

Group & Company

		2016	2015
		Rs. '000	Rs. '000
Directors Fees and remuneration	Note 15.1	24,840	37,838
Auditors' Fees for audit and audit related services (including expenses)		7,315	2,858
Employee Benefit Expense	Note 15.2	558,646	281,400
Administration and Establishment Expenses		692,804	442,286
Selling Expenses		406,743	189,826
Depreciation of Property, Plant and Equipment		78,858	48,052
Amortisation of Intangible Assets		8,746	11,285
Legal Fees		1,247	3,587
Professional Fees		1,577	29,538
Research Cost		-	-
Donations		-	-
Total Other Operating and Administrative Expenses		1,780,776	1,046,670

15.1 Directors' Emoluments

Directors emoluments represent the fees paid to both the Executive and Non-Executive Directors of the Company.

15.2 Employee Benefit Expense

For the year ended 31st December,

Group & Company

		2016	2015
		Rs. '000	Rs. '000
Staff Remuneration		323,120	221,265
Defined Contribution Plan Costs - EPF		38,733	33,176
Defined Contribution Plan Costs - ETF		9,660	8,294
Defined Benefit Plan Cost		14,934	10,639
Other Staff Costs (Travelling, Overtime, Bonuses etc.)		172,199	8,026
		558,646	281,400

NOTES TO THE FINANCIAL STATEMENTS

16. INCOME TAX EXPENSE

Accounting Policy

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, when it is recognised in equity.

Current Tax

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

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

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

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

The major components of income tax expense for the year ended 31st December are as follows;

For the year ended 31st December,	Company	
	2016 Rs. '000	2015 Rs. '000

Tax recognised in Income Statement

Current Tax Expense

Income Tax on Current Year's Profits	-	-
	-	-

Deferred Income Tax

Origination of Deferred Tax Liability	Note 16.3	-	-
Origination of Deferred Tax Assets	Note 16.3	-	-
Deferred Taxation Charge / (Reversal)		-	-

Income Tax Expense reported in the Income Statement

Tax recognised in Statement of Profit or Loss and Other Comprehensive Income

Deferred Taxation Charge / (Reversal)	-	-
----------------------------------------------	---	---

16.1 Reconciliation of Effective Tax rate

Profit from Continuing Operations		877,443		992,562
Profit from Discontinued Operations		89,400		-
Profit for the Year		966,843		992,562
Deferred Taxation		-		-
Income Tax Expense		-		-
Profit Before Taxation		966,843		992,562

Tax using the Company's domestic Tax rate	28%	270,716	28%	277,917
Aggregate disallowed expenses	-3%	(26,548)	-2%	(18,663)
Aggregate allowable expenses	64%	622,069	36%	356,677
Tax exempt Income	-90%	(866,237)	-62%	(615,931)
	0%	-	0%	-

Softlogic Life Insurance PLC is liable to income tax at 28% (2015 - 28%) in terms of Inland Revenue Act No. 10 of 2006 and amendments there to.

16.2 Analysis of Tax Losses

Life Insurance

The carried forward tax loss of the Life Insurance business as at 31st December 2016 is Rs. 7,508 million (2015 - Rs. 4,540 million).

16.2.a Tax Intimation on Life Insurance Business

The Company has received a tax Intimation letter on Life Insurance taxation for the years 2010, 2011, 2012 and 2013. However, no assessment has been issued yet on this intimation. The Company is of the strong view that no additional tax liability is arising due to this intimation letter and also we have filed a response highlighting our view, which was done in consultation with Tax Consultants. Even if this tax intimation would materialized against the Company, no additional tax liabilities are required for the Company. However, the tax loss recorded above will come down by Rs. 1,189 million.

16.3 Deferred Taxation

Accounting Policy

Deferred Tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred Tax is not recognized for the following temporary differences:

Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

In addition, Deferred Tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred Tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A Deferred Tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred Tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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:

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Deferred Tax Assets	136,710	83,685	145,589
Deferred Tax Liabilities	(136,710)	(83,685)	(91,590)
Net Deferred tax asset / (liability)	-	-	53,999

NOTES TO THE FINANCIAL STATEMENTS

16. INCOME TAX EXPENSE (CONTD.)

16.3 Deferred Taxation (Contd.)

16.3.a Movement in deferred tax Assets and Liabilities Recognised

Group-(Recognised)	Net balance as at 01st January	Recognised in profit or loss	Recognised in OCI	Balance as at 31st December 2015		
				Net Balance	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-	(7,905)	-	(7,905)	-	(7,905)
Retirement benefit Obligation	-	3,475	1,443	4,918	4,918	-
Available for Sale Financial Assets	-	-	9,386	9,386	9,386	-
Carry forward tax losses	-	47,600	-	47,600	47,600	-
Net tax liabilities/(assets)	-	43,170	10,829	53,999	61,904	(7,905)

* No Group exists as at reporting date 2016.

16.3.b Analysis of recognised Deferred Tax Assets/Liabilities

	Life Business 2016		Life Business 2015		General Business 2015		Group 2015	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deferred tax liability								
Property, plant and equipment	485,727	136,004	296,354	82,979	28,234	7,905	324,588	90,884
Revaluation of Buildings	2,523	706	2,523	706	-	-	2,523	706
	488,250	136,710	298,877	83,685	28,234	7,905	327,111	91,590
Deferred tax assets								
Retirement benefit obligation	73,436	20,562	45,796	12,822	17,562	4,918	63,358	17,740
Available for Sale Financial Assets	414,814	116,148	79,079	22,142	33,522	9,386	112,601	31,470
Deferred tax asset recognised on b/f tax losses	-	-	174,002	48,721	170,000	47,600	344,211	96,379
	488,250	136,710	298,877	83,685	221,084	61,904	520,170	145,589
Unrecognised deferred tax asset	7,692,722	2,153,962	4,366,274	1,222,557	1,124,258	314,792	5,490,532	1,537,349

As at 31st December 2016, total carried forward tax loss of Life Business is Rs. 7,508 million (2015 - Rs. 4,540 million). The Company has not recognised Deferred Tax Asset amounting to Rs. 2,154 million as it not probable that the future taxable profits will be adequate to utilise the available tax losses in the foreseeable future.

* General insurance Business has been discontinued as at reporting date.

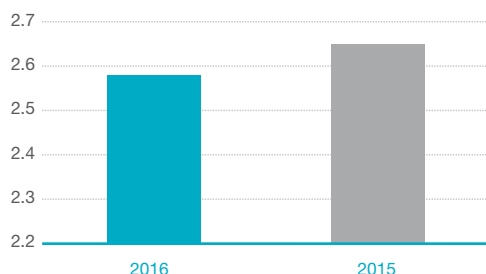
17. EARNINGS PER SHARE (EPS)

Accounting Policy

The Company presents basic and diluted earnings per share (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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Earnings Per Share (Continuing Operation)

Rs.



-2.64%

2016	-	Rs. 2.58
2015	-	Rs. 2.65

For the year ended 31st December,

	Group		Company	
	2016	2015	2016	2015
17.1 Basis Earnings Per Share				
Profit attributable to Ordinary Shareholders from Continuing Operation (Rs. 000)	877,443	992,562	877,443	992,562
Profit attributable to Ordinary Shareholders from Discontinuing Operation (Rs. 000)	158,720	(68,253)	89,400	-
Weighted Average number of ordinary shares as at 31st December ('000)	375,000	375,000	375,000	375,000
Basic/Diluted Earning per share - Continuing Operation (Rs.)	2.34	2.65	2.34	2.65
Basic/Diluted Earning per share - Discontinuing Operation (Rs.)	0.42	(0.18)	0.24	-

17.2 Diluted Earnings Per Share

There were no potential Dilutive Ordinary Shares outstanding at any time during the year. Therefore, diluted Earnings Per Share is same as Basic Earnings Per Share shown in Note 17.1.

18. DIVIDEND PER SHARE (DPS)

Accounting Policy

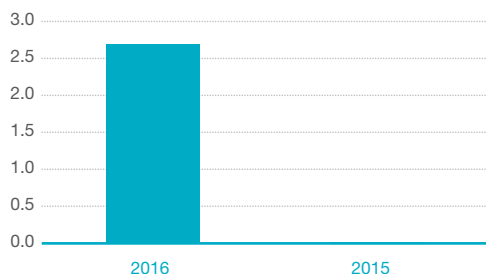
Dividend on Ordinary Shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Article of Association.

Withholding Tax on Dividends

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

Dividend

Rs.



2016	-	Rs. 2.69
2015	-	Nil

For the year ended 31st December,

	Company	
	2016	2015
Number of Ordinary Shares ('000)	375,000	375,000
Interim Dividend Declared during the year (Rs.000)	200,000	-
Second Interim Dividend Proposed* (Rs.000)	810,000	-
Dividend per Share (Rs.)	2.69	-

*The Board of Directors of the Company have approved the payment of second interim dividend of Rs. 2.16 per share subsequent to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

19. INTANGIBLE ASSETS

The Company's intangible assets include the value of computer software.

Accounting Policy

Basis of recognition and Measurement

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

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent Expenditure

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

Useful Economic Life and Amortisation

Amortisation is recognised in income statement 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 five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

De-recognition

An Intangible Asset is de-recognised 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 the Statement of Income Statement come when the item is derecognised.

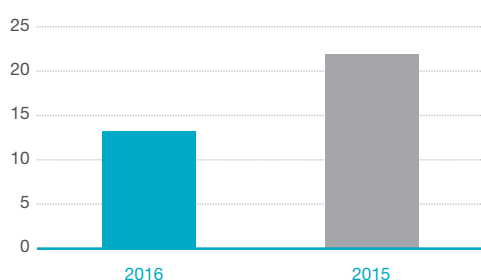
Research and Development Cost

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible Assets

Rs. Mn



↓
-39.76%

2016	-	13.24 Mn
2015	-	21.98 Mn

Reconciliation of Carrying amounts

As at 31st December,	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Computer Software			
Cost			
Balance as at 01st January	90,876	89,391	89,391
Acquisition	-	2,864	3,114
Write off during the year	-	(1,379)	(1,379)
Balance as at 31st December	90,876	90,876	91,126
Accumulated amortization and impairment losses			
Balance as at 01st January	68,894	57,898	57,898
Amortisation	8,746	11,280	11,293
Write off during the year	-	(284)	(284)
Balance as at 31st December	77,640	68,894	68,907
Carrying Value As at 31st December	13,236	21,982	22,219

19.1 Composition of Intangible Assets

Intangible assets comprise Accounting Software used by the company. The Company's intangible assets does not comprise internally generated intangible assets or intangible assets which have indefinite useful life.

19.2 Acquisition of Intangible Assets during the year

During the financial year, the Company has not acquired Intangible Assets.

19.3 Fully amortised Intangible Assets in use

Fully amortised Intangible Assets in use as at reporting date was Rs. 59 million.

19.4 Title restriction on Intangible Assets

There are no restrictions that existed on the title of the Intangible Assets of the Company as at the Reporting Date. There were no items pledged as securities for liabilities.

19.5 Assessment of impairment of Intangible Assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31st December 2016. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Intangible Assets.

19.6 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Intangible Assets during the year (2015 - Nil).

19.7 Amortization of Intangible Assets

Amortization expense of Rs. 8.7 million (2015: Rs. 11.3 million) has been charged to income statement.

NOTES TO THE FINANCIAL STATEMENTS

20. PROPERTY, PLANT AND EQUIPMENT (PPE)

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on ‘Property, Plant & Equipment’ in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Accounting Policy

Basis of Recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost.

Subsequent to the initial measurement items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for the Land and Buildings.

Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day - to - day servicing). The cost of self-constructed assets includes the followings:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the asset to a working condition for its intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

The Company applies the Cost Model to all Property, Plant & Equipment except freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company applies the Revaluation Model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. 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.

The Company revalued all its freehold land and freehold building as at December 31, 2015. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in Note 20.13.4.1 on page 297.

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 Income Statement as incurred.

Repairs and maintenance

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

Capital Work in Progress

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

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 period are as follows:

Class of Asset	% per Annum	Period
Building	5	20 years
Office Equipment	20	05 Years
Computer Equipment	20	05Years
Furniture & Fittings	10	10 Years
Fixtures & Fittings	20	05 Years
Motor Vehicle	25	04 Years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant & equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 20.1 on page 295.

Carrying Value

The carrying value of an asset or significant company of assets within a class is assessed annually with its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognized in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually. Depreciation on revaluation of a class of assets is based on the remaining useful life of the assets at the time of the revaluation.

De - recognition

An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is de - recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de - recognised. Major inspection costs are capitalized. At each such capitalization the remaining carrying amount of the previous cost of inspections is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

20. PROPERTY, PLANT AND EQUIPMENT (PPE) (CONTD.)

Borrowing Costs

As per the Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

Leased assets-Lessee

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

Finance Leases

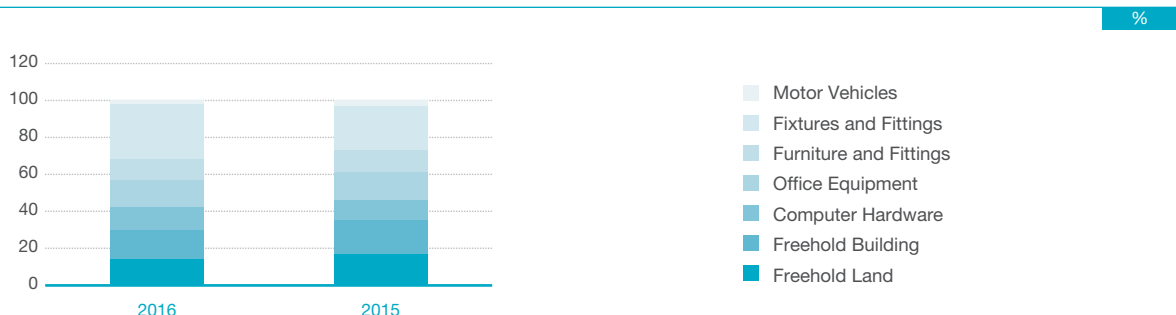
Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance cost in the Income Statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

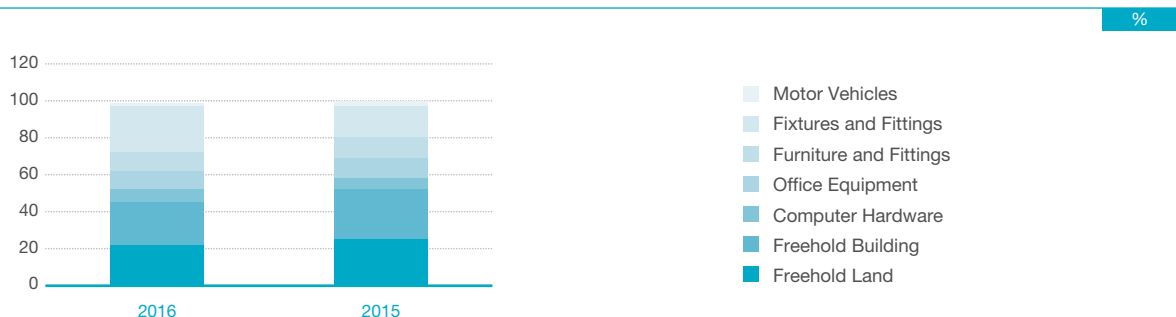
Operating Leases

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the Income Statement on a straight line basis over the lease term.

Cost of Property, Plant and Equipment



WDV of Property, Plant and Equipment



20.1 Reconciliation of Carrying Amount

								Company		Group
	Freehold Land	Freehold Building	Computer Hardware	Office Equipment	Furniture and Fittings	Fixtures and Fittings	Motor Vehicles	Total 2016	Total 2015	Total 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost										
Balance as at										
01st January 2016	108,000	118,000	74,391	100,311	79,824	154,169	18,698	653,393	584,944	584,944
Transfers due to segregation	-	-	-	-	-	-	-	-	(100,505)	-
Additions during the year	-	732	20,589	20,726	9,565	80,122	-	131,734	88,365	123,432
Capitalised during the year	-	4,619	-	-	-	-	-	4,619	61,439	61,439
Surplus on revaluation	-	-	-	-	-	-	-	-	24,903	24,903
Transferred to revaluation	-	-	-	-	-	-	-	-	(4,758)	(4,758)
Disposals during the year	-	-	-	-	-	-	(2,000)	(2,000)	(995)	(995)
Balance as at										
31st December 2016	108,000	123,351	94,980	121,037	89,389	234,291	16,698	787,746	653,393	788,965
Accumulated Depreciation										
Balance as at										
01st January 2016	-	-	50,019	54,648	34,445	82,232	4,530	225,874	207,269	207,269
Transfers due to segregation	-	-	-	-	-	-	-	-	(24,295)	-
Additions during the year	-	12,163	10,188	15,616	7,062	29,660	4,169	78,858	48,052	67,938
Transferred to revaluation	-	-	-	-	-	-	-	-	(4,758)	(4,758)
Disposals during the year	-	-	-	-	-	-	(2,000)	(2,000)	(395)	(395)
Balance as at										
31st December 2016	-	12,163	60,207	70,264	41,507	111,892	6,699	302,732	225,873	270,054
Capital Work In Progress										
Balance as at										
01st January 2016	-	-	-	-	-	-	-	-	200	200
Additions during the year	-	4,619	-	-	-	-	-	-	61,239	61,239
Capitalisation during the year	-	(4,619)	-	-	-	-	-	-	(61,439)	(61,439)
Balance as at										
31st December 2016	-	-	-	-	-	-	-	-	-	-
Carrying Value										
as at 31st December 2016	108,000	111,188	34,773	50,773	47,882	122,399	9,999	485,014	-	-
Carrying Value										
as at 31st December 2015	108,000	118,000	24,372	45,663	45,379	71,937	14,168	-	427,519	518,911

20.2 Leased Motor Vehicle

The Company leases a Motor vehicle under a finance lease. The leased motor vehicle secures lease obligations. As at 31st December 2016 the net carrying amount of motor vehicle was Rs. 10 million.

NOTES TO THE FINANCIAL STATEMENTS

20. PROPERTY, PLANT AND EQUIPMENT (PPE) (CONTD.)

20.3 Acquisition of PPE during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 131.7 million (2015 - Rs. 88.4 million).

20.4 Fully depreciated PPE in use

The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows:

As at 31st December,	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Computer Hardware	41,434	30,463	34,498
Office Equipment	39,223	30,535	32,241
Furniture and Fittings	14,773	11,655	11,655
Fixtures and Fittings	54,750	37,192	38,278
Motor Vehicle	75	2,005	2,005
	150,255	111,850	118,677

20.5 PPE pledged as security

None of the PPE have been pledged as securities as at the reporting date.

20.6 Permanent fall in value of PPE

There has been no permanent fall in the value of PPE which require a impairment provision in the Financial Statements.

20.7 Title restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

20.8 Assessment of impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st December 2016. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE.

20.9 Depreciation of PPE

Depreciation expense of Rs. 78.8 million (2015: Rs. 48.1 million) has been charged in statement of income.

20.10 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

20.11 Compensation from third parties for items of property, plant and equipment

There were no compensation received/ receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

20.12 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of Property Plant and Equipment during the year (2015 - Nil).

20.13 The details of freehold land and buildings which are stated at valuation are as follows;

Company property	Extent (Perches)	Square Feet	Method of valuation	Date of valuation	Valuer	Revalued	Revalued	Carrying value at Cost Rs. '000
						amount Land Rs. '000	amount Building Rs. '000	
		(Building)						
Land & building situated at No. 283, R.A De Mel Mawatha, Colombo - 03	12	11,824	Direct Capital Comparison Method	31st December 2015	Mr. P. B Kalugalagedara Chartered Valuation Surveyor	108,000	118,000	201,097

20.13.1 Net gain on revaluation on land and building

Rs. '000	Land	Building	Total
Revaluation surplus	22,380	2,523	24,903

20.13.2 If land and buildings were stated at historical cost, the amounts would have been as follows;

	2016 Rs. '000	2015 Rs. '000
Cost	211,206	205,855
Accumulated depreciation	(10,560)	(4,758)
Carrying value	195,295	201,097

20.13.3 The effect of revaluation of freehold buildings on the statement of income in the subsequent period is as follows;

	2016 Rs. '000	2015 Rs. '000
Depreciation charge per annum after revaluation	6,211	6,211
Depreciation charge per annum prior to revaluation	6,012	6,012
Decrease in profit in subsequent period	199	199

20.13.4 Fair Value Hierarchy

The fair value of the Land & Building was determined by an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Fair value measurement of the property has been categorised as a Level 3 fair value based on the valuation techniques used.

20.13.4.1 Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs.

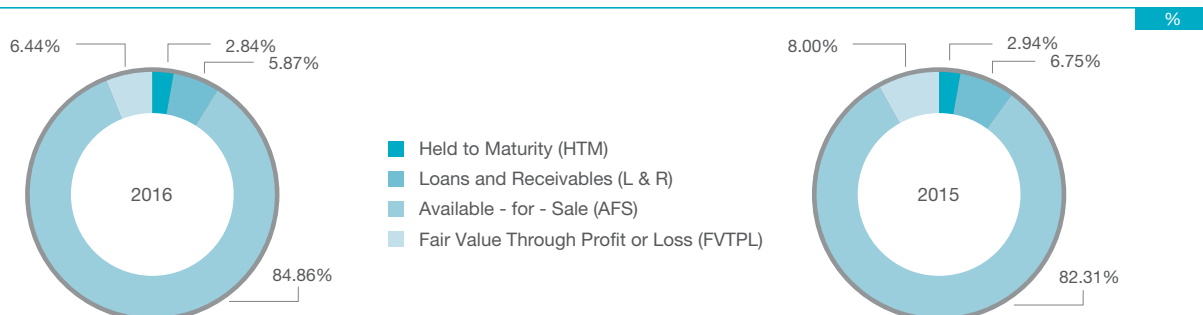
Description	Effective Date of Valuation	Valuation Technique	Significant Unobservable Inputs	Interrelationship between key unobservable inputs and Fair value measurement
Land	31.12.2015	Open market value	Market value per perch	Positive correlated sensitivity
Building	31.12.2015	Direct capital comparison method	Capital expense per Sq.ft	Positive correlated sensitivity

21. FINANCIAL INVESTMENTS

Refer Notes 4.8 for the Accounting Policies on page 269.

The Company's Financial Investments are summarised by Categories as follows:

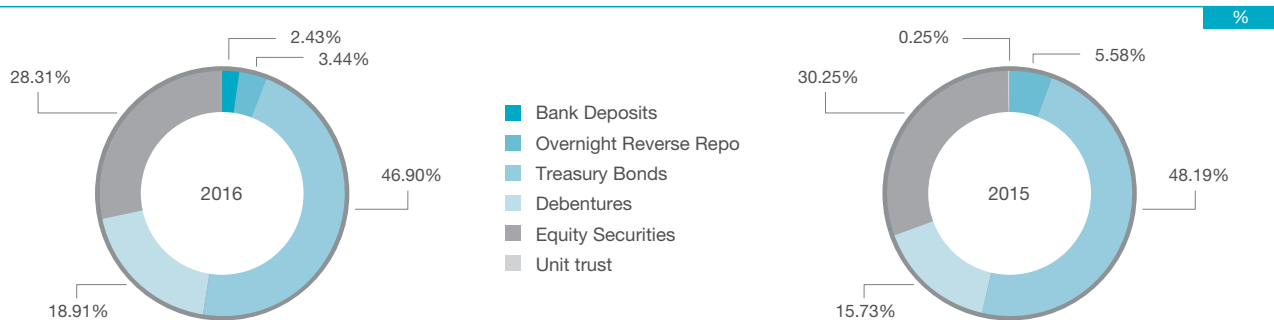
Analysis based on Reporting Category (SLFRS)



NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INVESTMENTS (CONTD.)

Analysis based on Financial Instruments (Nature of Financial Instruments)



As at 31st December,	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000	
Held to Maturity (HTM)	Note 21.1	233,042	227,727	227,727
Loans and Receivables (L & R)	Note 21.2	482,520	522,610	781,297
Available - for - Sale (AFS)	Note 21.3	6,973,740	6,374,199	7,481,233
Fair Value Through Profit or Loss (FVTPL)	Note 24.4	528,985	619,484	775,194
Total Financial Investments		8,218,287	7,744,020	9,265,451

The majority of the Company's investments, i.e 47% (2015 - 48%) are in Government Securities. Corporate debt securities (which comprise quoted and unquoted debentures) account for further 19% of investments (2015 - 15%) and 28% in equities (2015 - 30%). The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined on Note 48.2.1.c on page 346.

21.a The following table compare the fair values of the Financial Investments to their carrying values:

As at 31st December,	Company				Group	
	2016		2015		2015	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Held to Maturity (HTM)	233,042	214,642	227,727	225,173	227,727	225,173
Loans and Receivables (L & R)	482,520	482,520	522,610	522,610	781,297	781,297
Available - for - Sale (AFS)	6,973,740	6,973,740	6,374,199	6,374,199	7,481,233	7,481,233
Fair Value Through Profit or Loss (FVTPL)	528,985	528,985	619,484	619,484	775,194	775,194
Total Financial Investments	8,218,287	8,199,887	7,744,020	7,741,466	9,265,451	9,262,897

Fair Value through Profit or Loss investments and Available For Sale Investments have been valued at fair value. Held to Maturity investments and Loans and Receivable investments are valued at amortised cost.

Analysis of Financial Investments based on Characteristics

Following notes provide disclosure of the Financial Investments based on Characteristics of the each class of Instruments.

21.1 Financial Investments-Held to Maturity (HTM)

Accounting Policy

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

The EIR amortisation is included in Finance Income in the Income Statement and losses arising from impairment are recognized as finance cost in the Income Statement. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

If the Company were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'), the entire category would be tainted and would have to be reclassified as available-for-sale.

Held-to-maturity financial assets comprise of treasury bonds.

As at 31st December,	Company				Group	
	2016		2015		2015	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Treasury Bonds	233,042	214,642	227,727	225,173	227,727	225,173
	233,042	214,642	227,727	225,173	227,727	225,173

21.1.a Valuation of HTM Financial Investments

HTM Financial Investments are presented in the Financial Statement at Amortised Cost. However for disclosure purpose, Fair values of Held to Maturity financial Investments are valued based on daily market rate published by Central Bank of Sri Lanka (CBSL). Held to Maturity consist of Treasury Bonds.

21.1.b Impairment of Financial Investments at HTM

At the reporting date, there were no held to maturity assets that were overdue and impaired.

21.2 Financial Investments - Loans and Receivables (L & R)

Accounting Policy

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in Finance Income in the Statement of profit or loss and losses arising from impairment are recognized as finance cost in the Income Statement.

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INVESTMENTS (CONTD.)

21.2 Financial Investments - Loans and Receivables (L & R) (Contd.)

Loans and receivables comprise of investments in reverse repos, deposits and debentures.

As at 31st December	Company				Group		
	2016		2015		2015		
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Debt Securities - Bank Deposits	Note 21.2.a	200,095	200,095	-	-	40,762	40,762
- Debentures	Note 21.2.b	-	-	90,713	90,713	111,431	111,431
Overnight Reverse Repo		282,425	282,425	431,897	431,897	629,104	629,104
		482,520	482,520	522,610	522,610	781,297	781,297

21.2.a Bank Deposits (L & R)

Licensed Commercial Banks		200,095	200,095	-	-	40,762	40,762
		200,095	200,095	-	-	40,762	40,762

21.2.b Debentures (L & R)

Unlisted		-	-	90,713	90,713	111,431	111,431
		-	-	90,713	90,713	111,431	111,431

21.2.c Impairment of L & R Financial Investments

At the reporting date, there were no Loans and Receivables that were overdue and impaired.

21.3 Financial Investments - Available - for - Sale (AFS)

Accounting Policy

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

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in Other Comprehensive Income (OCI) in the available-for-sale reserve.

Interest earned whilst holding available-for-sale investments is reported as 'Interest and Dividend Income' using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the Income Statement as 'Interest and Dividend Income' when the right of the payment has been established. When the asset is derecognised, the cumulative gain or loss is in the Statement of Profit or Loss and Other Comprehensive Income is transferred to the Income Statement.

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

As at 31st December	Company				Group		
	2016		2015		2015		
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Debt Securities - Debentures	Note 21.3.a	1,554,430	1,554,430	1,127,542	1,127,542	1,227,459	1,227,459
Treasury Bonds	Note 21.3.b	3,621,314	3,621,314	3,503,862	3,503,862	4,169,829	4,169,829
Equity Securities	Note 21.3.c	1,797,996	1,797,996	1,742,795	1,742,795	2,083,945	2,083,945
		6,973,740	6,973,740	6,374,199	6,374,199	7,481,233	7,481,233

21.3.a Debt Securities - Listed (AFS)

As at 31st December	Issuer	Maturity Date	Interest Rate %	No of Debentures	Company				Group	
					2016		2015		2015	
					Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
	Sampath Bank PLC	11-Oct-17	16.50%	144,300	14,732	14,732	17,681	17,681	17,681	17,681
		14-Dec-19	8.25%	500,000	43,490	43,490	50,465	50,465	50,465	50,465
		10-Jun-21	12.75%	500,000	53,429	53,429	-	-	-	-
	Seylan Bank PLC	21-Feb-18	15.50%	100,000	10,721	10,721	11,820	11,820	11,820	11,820
	Lanka Orix Leasing Company	30-May-16	11.90%	450,000	-	-	47,642	47,642	47,642	47,642
	People's Leasing & Finance PLC	26-Mar-18	17.00%	500,000	53,801	53,801	61,424	61,424	61,424	61,424
		26-Mar-18	17.00%	300,000	32,778	32,778	-	-	-	-
		16-Nov-21	12.60%	1,000,000	101,517	101,517	-	-	-	-
	Merchant Bank of Sri Lanka & Finance PLC	27-Mar-18	17.50%	469,300	54,105	54,105	54,074	54,074	54,074	54,074
		27-Mar-18	17.50%	281,600	32,482	32,482	-	-	-	-
	Singer Finance (Lanka) PLC	6-Apr-19	11.50%	300,000	29,646	29,646	-	-	-	-
		6-Apr-20	12.00%	300,000	29,642	29,642	-	-	-	-
	Siyapatha Finance PLC	20-Sep-21	13.50%	168,000	18,032	18,032	-	-	-	-
	Senkadagala Finance PLC	27-May-17	17.25%	185,014	19,550	19,550	19,420	19,420	19,420	19,420
		10-Dec-18	15.00%	817,653	81,732	81,732	88,273	88,273	88,273	88,273
		27-May-17	17.25%	181,880	18,800	18,800	-	-	-	-
	Nations Trust Bank PLC	8-Nov-21	12.80%	225,900	22,988	22,988	-	-	-	-
	Softlogic Finance PLC	21-Aug-22	16.00%	300,000	-	-	32,951	32,951	32,951	32,951
		27-Aug-16	17.00%	200,000	-	-	-	-	20,021	20,021
		27-Aug-16	17.00%	300,000	-	-	30,049	30,049	30,049	30,049
	Softlogic Holdings PLC	9-Sep-16	15.75%	1,000,000	-	-	108,302	108,302	108,302	108,302
		9-Sep-16	15.75%	300,000	-	-	-	-	32,498	32,498
	Alliance Finance Company PLC	30-Sep-18	16.50%	250,000	30,708	30,708	30,327	30,327	30,327	30,327
	Citizens Development Business Finance PLC	18-Dec-18	16.00%	245,800	23,296	23,296	-	-	24,698	24,698
		18-Dec-18	16.00%	692,700	73,428	73,428	69,239	69,239	69,239	69,239
		3-Jun-21	12.75%	500,000	50,455	50,455	-	-	-	-
	First Capital Holdings PLC	10-Mar-19	14.00%	262,640	28,984	28,984	28,982	28,982	28,982	28,982
	Kotagala Plantations PLC	28-May-18	14.25%	463,750	46,365	46,365	46,364	46,364	46,364	46,364
		28-May-19	14.50%	463,750	46,363	46,363	46,362	46,362	46,362	46,362
		28-May-20	14.75%	463,750	46,360	46,360	46,359	46,359	46,359	46,359
		28-May-21	15.00%	463,750	46,359	46,359	46,358	46,358	46,358	46,358
	Halton National Bank PLC	14-Dec-24	8.33%	500,000	49,990	49,990	49,989	49,989	49,989	49,989
		14-Dec-19	7.75%	500,000	44,491	44,491	49,991	49,991	49,991	49,991
		29-Aug-23	8.00%	185,256	13,408	13,408	15,594	15,594	15,594	15,594
		28-Mar-21	11.25%	1,000,000	99,958	99,958	-	-	-	-
		1-Nov-23	13.00%	370,200	37,784	37,784	-	-	-	-
	Commercial Credit and Finance PLC	18-Feb-18	20.00%	500,000	51,064	51,064	61,975	61,975	61,975	61,975
	First Capital Treasuries PLC	14-Dec-19	9.50%	250,000	24,251	24,251	24,559	24,559	24,559	24,559
	Commercial Bank of Ceylon PLC	8-Mar-21	10.75%	500,000	48,662	48,662	-	-	-	-
		27-Oct-21	12.00%	243,100	24,820	24,820	-	-	-	-
	DFCC Bank PLC	9-Nov-23	12.75%	500,000	50,862	50,862	-	-	-	-
	Dunamis Capital PLC	5-Aug-19	12.50%	798,000	79,581	79,581	89,342	89,342	89,342	89,342
		5-Aug-19	12.50%	202,000	19,793	19,793	-	-	22,700	22,700
					1,554,430	1,554,430	1,127,542	1,127,542	1,227,459	1,227,459

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INVESTMENTS (CONTD.)

21.3 Financial Investments - Available - for - Sale (AFS) (Contd.)

21.3.b Treasury Bonds

As at 31st December	ISIN	Maturity Date	Interest Rate %	Face Value	Company				Group	
					2016		2015		2015	
					Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
LKB01518B013	1-Feb-18	8.50%	50,000,000	-	-	51,881	51,881	51,881	51,881	
LKB01518B013	1-Feb-18	8.50%	50,000,000	50,518	50,518	51,881	51,881	51,881	51,881	
LKB00618D018	1-Apr-18	8.50%	200,000,000	-	-	-	-	202,899	202,899	
LKB00618F013	1-Jun-18	8.50%	50,000,000	48,598	48,598	49,820	49,820	49,820	49,820	
LKB01518G152	15-Jul-18	8.50%	50,000,000	-	-	51,769	51,769	51,769	51,769	
LKB01518G152	15-Jul-18	8.50%	50,000,000	49,997	49,997	51,769	51,769	51,769	51,769	
LKB01518G152	15-Jul-18	8.50%	200,000,000	-	-	-	-	207,077	207,077	
LKB01518H150	15-Aug-18	7.50%	50,000,000	-	-	49,556	49,556	49,556	49,556	
LKB01518H150	15-Aug-18	7.50%	50,000,000	-	-	49,556	49,556	49,556	49,556	
LKB01518H150	15-Aug-18	7.50%	100,000,000	-	-	-	-	99,112	99,112	
LKB00619G019	1-Jul-19	10.60%	100,000,000	102,796	102,796	108,813	108,813	108,813	108,813	
LKB00922G017	1-Jul-22	11.20%	50,000,000	50,574	50,574	55,750	55,750	55,750	55,750	
LKB00922G017	1-Jul-22	11.20%	50,000,000	50,574	50,574	-	-	-	-	
LKB01123I017	1-Sep-23	9.00%	50,000,000	43,768	43,768	48,069	48,069	48,069	48,069	
LKB01023I019	1-Sep-23	11.20%	100,000,000	-	-	108,330	108,330	108,330	108,330	
LKB01123I017	1-Sep-23	9.00%	50,000,000	-	-	-	-	47,623	47,623	
LKB01023I019	1-Sep-23	11.20%	100,000,000	98,326	98,326	-	-	-	-	
LKB01025C157	15-Mar-25	10.25%	200,000,000	183,297	183,297	-	-	-	-	
LKB01225E019	1-May-25	9.00%	100,000,000	83,210	83,210	93,836	93,836	93,836	93,836	
LKB01025H016	1-Aug-25	11.00%	100,000,000	-	-	105,344	105,344	105,344	105,344	
LKB01025H016	1-Aug-25	11.00%	100,000,000	96,511	96,511	-	-	-	-	
LKB01326B011	1-Feb-26	9.00%	150,000,000	125,778	125,778	144,374	144,374	144,374	144,374	
LKB01326B011	1-Feb-26	9.00%	50,000,000	41,926	41,926	48,125	48,125	48,125	48,125	
LKB01326B011	1-Feb-26	9.00%	50,000,000	-	-	-	-	48,125	48,125	
LKB01528E016	1-May-28	9.00%	50,000,000	39,401	39,401	46,054	46,054	46,054	46,054	
LKB01628G019	1-Jul-28	9.00%	100,000,000	82,011	82,011	94,418	94,418	94,418	94,418	
LKB01528I017	1-Sep-28	11.50%	100,000,000	95,812	95,812	108,702	108,702	108,702	108,702	
LKB01528I017	1-Sep-28	11.50%	200,000,000	191,623	191,623	-	-	-	-	
LKB01529A012	1-Jan-29	13.00%	50,000,000	53,442	53,442	61,131	61,131	61,131	61,131	
LKB01529A012	1-Jan-29	13.00%	50,000,000	-	-	-	-	61,131	61,131	
LKB01529A012	1-Jan-29	13.00%	50,000,000	53,442	53,442	-	-	-	-	
LKB01529E014	1-May-29	13.00%	50,000,000	51,544	51,544	59,797	59,797	59,797	59,797	
LKB01529E014	1-May-29	13.00%	50,000,000	51,544	51,544	59,797	59,797	59,797	59,797	
LKB01529E014	1-May-29	13.00%	150,000,000	154,631	154,631	179,390	179,390	179,390	179,390	
LKB01530E152	15-May-30	11.00%	50,000,000	44,731	44,731	50,699	50,699	50,699	50,699	
LKB01530E152	15-May-30	11.00%	50,000,000	44,731	44,731	-	-	-	-	
LKB01530E152	15-May-30	11.00%	200,000,000	178,923	178,923	-	-	-	-	
LKB01530E152	15-May-30	11.00%	50,000,000	44,730	44,731	-	-	-	-	

As at 31st December	ISIN	Maturity Date	Interest Rate %	Face Value	Company				Group	
					2016		2015		2015	
					Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
LKB02032A016	1-Jan-32	8.00%	100,000,000	70,800	70,800	84,082	84,082	84,082	84,082	
LKB02032J017	1-Oct-32	9.00%	200,000,000	150,111	150,111	179,720	179,720	179,720	179,720	
LKB02033F013	1-Jun-33	9.00%	150,000,000	109,672	109,672	131,763	131,763	131,763	131,763	
LKB02033K013	1-Nov-33	9.00%	50,000,000	36,645	36,645	43,882	43,882	43,882	43,882	
LKB02035C155	15-Mar-35	11.50%	100,000,000	92,604	92,604	104,037	104,037	104,037	104,037	
LKB02035C155	15-Mar-35	11.50%	50,000,000	46,302	46,302	52,018	52,018	52,018	52,018	
LKB02035C155	15-Mar-35	11.50%	200,000,000	185,208	185,208	208,074	208,074	208,074	208,074	
LKB03043F011	1-Jun-43	9.00%	50,000,000	34,657	34,657	41,607	41,607	41,607	41,607	
LKB03044A010	1-Jan-44	13.50%	100,000,000	107,145	107,145	127,896	127,896	127,896	127,896	
LKB03044A010	1-Jan-44	13.50%	100,000,000	107,145	107,145	127,896	127,896	127,896	127,896	
LKB03044A010	1-Jan-44	13.50%	100,000,000	107,145	107,145	127,896	127,896	127,896	127,896	
LKB03044A010	1-Jan-44	13.50%	100,000,000	107,145	107,145	127,896	127,896	127,896	127,896	
LKB03044F019	1-Jun-44	13.50%	150,000,000	151,840	151,840	179,245	179,245	179,245	179,245	
LKB03044F019	1-Jun-44	13.50%	200,000,000	202,454	202,454	238,993	238,993	238,993	238,993	
				3,621,314	3,621,314	3,503,862	3,503,862	4,169,829	4,169,829	

21.3.c Equity Securities (AFS)

As at 31st December	Company				Group			
	2016	2015	2016	2015	2015			
	Market Price Rs.	Market Price Rs.	No of Shares	Fair Value Rs. '000	No of Shares	Fair Value Rs. '000	No of Shares	Fair Value Rs. '000
Unlisted								
Banks, Finance and Insurance								
Cargills Agricultural Commercial Bank Limited	-		26,600,000	369,700	22,600,000	319,700	26,600,000	369,700
Listed								
Banks, Finance and Insurance								
National Development Bank PLC	156.00	194.10	8,224,975	1,283,096	6,651,700	1,291,095	8,151,700	1,582,245
Listed								
Health Care								
Asiri Hospitals PLC	26.40	24.00	5,500,000	145,200	5,500,000	132,000	5,500,000	132,000
Total Investments in Equity Shares				1,797,996		1,742,795		2,083,945

21.3.d Impairment of AFS Financial Investments

At the reporting date, there were no AFS Financial Investments that were overdue and impaired.

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INVESTMENTS (CONTD.)

21.4 Financial Investments - Fair Value Through Profit or Loss (FVTPL)

Accounting Policy

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

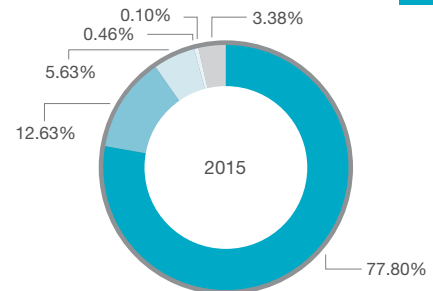
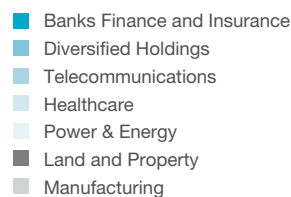
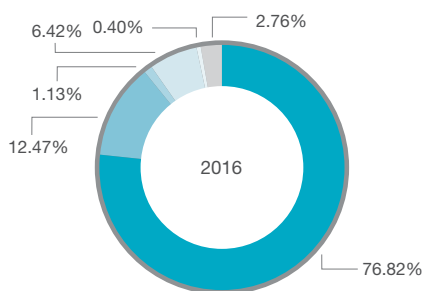
These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in the Income Statement.

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

As at 31st December		Company				Group	
		2016		2015		2015	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Equity Securities	Note 21.4.a	528,985	528,985	600,146	600,146	624,763	624,763
Unit Trust		-	-	19,338	19,338	64,898	64,898
Debenture		-	-	-	-	85,533	85,533
		528,985	528,985	619,484	619,484	775,194	775,194

21.4.a Equity Securities (FVTPL)

Portfolio Diversification of Equity Investments



21.4.a Equity Securities

As at 31st December	Company						Group	
	2016	2015	2016		2015		2015	
	Market Price Rs.	Market Price Rs.	Number of Shares	Fair Value Rs. '000	Number of Shares	Fair Value Rs. '000	Number of Shares	Fair Value Rs. '000
Listed								
Banks, Finance and Insurance								
Hatton National Bank PLC	225.00	210.60	108,500	24,413	22,443	4,726	22,443	4,726
Hatton National Bank PLC (Non Voting)	-	177.90	-	-	358,505	63,778	358,505	63,778
Seylan Bank PLC (Non Voting)	59.00	73.00	299,614	17,677	285,499	20,841	285,499	20,841
Union Bank of Colombo	15.40	20.20	6,023,317	92,759	6,067,256	122,559	6,067,256	122,559
Sector Total				134,849		211,904		211,904
Diversified Holdings								
Expolanka Holdings PLC	6.30	-	3,300,000	20,790	-	-	-	-
Hemas Holdings PLC	98.00	92.90	804,950	78,885	904,950	84,070	904,950	84,070
John Keells Holdings PLC	145.00	178.10	902,193	130,818	789,419	140,596	789,419	140,596
Softlogic Holdings PLC	13.00	15.50	4,591,702	59,692	4,591,702	71,171	4,591,702	71,171
Sector Total				290,185		295,837		295,837
Land and Property								
Overseas Realty (Ceylon) PLC	-	23.20	-	-	100,000	2,320	100,000	2,320
Sector Total						2,320		2,320
Healthcare								
The Lanka Hospital Corporation PLC	65.00	-	62,995	4,095	-	-	-	-
Sector Total				4,095				
Power & Energy								
Panasian Power PLC	3.00	3.50	3,090,000	9,270	3,090,000	10,815	3,090,000	10,815
Sector Total				9,270		10,815		10,815
Telecommunications								
Dialog Axiata PLC	10.50	10.70	2,500,000	26,250	-	-	868,600	9,294
Sector Total				26,250				9,294
Manufacturing								
Alumex	-	17.40	-	-	-	-	880,610	15,323
Kelani Cables PLC	130.00	-	17,900	2,327	-	-	-	-
Pirmal Glass Ceylon PLC	5.30	-	2,511,046	13,309	-	-	-	-
Tokyo Cement Company (Lanka) PLC	59.20	-	350,000	20,720	-	-	-	-
Teejay Lanka PLC	42.80	35.50	250,000	10,700	1,700,000	60,350	1,700,000	60,350
Chevron Lubricants Lanka PLC	157.10	344.00	110,000	17,281	55,000	18,920	55,000	18,920
Sector Total				64,337		79,270		94,593
Total Investments in Listed Equity Shares				528,985		600,146		624,763

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INVESTMENTS (CONTD.)

21.5 Carrying Values of Financial Investments

21.5.a Movement of Financial Investments other than derivative Financial Investments - Company

	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Fair Value Through Profit and Loss (FVTPL)	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01st January 2015	222,929	511,652	3,743,414	3,944,821	8,422,816
Purchases	-	216,945	4,710,333	1,854,276	6,781,554
Maturities	-	-	(27,564)	(270,769)	(298,333)
Transfer Due to segregation	-	(308,630)	(151,794)	(1,190,789)	(1,651,213)
Disposals	-	-	(2,938,050)	(2,159,437)	(5,097,487)
Re - Classification	-	-	1,829,218	(1,829,218)	-
Fair value gains recorded in the Statement of Comprehensive Income	-	-	-	82,846	82,846
Fair value gains recorded in the Other Comprehensive Income	-	-	(948,328)	-	(948,328)
Amortisation adjustment	4,798	102,644	156,970	187,754	452,166
As at 31st December 2015	227,727	522,610	6,374,199	619,484	7,744,020
As at 01st January 2016	227,727	522,610	6,374,199	619,484	7,744,020
Purchases	-	200,095	3,131,101	687,389	4,018,585
Maturities	-	(161,310)	(268,909)	-	(430,219)
Disposals	-	(90,714)	(1,448,986)	(682,410)	(2,222,110)
Fair value gains recorded in the Statement of Comprehensive Income	-	-	-	(95,888)	(95,888)
Fair value gains recorded in the Other Comprehensive Income	-	-	(853,391)	-	(853,391)
Amortisation adjustment	5,314	11,838	39,726	410	57,290
As at 31st December 2016	233,041	482,520	6,973,740	528,985	8,218,287

21.5.b Movement of Financial Investments derivative Financial Investments - Company

	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Fair Value Through Profit and Loss (FVTPL)	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01st January 2015	-	-	-	-	41,256
Purchases	-	-	-	-	-
Maturities	-	-	-	-	-
Transfer due to segregation	-	-	-	-	(13,810)
Disposals	-	-	-	-	(27,446)
Fair value gains recorded in the Income Statement	-	-	-	-	-
Fair value gains recorded in the Other Comprehensive Income	-	-	-	-	-
Amortisation adjustment	-	-	-	-	-
As at 31st December 2015	-	-	-	-	-

21.5.c Movement of Financial Investments other than derivative Financial Investments - Group

	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Fair Value Through Profit and Loss (FVTPL)	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01st January 2015	222,929	615,525	3,743,413	3,944,823	8,526,690
Purchases	-	226,167	5,419,266	1,869,225	7,514,658
Maturities	-	(153,817)	(27,564)	(270,769)	(452,150)
Disposals	-	-	(2,938,050)	(2,799,750)	(5,737,800)
Re - Classification	-	-	2,241,718	(2,241,718)	-
Fair value gains recorded in the Income Statement	-	-	-	100,578	100,578
Fair value gains recorded in the Other Comprehensive Income	-	-	(1,105,298)	-	(1,105,298)
Amortisation adjustment	4,798	93,422	147,748	172,805	418,773
As at 31st December 2015	227,727	781,297	7,481,233	775,194	9,265,451

21.5.d Movement of Financial Investments derivative Financial Investments - Group

	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Fair Value Through Profit and Loss (FVTPL)	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01st January 2015	-	-	-	-	41,256
Purchases	-	-	-	-	-
Maturities	-	-	-	-	-
Transfer due to segregation	-	-	-	-	(13,810)
Disposals	-	-	-	-	(27,446)
Fair value gains recorded in the Income Statement	-	-	-	-	-
Fair value gains recorded in the Other Comprehensive Income	-	-	-	-	-
Amortisation adjustment	-	-	-	-	-
As at 31st December 2015	-	-	-	-	-

21.5.e Methodologies and assumption used to determined fair value of the financial investments are disclosed in Note 22 on page 308 to the Financial Statements.

21.5.f Disclosure of Financial Risk

The Company's exposure to Credit, Currency and Interest rate risks related to investments are disclosed in Note 48.2.1 on page 344 to 346 to the Financial Statements.

21.5.g Financial Investments pledged as security

Financial Investments are not pledged as a security as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS - FAIR VALUES MEASUREMENT

Accounting Policy

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or,
- In the absence of the principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Quoted (unadjusted) market prices in active market for identical assets or liabilities.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. For units in unit trusts fair value is determined by reference to published bid-values.

Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in income statement 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.

Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

21.5 Carrying Values of Financial Investments (Contd.)

Following table represents the fair value measurement of the company according to fair value hierarchy.

Instrument category	Fair value basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Investment in Listed Shares	Closing market prices	Level 1
Investment in Units		
Investment in Unlisted Redeemable Units	Published Net Assets Values (NAV)	Level 2
Corporate Debt		
Listed	Published Market Prices	Level 1
Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method	Level 2
	Using current Treasury Bond/ Treasury bill rates for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/ downgrade of the credit rating of the instrument	
Unlisted Floating Rate	Cost plus interest	Level 2
Fixed and Term Deposits		
Deposit > 1year	Discounted Cash Flow (DCF) Method	Level 2
	Using Treasury Bond rates for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/ downgrade of the credit rating of the institution	

Please refer fair value hierarchy disclosed in Note 22.2.3.9 page 313.

Sensitivity Analysis

For the fair values of Unit Trust - FVTPL, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Unit Trust	Gain/(Loss)	
	Increase	Decrease
<i>For the year ended 31st December 2016</i>		
Unit price movement by one rupee	* Nil	* Nil

* As at Reporting date Company did not hold any unit trust investments.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS -FAIR VALUES MEASUREMENT

Determination of Fair Value and Fair Values hierarchy of Financial Investments

Assets for which Fair Value approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity , demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value.

Fixed rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by Central Bank of Sri Lanka.

Fixed rate Financial Investments - Unquoted and Quoted Debt Securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

Equity Securities

The fair Value determined based on Quoted market prices.

The Following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently.

	Amount 2016 Rs. '000	Amount 2015 Rs. '000
Assets		
- Cash and Cash Equivalents/Term Deposits less than one year	432,649	192,118
- Repo	282,425	431,897
- Loans to Life Policyholders	162,448	143,640
- Reinsurance Receivables	85,940	62,643
- Premium Receivables	92,318	67,274
- Receivable and other assets	11,762	5,777
- Amount due from Related Parties	-	634
Liabilities		
- Reinsurance Payables	139,262	92,972
- Other Liabilities (Excluding Government Levies and Accruals)	640,400	382,251
- Bank Overdraft	131,466	361,264
- Short term borrowings	-	269,700
- Amount due to Related Parties	27,621	31,603

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortised Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

22. FINANCIAL INSTRUMENTS - FAIR VALUES MEASUREMENT (CONTD.)

22.2.1 Accounting classifications and fair values-Company

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

22.2.1.a Financial Assets	As at 31st December	2015											
		2016					2015						
		Note	Fair value through profit or loss Rs. '000	Held to Maturity (HTM) Rs. '000	Loans and Receivable (L&R) Rs. '000	Available for Sale (AFS) Rs. '000	Total Fair Value Rs. '000	Fair value through profit or loss Rs. '000	Held to Maturity (HTM) Rs. '000	Loans and Receivable (L&R) Rs. '000	Available for Sale (AFS) Rs. '000	Total Fair Value Rs. '000	
Financial Investments													
- Measured at fair value		21,3/21.4	528,985	-	-	6,973,740	7,502,725	7,502,725	619,484	-	-	6,374,199	6,993,683
- Measured at amortised cost		21,1/21.2	-	233,041	482,520	-	715,561	697,162	-	227,726	522,611	-	750,337
Loans to Life Policy holders and Others		23	-	-	162,448	-	162,448	162,448	-	-	143,640	-	143,640
Reinsurance Receivables		24	-	-	85,940	-	85,940	85,940	-	-	62,643	-	62,643
Premium Receivables		25	-	-	92,318	-	92,318	92,318	-	-	67,274	-	67,274
Amounts due from Related Companies		26	-	-	-	-	-	-	-	-	634	-	634
Receivables and Other Assets		27	-	-	11,762	-	11,762	11,762	-	-	5,777	-	5,777
Cash and Cash Equivalents		29	-	-	232,554	-	232,554	232,554	-	-	192,118	-	192,118
Total Financial Assets			528,985	233,041	1,067,542	6,973,740	8,803,308	8,784,909	619,484	227,726	994,697	6,374,199	8,214,553

22.2.1.b Financial Liabilities

As at 31st December

22.2.1.b Financial Liabilities	As at 31st December	2015									
		2016					2015				
		Note	Other Financial Liabilities Rs. '000	Total Rs. '000	Fair Value Rs. '000	Other Financial Liabilities Rs. '000	Total Rs. '000	Fair Value Rs. '000	Other Financial Liabilities Rs. '000	Total Rs. '000	
Reinsurance Payables		36	139,262	139,262	139,262	92,972	92,972	92,972	92,972	92,972	
Short-term Borrowings		40	-	-	-	269,700	269,700	269,700	269,700	269,700	
Bank Overdraft		29	131,466	131,466	131,466	361,264	361,264	361,264	361,264	361,264	
Other Liabilities		39	640,400	640,400	640,400	382,251	382,251	382,251	382,251	382,251	
Total Financial Liabilities			911,128	911,128	911,128	1,106,187	1,106,187	1,106,187	1,106,187	1,106,187	

*As at Reporting date no Group exist

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS - FAIR VALUES MEASUREMENT (CONTD.)

22.2.2 Accounting classifications and fair values-Group

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

22.2.2.a Financial Assets

As at 31st December

	Note	2015					Total	Fair Value
		Carrying Value						
		Fair value through Profit or Loss Rs. '000	Held to Maturity (HTM) Rs. '000	Loans and Receivable (L&R) Rs. '000	Available for Sale (AFS) Rs. '000	Rs. '000		
Financial Investments								
- Measured at fair value	21.3/21.4	775,194	-	-	7,481,233	8,256,427	8,256,427	
- Measured at amortised cost	21.1/21.2	-	227,727	781,297	-	1,009,024	1,006,470	
Loans to Life Policy holders and Others	23	-	-	145,314	-	145,314	145,314	
Reinsurance Receivables	24	-	-	122,169	-	122,169	122,169	
Premium Receivables	25	-	-	550,995	-	550,995	550,995	
Amounts due from Related Companies	26	-	-	865	-	865	865	
Receivables and Other Assets	27	-	-	11,122	-	11,122	11,122	
Cash and Cash Equivalents	29	-	-	223,936	-	223,936	223,936	
Total Financial Assets		775,194	227,727	1,835,698	7,481,233	10,319,852	10,317,298	

22.2.1.b Financial Liabilities

As at 31st December

	Note	2015		
		Carrying Value		Fair Value
		Other Financial Liabilities Rs. '000	Total Rs. '000	
Reinsurance Creditors	36	139,946	139,946	139,946
Short-term Borrowings	40	269,700	269,700	269,700
Bank Overdraft	29	733,143	733,143	733,143
Other Liabilities	39	482,996	482,996	482,996
Total Financial Liabilities		1,625,785	1,625,785	1,625,785

22.2.3.a Fair value measurement hierarchy for Assets as at 31st December - Company

As at 31st December	Note	2016				2015			
		Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fair value through profit or loss (FVTPL)									
Equity Securities	21.4	528,985	-	-	528,985	600,146	-	-	600,146
Debt Securities	21.4	-	-	-	-	-	-	19,338	19,338
Total		528,985	-	-	528,985	600,146	-	19,338	619,484
Available for Sale (AFS)									
Equity Securities	21.3	1,428,296	-	369,700	1,797,996	1,423,095	-	319,700	1,742,795
Debt Securities	21.3	5,175,744	-	-	5,175,744	4,631,404	-	-	4,631,404
Total		6,604,040	-	369,700	6,973,740	6,054,499	-	319,700	6,374,199
Held to Maturity (HTM) *									
Debt Securities	21.1	214,642	-	-	214,642	225,173	-	-	225,173
Total		214,642	-	-	214,642	225,173	-	-	225,173
Total Financial Assets		7,347,667	-	369,700	7,717,367	6,879,818	-	339,038	7,218,856

* Fair values are determined based on the assumptions given in the Note 22.

22.2.3.b Fair value measurement hierarchy for Assets as at 31st December - Group

As at 31st December	Note	2015			
		Level 1	Level 2	Level 3	Total Fair Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fair value through profit or loss (FVTPL)					
Equity Securities	21.4	624,763	-	-	624,763
Debt Securities	21.4	85,533	-	64,898	150,431
Total		710,296	-	64,898	775,194
Available for Sale (AFS)					
Equity Securities	21.3	1,714,245	-	369,700	2,083,945
Debt Securities	21.3	5,397,288	-	-	5,397,288
Total		7,111,533	-	369,700	7,481,233
Held to Maturity (HTM) *					
Debt Securities	21.1	225,173	-	-	225,173
Total		225,173	-	-	225,173
Total Financial Assets		8,047,002	-	434,598	8,481,600

* Fair values are determined based on the assumptions given in the Note 22.

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Level	Assets	Method of Valuation & unobservable input
Level - 3	Equity - Cargills Bank	At cost
Level - 3	Unit Trusts	Net asset value of fund

NOTES TO THE FINANCIAL STATEMENTS

23. LOANS TO LIFE POLICYHOLDERS AND OTHER LOANS

Refer Notes 4.8.1.2 for the Accounting Policies

<i>As at 31 December,</i>		Company		Group
		2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Loans to Life Policyholders	Note 23.1	158,306	141,778	141,778
Loans to Employees		4,142	1,862	3,536
Total		162,448	143,640	145,314

23.1 Loans to Life Policyholders

Balance as at 01st January	141,778	133,846	133,846
Loans granted during the year	64,357	41,171	41,171
Repayments during the year	(53,556)	(55,902)	(55,902)
Interest Receivable	5,727	22,663	22,663
Total	158,306	141,778	141,778

23.1.a Collateral details

The surrender value of the policy loans granted to Policyholders as at 31st December 2016 amount exceeded its carrying value as at reporting date which is amounting to Rs. 283 million.

23.1.b Discloser of Financial Risk

If the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on Policy Loans. For more information please refer Risk Management Note 48.2.

The Company grants policy loans at a rate equivalent to the market rate, hence initial recognition is at Fair Value.

23.2 Impairment of Loans to Life Policyholder and Others

The Board of Directors has assessed potential impairment loss as at 31st December 2016. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholders and Others.

No Loans have been granted to the Directors of the Company.

24. REINSURANCE RECEIVABLES

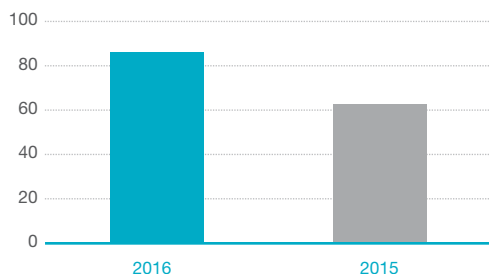
Accounting Policy

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. 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.

These assets consist of short-term balances due from reinsurers that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Re Insurance Receivable

Rs. Mn



37.20%

2016	-	85.94 Mn
2015	-	62.64 Mn

		Company		Group
		2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Reinsurance Receivable on Outstanding Claims	Note 24.1	73,125	56,631	103,417
Reinsurance Receivable on settled Claims net of dues		12,815	6,012	18,752
Total Receivable arising from Reinsurance Contracts		85,940	62,643	122,169

24.1 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserve of claim has not been paid yet, the reinsurance portion of receivable has not been materialised.

24.2 Collateral details

The Company does not hold collateral as security against potential default by reinsurance counter parties.

24.3 Impairment of Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of Reinsurance Receivables as at 31st December 2016. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Reinsurance Receivables. Please refer Note 48.1 for Reinsurer rating analysis.

24.4 The Carrying value of reinsurance receivables approximate the fair value at the reporting date.

25. PREMIUM RECEIVABLES

Accounting Policy

This details the insurance premium receivables from customers and intermediaries. Due Life Insurance premiums (only the premiums due in the 30 day grace period) are recognized at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

		Company		Group
		2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
<i>As at 31st December,</i>				
General insurance	Note 25.1	-	-	483,721
Life Insurance	Note 25.2	92,318	67,274	67,274
		92,318	67,274	550,995

NOTES TO THE FINANCIAL STATEMENTS

25. PREMIUM RECEIVABLES (CONTD.)

		Group
<i>As at 31st December,</i>		2015
		Rs. '000
25.1 General Insurance		
Receivable from Policy Holders		455,473
Less Impairment		(6,182)
Receivable from Related Parties		449,291
Premium Receivable net of Impairment	Note 25.1.1	34,430
		483,721

25.1.1 Premium Receivables from Related Parties

Softlogic Holdings PLC	4,752	
Softlogic Information Technologies (Pvt) Limited	255	
Softlogic City Hotels (Pvt) Limited	53	
Softlogic Mobile Distribution (Pvt) Limited	797	
Softlogic Computers (Pvt) Limited	73	
Softlogic Stockbrokers (Pvt) Limited	64	
Softlogic Communication Services (Pvt) Limited	209	
Softlogic Finance PLC	9,366	
Softlogic Retail (Pvt) Limited	729	
Future Automobiles (Pvt) Limited	1,112	
Softlogic Automobiles (Pvt) Limited	482	
Softlogic International (Pvt) Limited	(456)	
Softlogic Restaurants (Pvt) Limited	758	
Softlogic BPO Services (Pvt) Limited	312	
Softlogic Brands (Pvt) Limited	4,524	
Asiri Surgical Hospitals PLC	2,547	
Asiri Hospitals PLC	2,856	
Central Hospitals (Pvt) Limited	3,651	
Ceysand Resorts Ltd	(204)	
Odel PLC	2,550	
		34,430

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
25.2 Life Insurance			
Receivable from Policyholders	92,318	67,274	67,274
		92,318	67,274

The Company has opted to record the Life Insurance premium on an accrual basis in terms of Sri Lanka Financial Reporting Standard No.4- Insurance Contracts from the year ended 31st December 2013. The Life Insurance premiums for policies within 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission cost and Reinsurance Premium relating to that is accrued in the same manner.

25.3 Impairment of Premium Receivables

The Board of Directors has assessed potential impairment loss of Premium Receivables of the Company as at 31st December 2016. Based on the assessment, no any impairment loss was recognised as potential impairment provision as at 31st December 2016 (2015 - Nil) in respect of Premium Receivables.

25.4 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

25.5 Fair Value

The Carrying Value disclosed above approximate Fair Value at the Reporting date.

25.6 Risk Management Initiatives relating to Premium Receivable

There is lower Concentration risk with respect to Premium Receivable, as the Company has a large number of dispersed debtors. Please refer Note 48.1 to the Financial Statements for more information.

26. AMOUNTS DUE FROM RELATED COMPANIES

This details the receivables from group companies. Dues from Related Parties are recognised at cost less allowances for bad and doubtful receivables.

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
26.a Amounts due from Related Companies			
Softlogic Capital PLC	-	477	708
Softlogic Stock brokers (Pvt) Ltd	-	157	157
	-	634	865

27. RECEIVABLES AND OTHER ASSETS

This details the other receivables from customers and intermediaries
Refer Notes 4.8.1.2 for the Accounting Policies

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Financial Assets			
Refundable Deposits	11,762	5,777	11,122
Total Financial Assets	11,762	5,777	11,122
Non Financial Assets			
Inventories	6,245	22,559	23,996
Tax Recoverable	Note 27.1.a 224,687	192,855	241,278
Advances and Prepayments	72,072	72,018	83,023
Others	313,044	61,581	74,926
Total Non Financial Assets	616,048	349,013	423,223
Total	627,810	354,790	434,345

NOTES TO THE FINANCIAL STATEMENTS

27. RECEIVABLES AND OTHER ASSETS (CONTD.)

As at 31st December,	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
27.1.a Tax Recoverable			
WHT Receivable	55,466	43,266	54,917
ESC Receivable	-	-	2,140
Notional Tax Recoverable	27.1.b	149,589	184,221
	224,687	192,855	241,278
27.1.b Notional tax on Government Securities			
Balance as at 01st January	149,589	148,809	148,809
Transfer due to Segregation	-	(36,451)	-
Notional Tax Addition During the Year	47,514	37,231	43,300
Notional Tax Utilized During the Year	(27,882)	-	(7,888)
Balance as at 31st December	169,221	149,589	184,221

27.1.c Fair Value

Other Financial Receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

27.2 Credit and market risks, and impairment losses

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 48.2.

27.3 Loans to Directors

No loans have been granted to the Directors of the Company.

28. DEFERRED EXPENSES - GROUP

Accounting Policy

Deferred expenses includes expenses incurred for future periods relating to General Insurance business. Refer Notes 6.11 for the Accounting Policies.

As at 31st December,	2015 Rs. '000
At 01st January	100,956
Acquisition cost	233,134
Amortisation	(208,168)
Total	125,922

28.1 Impairment of Carrying Value of DAC

The Board of Directors has assessed potential impairment of DAC as at 31st December 2015. Based on the assessment, no impairment provision was required to be made in the Financial Statements as at 31st December 2015 in respect of DAC. As at Reporting date General Insurance Business has been discontinued hence no impairment was assessed as at 31st December 2016.

29. CASH AND CASH EQUIVALENTS

Accounting Policy

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

Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Cash in Hand	3,527	3,739	4,221
Cash at Bank	229,027	188,379	219,715
	232,554	192,118	223,936
Bank Overdraft	131,466	361,264	733,143
Net	101,088	(169,146)	(509,207)

29.1 Fair value

The Carrying amounts disclosed above reasonably approximate fair value at the reporting date.

29.2 Risk management initiative relating to Cash and Cash Equivalents

Please refer page 351 to the Financial Statements.

30. STATED CAPITAL

Accounting Policy

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

<i>As at 31st December,</i>	2016		2015	
	Number of Shares	Rs. '000	Number of Shares	Rs. '000
Ordinary Voting Shares	375,000,000	1,062,500	375,000,000	1,062,500
	375,000,000	1,062,500	375,000,000	1,062,500

30.1 Rights of Ordinary Shareholders

The shares of Softlogic Life Insurance PLC are quoted in the Colombo Stock Exchange. All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31. AVAILABLE FOR SALE RESERVE

This reserve includes unrealised fair value change in investments classified as Available for Sale and reserve made for Solvency.

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Balance as at 01st January	(495,123)	455,472	455,472
Adjustment from unrealised (losses) / gains on AFS Assets	(836,263)	(879,821)	(1,037,480)
Net changes in AFS Assets transferred to Statement of Comprehensive Income	(17,127)	(68,507)	(67,818)
Transfer due to Segregation	-	(2,267)	-
Related Tax	-	-	9,386
Total AFS Reserve	(1,348,513)	(495,123)	(640,440)

31.1 Nature and purpose of reserves

The Available for Sale reserves comprises the cumulative net change in the fair value of available for sale financial assets until the assets are de-recognised or impaired.

32. RETAINED EARNINGS

<i>As at 31st December,</i>	Company		Group
	2016 Rs. '000	2015 (Restated) Rs. '000	2015 (Restated) Rs. '000
Balance as at 01st January	1,469,737	853,022	855,693
Adjustments made as directed by Insurance Board of Sri Lanka	-	(375,918)	(375,918)
Profit for the year	966,843	992,562	924,309
Recognition of Defined benefit plan actuarial (losses)-Net of Tax	(13,304)	71	(3,641)
Dividend Paid	(200,000)	-	-
Balance as at 31st December	2,223,276	1,469,737	1,400,443

33. INSURANCE CONTRACT LIABILITIES - LIFE

Accounting Policy

Measurement

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured on a market consistent basis on accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act, No. 43 of 2000. However period up to 31st December 2015, the Company used Net Premium Valuation (NPV) methodology to calculate insurance liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

The value of the life insurance liabilities are determined as follows:

$$\text{Life insurance liabilities} = \text{Best Estimate long term liability (BEL)} + \text{Risk Margin for adverse deviation (RM)}$$

Best estimate liability is measured sum of the present value of all future best estimate cash flows calculated using risk free interest rate yield curve issued by Insurance Board of Sri Lanka (IBSL). Further A discounted cash flow approach, equivalent to Gross Premium Valuation (GPV) valuation methodology has been used to calculate the liabilities as at 31st December 2016.

Measurement is usually based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for their calculation includes, in particular, assumptions relating to;

- Mortality Rates
- Morbidity Rates
- Expense Assumptions
- Lapse Ratios
- Dividend Rates
- Participating fund yield

Assumptions are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviation to make allowance for the risks of change and random fluctuations. Further in valuing the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per current reinsurance arrangements.

There are No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

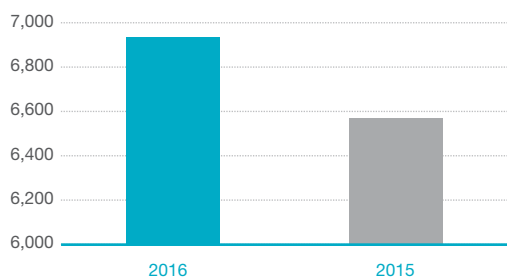
De - recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate net by using an existing liability adequacy test.

Insurance Contract Liabilities

Rs. Mn



5.57%

2016	-	6,935 Mn
2015	-	6,569 Mn

As at 31st December,	Company		Group
	2016	2015 (Restated)	2015 (Restated)
	Rs. '000	Rs. '000	Rs. '000
Life Insurance Fund	1,814,822	5,966,014	5,966,014
Surplus Created due to Change in Valuation method from NPV to GPV	4,814,795	-	-
Adjustment made as directed by Insurance Board of Sri Lanka	-	375,918	375,918
Claims Payables	305,430	226,600	226,600
	6,935,047	6,568,532	6,568,532

Details of policy liabilities for the Participating and Non-Participating funds are provided as follows as at 31st December 2016 as required by IBSL letter dated 09th March 2017.

Description	Participating Rs. Mn	Non-Participating Rs. Mn	Total Rs. Mn
Value of policy liabilities	3,961.9	(2,799.3)	1,162.6
Unallocated surplus	55.2	597.0	652.2
Total	4,017.1	(2,202.3)	1,814.8

NOTES TO THE FINANCIAL STATEMENTS

33. INSURANCE CONTRACT LIABILITIES - LIFE (CONTD.)

33.1 Movement in Life Insurance Fund

	Insurance Contract Liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
At 01st January 2015	4,999,563	-	4,999,563
Change in Contract Liabilities Life Fund			
Premiums received	4,091,042	(501,471)	3,589,571
Liabilities released for payments on Death, Surrender and Other terminations in the year	(684,895)	251,155	(433,740)
Net Finance and Other Income	699,249	-	699,249
Net Acquisition and Other Expenses	(2,078,629)	-	(2,078,629)
Surplus distributed to shareholders	(810,000)	-	(810,000)
Increase in Life Insurance Fund	1,216,767	(250,316)	966,451
Balance as at 31st December 2015, as previously reported	6,216,330	(250,316)	5,966,014
Adjustment made as directed by Insurance Board of Sri Lanka	375,918	-	375,918
Balance as at 31st December 2015, Restated	6,592,248	(250,316)	6,341,932
At 01st January 2016	6,341,932	-	6,341,932
Change in Contract Liabilities Life Fund			
Premiums received	5,635,701	(632,953)	5,002,748
Liabilities released for payments on Death, Surrender and Other terminations in the year	(1,467,457)	395,291	(1,072,166)
Net Finance and Other Income	665,571	-	665,571
Net Acquisition and Other Expenses	(3,418,469)	-	(3,418,469)
Surplus distributed to shareholders	(890,000)	-	(890,000)
Increase in Life Insurance Fund	525,346	(237,662)	287,684
Balance as at 31st December 2016	6,867,279	(237,662)	6,629,617

33.2 Valuation of Life Insurance Fund

Long duration contract liabilities included in the Life insurance fund, result primarily from traditional participating and non-participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Willis Towers and Watson (WTW) as at 31st December 2016. (Valuation of 31st December 2015 was done by Mr. Pooalanathan, AIA Messrs. of Actuarial and Management Consultation (Pvt) Limited.

Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future premium Income - (Death / rider benefit + Surrender outgo + Maturities + Commission Expenses + policy Expenses + Reinsurance premium outgo) - Reinsurance recoveries and commissions Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Same as above
Group life Non-Participating products	Net Cash Flow	Death benefit outgo + policy Expense outgo - Reinsurance recoveries Net cash flows = sum of above
Group life Term - Non Participating products	Policy liability has been set equal to Unearned Premium Reserve (UPR)	Not Applicable

33.3 Key Assumptions Used in determinations of Best Estimate Liability (BEL)

Details of key assumption used and basis of arriving for the same are summarised in following table:

Assumption	Basis of Estimation
Risk Free Rate	<ul style="list-style-type: none"> Based on Sri Lankan government bond yields issued by IBSL for the industry as at 31st December 2016
Mortality Rates	<ul style="list-style-type: none"> Based on the Morality investigation carried out as at 31st December 2016. Individual life - 65% of A67/70 (ultimate) Group life - 50% of A67/70 (ultimate)
Morbidity Rates	<ul style="list-style-type: none"> Based on the Morbidity investigation carried out as at 31st December 2016
Expenses	<ul style="list-style-type: none"> Based on the Expense investigation carried out as at 31st December 2015 based on the expenses incurred during 2015. For the purpose of the expense study, a functional split of expenses between acquisition and maintenance cost have been done on the basis of inputs from various departments heads of each cost Centre to determine a reasonable activity based split of expenses.
Persistency Ratio	<ul style="list-style-type: none"> Discontinuance assumption have set based on the experience investigation carried out as at 31st December 2016. The discontinuance assumptions have been set with reference to actual experience and vary by policy duration
Bonus Rate	<ul style="list-style-type: none"> Based on the Asset Share investigation study
Participating fund yield	<ul style="list-style-type: none"> Based on the weighted average of projected asset mix and based on the expected yields for various asset types.

33.4 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note No. 48.1 Insurance Risk.

33.5 Recommendation of Surplus Transfer

The valuation of life insurance fund as at 31st December 2016 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Willis Towers and Watson (WTW), who recommended;

- there is no transfer to shareholders from the Participating life fund
- a sum of Rs. 890 million to be transferred from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund (2015 - Rs. 810 million);

Subsequent to the transfer the surplus of Rs. 890 million, life fund stands as Rs. 6,630 million as at 31st December 2016, including the liability in respect of bonuses and dividends declared up to and including for the year 2016 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV.

33.6 Solvency Margin

In the opinion of the Appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) 195% and Total Available Capital (TAC) of Rs. 8,570 million as at 31st December 2016, which exceed the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

NOTES TO THE FINANCIAL STATEMENTS

33. INSURANCE CONTRACT LIABILITIES - LIFE (CONTD.)

33.7 Liability Adequacy Test (LAT)

Accounting Policy

Measurement

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". 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. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

A Liability Adequacy Test for Life Insurance contract Liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Willis Towers and Watson (WTW) as at 31st December 2016. When performing the LAT, the Company discounted all contractual cash flows and compared 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 31st December 2016.

No additional provision was required against the LAT as at 31st December 2016.

Details of LAT reports is provided in page 250 to this report

33.8 Surplus created due to Change in Valuation Method - One off Surplus

Accounting Policy

Insurance Contract Liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016. However period up to 31st December 2015, the Company used Net Premium Valuation (NPV) methodology to calculate insurance liability in accordance with Solvency Margin (Long Term Insurance) Rules 2002.

One off unallocated surplus was created with the migration to the new Regime as explain above which was effective from 01st January 2016.

Measurement

The Insurance Board of Sri Lanka (IBSL) has directed insurance Companies to maintain this one off surplus arising from change in the policy liability valuation within the long term insurance fund / insurance contract liabilities separately in the name of "Surplus created due to change in valuation method from NPV to GPV" and not to transfer / distribute any part surplus until specific instructions are issued in this regard.

Surplus created due to change in Valuation Method of Policy Liabilities from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) is measured based on the difference in the policy liability valuation by the independent Actuary based on NPV and GPV bases valuation as at 31st December 2015 as directed by IBSL through a letter dated 02nd February 2017.

Valuation

Details of one off results as at 01st January 2016 is provided as follows:

<i>Description</i>	Participating Fund Rs. Mn	Non-Participating Fund Rs. Mn	Total Rs. Mn
Value of Insurance contract liability based on Independent Actuary - NPV as at 31st December 2015	3,866.7	2,472.6	6,339.3
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810.2	(1,285.7)	1,524.5
Surplus created due to Change in Valuation Method - One off Surplus as at 01st January 2016	1,056.5	3,758.3	4,814.8

33.9 Adjustment made as directed by Insurance Board of Sri Lanka

Through a letter dated 09th September 2016 the Insurance Board of Sri Lanka (IBSL) has instructed the Company to obtain an independent valuation of life fund liability as at 31st December 2015 based on Solvency Margin (Long term Rules) 2002 - Net Premium Based Liability Valuation (NPV). This was the same basis on which the Company's Appointed Independent Actuary, Mr. M. Poopalanathan had performed the reported liability valuation as at 31st December 2015.

Further to the above, IBSL instructed the Company on the "One-off surplus created due to change in valuation method from NPV to GPV" should be calculated based on valuation carried out by an additional Independent Actuary (Towers and Watson). This required the Company to state its opening Life Fund Value as per the value provided by the said Independent Actuary.

The table below summarizes the Policy liability valuation results as at 31st December 2015 between the two Actuaries:

<i>Valuation on NPV Basis</i>	Total Rs. Mn
Appointed Actuary's Valuation as at 31st December 2015 Mr. M. Poopalanathan, AIA, Actuarial & Management Consultants	5,963
Independent Actuary's Valuation as at 31st December 2015 Mr. Mark Birch, FIA, Messrs. Willis Towers Watson	6,339
Adjustment as at 31st December 2015	376

In order to record the additional liability of Rs. 376 million as at 31st December 2015, as required by IBSL, the Company has charged its opening retained earnings and increased the life fund liability by Rs. 376 million, as at 31st December 2015. Accordingly the Statement of Financial position and Statement of Changes in Equity have been restated. Based on the discussions with the Actuaries, it is understood that it is not practical to determine the period specific effects as this difference may be arising due to differences in methodology/approach used by actuaries over many years. As such the cumulative effect of Rs. 376 million had been adjusted in retained earnings as at 31st December 2015, without adjusting the impact in the comparative income statement.

34. INSURANCE CONTRACT LIABILITIES - GENERAL (DISCONTINUED)

Accounting Policy

Measurement

General insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and Incurred but Not Reported, and Incurred but Not Enough Reported - IBNR / IBNER) and the provision for unearned premium and the provision for premium deficiency.

Gross Claims Payable Including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

The liabilities are de-recognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is decided by an independent external actuary.

NOTES TO THE FINANCIAL STATEMENTS

34. INSURANCE CONTRACT LIABILITIES - GENERAL (Discontinued) (CONTD.)

Reserve for Unearned Premiums (UPR)

The reserve for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Provision for unearned premium is calculated on a 1/365 basis except for marine / cargo class which is subject to 60 : 40 basis.

Liability adequacy test (LAT)

At the end of each reporting period the Group reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions.

If the assessments show that the carrying amount of the unearned premiums (less related Deferred Acquisition Costs) is inadequate, the deficiency shall be recognised in the Statement of Income by setting up a provision for liability adequacy.

The General Insurance Contract liability as shown in the Statement of Financial Position represents the following:

		Group
		2015
		Rs. '000
Reserves for Net Unearned Premium	Note 34.2 a	1,033,457
Claims Payable including IBNR Provision	Note 34.3/34.4	288,554
Provision for Premium Deficiency		-
		1,322,011

34.1 Movement in Insurance Contract Liabilities - General

		Insurance Contract Liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
As at 31st December 2015				
Claims Payable	Note 34.3	199,796	(46,786)	153,010
Reserve for IBNR and IBNER	Note 34.4	88,758	-	88,758
Total Outstanding Claims provision		288,554	(46,786)	241,768
Reserves for Unearned Premium	Note 34.2.a	1,091,071	(57,614)	1,033,457
Total Net Liabilities as at 31st December 2015		1,379,625	(104,400)	1,275,225

Reinsurance Receivable on Outstanding Claims are provided in Note 24 together with outstanding Reinsurance Receivables on paid claims.

34.2 Reserves for Unearned Premium

Below note provides the movement of Gross Unearned Reserve and Reserve for Reinsurance

	Insurance Contract Liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
34.2.a At 01st January 2015	959,482	(114,159)	845,323
Premiums Written During the year	1,977,002	(191,077)	1,785,925
Premiums Earned During the year	(1,845,413)	247,622	(1,597,791)
Balance as at 31st December 2015	1,091,071	(57,614)	1,033,457

<i>As at 31st December,</i>	Group 2015 Rs. '000

34.3 Claims Payable including IBNR Provision

Balance as at 01st January	215,996
Claims Approved during the year	1,269,900
Claims Paid during the year	(1,286,100)
Balance as at 31st December	199,796

34.4 Reserve for IBNR and IBNER

Balance as at 01st January	77,375
Provision made during the year	11,383
Balance as at 31st December	88,758

34.5 Liability Adequacy Test

As at reporting date 31st December 2016 no Liability Adequacy Test ("LAT") has performed since General Insurance business has been disposed during the reporting year. A Liability Adequacy Test ("LAT") for General insurance contract liability was carried out by Mr. Mathew Maguire, FIAA for and on behalf of NMG Financial Services Consulting Pvt Limited as at 31 December 2015 as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed on annual basis. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31st December 2015.

No additional provision was required against the LAT as at 31st December 2015.

34.6 Valuation of IBNR and IBNER

As at reporting date 31st December 2016 no IBNR and IBNER valuation has performed since General Insurance business has been disposed during the reporting year. The incurred but not reported claims reserve has been actuarially computed by Mr. Matthew Maguire, FIAA, for and on behalf of NMG Financial Services Consulting Pte Limited as at 31st December 2015.

<i>As at 31st December,</i>	Group 2015 Rs. '000

34.7 Technical Reserves

Total General Insurance Contract Liabilities	Note 34	1,322,011
Differed Acquisition Cost (net)		(115,184)
Reinsurance Receivable on Outstanding claims		(46,786)
		1,160,041

NOTES TO THE FINANCIAL STATEMENTS

35. EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus 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.

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 has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods when they incurred.

Employee Provident Fund (EPF)

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

Employees Trust Fund (ETF)

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

35.1 Defined Contribution Plans

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

<i>As at 31st December,</i>	Company	
	2016 Rs. '000	2015 Rs. '000
Employees' Provident Fund		
- Employer's Contribution (12%)	38,733	33,176
- Employees' Contribution (8%)	25,822	22,117
Employees' Trust Fund (ETF)	9,660	8,294

35.2 Defined Benefit Plans-Provision for Employee Benefits

Accounting Policy

Measurement

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

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

The liability is not externally funded.

Recognition of actuarial gain / (losses)

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in Statement of Profit or Loss and Other Comprehensive Income and Current Services Cost and Interest Cost related to defined benefit plans in employee benefit are expensed in Income Statement.

35.2.a Valuation of Employee benefit Obligation

An actuarial valuation of the retirement gratuity payable was carried out as at December 31, 2016 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the Actuaries to value the liability is the 'Projected Unit Credit Method (PUC)', the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on 'Employee Benefits'.

35.2.b Actuarial Assumptions

Actuarial Assumptions	Criteria	Description
Demographic	Mortality - In service	A 67/70 Mortality table issued by the Institute of Actuaries, London
	Staff Turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. The withdrawal rate of 23.40% were used in the actuarial valuation carried out as at December 31, 2016.(2015 – 16% p.a.)"
	Normal retirement age	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays. (55 Years)
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11.5% p.a. (2015 – 10% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 12% p.a. (2015 – 7% p.a.) has been used in respect of the active employees.

35.2.c Movement in the present value of Employee Benefits

This shows the movement in the present value of the Employee benefits

	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Present value of unfunded obligation	73,436	45,796	63,358
Defined benefit obligations as at 01st January	45,797	53,028	53,028
Transfers due to Segregation	-	(10,362)	-
Expenses recognised in Income Statement	Note 35.2.d 14,934	10,639	14,143
Actuarial (gains)/ losses in Other Comprehensive Income	Note 35.2.e 13,304	(71)	5,084
Payments during the year	(599)	(7,438)	(8,897)
	73,436	45,796	63,358

35.2.d Expenses recognised in Income Statement

Interest Cost	4,579	3,841	4,773
Current service costs	10,355	6,798	9,370
	14,934	10,639	14,143

35.2.e Actuarial (gains)/ losses in Statement of profit or loss and other comprehensive income

Recognised (gain)/loss during the year	13,304	(71)	5,084
	13,304	(71)	5,084

Up to the year ended 31st December 2012, the Company recognised all actuarial gains or losses arising from defined benefit plans immediate against profit or loss in the Income Statement including all expenses related to defined plans in employee benefit expenses. With the adoption of revised LKAS-19 Employee Benefits which became effective from 1st January 2013, the re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

35. EMPLOYEE BENEFITS (CONTD.)

35.2 Defined Benefit Plans-Provision for Employee Benefits (Contd.)

35.2.f Maturity analysis of the payments

As at 31st December,	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Within next 12 Months	28,039	13,538	17,795
Between 1 to 2 Years	15,995	10,070	14,002
Between 2 to 5 Years	15,416	8,810	16,773
Between 5 to 10 Years	11,195	10,365	11,456
Beyond 10 Years	2,791	3,013	3,332
	73,436	45,796	63,358
Weighted average duration of Defined Benefit Obligation	Life	3.29 Years	4.22 Years
	General	-	2.99 Years

35.2.g Sensitivity of assumptions used in Actuarial Valuation

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

Increase/ (Decrease) in discount rate	Increase/ (Decrease) in salary increment	Company		Company		Group	
		2016	Employee defined benefit liability	2015	Employee defined benefit liability	2015	Employee defined benefit liability
1%	-	(2,112)	71,324	(1,687)	44,109	(2,152)	61,206
-1%	-	2,270	75,706	1,835	47,631	2,325	65,683
-	1%	2,541	75,977	1,996	47,792	2,557	65,915
-	-1%	(2,407)	71,029	(1,857)	43,939	(2,396)	60,962

36. REINSURANCE PAYABLE

Refer Notes 4.8.1.2 for the Accounting Policies

	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
At 01st January	92,972	131,308	131,308
Transfer due to Segregation	-	(116,603)	-
Arising during the year	632,953	501,471	692,550
Utilised	(586,663)	(423,204)	(683,912)
Balance as at 31st December	139,262	92,972	139,946

37. DEFERRED REVENUE-GROUP

Accounting Policy

Reinsurance commission income on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

	Group
	2015
	Rs. '000
At 01st January	25,779
Transfer due to Segregation	-
Commission Income	42,129
Amortisation	(57,170)
Balance as at 31st December	10,738

38. AMOUNTS DUE TO RELATED COMPANIES

	Company		Group
	2016	2015	2015
	Rs. '000	Rs. '000	Rs. '000
Softlogic Capital PLC	27,621	-	-
Asian Alliance General Insurance Limited	-	31,603	-
	27,621	31,603	-

39. OTHER LIABILITIES

Accounting Policy

Provisions (other than insurance provisions)

A provision is recognised 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

	Company		Group
	2016	2015	2015
	Rs. '000	Rs. '000	Rs. '000
Other Financial Liabilities			
Commission Payable	273,312	167,856	226,112
Premium Deposit	85,849	81,928	81,914
Accruals & Other Payables	271,045	119,214	161,718
Finance Lease Liability	10,194	13,253	13,253
	Note 39.1		
	640,400	382,251	482,997
Other Non Financial Liabilities			
Tax and Other Statutory payables	8,209	484	13,970
	8,209	484	13,970
Total Other Liabilities	648,609	382,736	496,967
Current	648,609	382,736	496,967
Non Current	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

39. OTHER LIABILITIES (CONTD.)

39.1 Finance Lease Liability

Finance lease liability is payable as follows.

	Future minimum lease payment		Interest		Present Value of minimum lease payment	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Less than one year	2,369	2,168	689	890	3,058	3,058
Between one and five years	6,421	8,791	715	1,404	7,136	10,195
	8,790	10,959	1,404	2,294	10,194	13,253

40. SHORT TERM BORROWINGS

	Company		Group
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000
Three months Term Loan- Nation Trust Bank	-	269,700	269,700
	-	269,700	269,700

40.a Terms and Repayment Schedule

	Nominal Interest Rate	Date of Maturity	Company	
			2016 Rs. '000	2015 Rs. '000
Secured short term loan	8.72%	29-Feb-2016	-	269,700
			-	269,700

Equity share investment of Cargills Bank has been pledged as a security for short term loan obtain from Nations Trust Bank PLC as at 31st December 2015 and this loan has been settled during the year 2016.

41. DISCONTINUED OPERATIONS

The Company has disposed its Subsidiary AAGI to Fairfax Asia Limited through a transaction as approved by the Board on 03rd October 2016.

Accounting Policy

Discontinued operation

A discontinued operation is a component of the company that either has been disposed of, or is classified as held for sale, and ;

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs at the earlier of the disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement and statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

As required by the Standard in the income statement of the reporting period and of the comparable period of the previous year, income and the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, done to the level of profits after tax even when the company retains a non-controlling interest (NCI) in a subsidiary after the sale. The resulting profit or loss (after taxes) is reported in the Income Statement of the Group.

Based on the Share Sale and Purchase agreement on 24th June 2016, The shareholding of 100% held by the Company in Asian Alliance General Insurance Limited, was divested to Fairfax Asia Limited on 03rd October 2016 for Rs. 1,542 million resulting in a profit on disposal of Rs. 89.4 million to the Company and Rs. 469 million to the Group.

The General Insurance Business segment has been classified as Asset Held for Sale and disposal gain has been recorded in the Income Statement. The comparative Income Statements and Statements of Profit or Loss and Other Comprehensive Income have been re stated. The disclosures required by SLFRS 5 as given below.

Disclosure Required as per SLFRS-5	Presentation in the Annual Report
Result of discontinued operation	Note 41.1
Cash flows from/(used in) discontinued operations	Note 41.3
Gain on Sale of Discontinued Operation	Note 41.4

41.1 Summarised Income Statement of Discontinued Operation

<i>For,</i>	9 Months ended Sep 2016 Rs. '000	12 Months ended Dec 2015 Rs. '000
Gross Written Premium	1,784,967	1,977,003
Net Earned Premium	1,362,405	1,597,790
Investment Income and Other Income	(2,398)	196,469
Total Net Revenue	1,360,007	1,794,259
Net Insurance Benefits and Claims	(993,806)	(1,195,426)
Underwriting and net Acquisition Cost	(199,471)	(156,540)
Other Operating, Administration and Finance Expenses	(472,741)	(541,390)
Profit Before Taxation	(306,011)	(99,097)
Income Tax Expenses	(4,329)	30,844
Loss from Discontinued Operations	(310,340)	(68,253)

NOTES TO THE FINANCIAL STATEMENTS

41. DISCONTINUED OPERATIONS (CONTD.)

41.2 Other Comprehensive Income Statement of Discontinued Operation

<i>For,</i>	9 Months ended Sep 2016 Rs. '000	12 Months ended Dec 2015 Rs. '000
Other Comprehensive Income		
Available for sale financial asset - net change in fair value	6,664	(157,659)
Available for sale financial assets reclassified to income statement	148,040	689
Remeasurement of defined benefit (liability)/asset	-	(5,155)
Tax on Other Comprehensive Income	(9,387)	10,829
Total other Comprehensive income net of tax	145,317	(151,296)
Total Comprehensive income for the period	(165,023)	(219,549)

41.3 Summarised Cash flow Statement of Discontinued Operation

<i>For,</i>	9 Months ended Sep 2016 Rs. '000	12 Months ended Dec 2015 Rs. '000
Net Cash Generated from Operating Activities	112,946	(918,560)
Net Cash (used in) / Generated from Investing Activities	(354,365)	25,708
Net Cash (used in) / Generated from Financing Activities	600,000	699,971
	358,581	(192,882)
Net cash and cash equivalents as at the Beginning of the year	(340,061)	(147,179)
Net cash and cash equivalents as at the end of the year	18,520	(340,061)

41.4 Realised Gain from Disposal of Subsidiary

Based on the Share Sale and Purchase agreement on 24th June 2016, for the sale of all the shares that it holds in Asian Alliance General Insurance Limited, the Company divested its 100% stake in Asian Alliance General Insurance Limited to Fairfax Asia Limited with effect from 03rd October 2016.

As referred to in the paragraph above, the Company divested its 100% stake in Asian Alliance General Insurance Limited to Fairfax Asia Limited for a total consideration of Rs. 1,541 million which resulted in a net capital gain of Rs. 89.4million to the Company.

Considering the nature of the transaction and the presentation of the financial statement of the Group, the gain on disposal to the Group has been reported separately under result of Discontinued Operations and not as a part of operating profit of the Group.

	Company 2016 Rs. '000	Group 2016 Rs. '000
Fair Value of Total Purchase Consideration	1,541,836	1,541,836
Net Assets as at 30th September 2016	-	(1,020,340)
Cost of the Investment as at 30th September 2016	(1,400,000)	-
Gross Disposal Gain	141,836	521,496
Adjustments as per share sale and purchase agreement	(52,436)	(52,436)
Net Disposal Gain	89,400	469,060

41.5 Effect of Disposal on the Financial Position

As at 30th September

2016
General
Insurance
Rs. '000

Assets

Intangible Assets	(200)
Property Plant and Equipment	(43,774)
Financial Investments	(1,937,644)
Other Loans	(436)
Reinsurance Receivables	(71,534)
Premium Receivables	(561,531)
Receivables and Other Assets	(100,450)
Insurance Contract - Deferred Expenses	(148,081)
Deferred Tax Assets	(52,676)
Cash and Cash Equivalents	(49,243)

Liabilities

Insurance Contract Liabilities	1,613,006
Employee Benefits	18,127
Current Tax Liabilities	23,709
Reinsurance Payable	63,233
Insurance Contract - Deferred Revenue	12,435
Other Liabilities	183,756
Deferred Tax Liabilities	240
Bank overdraft	30,723

Net Assets	(1,020,340)
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Consideration Received, Satisfied in cash	1,276,089
Consideration Receivable from cash	213,311
Cash and cash equivalents disposed of	(18,520)
Net cash inflows	1,470,880

42. CAPITAL COMMITMENTS

During the year, the Company has not entered into a contract to purchase property, plant and equipment. (2015 - Nil).

43. CONTINGENCIES

Accounting Policy

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

43.1 Assessment in respect of Value Added Tax (VAT)

The Contingent Liability of the Company as at 31st December 2016, relates to the followings;

- The Company has been issued with an assessment by the Department of Inland Revenue on 28th October 2011 and 26th April 2013 under the Value Added Tax Act, in relation to the taxable period ending 31st December 2009 and 2010 for Rs. 4.5 million and Rs. 52.3 million respectively.

The Company has filed an appeal in November 2011 on the basis that the underlying computation includes items which are exempt / out of scope of the VAT Act. The Commissioner General of Inland Revenue has determined the assessment and the Company has appealed to the Tax Appeals Commission. The Company is awaiting the final decision.

NOTES TO THE FINANCIAL STATEMENTS

43. CONTINGENCIES (CONTD.)

43.1 Assessment in respect of Value Added Tax (VAT) (Contd.)

- b) The Company has received a tax assessments letter for Life Insurance taxation for the years 2010. The Company is of the strong view that no additional tax liability is arising and also we have filed a response highlighting our view, which was done in consultation with Tax Consultants. Further even if this would materialized against the Company, no additional tax liabilities are required for the Company due to carried forward taxable losses and credits. However, the accumulated tax losses of Life business will come down by Rs. 237 million.
- c) The Company has received a notice of assessments letter for Life Insurance taxation for the years 2011, 2012 and 2013. The Company has filed a petition of appeal through Company's Tax Consultants and the Company is of the strong view that no additional tax liability is arose due to this. Further even if this would materialized against the Company, no additional tax liabilities are required for the Company due to carried forward taxable losses and credits. However, the accumulated tax losses of Life business will come down by Rs. 952 million.

43.2 Pending Litigation

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 results of the Company.

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

Compliance with Solvency Regulation

The company is also subject to insurance solvency regulations and has complied with all solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

44. EVENTS AFTER THE REPORTING PERIOD

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorized for issue.

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

No circumstances have arisen since the Reporting date which would require adjustments or disclosure in the Financial Statements other than disclosed below:

Second Interim Dividend - 2016

The Board of Directors of the Company have approved the payment of a second interim dividend of Rs. 2.16/- per share subsequent to the reporting date.

In accordance with the Sri Lanka Accounting Standard No.10 - 'Events after the Reporting Period', this second interim dividend has not been recognised as a liability as at 31st December 2016. Under the Inland Revenue Act No. 10 of 2006, a withholding tax of 10% has been imposed on dividends declared.

Compliance with Sections 56 and 57 of the Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with the Section 57, prior to recommending the interim dividend. A statement of solvency completed and duly signed by the Directors on 09th March 2017 has been audited by KPMG.

45. COMPARATIVE INFORMATION

The comparative information have been reclassified in order to in line with the current year presentation.

46. OPERATING LEASES

Accounting Policy

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognized in the Statement of Income as an integral part of the total lease expense over the term of the lease.

The Company does not have any non-cancellable operating lease as at reporting date.

47. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. Please refer to page 246 of the Statement of Directors' Responsibility for Financial Reporting.

INSURANCE AND FINANCIAL RISK MANAGEMENT

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NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT

48.a Risk Management Framework

The primary objective of the Company's risk and financial management framework is to protect its shareholders from events that could hinder the sustainable achievement of financial objectives, including the failure to exploit opportunities.

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the risk management framework of the Company and thus, their approval is necessary for the risk management strategy and risk policies pertaining to all activities of the Company.

The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies of the Company. The committee reports regularly to the Board of Directors on its activities.

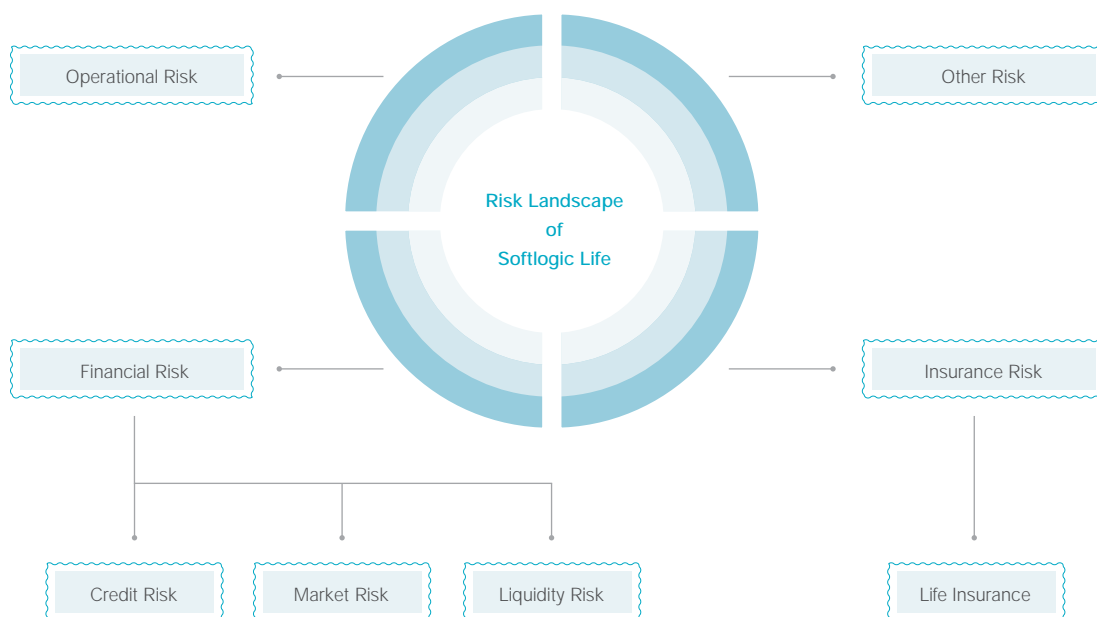
The Company has a Risk Management Team, comprising members of the senior management from business operations and control functions, which oversee the risk management activities of the Company. The activities cover areas such as the evaluation of business processes, design and implementation of the risk strategy and risk policies, review and update of the risk profile, delegation of authority, monitoring of risk mitigation activities, etc.

The Company's Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

48.b Risk Landscape of Softlogic Life Insurance PLC

The risk landscape of Softlogic Life encompasses Insurance risks, Market risks, Credit risks, Liquidity risk, Operational risks and Other risks are provided in following:



48.c Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

This note presents information about the Company's exposure to each of the Insurance risks and Financial risks, the Company's objectives, policies and processes for measuring and managing risk as required by SLFRS 4 and SLFRS 7 together with quantitative disclosure relating to the same.

To obtain a complete overview of the risk landscape that Softlogic Life is exposed to and its objectives, policies, process and methodologies adopted for managing those risks, the reader needs to refer this section as well as the risk management report in the stewardship section of this Annual Report 2016.

48.1 Insurance Risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims.

Softlogic Life actively seeks to write those risks it understands and that provide a reasonable opportunity to earn an acceptable profit. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Insurance Risk Management Strategy of Softlogic Life Insurance PLC

Initiatives of risk mitigation policies relating to insurance are summarised below;

Strategy Areas	Risk Mitigation Initiatives
Underwriting	Continuous training for underwriting staff
	Adherence to the Social and Environmental Policy at the time of underwriting
	Establishing a clearly defined Pricing Policy
	Establishing limits for underwriting authority
Product Mix	Aligning product mix with the overall strategy of the Company.
	Aligning performance incentives of sales staff to maintain desired product mix
	Frequent monitoring and reporting of product mix by the respective operations
	Constant monitoring and comparison of competitor products
Re-insurance	Reviewing the Company's reinsurance strategy and arrangements on an annual basis. The strategy is presented to and approved by the Board Risk Committee.
	Conducting detail studies on the adequacy of reinsurance arrangements for catastrophic events.
	Ensuring that reinsurance transactions are conducted with parties which meet IBSL rating requirements.
	Ensuring minimum concentration amongst reinsurance parties.

NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.1 Insurance Risk (Contd.)

Risks encountered by the Company in respect of its Life Insurance Business are discussed in detail below.

Life Insurance Business

Life insurance products include protection and annuity covers. All risks directly connected with the life of an insured person are referred to as biometric risks and constitute as material risks for the Company. The information given below on the risks faced by the Company through its Life Insurance Business and mitigation actions taken on the relevant risks.

Determination of the Life Insurance Contract Liability

Definition / Description

The liability of life insurance contract 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 as specified by the Insurance Board of Sri Lanka (IBSL) using certain assumptions by the Independent Consultant Actuary.

Mitigation Strategy

The liability is computed based on IBSL specified guidelines and current assumptions which vary based on the contract type. Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future. Change in assumptions will have significant impact to determination of life insurance liability and will direct impact to the profitability of the shareholders of the Company.

Policyholder Decision Risk

Description / Definition

The risk of loss arising due to policyholders experiences being different than expected. (Ex: Lapses and Surrenders). Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders.

Mitigation Strategy

Assumptions on Policy termination are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

Expense Risk

Definition

Risk that expenses incurred in acquiring and administration policies are higher than expected.

Mitigation Strategy

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 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 behaviour.

Mortality Risk

Definition

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

Mitigation Strategy

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. The mortality table used was the A67 / 70 ultimate for all assurances and deferred annuities before vesting and, a (90) ultimate table of annuitants after vesting. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates.

Longevity Risk

Definition

Risk that annuitants live longer than expected. In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increases in longevity.

Mitigation Strategy

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. Annuitant mortality assumptions also include allowance for future mortality improvements.

Concentration Risk

Definition

Risk of exposure to increased losses as a result of inadequately diversified portfolios of assets and /or obligations.

Mitigation Strategy

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of risks. Accordingly having a well-diversified portfolio with mix of participative and non-participative reduces risk associated with the life business by Softlogic Life Insurance PLC. The data below shows the concentration of the life insurance segment of the Company by type of Contract and type of Exposure.

Type of Contract	31st December 2016		31st December 2015	
	Insurance Contract Liabilities Rs. '000	% Share	Insurance Contract Liabilities Rs. '000	% Share
Participating	5,073,641	76.53%	3,403,628	53.67%
Non-participating	1,555,976	23.47%	2,938,304	46.33%
Total	6,629,617	100%	6,341,932	100%

Claim Risk

Definition

The Company is liable for all insured events. There are several variables that could affect the value of insurance liabilities, and the amount and timing of cash flows from these contracts. Assumptions (such as the mortality rate, morbidity and longevity) are used to estimate the value of insurance liabilities. The amount of liabilities of life insurance contracts with fixed and guaranteed terms will not change as a result of these assumptions unless the change is severe enough to trigger a liability adequacy test adjustment. The table below 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.

NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.1 Insurance Risk (Contd.)

Based on Gross Premium Valuation (GPV)

	31st December 2016	
	Change in Assumptions	Impact on Liabilities Rs. '000
Mortality	+10%	83,652
	-10%	(84,788)
Morbidity	+10%	108,512
	-10%	(108,512)
Discount Rate (Risk Free Rate)	+50 basis points	(55,235)
	-50 basis points	55,808
Expense Ratio	+1%	(271,300)
	-1%	271,300

Based on Net Premium Valuation (NPV)

	31st December 2015	
	Change in Assumptions	Impact on Liabilities Rs. '000
Mortality	+10%	56,812
	-10%	(57,664)
Morbidity	+10%	51,298
	-10%	(51,298)
Discount Rate	+50 basis points	(163,112)
	-50 basis points	171,498

Market Risk

Definition

The possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets. Market risk, also called "Systematic Risk," cannot be eliminated through diversification, though it can be hedged against. This is further analysed in the section on "Market Risk" under Financial Risk.

Mitigation Strategy

Discussed in detail in the Market Risk" under Financial Risk.

Concentration Risk

Definition

Risk of exposure to increased losses as a result of inadequately diversified portfolios of assets and /or obligations.

Mitigation Strategy

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes as mentioned earlier. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.

Re-insurance Risk

Definition

Reinsurance is insurance purchased in order to manage the Company's risk. It protects against significantly large claims or disasters, allowing the insurance company to cover more individuals without fear of bankruptcy should a disaster occur, resulting in multiple policyholders filing claims at one time. The company is also exposed to a certain amount of credit risk through its reinsurance arrangements.

Mitigation Strategy

According to the overall risk management strategy, the Company cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. The following steps are taken to manage reinsurance risk; Reinsurance agreements are placed in line with policy guidelines approved by the Board Risk Committee on an annual basis. They are also in line with the guidelines issued by the Insurance Board of Sri Lanka. Accordingly the Company's reinsurers for 2016 are given below.

Name of the Reinsurer	Credit Rating	Name of Rating Agency
Munich Re	AA	Fitch
RGA	AA-	Fitch

Counterparty limits which are set annually are subject to regular reviews. Management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables. As at the reporting date reinsurance receivables amount to Rs. 86 million as at 31st December, 2016 (2015-Rs. 63 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 13 million (2015-Rs. 6 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 73 million as at 31st December 2016. (2015-Rs. 57 million).

Maintaining a professional relationship with reinsurers

No cover is issue without confirmation from reinsurance unless non reinsurance business.

48.2 Financial Risk Management

Overview

The Financial Risk refers to multiple types of risk associated with financing. The Company is exposed to following financial risks.



This diagram presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

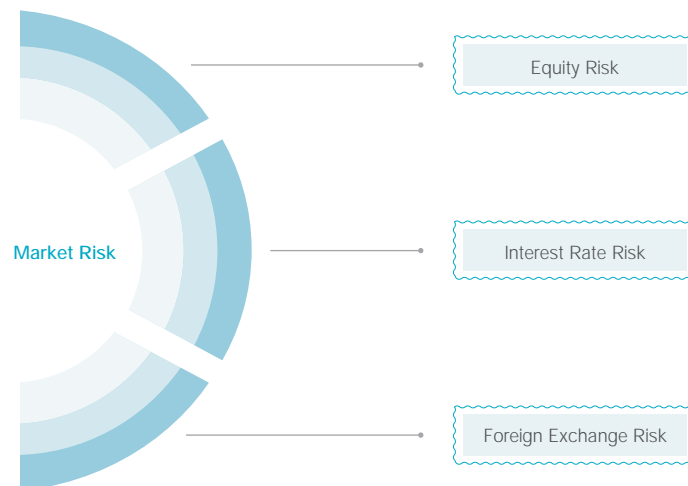
NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.1 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 are given below;



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

a) Interest Rate Risk

Interest rate risk is the risk of fluctuation of the value or future cash flows of a financial instrument due to changes in market interest rates.

Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest rate risk.

Mitigation Strategies

The Company has adopted the following policies to manage interest rate risk

- A regular track of macroeconomic indicators is kept track of by the Risk Unit as well as the Treasury Department. These indicators together with their forecasts are reported to the Internal Risk Committee, the Board Risk Committee and the Investment Committee so as to analyse their impact on investments.
- Regular meetings and monitoring of risks by the Assets Liability Management Committee (ALCO)
- Adhering to limits set on interest rate risk through the Risk Policy

Mitigation Strategies

As at 31st December 2016 there were no cash flow interest rate exposures, as Company has no any floating rate investments. However, Softlogic Life is exposed to fair value fluctuations on fixed rate investments which are measured at fair value.

Change in Variables	2016		2015	
	Impact on Profit Before Tax	Impact on Equity	Impact on Profit Before Tax	Impact on Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Life segment *				
+ 100 basis points	(201,155)	(201,155)	(216,152)	(216,152)
- 100 basis points	223,061	223,061	243,176	243,176

*Subject to actuarial valuation

The following table summarises the exposure to the interest rate risk by the Company

	2016				2015			
	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Financial Assets - Company								
Held to Maturity	-	233,042	-	233,042	-	222,726	-	222,726
Loans & Receivable	-	482,520	-	482,520	-	522,611	-	522,611
Available for Sale	-	5,175,744	1,797,996	6,973,740	-	4,631,404	1,742,795	6,374,199
Fair Value through Profit & Loss	-	-	528,985	528,985	-	-	619,484	619,484
Cash and cash equivalent	-	-	232,554	232,554	-	-	192,118	192,118
Total Financial Assets - Company	-	5,891,306	2,559,535	8,450,841	-	5,376,741	2,554,397	7,931,138

	2015			
	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Financial Assets - Group				
Held to Maturity	-	227,726	-	227,726
Loans & Receivable	-	781,294	-	781,294
Available for Sale	-	5,397,288	2,083,945	7,481,233
Fair Value through Profit & Loss	-	85,533	689,661	775,194
Cash and cash equivalent	-	-	223,936	223,936
Total Financial Assets - Group	-	6,491,841	2,997,542	9,489,383

b) Foreign Exchange Risk

The risk of an investment's value changing due to changes in currency exchange rates. The Company's principle operation is based in Sri Lanka, therefore Company is not materially exposed to the foreign exchange risk.

Mitigation Strategies

The Company's foreign exchange exposure is minimal.

The table below summarises the Company's total exposure and sensitivity to Currency risk.

NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.1 Market Risk (Contd.)

Sensitivity on Foreign Currency Risk

	2016		2015	
	Amount in foreign currency Rs. '000	LKR Amount Rs. '000	Amount in foreign currency Rs. '000	LKR Amount Rs. '000
	USD Assets*	Nil	Nil	Nil

	2016		2015	
	Impact on PBT Rs. '000	Impact on Equity Rs. '000	Impact on PBT Rs. '000	Impact on Equity Rs. '000
	5% strengthening of rupee	Nil	Nil	Nil
5% weakening of rupee	Nil	Nil	Nil	Nil
+/- % impact on profit	Nil	Nil	Nil	Nil

*As at reporting date Company does not hold any foreign currency assets.

c) Equity Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities

Mitigation Strategies

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;

- Adherence to the investment policy which includes stringent guidelines on risk exposures
- Investment decisions are based on in depth macroeconomic and industry analysis as well as research reports on Company performance
- Any purchases above limits imposed by Insurance Board of Sri Lanka (IBSL) guidelines require investment committee approval.
- Daily and cumulative limits per share type issued by one Company

The risk exposure to listed equity securities based on segment analysis as at 31st December 2016 with the comparatives are as follows:

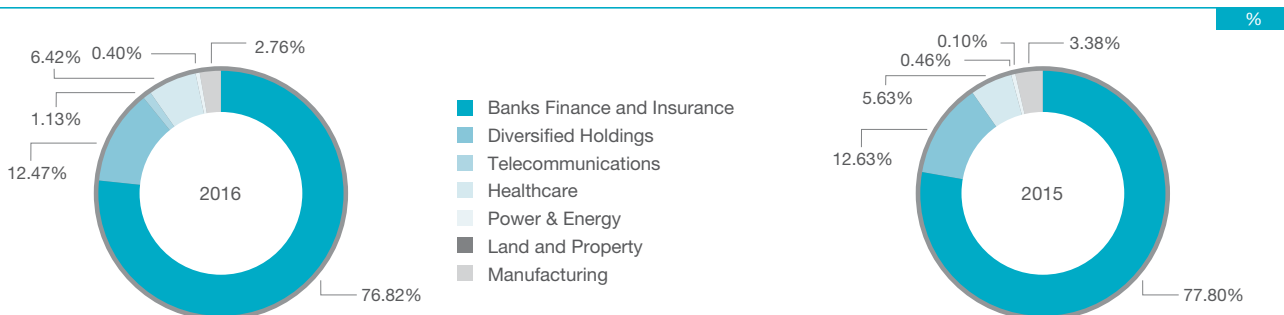
Listed Equity Investment

Segment	2016 Rs. Mn	2015 Rs. Mn
Life Insurance	2,327	2,343
Total	2,327	2,343

Portfolio Diversification of Equity Investments

Segment	2016		2015	
	Rs. '000	%	Rs. '000	%
Banks Finance and Insurance	1,787,645	76.82%	1,822,699	77.80%
Diversified Holdings	290,185	12.47%	295,837	12.63%
Telecommunications	26,250	1.13%	-	-
Healthcare	149,295	6.42%	132,000	5.63%
Power & Energy	9,270	0.40%	10,815	0.46%
Land and Property	-	-	2,320	0.10%
Manufacturing	64,337	2.76%	79,270	3.38%
Total	2,326,981	100.00%	2,342,941	100.00%

Portfolio Diversification of Equity Investments



Sensitivity Analysis of Equity Risk

		2016	2015
		Rs. '000	Rs. '000
Life Insurance Business			
10% decline in stock markets			
Investments	AFS	(142,830)	(142,309)
	FVTPL	(52,899)	(60,015)
Net impact on profit before tax		(52,899)	(60,015)
Net impact on other comprehensive income		(142,830)	(142,309)

NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.2 Credit Risk

The risk that one party to a financial arrangement will fail to meet their contractual obligation. The Company is exposed to credit risk through the following.

	2016 Rs. '000	2015 Rs. '000
• Reinsurance Receivables	85,940	62,643
• Financial Investments	8,218,287	7,744,020
• Loans to Life Policyholders and Others	162,448	143,640
• Premium Receivables	92,318	67,274
• Cash at bank	229,027	188,379
• Receivable and other assets	11,762	5,777
• Amount due from related parties	-	634

Mitigation Strategies

Reinsurance Receivables

Management assesses the creditworthiness of reinsurers to update the reinsurance strategy on an annual basis and ascertains the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables.

As at the reporting date reinsurance receivables amount to Rs. 86 million as at 31st December, 2016 (2015 - Rs. 63 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 13 million (2015 - Rs. 6 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 73 million as at 31st December 2016. (2015 - Rs. 57 million).

As at 31st December 2016, 86 million of our reinsurance receivables were due from reinsurers with a rating of "A-" or better. There were no collateral against reinsurance receivable as at balance sheet date.

Credit risk of Reinsurance Receivables by Rating Class

Rating	2016		2015	
	On Paid Claims Rs. '000	%	On Paid Claims Rs. '000	%
AA / AA-	12,815	100%	6,012	100%
Total	12,815	100%	6,012	100%

Financial Investments

The Company is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposit. This rating provides the Company and indication of the financial stability of the investment.

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.2 Credit Risk (Contd.)

The table below provides information regarding the Credit Risk exposure on investments of the Company as at 31st December by classifying investments according to the respective credit ratings. The Ratings represent local ratings given by Fitch Ratings Lanka Limited, Lanka Rating Agency Limited and ICRA Lanka Limited. AAA is considered the highest possible rating, while assets that fall outside the range of AAA to BBB- are classified as speculative grade. No credit exposure limits were exceeded by the Company during the year. Government securities have been classified as a separate category as they are considered risk free investments. Further, investments in Shares and Units are not considered, since credit rating is not applicable

Financial Investments Based on credit rates	Government Guaranteed	AA-	AA+	A-	A	A+	AA	AAA	BBB	BBB-	BBB+	BB+	B+	Not rated*	Total
31 December 2016	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company															
Held to Maturity	233,042														233,042
Loans & Receivable	282,426	200,069	26												482,520
Available for Sale	3,621,314	369,468	144,711	198,238	1,471,700			266,106	51,064	120,082	30,708	185,448	514,900		6,973,740
Fair Value through Profit & Loss		78,885	130,818		28,507	17,281	26,250	170,128					77,116		528,985
Cash and cash equivalent					229,027										229,027
Total Financial Assets - Company	4,136,782	648,422	130,844	144,711	1,729,234		26,250	436,234	51,064	120,082	30,708	185,448	592,016		8,447,314

Financial Investments Based on credit rates	Government Guaranteed	AA-	AA+	A-	A	A+	AA	AAA	BBB	BBB-	BBB+	BB+	B+	Not rated*	Total
31 December 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company															
Held to Maturity	227,727														227,727
Loans & Receivable		431,897												90,713	522,610
Available for Sale	3,503,862	1,468,093		11,820		68,146				88,273	30,327		1,203,678		6,374,199
Fair Value through Profit & Loss		68,504		20,841		84,070						122,559		323,510	619,484
Cash and cash equivalent															
Total Financial Assets - Company	3,731,589	1,968,494		32,661		152,216				88,273	152,886			1,617,901	7,744,020

Financial Investments Based on credit rates	Government Guaranteed	AA-	AA+	A-	A	A+	AA	AAA	BBB	BBB-	BBB+	BB+	B+	Not rated*	Total
31 December 2016	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group															
Held to Maturity	227,727														227,727
Loans & Receivable		740,535							40,762						781,297
Available for Sale	4,169,829	1,759,243		11,820		68,146				88,273	30,327		1,353,595		7,481,233
Fair Value through Profit & Loss		68,504		20,841		84,070		9,294		85,533	122,559		384,393		775,194
Cash and cash equivalent															
Total Financial Assets - Group	4,397,556	2,568,282		32,661		152,216		9,294	40,762	173,806	152,886			1,737,988	9,265,451

NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.2 Credit Risk (Contd.)

Reverse repo investments which fall under government securities is backed by treasury bills and bonds which are provided as collateral. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 10% is maintained at all times.

The above has been derived as per the company's risk management policy of using the carrying values in the Statement of financial position. There were no off - balance sheet exposures as at the dates. This does not include the exposure that would arise in the future as a result of changes in values.

Credit Risk Relating to Loans to Life Policyholders and Others

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

Loan Category	2016	2015
Life policyholders	158,306	141,778
Staff loans	4,143	1,862
Total	162,449	143,640

The Company issued loans to life policy holders considering the surrender value of the life policy as collateral. As at the reporting date, the value of policy loans granted amounted to Rs. 158 million (2015 – 142 million) and its related surrender value is Rs. 283 million.

The Company regularly monitors and limits credit exposures by individual counterparty and related counterparties by the aggregated exposure across the various types of credit risk for that counterparty.

The Risk Officer routinely reports the largest exposures by rating category to the Risk Committee of the Board.

Insurance Premium Receivables

In life insurance, credit risk is minimal, since premium is collected before the policy is issued.

In the General Insurance Business, the premium warranty clause which state that a claim is not payable if the premium is not settled within 60 days has reduced the credit risk to a greater extent.

The following steps have also been taken to further minimise credit risk;

- Customers are regularly reminded on the premium warranty clause
- Outstanding credit is followed up on a daily basis.
- Policies not settled within a reasonable period are monitored and cancelled
- Outstanding receivables are checked and confirmed prior to settling claims
- Until premium is settled a temporary certificate for 60 days issued for motor policies.

See Note 25 of the Statement of Financial Position for additional information on premium receivables

Credit Risk relating to Cash and Cash Equivalents

The Company maintains a strict policy to maintain cash deposits at counter parties with sound ratings and future outlooks, the company also maintains exposure limits to ensure that the company has a diverse range of counter parties to ensure low concentration risk.

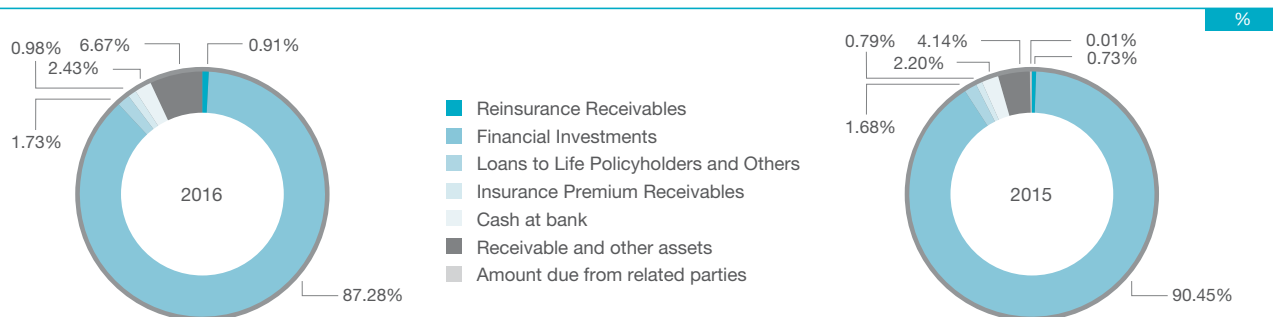
The Company held cash and cash equivalents of Rs. 232 million at 31st December 2016. (2015 -Rs. 192 million). The cash and cash equivalents are held with bank and financial institutional counter parties, which are rated BBB+ or better.

Assessment of Impairment Losses

Company monitors the requirement for impairment provision in the Financial Statements on going basis. The relevant accounting policies and financial details are given in Note 4.9 to these financial statements.

Based on the assessments made there was no provision has been made for impairment in the financial statements

Total Credit Risk Exposure



48.2.3 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company could also experience a maturity mismatch with respect to unexpected large claims and expected reinsurance recoveries from insurers.

Mitigation Strategies

- Reporting to the ALCO on a regular basis
- Monitoring of Duration on fixed income portfolios by the Treasury Team.
- Regular reviews cash flow projections
- Adhering to defined limits on maturity gaps as per approved risk limits and adhering to compositions of investments as per the investment policy
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments in the event claims exceed a certain amount.

Maturity profiles of insurance contracts liabilities and reinsurance receivables are based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premium reserve, differed acquisition expenses and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

NOTES TO THE FINANCIAL STATEMENTS

48 INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.3 Liquidity Risk (Contd.)

Maturity profiles - Company

As at 31st December	2016					2015				
	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total	No maturity	Less than 1 year	1- 3 years	More than 3 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets										
Held to Maturity Financial Assets	-	-	-	233,042	233,041	-	-	-	227,726	227,726
Loans & Receivables	282,426	200,095	-	-	482,520	-	522,611	-	-	522,611
Available For Sale Financial Assets	1,797,996	791,012	1,015,328	3,369,405	6,973,740	1,742,795	223,094	202,762	4,205,548	6,374,199
Financial Assets at FVTPL (Trading)	528,985	-	-	-	528,985	619,484	-	-	-	619,484
Life Policyholder Loans	-	-	-	158,306	158,306	-	16,322	37,358	89,960	143,640
Reinsurance Receivables	-	85,940	-	-	85,940	-	62,643	-	-	62,643
Premium Receivables	-	92,318	-	-	92,318	-	67,274	-	-	67,274
Receivables & Other Assets	-	627,810	-	-	627,810	-	354,790	-	-	354,790
Total	2,609,407	1,797,175	1,015,328	3,760,752	9,182,661	2,362,279	1,246,734	240,120	4,523,234	8,372,367
Liabilities										
Reinsurance Payable	-	139,262	-	-	139,262	-	92,972	-	-	92,972
Insurance Contract Liabilities - Life (Gross basis)	436,046	602,353	703,491	5,193,157	6,935,047	413,001	570,519	666,312	5,294,018	6,568,532
Other Liabilities	-	648,609	-	-	648,609	-	382,735	-	-	382,735
Current Tax Liabilities	-	8,209	-	-	8,209	-	-	-	-	-
Short Term Borrowings	-	-	-	-	-	-	269,700	-	-	269,700
Bank Overdraft	-	131,466	-	-	131,466	-	361,264	-	-	361,264
Total	436,046	1,529,899	703,491	5,193,157	7,862,593	413,001	1,677,190	666,312	5,294,018	7,675,203

Maturity profiles - Group

As at 31st December

	2015				Total Rs. '000
	No maturity	Less than 1 year	1- 3 years	More than 3 years	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Assets					
Derivative Financial Instruments	-	-	-	-	-
Held to Maturity Financial Assets	-	-	-	227,726	227,726
Loans & Receivables	-	781,297	-	-	781,297
Available For Sale Financial Assets	2,083,945	275,613	202,762	4,918,913	7,481,233
Financial Assets at FVTPL (Trading)	689,661	-	-	85,533	775,194
Life Policyholder Loans	-	17,996	37,358	89,960	145,314
Reinsurance Receivables	-	122,169	-	-	122,169
Premium Receivables	-	550,995	-	-	550,995
Receivables & Other Assets	-	434,345	-	-	434,345
Total	2,773,606	2,182,415	240,120	5,322,132	10,518,273
Liabilities					
Reinsurance Payable	-	139,946	-	-	139,946
Insurance Contract Liabilities - Life (Gross basis)	413,001	570,519	666,312	5,294,018	6,568,532
Insurance Contract Liabilities - General	-	1,322,011	-	-	1,322,011
Other Liabilities	-	496,966	-	-	496,966
Current Tax Liabilities	-	12,325	-	-	12,325
Short Term Borrowings	-	269,700	-	-	269,700
Bank Overdraft	-	733,143	-	-	733,143
Total	413,001	3,544,610	666,312	5,294,018	9,542,623

48.2.4 Operational Risks

This is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than Credit, Market and Liquidity Risks, such as those arising from legal and regulatory of corporate behaviour, requirements and the absence of generally accepted standards.

Operational failures could result in dire consequences such as producing misleading financial information, loss of return, financial penalties from regulators or damage to the reputation of the Company. Operational Risks arise from all operations of the Company.

While it is acknowledged that the Company cannot eliminate all Operational Risks, it is in a position to manage such risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Company's Risk Management team assesses all foreseeable risks involved in its operation and they develop and implement action plans to control those identified operational risks. These action plans recommended by the team is to manage the operational risks in the following areas:

- Requirement of having appropriate segregation of duties, including the independent authorisation of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Developed business models

NOTES TO THE FINANCIAL STATEMENTS

48. INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTD.)

48.2 Financial Risk Management (Contd.)

48.2.4 Operational Risks (Contd.)

Risk Based Capital (RBC) Framework

The IBSL has decided to implement a Risk Based Capital (RBC) Framework, replacing the Solvency Regime, to monitor insurance companies in the country with effect from 01st January 2016.

The proposed 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.

The proposed valuation regime makes a fundamental shift away from the current philosophy, which is built upon estimations of asset and liability values with undisclosed margins and approximations, to one that emphasizes greater transparency and provides a more accurate picture of the insurer's financial position. This is achieved by using more realistic valuation methodology and bases. More assumptions will need to be made in the valuation process.

RBC Framework has been in acted from 1st January 2016. In order to ensure smooth transition from the Solvency Regime to RBC Framework, IBSL launched a RBC Road Test from September 2012 to June 2013. Based on the result of the Road Test, IBSL issued the final draft of the RBC framework in October 2013.

Softlogic Life Insurance PLC also provided all information under the compulsory parallel run to the IBSL.

Risks involved in order to comply with new RBC Framework

- How to convert the existing Net Premium Valuation (NPV) calculation methodology to the GPV methodology
- How to split the policyholders funds into participating and non -participating business segments.
- How to invest into capacity building of internal skill sets etc.

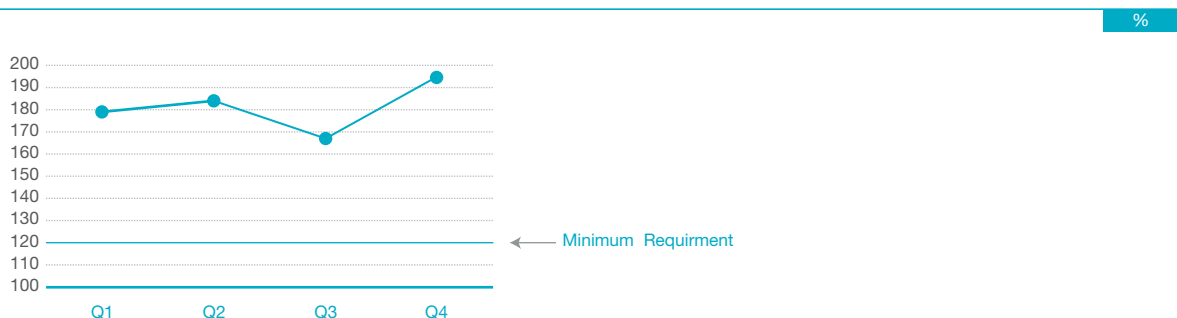
Mitigation Strategies

- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial and Senior Manager Actuarial of the Company.
- Further, in preparation for the adoption of the RBC Framework, the Company already uses Independent and consultant actuaries service.
- Closely follow up RBC guideline issued by IBSL Sri Lanka.
- Appointed new Actuarial Consultant who is well experienced in RBC regime.

For the reporting Quarters of 2016 the Summary of Company's Compliances to the RBC Framework describe as following table.

Determination of Risk-based Capital Adequacy Ratio (RCAR)

Risk-based Capital Adequacy Ratio (CAR)



Solvency determination under RBC Rules is based on following formulae.

$$RCAR = (Total\ Available\ Capital / Risk\ based\ Capital\ Required) \times 100$$

Solvency	2016			
	Quarter 1 Rs. '000	Quarter 2 Rs. '000	Quarter 3 Rs. '000	Quarter 4 Rs. '000
Total Available Capital (TAC)	5,678,718	6,499,135	6,625,396	8,570,469
Risk Based Capital requirement (RCR)	3,236,389	3,540,591	3,971,162	4,386,958
1. Risk-based Capital Adequacy Ratio (CAR)	175%	184%	167%	195%
2. Minimum Capital Requirement (MCR)	500,000	500,000	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes	Yes	Yes

49. OPERATING SEGMENTS

Accounting Policy

An operating segment is a component of the Group/company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Corporate Management Team headed by the Managing Director (being the chief operating decision-maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Operating Segment	Types of Products and Services offered
Life Insurance	Providing Life insurance products
General Insurance	Providing General insurance products

Company has discontinued its General Insurance Segment with effect from 01st October 2016 hence this disclosure is presented for reporting year for the nine months operation of General Insurance Segment and Twelve months operations of Life Insurance Segment.

The following table presents the income, profit, asset and liability information on the Group's strategic business divisions for the year ended 31st December 2016 (9 Months of General Insurance Segment) and comparative figures for the year ended 31st December 2015.

NOTES TO THE FINANCIAL STATEMENTS

49. OPERATING SEGMENTS (CONTD.)

49.1 Income Statement

For,	Continuing Operation Life Insurance		Discontinued Operation General Insurance		Total		
	12 Months Ended December 2016 Rs. '000	12 Months Ended December 2015 Rs. '000	9 Months Ended September 2016 Rs. '000	12 Months Ended December 2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	
	Gross Written Premium	5,635,701	4,091,042	1,784,967	1,977,003	7,420,668	6,053,425
	Net Change in Reserve for Unearned Premium	-	-	(262,994)	(131,590)	(262,994)	(131,590)
Gross Earned Premiums	5,635,701	4,091,042	1,521,973	1,845,413	7,157,674	5,921,835	
Premiums Ceded to Reinsurers	(632,953)	(501,471)	(156,340)	(191,079)	(789,293)	(692,550)	
Net Change in Reserve for Unearned Premium- Reinsurance	-	-	(3,228)	(56,544)	(3,228)	(56,544)	
Net Earned Premium	5,002,748	3,589,571	1,362,405	1,597,790	6,365,153	5,172,741	
Other Revenue							
Net Finance Income	700,170	621,083	94,845	103,678	795,015	724,761	
Net Realized Gains / (Losses)	59,235	126,329	(141,422)	22,380	(82,187)	148,709	
Fair value Gains / (Losses)	(95,888)	80,514	5,458	3,923	(90,430)	84,437	
Other Operating Income	88	39,828	38,721	66,488	38,809	106,316	
Gain on sale of Subsidiary	89,400	-	469,060	-	469,060	-	
	753,005	867,754	466,662	196,469	1,130,267	1,064,223	
Total Net Income	5,775,753	4,457,325	1,829,067	1,794,259	7,495,420	6,236,964	
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims Paid	(1,073,493)	(411,179)	(993,806)	(1,183,153)	(2,067,299)	(1,594,332)	
Net Change in Insurance Claims Outstanding	1,327	(22,553)	-	(12,273)	1,327	(34,826)	
Change in Insurance Contract Liabilities - Life Fund	(287,685)	(966,452)	-	-	(287,685)	(966,452)	
Underwriting and Net Acquisition Cost	(1,580,473)	(992,572)	(199,471)	(156,540)	(1,779,944)	(1,149,112)	
Other Operating and Administrative Expenses	(1,780,776)	(1,046,670)	(463,994)	(533,528)	(2,244,770)	(1,565,578)	
Finance Cost	(67,810)	(25,337)	(8,747)	(7,862)	(76,557)	(33,199)	
Total Benefits, Claims and Expenses	(4,788,910)	(3,464,763)	(1,666,018)	(1,893,356)	(6,454,928)	(5,343,499)	
Profit / (Loss) Before Taxation	966,843	992,562	163,049	(99,097)	1,040,492	893,465	
Income Tax Expense / (Reversal)	-	-	(4,329)	30,844	(4,329)	30,844	
Profit / (Loss) for the year	966,843	992,562	158,720	(68,253)	1,036,163	924,309	

49.2 Statement of Financial Position

	Continuing Operation Life Insurance		Discontinued Operation General Insurance	Total	
	2016 Rs. '000	2015 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<i>As at 31st December</i>					
Assets					
Intangible Assets	13,236	21,982	237	13,236	22,219
Property Plant and Equipment	485,014	427,519	91,392	485,014	518,911
Investment in Subsidiary	-	800,000	-	-	-
Financial Investments	8,218,287	7,744,020	1,521,431	8,218,287	9,265,451
Loans to Life Policy holders and Other Loans	162,448	143,640	1,674	162,448	145,314
Reinsurance Receivables	85,940	62,643	59,526	85,940	122,169
Premium Receivables	92,318	67,274	483,721	92,318	550,995
Amounts due from Related Companies	-	634	231	-	865
Receivables and Other Assets	627,810	354,790	79,555	627,810	434,345
Deferred Tax Assets	-	-	125,922	-	125,922
Insurance Contract - Deferred Expenses	-	-	61,904	-	61,904
Cash and Cash Equivalents	232,554	192,118	31,818	232,554	223,936
Total Assets	9,917,607	9,814,620	2,457,411	9,917,607	11,472,031
Equity & Liabilities					
Equity					
Stated Capital	1,062,500	1,062,500	800,000	1,062,500	1,062,500
Available for Sale Reserves	(1,348,513)	(495,123)	(145,317)	(1,348,513)	(640,440)
Revaluation Reserve	24,903	24,903	-	24,903	24,903
Retained Earnings	2,223,276	1,469,737	(69,294)	2,223,276	1,400,443
Total Equity	1,962,166	2,062,017	585,389	1,962,166	1,847,406
Liabilities					
Insurance Contract Liabilities - Life	6,935,047	6,568,532	-	6,935,047	6,568,532
Insurance Contract Liabilities - General	-	-	1,322,011	-	1,322,011
Employee Benefits	73,436	45,796	17,562	73,436	63,358
Current Tax Liabilities	-	-	12,325	-	12,325
Reinsurance Payable	139,262	92,972	46,974	139,262	139,946
Insurance Contract - Deferred Revenue	-	-	10,738	-	10,738
Amounts due to Related Companies	27,621	31,603	(31,603)	27,621	-
Other Liabilities	648,609	382,736	114,231	648,609	496,967
Deferred Tax Liabilities	-	269,700	-	-	269,700
Short Term Borrowings	-	-	7,905	-	7,905
Bank overdraft	131,466	361,264	371,879	131,466	733,143
Total Liabilities	7,955,441	7,752,603	1,872,022	7,955,441	9,624,625
Total Equity & Liability	9,917,607	9,814,620	2,457,411	9,917,607	11,472,031

NOTES TO THE FINANCIAL STATEMENTS

49. OPERATING SEGMENTS (CONTD.)

49.3 Statement of Cash Flows

For,	Continuing Operation Life Insurance		Dis-continued Operation General Insurance		Total		
	12 Months Ended December 2016 Rs. '000	12 Months Ended December 2015 Rs. '000	9 Months Ended September 2016 Rs. '000	12 Months Ended December 2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	
	Cash Flows Operating Activities						
	Profit before Taxation	877,443	992,562	(306,011)	(99,097)	571,432	893,465
Adjustments for :							
Notional tax Income	-	(37,213)	(6,847)	(6,069)	(6,847)	(43,282)	
Depreciation of Property, Plant and Equipments	78,858	48,052	14,229	20,290	93,087	68,342	
Amortization of Intangible Assets	8,746	11,280	38	13	8,784	11,293	
Provision for Employee Benefits	14,934	10,638	3,409	3,504	18,343	14,142	
Provision for impairment of premium receivable	-	-	-	6,182	-	6,182	
Net Realized (Gains)	(54,284)	(126,329)	141,422	(22,380)	87,138	(148,709)	
Net Fair value (Gains)	95,888	(80,514)	(5,458)	(3,923)	90,430	(84,437)	
(Profit)/Loss on Sale of Property, Plant and Equipments	(4,936)	445	-	-	(4,936)	445	
Net Amortization of Financial Investments	(57,290)	-	-	-	(57,290)	-	
	959,360	818,921	(159,218)	(101,480)	800,142	717,441	
Change in Operating Assets	(126,223)	(127,883)	(90,572)	(141,078)	(216,795)	(300,566)	
Change in Operating Liabilities	674,696	1,480,697	370,811	(670,299)	1,045,507	842,003	
Cash Flows from Operating Activities	1,507,833	2,171,735	121,021	(912,857)	1,628,854	1,258,878	
Gratuity paid	(599)	(7,438)	(2,844)	(1,457)	(3,443)	(8,895)	
Income tax paid	-	-	(5,231)	(4,245)	(5,231)	(4,245)	
Net Cash Generated from Operating Activities	1,507,234	2,164,297	112,946	(918,559)	1,620,180	1,245,738	
Cash Flows Investing Activities							
Acquisition of Subsidiary	(600,000)	(700,000)	-	-	(600,000)	-	
Consideration Received from Disposal of Subsidiary	1,276,089	-	-	-	1,276,089	-	
Net Acquisition of Financial Securities	(1,311,972)	(1,385,734)	(399,083)	61,025	(1,711,055)	(1,324,709)	
Net Acquisition / Capitalization of Property, Plant and Equipment	(136,353)	(149,804)	-	(35,067)	(136,353)	(184,871)	
Acquisition of Intangible Assets	-	(2,864)	-	(250)	-	(3,114)	
Proceeds from Sale of Property, Plant and Equipment	4,936	155	44,718	-	49,654	155	
Net Cash (used in) / Generated from Investing Activities	(767,300)	(2,238,247)	(354,365)	25,708	(1,121,665)	(1,512,539)	

For,	Continuing Operation Life Insurance		Dis-continued Operation General Insurance		Total		
	12 Months Ended December 2016 Rs. '000	12 Months Ended December 2015 Rs. '000	9 Months Ended September 2016 Rs. '000	12 Months Ended December 2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	
	Cash Flows Financing Activities						
	Proceeds from share issue	-	-	600,000	700,000	600,000	-
Dividend Paid	(200,000)	(168,571)	-	(29)	(200,000)	(168,600)	
Net Short Term Borrowings	(269,700)	115,216	-	-	(269,700)	115,216	
Net Cash (used in) / Generated from Financing Activities	(469,700)	(53,355)	600,000	699,971	130,300	(53,384)	
Net Increase / (Decrease) in Cash and Cash Equivalents	270,234	(127,305)	358,581	(192,880)	628,814	(320,185)	
Net cash and cash equivalents as at the Beginning of the year	(169,146)	(41,843)	(340,061)	(147,179)	(509,207)	(189,022)	
Net cash and cash equivalents as at the end of the year	101,088	(169,148)	18,520	(340,059)	119,607	(509,207)	
Notes to the Cash Flow Statement							
A. Change in Operating Assets							
(Increase) / Decrease in Loans to Life Policyholders	(18,808)	(7,536)	1,238	(3,932)	(17,570)	(11,460)	
(Increase) / Decrease in Reinsurance Receivables	(23,297)	10,673	(12,008)	26,870	(35,305)	37,543	
(Increase) / Decrease in Premium Receivables	(25,044)	(17,106)	(77,809)	(67,513)	(102,853)	(84,619)	
(Increase) / Decrease in Deferred Expenses	-	-	(22,159)	(24,966)	(22,159)	(24,966)	
(Increase) / Decrease in Receivable and Other Assets	(59,074)	(113,914)	20,166	(71,537)	(38,908)	(221,056)	
	(126,223)	(127,883)	(90,572)	(141,078)	(216,795)	(304,558)	
B. Change in Operating Liabilities							
Increase / (Decrease) in Insurance Contract Liabilities - Life	366,515	968,920	-	-	366,515	968,920	
Increase / (Decrease) in Insurance Contract Liabilities - General	-	-	290,995	183,317	290,995	183,317	
Increase / (Decrease) in Reinsurance Payables	46,290	78,268	16,259	(69,630)	62,549	8,638	
Increase / (Decrease) in Other Liabilities	261,891	433,509	63,557	(783,986)	325,448	(318,872)	
	674,696	1,480,697	370,811	(670,299)	1,045,507	842,003	
C. Increase in Cash and Cash Equivalents							
Cash and Cash Equivalents	232,554	192,118	49,243	31,818	281,797	223,936	
Bank overdrafts	(131,466)	(361,264)	(30,723)	(371,879)	(162,189)	(733,143)	
Net cash and cash equivalents as at 31st December	101,088	(169,146)	18,520	(340,061)	119,608	(509,207)	
Net cash and cash equivalents as at the Beginning of the period	(169,146)	(41,843)	(340,061)	(147,179)	(509,207)	(189,022)	
Increase / (Decrease) in Cash and Cash Equivalents	270,234	(127,303)	358,581	(192,882)	628,814	(320,185)	

NOTES TO THE FINANCIAL STATEMENTS

51. RELATED PARTY DISCLOSURE

The Company carried out transactions in the ordinary course of business with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 ‘Related Party Disclosures’.

51.1 Parent and Ultimate Controlling Party

The parent entity of the Company is Softlogic Capital PLC. In the opinion of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

51.2 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

Accordingly, the Directors (including Executive and Non-Executive Directors) and the Members of the Executive Committee of the Company and their immediate family members have been classified as Key Management Personnel of the Company.

Transactions with KMP

Compensation of KMP

<i>For the year ended 31st December,</i>	2016 Rs. '000	2015 Rs. '000
Short term employment benefits	44,741	37,837
Post-employment benefits	5,192	-

51.3 Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependants of the KMP or the KMP domestic partner. CFM are related parties to the Company.

Income Statement

<i>For the year ended 31st December,</i>	Group		Company	
	2016* Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Insurance Premiums	1803	1891	-	-
Rendering / Receiving of services	1,237	575	-	455
Claims Paid	-	1,769	-	-
Professional Charges	68	122	-	-
Compensation to KMP	20,779	-	20,779	-

*The amounts shown in Group 2016, represent nine months of disposed subsidiary and the twelve months of the company.

51.4 Share-Based Benefits to KMP and CFM

<i>As at the Year-End</i>	2016 Rs. '000	2015 Rs. '000
Number of ordinary shares held	Nil	Nil
Dividends paid (in Rs. '000)	Nil	Nil

51.5 Transactions with the Ultimate Parent & Parent

<i>As at 31st December</i>	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Investments	55,921	195,009	55,921	155,921
Insurance Premiums	9,468	12,546	-	-
Rendering / Receiving of services	85,326	-	77,369	770
Interest & Maturity received	147,645	18,132	144,098	15,750
Dividend received	14,531	9,088	14,531	9,088
Dividend Paid	190,801	-	190,801	-
Professional Charges	-	110,911	-	103,295
Claims Paid	3,901	3,420	-	2,414

51.5 Transactions with Subsidiary

Statement of Financial Position

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Equity investment	-	800,000	-	800,000
Transfer of assets and liabilities	-	4,014,985	-	4,014,985

Income Statement

<i>For the year ended 31st December,</i>	Group		Company	
	2016* Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Insurance Premiums	46,124	82,755	46,124	14,620
Claims Paid	937	31	937	31

*The amounts shown in Group 2016, represent nine months of disposed subsidiary and the twelve months of the company.

NOTES TO THE FINANCIAL STATEMENTS

51. RELATED PARTY DISCLOSURE (CONTD.)

51.6 Transactions with Other Related Entities

Other related entities include transactions with Companies under common control

Statement of Financial Position

<i>As at 31st December</i>	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Investments	62,874	242,874	62,874	222,874
Sales /Purchases of property plant & equipment	7,363	29,565	6,914	23,989

Income Statement

<i>For the year ended 31st December</i>	Group		Company	
	2016* Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000

Investments

Insurance Premiums	100,508	97,885	-	-
Rendering Receiving of services	66,632	-	66,632	56,869
Interest & Maturity received /Given	88,721	-	88,721	21,332
Dividend received	2,376	-	2,376	12,018
Other Income	3,400	3,400	-	-
Claims Paid	23,813	42,298	-	67,187
Expenses	448	-	448	-

*The amounts shown in Group 2016, represent nine months of disposed subsidiary and the twelve months of the company.

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STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

As at 31st December

	Note	Page	2016 Rs. '000	2015 (Restated) Rs. '000
Assets				
Intangible Assets			7,809	11,210
Property, Plant and Equipment	1	365	424,362	401,763
Financial Investments	2	365	6,869,209	6,856,537
Loans to Life Policyholders and Others			159,338	141,595
Reinsurance Receivables	3	367	85,940	62,643
Premium Receivables			92,333	67,290
Receivables and Other Assets	4	367	398,887	312,159
Cash and Cash Equivalents	5	367	232,087	190,685
Total Assets			8,269,965	8,043,882
Equity and Liabilities				
Equity				
Available for Sale Reserve			(815,254)	(134,820)
Revaluation Reserve			24,903	24,903
Total Equity			(790,351)	(109,917)
Liabilities				
Insurance Contract Liabilities - Life			6,935,047	6,568,532
Employee Benefits	6	367	51,992	28,267
Reinsurance Payable			1,814,709	92,972
Other Liabilities	7	367	1,752,998	868,103
Short Term Borrowings			-	269,700
Bank Overdraft			119,306	326,225
Total Liabilities			9,060,316	8,153,799
Total Equity and Liabilities			8,269,965	8,043,882

The Notes appearing on pages 365 to 367 form an integral part of these Financial Statements.

NOTES TO THE SUPPLEMENTARY INFORMATION

1. PROPERTY, PLANT AND EQUIPMENT (PPE)

1.a Reconciliation of carrying amount

	Freehold Land	Freehold Building	Computer Hardware	Office Equipment	Furniture and Fittings	Fixtures and Fittings	Total 2016	Total 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost								
Balance as at 01st January 2016	108,000	118,000	42,028	94,032	73,265	145,405	580,730	432,630
Additions during the year	-	732	14,985	15,368	8,679	41,324	81,088	67,511
Capitalised during the year	-	4,619	-	-	-	-	4,619	61,439
Surplus on revaluation	-	-	-	-	-	-	-	24,903
Accumulated depreciation transferred	-	-	-	-	-	-	-	(4,758)
Disposal during the year	-	-	-	-	-	-	-	(995)
Balance as at 31st December 2016	108,000	123,351	57,013	109,400	81,944	186,729	666,437	580,730
Accumulated Depreciation and Impairment Losses								
Balance as at 01st January 2016	-	-	26,703	48,947	29,085	74,233	178,968	143,104
Additions during the year	-	12,163	6,767	14,342	6,701	23,134	63,107	41,017
Accumulated depreciation transferred	-	-	-	-	-	-	-	(4,758)
Disposal during the year	-	-	-	-	-	-	-	(395)
Balance as at 31st December 2016	-	12,163	33,470	63,289	35,786	97,367	242,075	178,968
Capital Work In Progress								
Balance as at 01st January 2016	-	-	-	-	-	-	-	-
Incurred During the Year	-	4,619	-	-	-	-	-	-
Capitalised During the Year	-	(4,619)	-	-	-	-	-	-
Balance as at 31st December 2016	-	-	-	-	-	-	-	-
Carrying Value As at 31st December 2016	108,000	111,188	23,543	46,111	46,158	89,362	424,362	-
Carrying Value As at 31st December 2015	108,000	118,000	15,325	45,086	44,180	71,172	-	401,763

As at 31st December

	Note	2016 Rs. '000	2015 Rs. '000
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2. Financial Investments

Held to Maturity Financial Assets	2.1	233,040	227,727
Loans & Receivables	2.2	482,520	522,611
Available For Sale Financial Assets	2.3	5,624,663	5,486,715
Financial Assets at FVTPL (Trading)	2.4	528,985	619,484
		6,869,209	6,856,537

2.1 Held to Maturity Financial Assets

Money Market - Treasury Bonds	233,040	227,727
	233,040	227,727

NOTES TO THE SUPPLEMENTARY INFORMATION

As at 31st December

	Note	2016 Rs. '000	2015 Rs. '000
2.2 Loans and Receivables			
Debt Securities - Debentures		-	90,714
Bank Deposits		200,095	-
Reverse Repos		282,426	431,897
		482,520	522,611
2.3 Available for sale Financial Assets			
Equity Securities	2.3.1	482,120	870,907
Debt Securities - Debentures		1,521,229	1,111,947
Treasury Bonds		3,621,314	3,503,862
		5,624,663	5,486,715
2.3.1 Available For Sale Financial Assets - Equity			
Un Quoted		-	319,700
Quoted		482,120	551,207
Total		482,120	870,907
2.4 Financial Assets at FVTPL (Trading)			
Equity Securities	2.4.1	528,985	600,146
Unit Trust		-	19,338
		528,985	619,484
Total Investments		6,869,209	6,856,537
2.4.1 Financial Assets at FVTPL (Trading) - Equity			
Banks, Finance & Insurance			
Hatton National Bank PLC		24,413	4,726
Hatton National Bank PLC (Non Voting)		-	63,778
Seylan Bank PLC (Non Voting)		17,677	20,841
Union Bank of PLC		92,759	122,559
Diversified Holdings			
Expolanka Holdings PLC		20,790	-
Hemas Holdings PLC		78,885	84,070
John Keells Holdings PLC		130,818	140,596
Softlogic Holdings PLC		59,692	71,171
Land and Property			
Overseas Reality (Ceylon) PLC		-	2,320
Healthcare			
The Lanka Hospital Corporation PLC		4,095	-

As at 31st December

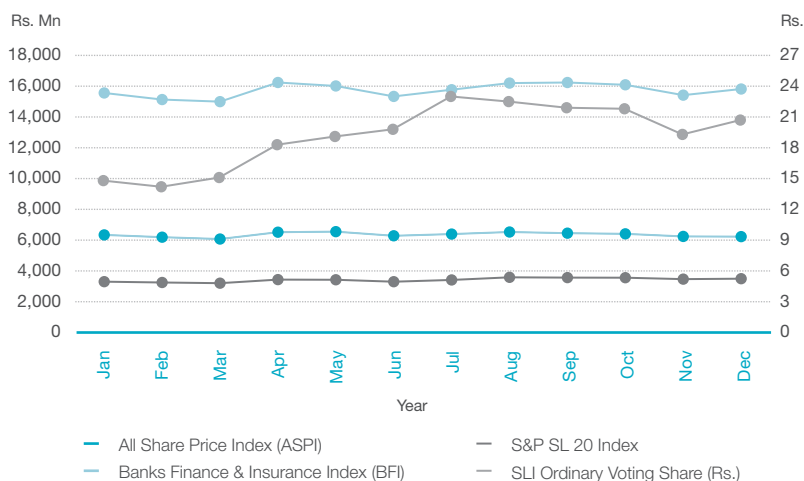
	Note	2016 Rs. '000	2015 Rs. '000
Power & Energy			
Panasian Power PLC		9,270	10,815
Telecommunications			
Dialog Axiata PLC		26,250	-
Manufacturing			
Kelani Cables PLC		2,327	-
Pirmal Glass Ceylon PLC		13,309	-
Tokyo Cement Company (Lanka) PLC		20,720	-
Teejay Lanka PLC		10,700	60,350
Chevron Lubricants Lanka PLC		17,281	18,920
Total		528,985	600,146
3. Reinsurance Receivables			
Reinsurance on Claims Paid		12,815	6,012
Reinsurance on Claims Outstanding		73,125	56,631
		85,940	62,643
4. Receivables and Other Assets			
Other Debtors and Receivables		174,247	119,375
Tax Recoverable		224,640	192,783
		398,887	312,159
5. Cash and Cash Equivalents			
Cash at Bank		232,087	190,685
		232,087	190,685
6. Employee Benefits			
Balance as at 1 January		28,267	25,725
Provisions made during the year		11,020	8,091
Actuarial Loss / (Gain) on Gratuity		13,304	(71)
Payments during the year		(599)	(5,478)
Balance as at 31st December		51,992	28,267
7. Other Liabilities			
Commission Payable		273,323	167,856
Current Account		1,161,708	499,027
Premium Deposits		85,849	81,928
Accruals		194,534	61,298
Other Payables		99,295	57,994
		1,814,709	868,103

SHAREHOLDER INFORMATION

STOCK EXCHANGE LISTING

Softlogic Life Insurance PLC (SLI) is a public quoted Company which has listed ordinary shares in Colombo Stock Exchange (CSE). SLI ordinary shares are effectively traded in Diri Savi Board of the Colombo Stock Exchange under the symbol of AAIC.N0000.

Performance of the Softlogic Life Insurance PLC's Ordinary Share in 2016

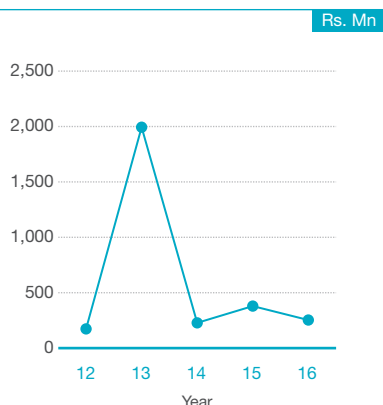


INFORMATION ON SHARE TRADING

No of Shares traded



Value of shares traded



SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

The Audited Income Statements for the year ended 31st December 2016 and the Audited Balance Sheets at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date. The interim financial statements were submitted within stipulated time lines.

STOCK MARKET PERFORMANCE

During 2016, the All Share Price Index (ASPI) dropped 9.7% whilst S&P SL20 index also declined by 3.6%. The equity market activity remained subdued throughout the year recording an average daily turnover of LKR 737 million (LKR 1,060 million in 2015). A significant drop in ASPI as well as S&P SL20 was witnessed in the first quarter of 2016 due to tax proposals taking a toll on investor confidence coupled with the fed rate hike initiated almost after a

decade in December 2015. A short lived upward trajectory in indices was witnessed in the month of April with the confirmation of the IMF Extended Fund Facility (IMF EFF) to Sri Lanka. Although a net foreign outflow of LKR 6.3 billion was recorded for the first half of 2016, renewed interest from foreign investors was observed in the backdrop of the receipt of IMF EFF that led to net foreign inflow of LKR 6.7 billion in the second half of 2016.

NAMES OF DIRECTORS

The names of persons who held the positions of Directors during the year are provided in the Annual Report of the Board of Directors on page 240.

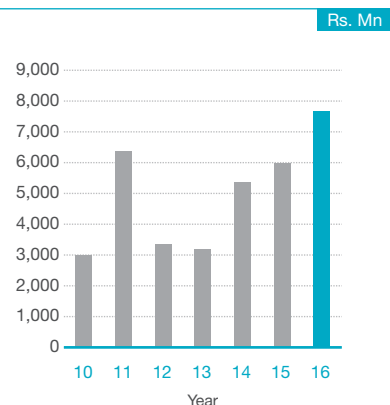
THE PRINCIPLE ACTIVITIES OF THE COMPANY

The principal activities of the company during the year are given in the Annual Report of the Board of Directors and Note 1.4 in accounting policies on page 263.

PERFORMANCE OF SOFTLOGIC LIFE SHARE

The Softlogic Life share has been well performed in stock market compared to previous year. This is due to the sustainable performance of the company. During the year 2016 the share reached a high of Rs. 23.90 (7th October) and a low of Rs. 12.20 (9th March). During the year Rs. 253.5 million worth shares traded, compared to 2015 it's a 33% decrease. The market capitalization of Softlogic Life share as at 31st December 2016 was Rs. 7,688 million which is 28% against Rs. 6,000 million reported in year 2015.

Market Capitalisation



The details relating to the performance of the share are given below.

	2016	2015
Market Value		
Highest Price (Rs.)	23.90	221.90
Lowest Price (Rs.)	12.20	15.90
Year-end price (Rs.)	20.50	16.00
Trading Statistics		
Number of shares traded (Rs. million)	13.14	7.29
Value of Shares traded (Rs. million)	253.55	379.31
Market Capitalisation - SLI (Rs. million)	7,688	6,000
Percentage of total market capitalisation (%)	0.28	0.20
Valuation Ratios		
Number of shares as at 31st December	375,000,000	375,000,000
Basic earnings per share (Continuing Operation) (Rs.)	2.58	2.65
Net Assets per share (Rs.)	5.23	5.50
Price per book Value (Times) - per share	3.92	2.91
Return on Equity (%)	48.05	44.80
Price Earnings Ratio (Times)	7.95	6.04
Earning yield (%)	12.59	16.56
Dividend per share (Rs.)	2.69	Nil
Dividend yield (%)	13.14	Nil

Basic Earnings per Share

Earnings per Share have decreased by 2.64% in 2016 compared to previous year as the company has recorded diminished profit. SLI has recorded Rs. 2.58 as EPS in 2016 whereas Rs. 2.65 in 2015.

Price Earnings Ratio

Price earnings ratio was 7.95 times in 2016 compared with 6.04 times recorded in previous year. There is a 31.62% increase in PER against 2016.

Free float

The CSE defines the free float of a company as the percentage of shareholders, excluding Directors shareholdings, who hold less than 3% stake in the company. According to this definition, the SLI free float is 2.77% (2015 - 2.77%).

SHAREHOLDER BASE

SLI has a diversified shareholder base, both geographically and in the ratio of private to institutional investors. The total number of shareholders decreased from 1,288 as at 31st December 2015 to 1,064 as at 31st December 2016. On 31st December 2016, SLI had 983 registered individual shareholders, representing 92.39% of the shareholders, 57.80% of the shareholders hold less than 1,000 shares. The vast majority of SLI's individual shareholders are residents of Sri Lanka. Institutional shareholders represent approximately 7.61% of SLI's ordinary share capital. The top twenty shareholders hold 98.89% of SLI's shares.

SHAREHOLDER INFORMATION

Distribution of Shareholders

No of Shares	As at 31st December 2016			As at 31st December 2015		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
1-1,000	615	211,637	0.06	628	248,832	0.06
1,001-10,000	333	1,352,703	0.36	479	2,008,503	0.54
10,001-100,000	98	2,924,251	0.78	163	4,614,396	1.23
100,001-1,000,000	13	4,459,919	1.19	14	3,695,454	0.99
1,000,001 & Over	5	366,051,490	97.61	4	364,432,815	97.18
Total	1,064	375,000,000	100.00	1,288	375,000,000	100.00

Shareholders' Categorised Summary Report (Resident & Non Resident)

No of Shares	Non Resident			Resident		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
1-1,000	6	2,310	0	609	209,327	0.06
1,001-10,000	1	10,000	0	332	1,342,703	0.36
10,001-100,000	2	43,514	0.01	96	2,880,737	0.77
100,001-1,000,000	0	-	-	13	4,459,919	1.19
1,000,001 & Over	3	144,118,680	38.43	2	221,932,810	59.18
Total	12	144,174,504	38.44	1,052	230,825,496	61.56

Composition of Shareholders

Table : Resident / Non Resident Distribution

Composition	As at 31st December 2016			As at 31st December 2015		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Resident	1052	230,825,496	61.56	1280	232,467,490	61.99
Non Resident	12	144,174,504	38.44	8	142,532,510	38.01
Total	1,064	375,000,000	100.00	1,288	375,000,000	100.00

Table: Individual / Institution Distribution

Composition	As at 31 December 2016			As at 31 December 2015		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Individual	983	5,803,930	1.55	1195	8,041,085	2.14
Institutional	81	369,196,070	98.45	93	366,958,915	97.86
Total	1,064	375,000,000	100.00	1,288	375,000,000	100.00
Public Shareholding	1,060	10,371,640	2.77	1,283	10,391,640	2.77
Total	1,060	10,371,640	2.77	1,283	10,391,640	2.77

Directors' Shareholding

Name	As at 31st December 2016		As at 31st December 2015	
	No of shares	%	No of shares	%
Mr. A. K. Pathirage (Chairman)	Nil	Nil	Nil	Nil
Mr. J. H. Paul Ratnayake (Deputy Chairman)	Nil	Nil	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	Nil	Nil	Nil	Nil
Mr. Ramal Jasinghe*	Nil	Nil	Nil	Nil
Mr. S. Rajapakse - Director	Nil	Nil	Nil	Nil
Mr. M. R. Abeywardena - Director	Nil	Nil	Nil	Nil
Mr. J. K. Mukhi - Director	Nil	Nil	Nil	Nil
Mr. J. W. H. Richters - Director	Nil	Nil	Nil	Nil

*Resigned w.e.f 03rd October 2016

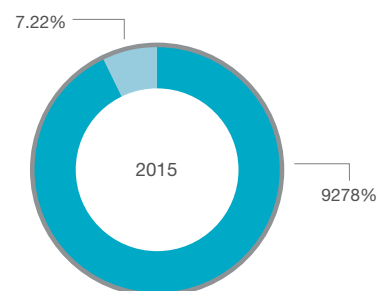
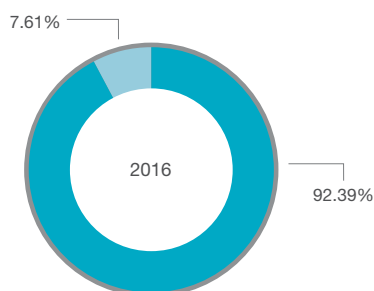
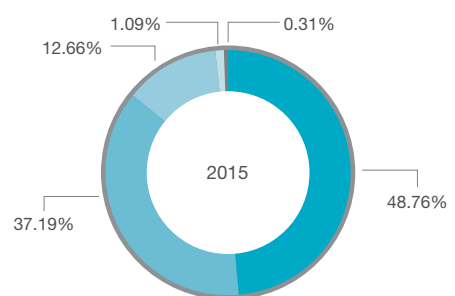
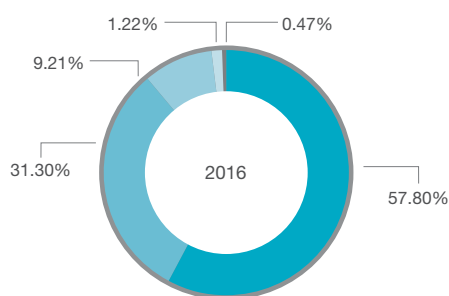
Twenty Largest Shareholders

Name of Share Holder	As at 31st December 2016	
	No of shares	%
Softlogic Capital PLC	221,952,810	59.19
HSBC Intl Nominees Ltd / State Street Munich c/o SSBT - DEG - Deutsche	71,250,000	19.00
Nederlandse Financierings - Maatschappij Voor Ontwikkelingslan	71,250,000	19.00
Sandwave Limited	1,618,680	0.43
Waldock Mackenzie Ltd / Mr. S.N.P.Palihena and Mrs. A.S.Palihena	1,000,000	0.27
Mr. Goonetilleke Gajath Chrysantha	775,000	0.21
Mr. Ananda Rajapaksha Rathnayaka Sarath	615,950	0.16
Citizens development business finance PLC / D.S.J .Wickramaratne and D.J.Wickramaratne	401,599	0.11
United Motors Lanka PLC	394,030	0.11
Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
People's Leasing & Finance PLC / Mr. D.M.P.Disanayake	200,004	0.05
Mr. Kumara Ganegoda Hitirachchige Sarath	200,000	0.05
Softlogic Holding PLC	175,550	0.05
Waldock Mackenzie Ltd / M.Z.M Wafik	156,190	0.04
Mrs. Hanifa Fathima Farzana	122,061	0.03
Mr. Mushtaq Mohamed Fuad	113,035	0.03
Mr. Kandededara Semasinghe Nawaratna Chandrasekara Wanninayaka Mudiyanseleage Bandara Chandrasekara	101,000	0.03
Union Investments Private LTD	100,000	0.03
Mr. Edgar Gunathunga	100,000	0.03
Ms. Galappatti Merennage Roshini Hasamali	100,000	0.03
	370,830,909	98.89
Other Shareholders	4,169,091	1.11
Total Shareholders	375,000,000	100.00

SHAREHOLDER INFORMATION

Name of Share Holder	As at 31st December 2015	
	No of shares	%
Softlogic Capital PLC	221,952,810	59.18
Nederlandse Financierings - Maatschappij Voor Ontwikkelingslan	71,250,000	19
HSBC Intl Nominees Ltd / State Street Munich c/o SSBT - DEG - Deutsche	71,250,000	19
Gajath Chrysantha Goonetilleke	775,500	0.21
Rajapaksha Rathnayaka Sarath Ananda	696,880	0.19
Pan Asia Bank PLC / V.P.K.A Palpita	372,227	0.1
Dandunna Arachchige Dasantha Primal	282,500	0.08
Global Sea Foods (Pvt) Ltd	210,000	0.06
Don Sujith Jayathu Wickramaratne	205,000	0.05
Nahimala Welegedara Senerath Bandara Ekanayaka	200,000	0.05
Waldock Mackenzie Ltd / M.Z.M Wafik	189,340	0.05
Softlogic Holdings PLC	175,550	0.05
First Capital Market Ltd/M.M.S Cooray	126,830	0.03
Waldock Mackenzie Ltd / G Soyza	125,000	0.03
Seylan Bank PLC / S.N.C.W.M Bandara Chandrasekara	125,000	0.03
Commercial Bank of Ceylon PLC / Rananjaya Holdings Pvt Ltd	110,000	0.03
Mushtaq Mohamed Fuad	101,630	0.03
Merchant Bank of Sri Lanka Ltd / Union Investment Ltd	100,000	0.03
Edgar Gunathunga	100,000	0.03
Merennage Roshini Hasamali Galappatti	100,000	0.03
	368,428,267	98.26
Other Shareholders	6,571,733	1.75
Total Shareholders	375,000,000	100.00

Graphicle Presentation of Shareholder Distribution



Compliance with contents of annual report as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Section 7.6 to the listing rules 2013 of the Colombo Stock Exchange includes the following information as compulsory for the listed entities to disclosure in the annual report.

Listing rule Number	Compliance Requirement	Detail / Reference	Compliance Status
7.6.i	Names of persons who during the financial year were Directors of the entity	The names of persons who held the position of Directors during the Financial year is given in the Annual Report of the Board of directors (refer page 240)	Complied
7.6.ii	Principal activities of the Company	The principal activities of the Company and its subsidiaries during the year are given in the Annual Report (refer page 263)	Complied
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	The 20 largest shareholders together with their shareholding as at 31st December 2016 is provided on "Shareholder Information" Section	Complied
7.6.iv	The public holding percentage	The details of the public shareholding are available on (refer page 370)	Complied
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	The statement of each Director's holding and Chief Executive Officer's holding in shares is available on (refer page 371)	Complied
7.6.vi	Information pertaining to material foreseeable risk factors of the entity	Information relating to material foreseeable risk factors is provided in the risk management section (refer Pages 338 to 354)	Complied
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity	The Company did not encounter any relating to employees and industrial relations during the year 2016	Complied
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	The details of Extents, Locations, valuations and the number of buildings of the Entity's land holdings and the investment properties given in the annual report (Refer page 296)	Complied
7.6.ix	Number of shares representing the entity's stated capital	Total number of shares is 375,000,000 which are ordinary shares with voting rights	Complied
7.6.x	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	The distribution schedule of the number of shareholders and the percentages of their total holdings in the given categories is provided on (Refer page 370)	Complied
7.6.xi	List of ratios and market price information	The list of applicable ratios and the market price information is provided in the "Shareholder Information" section	Complied
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	There were no significant changes in the entity's fixed assets and market value of lands assets and the market value of land, if the value differs substantially from the book value	Complied
7.6.xiii	If during the year the entity has raised funds either through a public issue, rights issue, and private placement	The Company did not raised funds to increase its Stated Capital during the year.	Complied
7.6.xiv	Employee Share Option Schemes and Employee Share Purchase Schemes	There is no 'Employee Share Ownership Scheme' in the Company.	Complied
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	The Disclosures relating to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c, and 7.10.6 c of Section 7 of the rules are given in the Corporate Governance Report (Refer page 182)	Complied
7.6.xvi	Details of investments in related party transactions.	There were no material transaction during the year with any related party of the company other than discloses (Refer page 360)	Complied

QUARTERLY ANALYSIS 2016 - GROUP

Statement of Comprehensive Income

	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar	Apr - Jun	July - Sep	Oct - Dec	
	2016	2016	2016	2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Continuing Operations					
Gross Written Premium	1,420,708	1,344,132	1,381,158	1,489,703	5,635,701
Net Change in Reserve for Unearned Premium	-	-	-	-	-
Gross Earned Premium	1,420,708	1,344,132	1,381,158	1,489,703	5,635,701
Premiums ceded to Reinsurers	(138,393)	(143,531)	(151,865)	(199,164)	(632,953)
Net Change in Reserve for Unearned Reinsurance Premium	-	-	-	-	-
Net Earned Premium	1,282,315	1,200,601	1,229,293	1,290,539	5,002,748
Other Revenue					
Finance income	171,916	148,212	166,137	213,905	700,170
Net Realized Gains/ (Losses)	17,002	11,257	45,270	(14,294)	59,235
Net Fair value Gains/(Losses)	(91,413)	10,746	38,325	(53,546)	(95,888)
Other operating revenue	-	-	-	88	88
	97,505	170,215	249,732	146,153	663,605
Total Net Income	1,379,820	1,370,816	1,479,025	1,436,692	5,666,353
Benefits, Claims & Expenses					
Net Insurance benefits and claims	(150,300)	(294,181)	(317,545)	(310,140)	(1,072,166)
Change in Insurance Contract liabilities - Life	(192,195)	(27,780)	15,221	82,931	287,685
Underwriting and net Acquisition Cost	(398,694)	(396,724)	(409,948)	(375,107)	(1,580,473)
Other Operating & Administration Expenses	(367,878)	(337,704)	(425,168)	(650,026)	(1,780,776)
Finance Cost	(3,600)	(2,086)	(11,765)	(50,359)	(67,810)
Other Expenses	(1,112,667)	(1,058,475)	(1,149,205)	(1,468,563)	(4,788,910)
Profit from Continuing Operations	267,153	312,341	329,820	(31,871)	877,443
Discontinued Operations					
Profit/(Loss) for the Period from Discontinued Operations (Net of Tax)	(51,820)	(72,967)	(181,224)	-	(306,011)
Gain on sale of Discontinued Operations	-	-	-	469,060	469,060
Profit before Tax	215,333	239,374	148,596	437,189	1,040,492
Income Tax Expense	(2,913)	(5,565)	4,149	-	(4,329)
Total Profit for the year	221,420	233,809	152,745	437,189	1,036,163

QUARTERLY ANALYSIS 2016 - COMPANY

Statement of Comprehensive Income

	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar	Apr - Jun	July - Sep	Oct - Dec	
	2016	2016	2016	2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	1,420,708	1,344,132	1,381,158	1,489,703	5,635,701
Net Change in Reserve for Unearned Premium	-	-	-	-	-
Gross Earned Premium	1,420,708	1,344,132	1,381,158	1,489,703	5,635,701
Premiums ceded to Reinsurers	(138,393)	(143,531)	(151,865)	(199,164)	(632,953)
Net Change in Reserve for Unearned Reinsurance Premium	-	-	-	-	-
Net Earned Premium	1,282,315	1,200,601	1,229,293	1,290,539	5,002,748
Other Revenue					
Finance income	171,916	148,212	166,137	213,905	700,170
Net Realized Gains/(Losses)	17,002	11,257	45,270	(14,294)	59,235
Net Fair value Gains/(Losses)	(91,413)	10,746	38,325	(53,546)	(95,888)
Other operating revenue	-	-	-	88	88
	97,505	170,215	249,732	146,153	663,605
Total Net Income	1,379,820	1,370,816	1,479,025	1,436,692	5,666,353
Benefits, Claims & Expenses					
Net Insurance benefits and claims	(150,300)	(294,181)	(317,545)	(310,140)	(1,072,166)
Change in Insurance Contract liabilities - Life	(192,195)	(27,780)	15,221	(82,931)	(287,685)
Underwriting and net Acquisition Cost	(398,694)	(396,724)	(409,948)	(375,107)	(1,580,473)
Other Operating & Administration Expenses	(367,878)	(337,704)	(425,168)	(650,026)	(1,780,776)
Finance Cost	(3,600)	(2,086)	(11,765)	(50,359)	(67,810)
Other Expenses	(1,112,667)	(1,058,475)	(1,149,205)	(1,468,563)	(4,788,910)
Profit from Continuing Operation	267,153	312,341	329,820	(31,871)	877,443
Profit from Discontinuing Operation	-	-	-	89,400	89,400
Income Tax Expense	-	-	-	-	-
Profit/(Loss) for the year	267,153	312,341	329,820	57,529	966,843

QUARTERLY ANALYSIS 2015 - GROUP

Statement of Comprehensive Income

	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar 2015	Apr - Jun 2015	July - Sep 2015	Oct - Dec 2015	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Continuing Operations					
Gross Written Premium	867,938	1,023,861	1,032,999	1,166,244	4,091,042
Gross Earned Premium	867,938	1,023,861	1,032,999	1,166,244	4,091,042
Premiums ceded to Reinsurers	(114,341)	(124,199)	(125,454)	(137,477)	(501,471)
Net Earned Premium	753,597	899,662	907,545	1,028,767	3,589,571
Other Revenue					
Finance income	151,624	129,045	140,390	200,024	621,083
Net Realized Gains/(Losses)	41,875	(1,028)	16,904	68,578	126,329
Net Fair value Gains/(Losses)	(84,324)	117,341	82,790	(35,293)	80,514
Other operating revenue	(1,517)	(70)	(51)	41,466	39,828
	107,658	245,288	240,033	274,775	867,754
Total Net Income	861,255	1,144,950	1,147,578	1,303,542	4,457,325
Benefits, Claims & Expenses					
Net Insurance benefits and claims	(90,207)	(91,731)	(119,313)	(132,481)	(433,732)
Change in Insurance Contract liabilities - Life	(129,710)	(459,156)	(401,265)	23,679	(966,452)
Underwriting and net Acquisition Cost	(205,648)	(243,923)	(268,658)	(274,343)	(992,572)
Other Operating & Administration Expenses	(178,823)	(289,784)	(286,411)	(291,652)	(1,046,670)
Finance Cost	(6,139)	(8,055)	(5,965)	(5,178)	(25,337)
Other Expenses	(610,527)	(1,092,649)	(1,081,612)	(679,975)	(3,464,763)
Profit for the Period from continuing Operations	250,728	52,301	65,966	623,567	992,562
Discontinued Operations					
Profit/(Loss) for the Period from Discontinued Operations (Net of Tax)	(50,466)	101	40,254	(58,142)	(68,253)
Profit for the Period	200,262	52,402	106,220	565,425	924,309

QUARTERLY ANALYSIS 2015 - COMPANY

Statement of Comprehensive Income

	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar	Apr - Jun	July - Sep	Oct - Dec	
	2015	2015	2015	2015	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	867,938	1,023,861	1,032,999	1,166,244	4,091,042
Gross Earned Premium	867,938	1,023,861	1,032,999	1,166,244	4,091,042
Premiums ceded to Reinsurers	(114,341)	(124,199)	(125,454)	(137,477)	(501,471)
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Other Operating & Administration Expenses	(178,823)	(289,784)	(286,411)	(291,652)	(1,046,670)
Finance Cost	(6,139)	(8,055)	(5,965)	(5,178)	(25,337)
Other Expenses	(610,527)	(1,092,649)	(1,081,612)	(679,975)	(3,464,763)
Profit/(Loss) Before Tax	250,728	52,301	65,966	623,567	992,562
Income tax expense	-	-	-	-	-
Profit/(Loss) for the year	250,728	52,301	65,966	623,567	992,562

DECADE AT A GLANCE - FINANCIAL PERFORMANCE

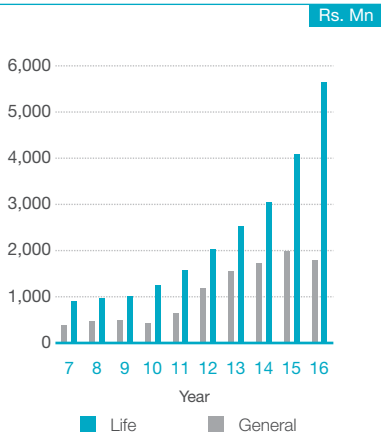
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Life Insurance Income Statement										
Gross Written Premium	5,635,701	4,091,042	3,048,148	2,520,283	2,034,084	1,579,191	1,242,608	1,009,031	970,077	890,793
Net Earned Premium	5,002,748	3,589,571	2,816,593	2,138,666	1,707,103	1,321,556	1,037,936	843,499	811,449	742,835
Other Revenue	753,005	867,754	1,477,322	709,271	347,434	255,891	412,081	311,527	173,898	122,487
Net Income	5,755,753	4,457,325	4,293,915	2,847,937	2,054,537	1,577,447	1,450,017	1,155,026	985,347	865,322
Net Insurance Benefits & Claims	(1,072,166)	(433,732)	(312,491)	(214,101)	(143,116)	(123,547)	(103,076)	(87,529)	(48,902)	(38,942)
Net Acquisition Cost	(1,580,473)	(992,572)	(714,531)	(603,629)	(509,727)	(291,226)	(247,791)	(165,536)	(155,619)	(164,653)
Expenses	(1,848,586)	(1,072,007)	(1,173,695)	(754,513)	(694,476)	(539,018)	(476,583)	(350,534)	(305,249)	(233,125)
Operating Surplus before Transfer to Insurance Provision - Life										
Insurance Provision - Life	1,254,528	1,959,014	2,093,198	1,275,694	707,218	623,656	622,567	551,427	475,577	428,602
Transfer to Insurance Provision - Life	(287,685)	(966,452)	(1,253,098)	(842,119)	(551,339)	(423,656)	(368,957)	(356,427)	(315,577)	(313,361)
Transfer from / (to) Shareholder's Fund	-	-	-	(300,000)	(155,879)	(200,000)	(253,610)	(195,000)	(160,000)	(115,241)
Profit for the year	966,843	992,562	840,100	133,575	-	-	-	-	-	-
General Insurance Income Statement										
Gross Written Premium	1,784,967	1,977,003	1,725,147	1,556,386	1,190,392	628,163	430,666	496,749	459,771	383,590
Net Earned Premium	1,362,405	1,597,790	1,323,474	1,101,693	685,392	347,578	277,860	312,552	243,614	207,089
Other Revenue	(2,398)	196,469	485,055	287,293	118,742	(266,134)	288,690	87,279	59,214	33,630
Net Income	1,360,007	1,794,259	1,808,529	1,388,986	804,134	81,443	566,550	399,831	302,828	240,719
Net Insurance benefits & claims	(993,806)	(1,195,426)	(1,236,170)	(910,324)	(516,685)	(271,300)	(246,348)	(275,552)	(183,734)	(151,867)
Net Commission	-	-	(122,488)	(128,007)	(92,138)	(34,087)	(21,133)	(7,805)	5,604	30,621
Net Deferred Acquisition Cost	(199,471)	(156,540)	3,694	19,936	28,956	8,129	4,400	15,881	4,723	(1,827)
Expenses	(472,741)	(541,390)	(528,716)	(410,027)	(305,445)	(178,510)	(186,503)	(180,248)	(158,275)	(118,453)
Profit / (Loss) for the Year	(306,011)	(99,097)	(75,151)	(39,436)	(81,178)	(394,324)	116,966	(47,893)	(28,854)	(807)
Group Income Statement										
Gross Written Premium	7,420,668	6,053,425	4,773,295	4,076,669	3,224,476	2,207,354	1,673,274	1,505,780	1,429,848	1,274,383
Net Profit / (Loss) Before Taxation	1,040,492	893,465	764,949	394,137	74,700	(194,509)	370,576	147,107	131,146	114,434
Taxation	(4,329)	30,844	(12,838)	(31,802)	(1,410)	(3,721)	(2,568)	(2,329)	4,258	(1,138)
Net Profit / (Loss) After Taxation	1,036,163	924,309	752,111	362,335	73,290	(198,230)	368,008	144,778	135,404	113,296

DECADE AT A GLANCE - FINANCIAL POSITION

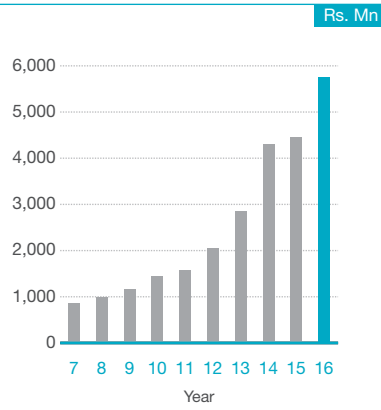
	Company									
	(Restated)		2014	2013	2012	2011	2010	2009	2008	2007
	2016	2015								
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets										
Intangible Assets	13,236	21,982	31,493	-	-	-	-	-	-	-
Property Plant & Equipment	485,014	427,519	377,875	158,041	116,104	96,365	79,818	65,564	54,136	33,948
Investments in Subsidiary		800,000	100,000							
Financial Investments	8,218,287	7,744,020	8,464,071	6,242,871	4,831,034	3,985,799	3,821,611	2,314,576	1,787,010	1,457,673
Investment Property		-	-	-	-	-	36,750			
Loans to Life Policy holders and Others	162,448	143,640	133,846	107,089	81,398	60,187	45,879	31,453	13,915	6,655
Reinsurance Receivables	85,940	62,643	159,712	144,058	110,070	64,593	99,937	41,041	45,940	283,975
Premium Receivables	92,318	67,274	460,196	464,453	379,720	189,998	102,611	74,517	105,926	78,078
Amounts due from Related Companies		634	2,044	259	-	-	-	-	-	-
Other Assets	627,810	354,790	341,022	166,855	138,951	155,201	139,089	152,872	103,291	57,251
Deferred Acquisition Costs			100,956	89,304	68,192	39,298	25,567	-	-	-
Cash & Cash Equivalents	232,554	192,118	130,255	102,228	103,637	55,192	62,438	52,140	30,507	21,713
Total Assets	9,917,607	9,814,620	10,301,470	7,475,158	5,829,106	4,646,633	4,413,700	2,732,163	2,140,725	1,939,293
Equity and Liabilities										
Equity & Reserves										
Stated Capital	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	1,062,500	250,000	250,000	250,000
Other Reserves	(1,323,610)	(470,220)	455,472	114,663	104,477	230,852	160,128	-	-	-
Retained Earnings	2,223,276	1,469,737	853,022	654,531	294,526	121,548	518,825	267,540	154,060	18,656
Total Equity & Reserves	1,962,166	2,062,017	2,370,994	1,831,694	1,461,503	1,414,900	1,741,453	517,540	404,060	268,656
Liabilities										
Insurance Contract Liabilities - Life	6,935,047	6,568,532	5,223,695	3,938,030	3,055,723	2,353,008	1,929,352	1,560,395	1,203,968	888,391
Insurance Contract Liabilities - General		-	1,138,694	921,221	681,514	392,777	275,668	275,602	246,139	431,004
Employee Benefits	73,436	45,796	53,028	46,154	34,398	27,863	22,738	14,653	10,871	9,213
Reinsurance Payables	139,262	92,972	131,308	137,583	77,974	98,273	81,695	87,192	55,654	91,923
Deferred Revenue	-	-	25,779	17,820	16,680	16,712	11,105	-	-	-
Amounts due to Related Companies	27,621	31,603		24	39,988	-	47,499	12,362	2,976	1,884
Other Liabilities	648,609	382,736	872,204	398,032	374,592	331,510	299,948	248,007	206,877	248,222
Current Tax Liabilities	-	-	11,980	15,537	-	-	-	-	-	-
Short Term Borrowings	-	269,700	154,483	50,000	-	-	-	-	-	-
Bank overdrafts	131,466	361,264	319,305	119,063	86,734	11,590	4,242	16,412	10,180	-
Total Liabilities	7,955,441	7,752,603	7,930,476	5,643,464	4,367,603	3,231,733	2,672,247	2,214,623	1,736,665	1,670,637
Total Equity and Liabilities	9,917,607	9,814,620	10,301,470	7,475,158	5,829,106	4,646,633	4,413,700	2,732,163	2,140,725	1,939,293

GRAPHICAL PRESENTATION OF A DECADE

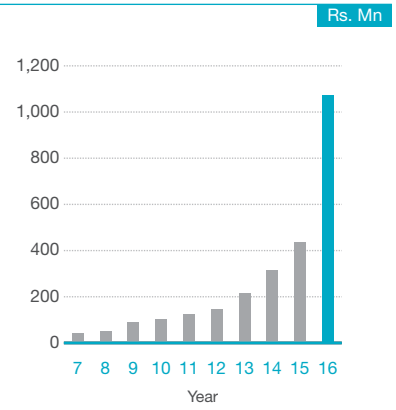
GWP Life & General



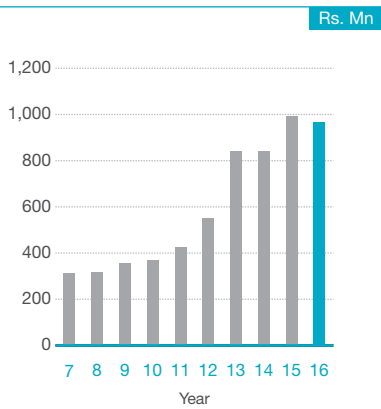
Net Income - Company



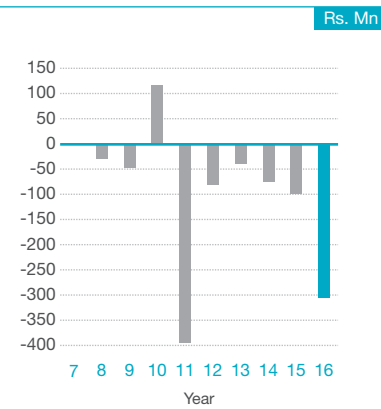
Net Claims - Life



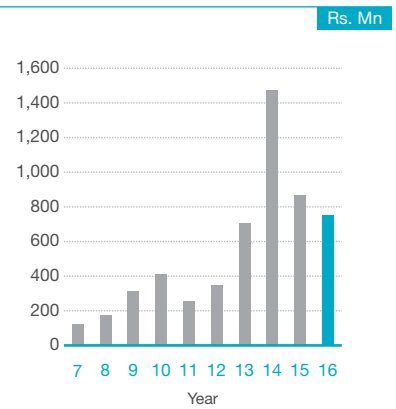
Profit After Tax - Company



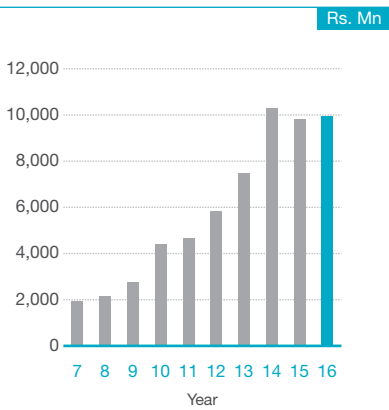
Profit After Tax - General



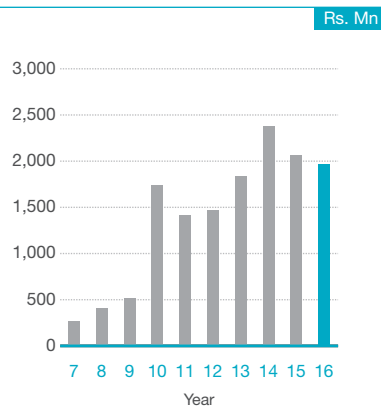
Investment and Other Income



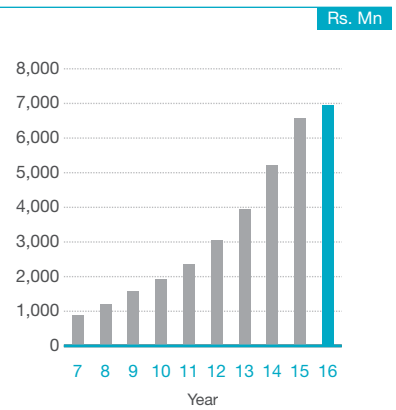
Total Assets



Net Assets



Life Fund



GLOSSARY OF INSURANCE TERMS

Aa

Accumulation

The situation where a significant number of risks insured or reinsured with the same Company may be affected simultaneously by a loss event.

Acquisition Expenses

All expenses, which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts (eg: commissions)

Actuarial Valuation

A determination by an actuary at a specific date of the value of a Life Insurance Company's assets and its liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

Administrative Expenses

Costs of an administrative nature including those arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible Assets

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

Annual Basis of Accounting

A basis of accounting for General insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Annuity

A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an annuitant. A life annuity is a contract that provides a regular payment typically monthly during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity

Approved Asset

Assets that represent the technical reserve and the long - term insurance fund as per determination made under the RII Act, No.43 of 2000.

Assessor

Professional employed by an insured to look after his interest in a loss settlement

Assured

Assured means the same as insured but is more commonly used in life insurance / insurance and marine insurance.

Bb

Beneficiary

A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Bonus

Bonus is a method of distribution of surplus amongst the participating policyholders of a Life Insurance Company. A bonus is an enhancement to the basic sum assured under a contract, and is declared as a percentage of the sum assured.

Broker

A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

Cc

Cedent

Insurer who cedes business under a reinsurance agreement (Client of reinsurance Company)

Claim Outstanding - Life Insurance Business

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

Claim Ratio (Net loss ratio)
Net claims incurred

Net Earned Premium

Claims

The amount payable under a contract of insurance arising from the occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.

Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.

Claims Incurred But not Reported (IBNR)

A reserve to cover the expected cost of losses that have occurred by the reporting date but have not yet been reported to the insurer.

Claims Outstanding - General

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

GLOSSARY OF INSURANCE TERMS

Clause

A section of a policy contract or endorsement dealing with a particular subject.

Co-insurance

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

Commission

The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Consequential Loss

A loss directly arising from another loss.

Contribution

If more than one insurance has been effected on the same risk, insurers share the loss. Not applicable to Life and Personal Accident insurances.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cover Note

Temporary written evidence of insurance cover

Credit Life Insurance- (Decreasing Term Assurance Policy (DTAP))

Term Life Insurance issued through a lender or lending agency to cover payment of a loan, instalment purchase or other obligation, in case of death

Credit Risk

The potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

Cyclone, Storm, Tempest

Violent commotion of the atmosphere accompanied by rain, hail or snow

Dd

Deductible

An American word, now widely used. The first part of a loss (generally quite sizeable) carried by the insured in exchange for a reduction in premium.

Deferred Acquisition Expenses/ Deferred Acquisition Expense Reserve

Expenses, which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the reporting date.

Deferred Expenses / Deferred Revenue

The Company recognised Deferred expenses (acquisition cost) and Deferred Revenue (Reinsurance Commission) under General insurance Asset and Liability.

Ee

Earned Premium

Written premium adjusted by the unearned premium reserve at the beginning and end of the accounting period.

Earnings Per Share (EPS)

Profits of the Company after tax and after the transfer to Life Fund divided by the number of issued ordinary shares.

Net Profit after Tax

Weighted Average No of Shares

Earthquake

A sudden violent shaking of the ground, caused by movements within the earth's crust.

Embedded Value

The combination of the present value of the future profits of the existing book of business and net assets.

Endorsement

A clause appended or affixed to the policy embodying some alteration to the policy terms or documentary evidence of a change to the risk insured (new car, change of address, increase in sum insured, etc) sometimes carries an additional or a return premium.

Endowment

Life insurance payable to the policyholder if living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Excess

That part of a loss for which the insured is liable.

Exclusion

A contractual provision that denies coverage for certain perils, persons, property or location.

Ex-Gratia Payment

A payment made to an insured where there is no liability to pay under the terms of the policy. In some cases an insurer may feel there has been a mistake or a misunderstanding and it may pay claim, even though he does not appear to be liable.

Explosion

The sudden and violent rendering of any object by force of internal steam or other fluid pressure causing bodily displacement of any part of such object, together with forcible ejection of any contents.

Ff

Facultative Reinsurance

Oldest form of reinsurance. This is the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specifically for that risk. Particulars of each risk are submitted by the ceding Company to the reinsurer who may accept or decline at will. This is useful when dealing with risks outside the ceding Company's treaty arrangements.

Financial Risk

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 prices 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.

Flood Insurance

Insurance against damage caused by the escape of water from the normal confines of any natural or artificial water course (other than water tanks, apparatus or pipes) or lake, reservoir, canal or dam

Gg

Gross Claims Reserve - General Insurance

The amount provided, including claims incurred but not reported and claim handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.

Gross Written Premium - Life

Premium to which the insurer is contractually entitled and received in the accounting period.

Gross Written Premium - General Insurance

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.

Gross/Net

The terms gross and net mean before and after deduction of the portion attributable to business ceded in reinsurance. Instead of "net," the term "for own account" is sometimes used.

Hh

Healthcare

An insurance contract which provides medical coverage to a policyholder.

li

Indemnity

Basic object of insurance. Seeks to put insured in same financial position after loss as he/she was in immediately before that loss (Not applicable to Life Insurance)

Insurance Contract

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay to the other party the insured sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Liabilities - General

This comprises the gross claims reserve, unearned premium reserve net of re-insurance and the deferred acquisition expenses.

Insurance Provision - Long Term

The fund or funds to be maintained by an insurer in respect of its Long Term Insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

Insurance Risk

The risk of loss due to actual experience being different than that assumed when an insurance product was designed and priced. Insurance risk exists in all our insurance businesses, including annuities and life, accident and sickness, and creditor insurance, as well as our reinsurance business.

Insurance Risk

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or, the time when claims payments will fall due.

Interim Payments

Periodic payments to the policyholders on a specific type of policy

Investment Contract

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance

LI

Lapsed Policy

A policy terminated at the end of the grace period because of non-payment of premiums.

Liability Adequacy Test

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

Life Fund

Net Assets kept to meet the obligation towards Life Policyholders.

Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as Long Term Insurance Business under the Regulation of Insurance Industry Act No. 43 of 2000.

Life Surplus

The excess of the assets over the liabilities as determined by the actuary (taking into account solvency requirements) and after distribution of dividends to policyholders.

Loss Adjuster

An independent qualified person, used by insurers to settle large or difficult losses. The insured is free to employ his own professional help (called Loss Assessor)

Mm

Malicious Damage

Unlawful damage caused by the malicious act of any person motivated by ill-will in circumstances not amounting to a riot.

Market Risk

The potential for a negative impact on the statement of financial position and/ or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

Maturity

The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.

GLOSSARY OF INSURANCE TERMS

Minimum Capital Required (MCR)

The statutory absolute minimum capital that is required to be maintained by insurers at all times. Whenever MCR falls below a pre-specified level, an appropriate supervisory action may be initiated.

Mortality

The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

Nn

Net Asset Value

The value of all tangible and intangible assets of a company minus its liabilities. It reflects a company's fundamental value.

Net Asset Value per share (NAV)

Net Assets

No. of Ordinary Shares

Net Claims Incurred

Claims incurred less reinsurance recoveries.

Net Combined Ratio (Formula)

Net Claims Incurred + Other Expenses

Net Earned Premium

Net Combined Ratio-General

This ratio indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

Net Earned Premium

Gross premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

Net Expense Ratio-General

A formula used by insurance companies

to relate income to acquisition and administrative expenses (e.g. commissions, taxes, staff, selling and operating expenses).

Reinsurance Commission (net of acquisition expenses) and Expenses

Excluding non-technical expenses

Net earned premium

Net Loss Ratio-General

A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reinsurances).

Net Written Premium

Gross written premium less reinsurance premium payable.

General Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as General Insurance Business, under the Regulation of Insurance Industry Act No. 43 of 2000

Non-medical Limit

The maximum face value of a policy that a given Company will issue without the applicant taking a medical examination.

Non-participating Business

Life Insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

Non-proportional Reinsurance

Under this form of reinsurance, the reinsurer assumes payment of the primary insurer's loss above a defined amount. The calculation of the reinsurance premium is based on claims experience with the type of business concerned

Oo

Operational Risk

The potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

Pp

Participating Business

Life Insurance business where the policy holders are contractually entitled to share in the surplus of the relevant life fund.

Policy

The printed document issued to the policyholder by the Company stating the terms of the insurance contract.

Policy Loan

Under an insurance policy, the amount that can be borrowed on the security of the surrender value of a Life Insurance policy at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance Company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

Portfolio Transfer

Amounts payable in respect of the transfer between a cedent and a reinsurer of the liability under reinsurance contract for premium expiring after a fixed date or on claims incurred prior to a fixed date, normally the date on which the contract commences or ends

Premium

The payment or one of the regular periodic payments, that a policyholder makes to own an insurance policy.

Price Earning Ratio

Market price of a share divided by earnings per share.

Market price per share

Earning per share

Primary Insurers

Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Profit Commission

Commission received from the reinsurer based on the net profit of the reinsurer as defined in the agreement between the insurer and reinsurer

Proportional Reinsurance

Form of reinsurance in which the sum insured written by the primary insurer is divided proportionally between the primary insurer and the reinsurer, and the reinsurer is allocated a corresponding share of the premiums and claims.

Proposal Form

Pre-printed form which seeks to identify all relevant questions for a particular type of insurance

Rr

Reinsurance

Transfer of all or part of the risk assumed by an insurer under one or more insurances to another insurer, called the reinsurer

Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

Reinsurance Inwards

The acceptance of risks under a contract of reinsurance.

Reinsurance Outwards

The placing of risks under a contract of reinsurance.

Reinsurance Premium

The premium payable to the reinsurer. Reinsurance is an arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance Profit Commission

Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty

Retention

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

Retrocession

The reinsurance outwards of risks previously accepted by an insurer as reinsurance inwards. The recipient is known as the retrocessionaire.

Revenue Account

An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

Rider

An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

Risk Based Capital (RBC)

Amount of required capital that the insurance company must maintain based on the inherent risks in the insurer's operations. These risks include Asset Depreciation Risk, Credit Receivables Risk, Underwriting Risk and Off-Balance-Sheet Risk.

Risk Based Capital Required (RCR)

Measures the required capital as per the proposed RBC framework.

Risk-based Capital Adequacy Ratio (CAR)

Measures the adequacy of Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk Based Capital Required (RCR).

RCAR, expressed as a percentage, is computed for long-term and General insurers as follows:

$$RCAR = (\text{Total Available Capital} / \text{Risk Based Capital Required}) * 100$$

Ss

Salvage

Whatever is recovered of an insured item (or part of it) on which a claim has been paid.

Schedule

Part of the policy which records the specific details of the contract.

Segment

Constituent business units grouped in terms of nature and similarity of operations.

Solvency margin - Life

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on Life insurance business (Long Term Insurance) as defined in Solvency Margin (Long Term Insurance) Rules, 2002 made under section 26 of the Regulation of insurance Industry Act No. 43 of 2000.

Solvency Margin - General

The solvency margin is the difference between the value of the admissible assets and the value of the liabilities, required to be maintained by any insurer who carries on General insurance business. The minimum required solvency margin shall not be less than highest of the following:

- (a) Rs. 50 million; or
- (b) A sum equivalent to 20 % of net written premium; or
- (c) A sum equivalent to 40% of the average net outstanding claims for the three years immediately preceding the current year.

Surplus

The excess of assets held by the Company after deducting the actuarial liability and the provision for margin of solvency as determined by the actuary at the actuarial valuation.

Surrender

Termination of an insurance policy by the insured before the expiry of its term (more common in Life insurance).

Surrender Value

The sum payable by an insurance Company upon the surrender of a Life insurance policy before it has run its full course.

GLOSSARY OF INSURANCE TERMS

Tt

Technical Reserve

This comprises of the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

Third party Cover

The insurer indemnifies the insured against the legal liabilities to third parties (other than employees of insured) for bodily injury and/ or third party property damage arising from the insured 'activities.

Title Insurance

Insurance which indemnifies the owner of real estate in the event his/her clear ownership of property is challenged by the discovery of faults in the title that was passed to him.

Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

Uu

Underinsurance

Insurance where the sum insured is less than the full value at risk and would not be adequate to meet a total loss.

Underwriter

Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of a insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

Underwriting

The process of classifying applicants for insurance by identifying such characteristics as age, sex, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk. The process includes rejection of unacceptable risks.

Underwriting Profit

This is the profit generated purely from the General insurance business without taking into account the investment income and other non-technical income and expenses (No. 32 and No. 33).

Unearned Premium

The portion of premiums already taken into account but which relates to a period of risk subsequent to the reporting date.

Unexpired Risk Reserve

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred)

Vv

Vanishing Premium Concept

Policies which require premium payments for a years and thereafter the policy "paid for itself" out of interest earnings.

Ww

Written premium - Life Insurance Business

Premiums to which the insurer is contractually entitled and received in the accounting period. A person concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

Written Premium - General Insurance Business

Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. Under the annual basis of accounting, these are premiums on contracts entered into during the accounting period and adjustments arising in the accounting period to premiums receivable in respect of contracts entered into in prior accounting periods.

CORPORATE INFORMATION

GENERAL

Name of the Company

Softlogic Life Insurance PLC (Formerly known as Asian Alliance Insurance PLC)

Legal Form

A Public Limited Liability Company Incorporated and domiciled in Sri Lanka in 1999 and registered under Companies Act No. 7 of 2007. The Company regulated under the Insurance Act No 43 of 2000 and amendments thereto.

Company Registration Number

PQ 31

Tax Payer Identification Number (TIN)

134008202

Principal Activities

Life Insurance Business

VAT Registration Number

134008202 - 7000

Stock Exchange Listing

The Ordinary Shares of the Company are listed on the Diri savi Board of the Colombo Stock Exchange. Stock Exchange code for the Company share is "AALC"

Accounting Year End

31st December

Board of Directors

Ashok Pathirage - Chairman - Non Executive Director

J. H Paul Ratnayake - Deputy Chairman - Independent Non-Executive Director

T. M. Iftikar Ahamed - Managing Director

Sujeewa Rajapakse - Independent Non - Executive Director

Mohan Ray Abeywardena - Independent Non-Executive Director

Jatinder K. Mukhi - Independent Non - Executive Director

Johannes W. H. Richters - Independent Non-Executive Director

Executive Committee

T. M. Iftikar Ahamed - Managing Director

Chula Hettiarachchi - Chief Operating Officer

Thilanka Kiriporuwa - Chief Corporate Services Officer

BOARD SUB COMMITTEES

Board Audit Committee

Sujeewa Rajapakse - Chairman - Independent Non - Executive Director

Mohan Ray Abeywardena

Jatinder K. Mukhi

Johannes W. H. Richters

Board HR & Remuneration Committee

Ashok Pathirage - Chairman - Non Executive Director

Mohan Ray Abeywardena

J. H Paul Ratnayake

Sujeewa Rajapakse

Board Risk Committee

Jatinder K. Mukhi - Chairman - Independent Non - Executive Director

T. M. Iftikar Ahamed

Johannes W. H. Richters

Board Nomination Committee

Ashok Pathirage - Chairman - Non Executive Director

J. H Paul Ratnayake

Mohan Ray Abeywardena

Board Investment Committee

Ashok Pathirage - Chairman - Non Executive Director

T. M. Iftikar Ahamed

Sujeewa Rajapakse

Jatinder K. Mukhi

Johannes W. H. Richters

Board Related Party Transactions Review Committee

Sujeewa Rajapakse - Chairman - Non Executive Director

Jatinder K. Mukhi

Johannes W. H. Richters

Registered office and Principle Place of Business

Softlogic Life, Head Office, No. 283, R. A. De Mel Mawatha, Colombo 03, Sri Lanka

Telephone :

Internet : www.softlogiclife.com

Email : info@softlogiclife.lk

Consultant Actuaries

Life Insurance

Messrs. Wills Towers Watson India Private Limited

Gratuity

Actuarial and Management Consultants (Pvt) Ltd., 1st Floor, No. 434, R. A. De Mel Mawatha, Colombo 03.

Auditors

Messrs. KPMG (Chartered Accountants) PO Box 186, No. 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03.

Secretaries

P. R. Secretarial Services (Pvt) Ltd No 59, Gregory's Road, Colombo 07.

Principal Officer

Mr. H. C. Hettiarachchi

Specified Officer

Mr. P. H. L. N. Wimalaratne

Compliance Officer

Rosheni Wickramaratne

Lawyers

Paul Rathnayake Associates

Bankers

Sampath Bank PLC

People's Bank

Hong Kong & Shanghai Banking Corporation Ltd

Pan Asia Banking Corporation PLC

Commercial Bank Ceylon PLC

Nations Trust Bank PLC

Deutsche Bank AG

National Development Bank PLC

Reinsurance Panel

Munich Reinsurance Company RGA

For any clarification on this regard please write to;

The Chief Financial Officer No. 283, R. A. De Mel Mawatha, Colombo 03, Sri Lanka

Telephone +94 11 2315555

Fax +94 11 2372937

E Mail : dilan.christostom@softlogiclife.lk

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NOTES

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A large rectangular area with rounded corners, outlined in light blue, containing numerous horizontal dotted lines for text entry.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on 31st March 2017 at 10.00 a.m. at the 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10

AGENDA

1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2016 and the Report of the Auditors thereon.
2. To re-elect Mr. Sujeewa Rajapakse who retires by rotation in terms of Articles 98 of the Articles of Association of the Company as a Director of the Company
3. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration
4. To transact any other business of due which due notice has been given

BY ORDER OF THE BOARD OF DIRECTORS OF
SOFTLOGIC LIFE INSURANCE PLC

(Sgd.)

P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED

Secretaries

At Colombo, this 09th March 2017

Note:

- A Member entitled to attend and vote at the meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- A Proxy need not be a Member of the Company.
- A Member wishing to vote by Proxy at the meeting may use the Form of Proxy form enclosed.
- Any member or Proxy holder attending the meeting is kindly requested to bring this report.
- The completed Form of Proxy should also be deposited at P. R. Secretarial Services (Pvt) Ltd, No. 59, Srimath R. G. Senanayaka Mawatha (Gregory's Road), Colombo 07 not less than forty eight (48) hours before the time appointed for holding of the meeting.
- For security reasons, Members. Proxy holders are kindly advised to bring along with them their National Identity Card or similar for of acceptance identity when attending the meeting.

FORM OF PROXY

I/We
of
being a Member / Member* of the above named Company, hereby appoint
of failing him / her.

- | | | |
|----|--------------------------|----------------|
| 1. | Mr. Asoka K. Pathirage | or failing him |
| 2. | Mr. J. H. P. Ratnayeke | or failing him |
| 3. | Mr. T. M. Iftikar Ahamed | or failing him |
| 4. | Mr. Sujeewa Rajapakse | or failing him |
| 5. | Mr. M. Ray Abeywardena | or failing him |
| 6. | Mr. J. W. H. Richters | or failing him |
| 7. | Mr. J. K. Mukhi | |

As my / our* Proxy to represent me / us* and vote and speak for me / us* on my / our* behalf at the 18th Annual General Meeting of Softlogic Life Insurance Plc to be held on 31st March 2017 at 10.00 a.m. at the 4th Floor, Central Hospital (Private) Limited, No. 114, Norris Canal Road, Colombo 10 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

I / WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	Against
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2016 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Sujeewa Rajapakse who retires by rotation in terms of Articles 98 of the Articles of Association of the Company as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4. To transact any other business of due which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2017.

.....
Signature of shareholder

Note:

- (i) Please delete the inappropriate words.
- (ii) Instructions for completion of Proxy are noted below.
- (iii) A Proxy need not be a member of the Company.
- (iv) Please mark 'X' in appropriate cages, to indicate your instructions as to voting.

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name, National Identity Card/Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be deposited P.R. Secretarial Services (Pvt) Ltd, No.59, Srimath R. G. Senanayaka Mawatha (Gregory's Road), Colombo 07 not less than 48 hours before the time appointed for the holding of the meeting.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

INVESTOR FEEDBACK FORM

To request information to submit a comment / query to the company, please provide the following details and return this page to -

Head of Finance
Softlogic Life Insurance PLC
No. 283,
R. A. De Mel Mawatha,
Colombo 3
Sri Lanka.

T - +94 (11) 2315769 (Direct)
 +94 (11) 2315555 Ext 5769
F - +94 (11) 2372937

Email : nuwan.withanage@softlogiclif.lk

Name :

Permanent Mailing Address :
.....

Contact Number/s :

Tel :

Fax :

E-Mail :

Name of Company :
(If Applicable)

Designation (If Applicable) :

Company Address :
(If Applicable)

:

Queries / Comments

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STAKEHOLDER FEEDBACK FORM

Your opinion matters. Please share your views with us.

Which stakeholder groups do you belong to?
(You may tick more than one)

- Employee
- Shareholder
- Investor
- Customer
- Community

Does the report address issues of greatest interest to you?

- Comprehensively
- Partially
- Not at all

Please identify any additional issues that you think should be reported on:

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Do you have any additional comments on the report - or on Softlogic Life's performance in general?

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Please tick here if we may include your comments in any future reports?

- Yes
- No

Would you like to be consulted when we prepare our next sustainability report?

- Yes
- No

Your name, email address and/or other contact details

.....

.....

.....

.....

.....

Contact details

Head of Finance
Softlogic Life Insurance PLC
Address: No. 283,
R. A. De Mel Mawatha,
Colombo 3,
Sri Lanka.
Tel: +94 11 2315769
Email: nuwan.withanage@softlogiclife.lk



SOFTLOGIC LIFE INSURANCE PLC
283, R.A De Mel Mawatha, Colombo 3.

www.softlogiclifelk.com