

SPIRITED



1st

TIME IN SRI LANKA



VIDEO VERSION OF OUR ANNUAL REPORT

Scan the code to view Sri Lanka's first ever annual report in a video format.

<https://www.youtube.com/watch?v=5BrFSPGMfQ0&index=1>



IFRS 17 IN FIVE MINUTES

Scan the code to understand IFRS 17 in five minutes - the most significant accounting standard for the insurance industry from 2021.

<https://www.youtube.com/watch?v=ixegF0gkaWM&index=2>

VISION

To revolutionise insurance in Sri Lanka through world-class innovations and deliver extraordinary stakeholder value

MISSION

We exist to nurture your wellbeing, so you can enjoy life today

VALUES

- ◆ **Caring** for you every step of the way as a partner for life
- ◆ Never leaving space to compromise on our **authenticity**
- ◆ Being **courageous** to challenge the status quo to give customers the best solution
- ◆ Nurturing the spirit of **innovation** to upgrade customer life style
- ◆ We Bring together world-class solutions to **simplify** the customer's life



ONLINE REFERENCES:

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 : <http://www.softlogiclifelk/>

SPIRITED

At Softlogic Life we want to partner people and enhance their quality of life by offering them more opportunities to choose the kind of life they want to live. We manage a portfolio of diverse insurance products and services that give our customers the freedom to live life as they wish, with the confidence, security and bold attitude that only the support of a truly reliable insurance partnership can offer.

Your Company has been making its mark in the Sri Lankan insurance industry for several years now, building valuable business alliances, winning several prestigious industry awards and doubling our market share along the way. Today we aspire to achieve leadership in the competitive industry we serve and the excellent financial performance recorded in this report is further evidence that we are firmly on track for more success in the years that lie ahead.

We're helping people overcome their challenges and achieve their dreams. We're creating real value, by bringing the Softlogic Life spirit of confidence, daring and enterprise to all that we undertake to do.

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RESOLUTE

[ABOUT US]



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THIS INTEGRATED ANNUAL REPORT PROVIDES A COMPREHENSIVE BUT CONCISE ACCOUNT OF HOW THE COMPANY HAS CREATED VALUE FOR ITS SHAREHOLDERS AND OTHER STAKEHOLDERS IN 2017 IN ITS 18TH YEAR OF LIFE OPERATIONS.

INTRODUCTION

Softlogic Life Insurance PLC is pushing ahead with a strategy for generating sustainable corporate value by pursuing sustainable economic value, along with sustainable societal value and environmental value. To ensure that readers are able to correctly understand these activities, we took a systematic view of the financial information linked directly to business activities and non-financial information, and provide explanations accordingly. Guided by this thinking, in 2013, we began issuing a comprehensive integrated report, combining non-financial information, including environmental value and social and governance components, with information on our financial performance.

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 utilization thereof in the conduct of its plans. The board considers financial, human, intellectual (brand trust) as well as social and relationship 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 utilization.

The Report draws upon the perspective of various stakeholders to describe Softlogic Life's vision to leverage its ingenuity to create new business models and generate value for societies in order to further achieve sustainable growth.

BOUNDARY AND SCOPE

The Integrated Annual Report covers the performance of Softlogic Life Insurance PLC for the year ended 31st December 2017 and material events up to the approval of the report by the Company's Board of Director's on 29th March 2018.

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

In the preparation of this report, we have referred to the following frameworks;

For Integrated Reporting	For Financial Reporting
<ul style="list-style-type: none"> International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC) in December 2013. The guidelines for presentation of Annual Reports 2017, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). 	<ul style="list-style-type: none"> 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 and amend there to; Statement of Recommended Practice (SoRP) and rules; Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
For Corporate Governance Reporting	For Sustainability Reporting
<ul style="list-style-type: none"> Laws and Regulations of the Companies Act No. 7 of 2007. Listing Rules of the Colombo Stock Exchange. 	<ul style="list-style-type: none"> GRI G4 Guidelines "In Accordance"-Core. GRI G4 Financial Services Sector Disclosures.

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.

ASSURANCE

Quality Assurance

We have taken every effort to ensure that our Annual Report reflects a balance review that is complete and accurate. It is our intention to provide credible information with the aid of visual elements such as graphs and tables in a consistent manner facilitating clarity and comparability.

External 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 167 and 272 in this report and reasonable assurance on the Financial Highlights on page 14 and limited assurance on the Performance Summary on page 15.

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 framework for sustainability reporting.



This report was submitted to GRI in addition to being a member of the GRI Institute 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 167 to 168 of this report. For a comprehensive understanding of the assurance carried out and our sustainability performance, refer the capital reports on pages 70 to 165.

Softlogic Life Insurance PLC, the Board of Directors and Management does not have any relationship with KPMG, apart from latter's engagement as the Independent External Auditor of the Company. The Managing Director, who is an Executive Director of the Board and members of the Corporate Management of the Company are responsible for sustainability practices and disclosures made in this Report, worked with the external assurance providers on the report content.

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.

Materiality Determination

Our Annual Report aims to present a balanced and succinct analysis of our strategy, performance, governance and prospects. In determining the content to be included in this report, we considered 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 65 to 68 in this report.

This report informs you about our business, the 2017 performance compared to our previously stated ambitions and our plans for the future.

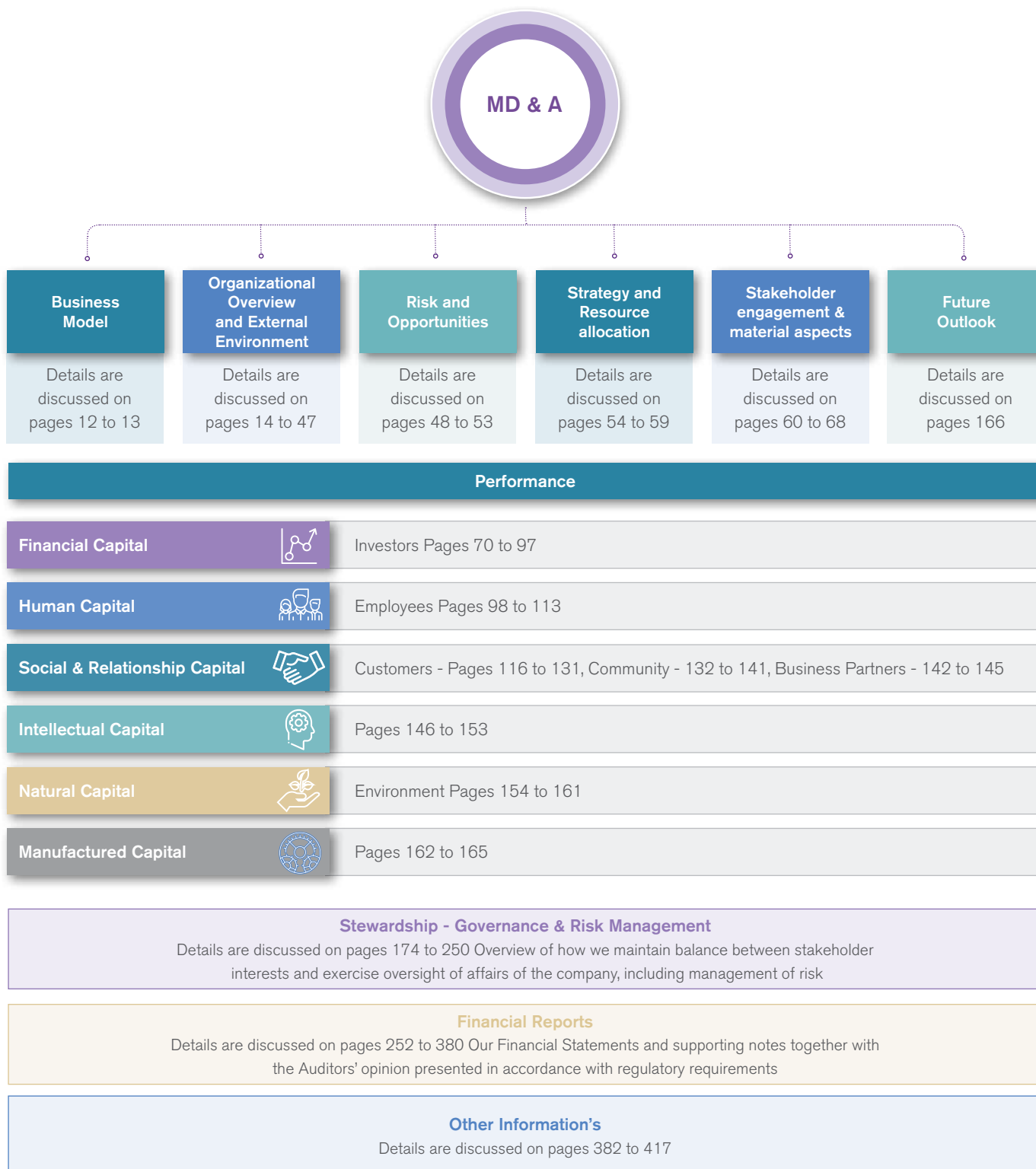
Our Integrated Thinking

Integrated thinking is intrinsic to how we manage our business and to our internal strategy and reporting practices. Our strategy development process included a review of SLI's business model and our interaction and our interdependency with the external societal context. The Resulting strategic priorities, goal and targets have been developed to ensure that we manage the resources and relationships needed to create value over time. A considered assessment of the six capitals (As referred in to the IIRC's <IR> Framework) informed both our strategy and the internal materiality process used to determine the content and structure of this report.

Our strategy and resource allocation, set out on pages 54 to 59, 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 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. 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 customer's needs. Structure of the Annual Report provided on page 8 to easily understand the link between each segment of this report.

STRUCTURE OF THE ANNUAL REPORT

This Annual Report has been structured as depicted below into four sections, namely Management Discussion and Analysis (MD & A), Governance, Financial Reports, followed by Supplementary Information.



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

AWARDS AND RECOGNITIONS FOR THE 2016 ANNUAL REPORT

Our most recent report, which was compiled under the Global Reporting Initiative (G4) guidelines awarded many awards and accolades were brought our way through this report. Details of awards are as follows;

- CA Sri Lanka - At the 53rd Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka (ICASL), Softlogic Life Insurance won bronze award for Insurance Sector.
- Ranked among top 10 companies in Sri Lanka Excellence in Integrated Reporting Awards organised by the Chartered Management Accountants of Sri Lanka for the third consecutive year.
- LACP Award – AT the 2016/17 Vision award competition organised by

League of American Communications Professionals LLC (LACP), awarded "GOLD" in the insurance Industry and ranked 43rd among world wide.

- Merit award (Insurance Sector) at the SAFA Awards, organised by the South Asian Federation of Accountants (SAFA).

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.

FEEDBACK

We welcome the opinions of our stakeholders about this Report in order to improve both the content and clarity of the message and the way in which we approach our strategic priorities. Please contact under mentioned officer with your feedback



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Colombo 03



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A feedback form is attached with this report on page 423.



The Gold Award for the Insurance Sector and ranked 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.



Ranked among the top ten Companies in Sri Lanka-Excellence in Integrated Reporting Awards 2016 organised by the Chartered Management Accountants of Sri Lanka.



LACP – Gold winner in Insurance Sector and ranked 43rd world wide.



Merit for Insurance sector at south Asian Region at the SAFA best presented Annual Report Awards 2017 organised by South Asian Federation of Accountants.

SOFTLOGIC LIFE IS POSITIONED AS THE FIFTH LARGEST ENTITY IN THE LIFE INSURANCE INDUSTRY. ITS METEORIC RISE WITHIN A SHORT PERIOD OF 18 YEARS OF LIFE BUSINESS OPERATION HAS BEEN NOTHING SHORT OF AWE-INSPIRING AND SPIRITED

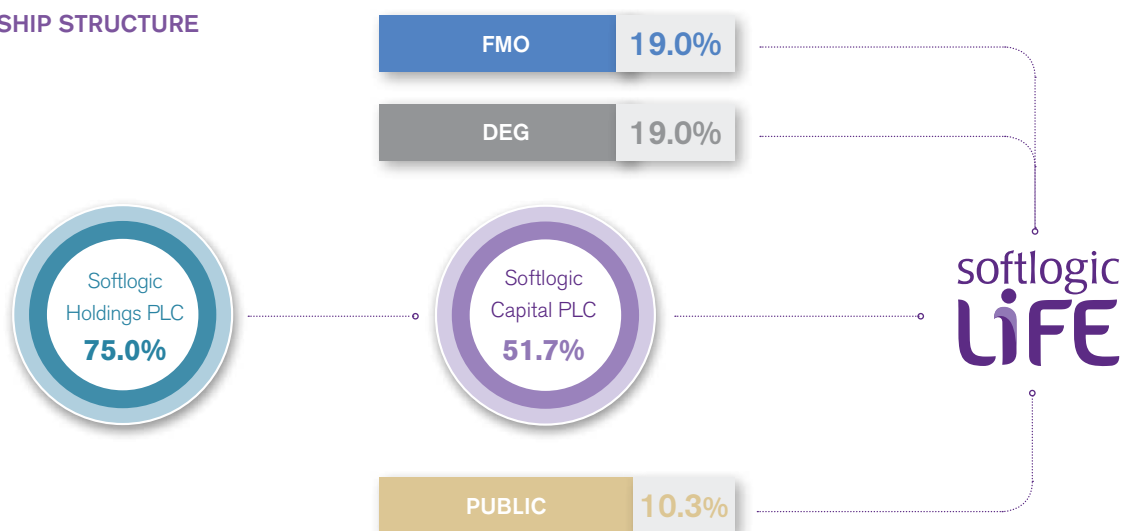
WHO WE ARE

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. Softlogic Life is also considered to be the fastest-growing insurance company in the country, and fastest to reach a revenue of Rs. 7.5 billion Life Insurance Industry in Sri Lanka. It is positioned as the fifth largest entity in the life insurance industry. Its meteoric rise within a short period of 18 years of life business operation has been nothing short of awe-inspiring and spirited. In the last five years, the Company has consistently doubled its market share and reach to 10.5% well above the revenue growth 34% benchmarks in comparison to industry average growth of 12.6%, In 2017, The Company recorded 31% of compound Annual growth over the last five years against industry average growth of 14% reflects the efficacy of its systems and processes.

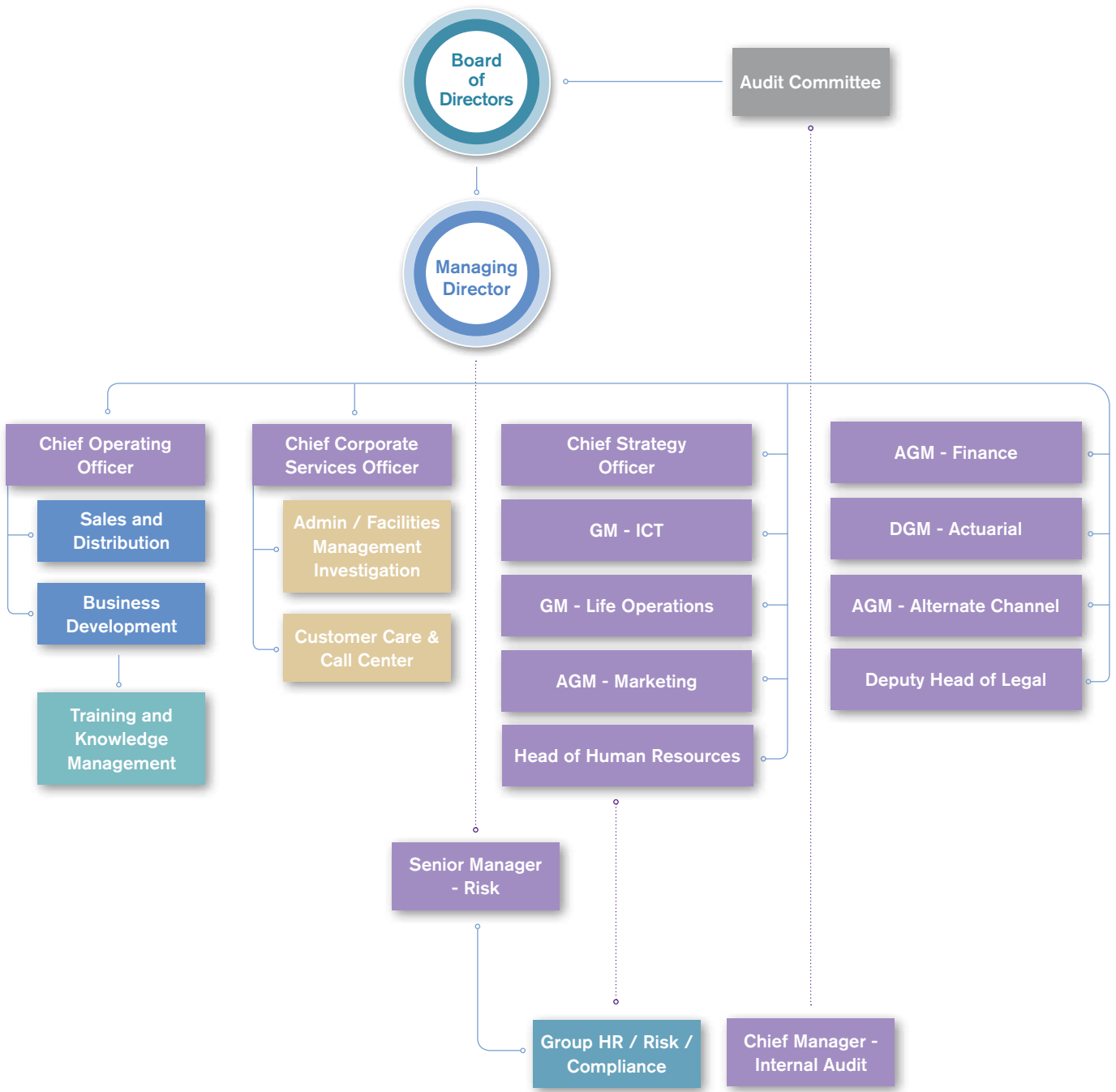
The Softlogic Life Insurance PLC is a part of the Softlogic Group which owns 52% stake of the Company. Softlogic Holdings is recognised as a one of Sri Lanka's most diversified conglomerate with interests in retail, healthcare, IT, leisure, financial services and automotive industries. The group synergies have given rise to immense opportunities for Softlogic Life, especially in the healthcare sector, as the Asiri Group of hospitals is the market leader of the total private healthcare market in the country. The DEG (Deutsche Investitions Und Entwicklungsgesellschaft mbH) of Germany, FMO (Netherlands Financierings Maatschappij voor Ontwikkelingslanden N.V.) of Netherlands and Global Macro portfolio together with Global Macro Capital Opportunities Portfolio hold a 45.5% stake in Softlogic Life, which reflects the significance and viability of the insurer to high profile overseas investors.

The 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 such as One Day Claim Settlement and bundle of digital first initiatives 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" - while becoming the most preferred proactive Life Insurance Provider. 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. During the year the Company was recognised as Best Life Insurance Company in the Sri Lanka at the National Business Excellence Awards organised by the National Chamber of Commerce.

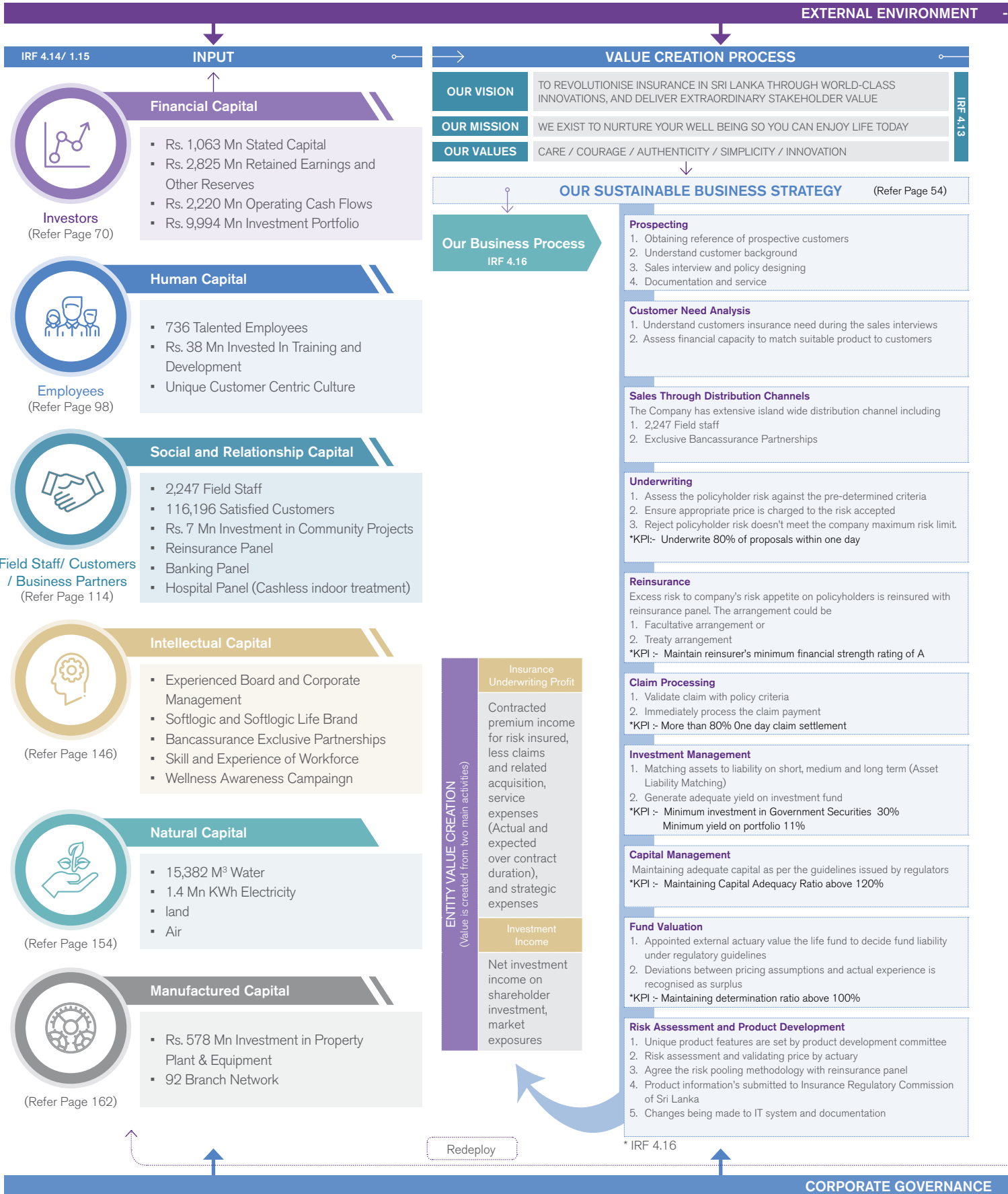
OWNERSHIP STRUCTURE



THE ORGANISATIONAL STRUCTURE



GM - General Manager
AGM - Assistant General Manager
DGM - Deputy General Manager



THREATS / OPPORTUNITIES

(Refer Pages 34 to 53)

OUTPUT		OUTCOME																																						
IRF 4.18		IRF 4.19 /4.20																																						
<p>PRODUCTS (Refer Pages 121 to 124)</p> <p>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.</p> <p>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.</p> <p>Investment Product This is designed to combine the traditional protection and investment features of whole life insurance with the growth potential of investment funds.</p> <p>DTAP Decreasing Term Assurance Policy DTAP plan is a simple term Life Insurance product that covers a variety of unfortunate tragedies that could take place and sum assured is paid on the death of the life assured during the term of the policy.</p> <p>Value Added Service (Refer Page 126)</p> <p>1st In the Industry Medicine Delivery to Customers' Doorstep</p> <p>1st In the Industry Ambulance at Customers' Doorstep</p> <p>1st In the Industry Doctor Visit to Customers' Doorstep</p> <p>By products</p> <p>Recyclable waste – E-waste / Papers</p>		<table border="1"> <thead> <tr> <th>Capital</th> <th>Outcome / Altered Capitals</th> <th>Measurement</th> <th>Positive/Negative</th> </tr> </thead> <tbody> <tr> <td>Financial</td> <td>Strong financial position (Refer page 251 to 386 for more details)</td> <td>1.4% Increase in Share Price 214% Reserve Growth 79.5% Return on Equity Rs. 2,325 Mn Profitability</td> <td>●</td> </tr> <tr> <td>Human</td> <td>Well motivated workforce</td> <td>Awarded as Great Place to Work in Sri Lanka 84% Employee retention</td> <td>●</td> </tr> <tr> <td rowspan="4">Social & Relationship</td> <td>Satisfied customers</td> <td>Results of customer satisfaction survey (Refer page 119) 84% customer retention 34% Revenue growth Rs. 113,375 Average policy value Rs. 1,785 Mn Claims paid 89% One day claim settlement</td> <td>●</td> </tr> <tr> <td>Satisfied field staff</td> <td>Rs. 1.5 Mn Annualised New Business Premium per agent Rs. 1,998 Mn of revenue paid as acquisition cost</td> <td>●</td> </tr> <tr> <td>Benefited community</td> <td>More than 100,000 people benefited Introducing micro insurance to provide " Life Insurance to everyone"</td> <td>●</td> </tr> <tr> <td>Strengthening relationship with business partners</td> <td>10 bancassurance partnerships 4 Reinsurers</td> <td>●</td> </tr> <tr> <td>Intellectual</td> <td>Development of business processes</td> <td>Introducing Mobile insurance first time in Sri Lanka Introducing e receipt Embarking on virtual branch concept</td> <td>●</td> </tr> <tr> <td>Manufactured</td> <td>Increase of asset base</td> <td>Rs. 161 Mn new addition to property plan and equipment 32 new branches</td> <td>●</td> </tr> <tr> <td>Natural</td> <td>Depletion of natural resources</td> <td>Disposing of e waste</td> <td>●</td> </tr> </tbody> </table>		Capital	Outcome / Altered Capitals	Measurement	Positive/Negative	Financial	Strong financial position (Refer page 251 to 386 for more details)	1.4% Increase in Share Price 214% Reserve Growth 79.5% Return on Equity Rs. 2,325 Mn Profitability	●	Human	Well motivated workforce	Awarded as Great Place to Work in Sri Lanka 84% Employee retention	●	Social & Relationship	Satisfied customers	Results of customer satisfaction survey (Refer page 119) 84% customer retention 34% Revenue growth Rs. 113,375 Average policy value Rs. 1,785 Mn Claims paid 89% One day claim settlement	●	Satisfied field staff	Rs. 1.5 Mn Annualised New Business Premium per agent Rs. 1,998 Mn of revenue paid as acquisition cost	●	Benefited community	More than 100,000 people benefited Introducing micro insurance to provide " Life Insurance to everyone"	●	Strengthening relationship with business partners	10 bancassurance partnerships 4 Reinsurers	●	Intellectual	Development of business processes	Introducing Mobile insurance first time in Sri Lanka Introducing e receipt Embarking on virtual branch concept	●	Manufactured	Increase of asset base	Rs. 161 Mn new addition to property plan and equipment 32 new branches	●	Natural	Depletion of natural resources	Disposing of e waste	●
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● Positive ● Moderate

IRF = International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC)

& RISK MANAGEMENT

(Refer Pages 173 to 250)

Redeploy

FINANCIAL PERFORMANCE AND RATIOS		2017	2016	(%)	2015
Gross Written Premium	Rs.million	7,531	5,636	34	4,091
Net Earned Premium	Rs.million	6,728	5,003	34	3,590
Profit generated due to transfer of one off surplus	Rs.million	798	-	100	-
Profit Before Taxation (PBT) - excluding one off surplus	Rs.million	1,107	967	14	993
Profit Before Taxation (PBT) - including one off surplus	Rs.million	1,905	967	97	993
Profit After Taxation (PAT) - excluding one off surplus	Rs.million	1,527	967	58	993
Profit After Taxation (PAT) - including one off surplus	Rs.million	2,325	967	140	993
Gross Dividends	Rs.million	-	1,010	(100)	-
FINANCIAL POSITION AS AT THE YEAR END					
Financial Investments	Rs.million	9,994	8,218	22	7,744
Total Debt	Rs.million	Nil	Nil	-	Nil
Total Assets	Rs.million	12,478	9,918	26	9,815
Insurance Contract Liabilities	Rs.million	7,439	6,935	7	6,569
Equity and Reserves	Rs.million	3,886	1,962	98	2,062
Total Liability	Rs.million	8,592	7,955	8	7,753
PER SHARE INFORMATION					
Earnings Per Share (Basic/ Diluted)	Rs.	6.20	2.58	140	2.65
Dividend Per Share	Rs.	Nil	2.69	(100)	Nil
Net Assets Per Share	Rs.	10.36	5.23	98	5.50
Share Price as at 31 December	Rs.	21.00	20.70	1	16
INVESTOR RATIOS					
Price to Book Value	Times	2.03	3.96	(49)	2.91
Price Earnings Ratio	Times	3.39	8.03	(58)	6.04
Return on Equity	%	79.5	48.1	65	44.8
Pre-tax Return on Capital Employed (ROCE)	%	49.6	48.1	3	44.8
No. of Shares in Issue	million	375	375	-	375
Market Capitalisation	Rs.million	7,875	7,763	1	6,000
STATUTORY RATIOS					
Capital Adequacy Ratio (Minimum requirement 120%)	%	208	195	7	226
Determination Ratio (Minimum requirement 100%)	%	112	105	7	111
Investment in Government Securities (Minimum 30%)	%	46	66	(30)	64
INDUSTRY SPECIFIC RATIOS					
Claim ratio (Without maturities and surrenders)	%	6	10	(34)	12
Expense ratio	%	61	67	(9)	50
Combined ratio	%	68	77	(12)	69
Reinsurance Expense Ratio	%	11	11	(3)	12
KEY VALUE DRIVERS					
Annualised New Business Premium (ANBP)	Rs.million	2,706	2,182	24	1,725
Average Premium Per Policy (Endowment)	Rs.	113,375	99,573	14	86,667
Premium Persistency Ratio Year 1	%	84	83	1	82

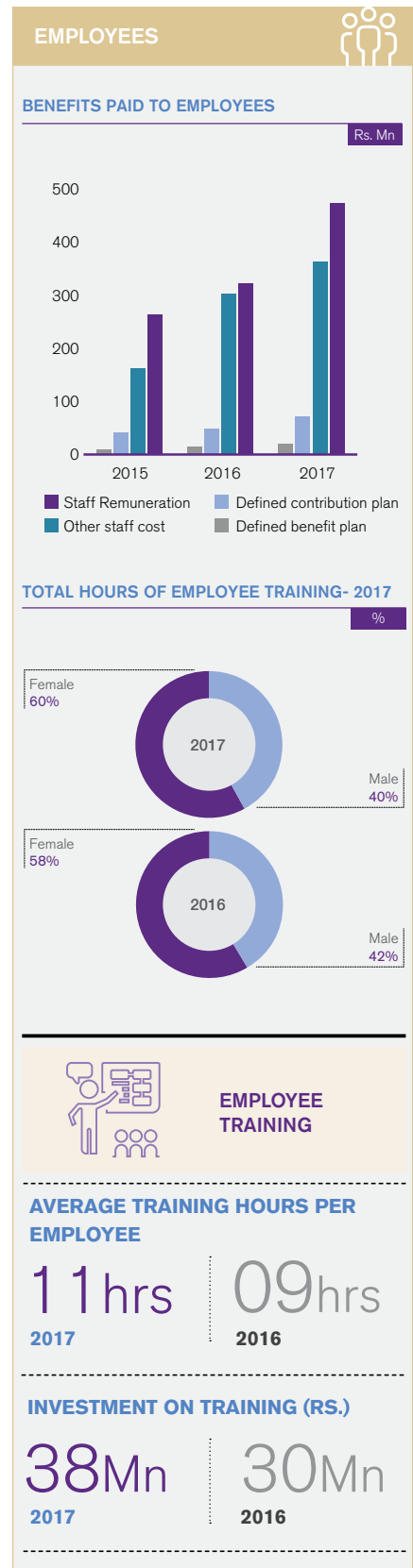
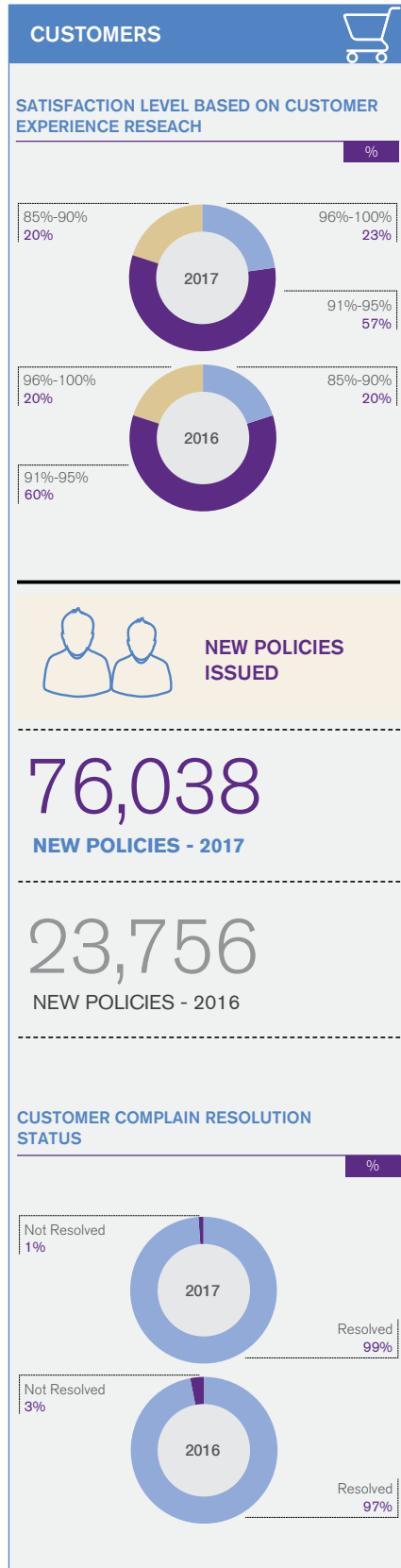
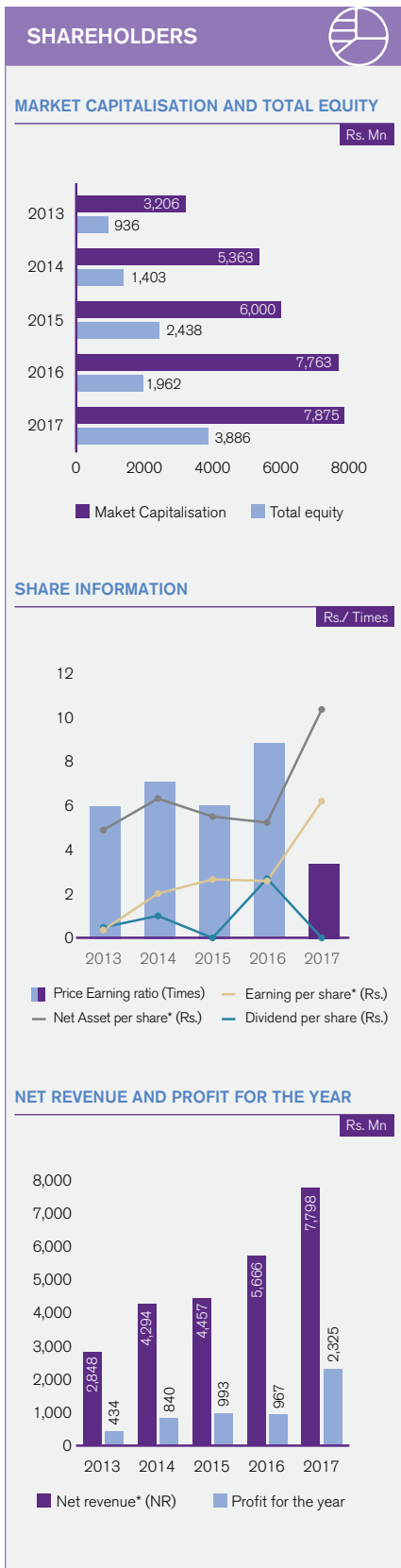
FINANCIAL GOALS AND ACHIEVEMENTS	Indicator (%)	Goal	Achievement		
			2017	2016	2015
Gross Written Premium Growth		Over 20%	34	38	34
ANBP Growth		Over 25%	24	26	38
Profit After Tax growth (without One off surplus)		Over 10%	58	(3)	18
Return On Equity		Over 20%	79	48.1	44.8

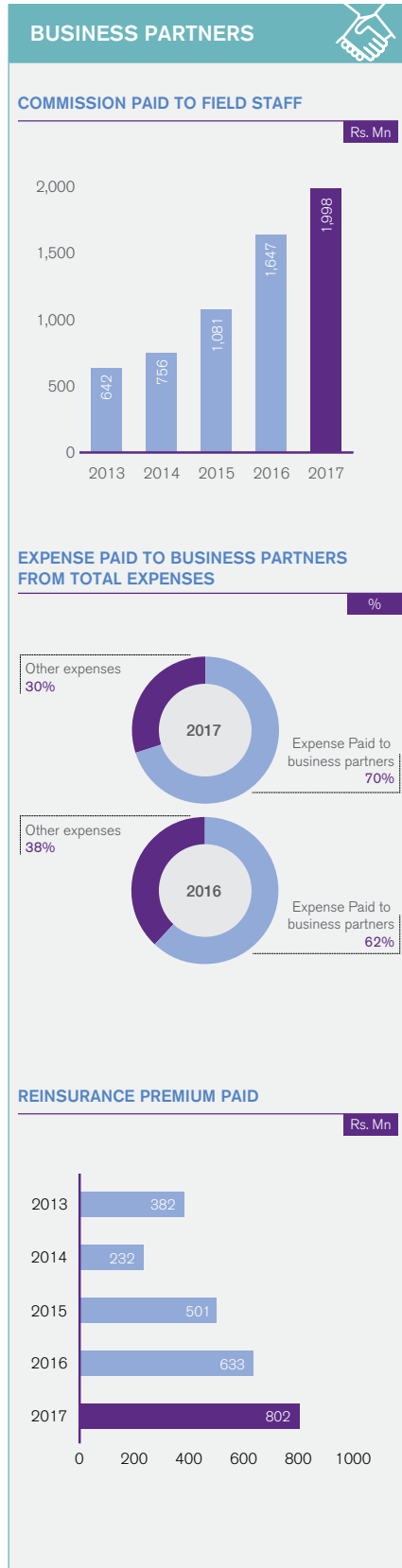
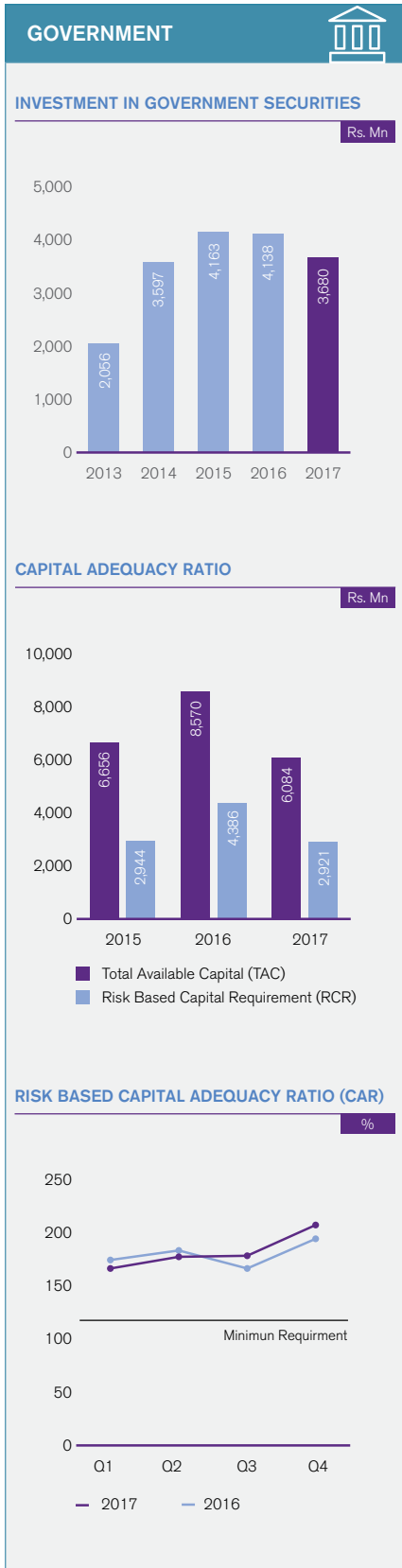
* Unless otherwise stated, All ratios were calculated with One off surplus of Rs. 798 Mn arise due to changing valuation method from NPV to GPV.

NON FINANCIAL HIGHLIGHTS

INDICATOR		2017	2016
FINANCIAL AND MANUFACTURED CAPITAL			
EC1 Direct Economic Value; (Rs. million)			
	Generated	5,428	3,599
	Distributed to:		
	- Employees	1,052	745
	- Intermediaries	1,831	1,580
	- Government	26	21
	- Shareholders	810	200
	- Life Policyholders	1,315	288
	Depreciation	98	88
	Retained	297	677
	Economic Value Added	5,428	3,599
HUMAN CAPITAL			
	Number of Employees	736	535
	Gross Written Premium Per Employee (Rs.million)	10.23	10.53
	Profit Per Employee (Rs.million)	3.2	1.8
EC3	Employee Benefit Liability (Rs.million)	86.7	73.4
LA1	No of New Employee Hires	316	175
LA3	Return to Work After Parental Leave (%)	94	91
LA9	Average Hours of Training per Employee	11	9
	Investment in Training and Development (Rs.million)	38	30
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 New Policyholders	76,038	23,756
	Gross Claims and Benefits Paid (Rs.million)	1,785	1,452
	No of Branches	92	61
PR8	Breaches of Customer Privacy	Nil	Nil
PR9	Non-compliance with Laws and Regulations	Nil	Nil
Business Partners			
	Reinsurance Expense (Rs.million)	802	633
	Reinsurance Recoveries (Rs.million)	540	379
	Gross Fees and Commission Paid to Field Staff (Rs.million)	1,998	1,647
	Investment in Government Securities (Rs.million)	3,680	4,138
Community			
	Community Investments (Rs.million)	7	5
	No of People Benefited from WIN Programme	905	491
SO5	Insidents of Corruption	Nil	Nil
SO8	Non Compliance with Laws and Regulations	Nil	Nil
NATURAL CAPITAL			
EN3	Non Renewable Energy Consumption (Joules)	91,193	174,015
	No of Customers Signed up to "LifeUp" App	10,805	1,595

Details of highlights are provided on pages 70 to 165 under capital reports.





COMMUNITY



TOTAL LIFE COVERED

Rs.530Bn

WORTH OF LIVES COVERED



AWARDS RECEIVED FOR COMMUNITY DEVELOPMENT



Silver award for CSR category at the National Business Excellence Awards 2017



First ever Sri Lankan brand to win Global Smarties Awards for the 'Campaign That Saved 2,500 Lives'

ENVIRONMENT



OUR CONTRIBUTION TO SAVE ENVIRONMENT



DRIVING TO PAPERLESS OPERATIONS



151 TREES SAVED

MARCH 2017

Sales convention of Softlogic Life Insurance is held at Bandaranayike Memorial International Conference Hall.



SEPTEMBER 2017

Introducing "On the Spot Policy" first ever in Sri Lanka.



MAY 2017

Launch flood relief campaign through mobile network and this was awarded as most innovative global mobile messaging campaign in the world.



JULY 2017

Softlogic Life bags top award for "Best Agency Distribution" and "Excellence in claims" at the National Insurance Awards by Fintelekt.



OCTOBER 2017

Softlogic Life launches an innovative Life Insurance cover "Per Day Insurance" which can be simply activated through mobile phone by partnering with Dialog and MILVIK.



JUNE 2017

Softlogic Life is chosen as one of the best 25 companies to work for in Sri Lanka by the Great Place to Work Institute.



AUGUST 2017

In our effort to continue improvement we unveil E- receipting process while contributing to protect our environment.



Showcasing how Softlogic Life truly cares for its employees and their family members, the Company organised an annual day out to Hotel RIU in Ahungalle



ALTERNATE CHANNEL ACHIEVED
1 Bn[↑]
 GWP in 1 Year

COMPANY SURPASSED
7.5 Bn[↑]
 Revenue another industry records to do so within shortest period of operation.

DECEMBER 2017

During the year Company produced second highest MDRT Qualifiers in the industry



Softlogic Life annual report 2016 was ranked 43 among the top 100 annual reports word wide by LACP (League of American Communication Profession)



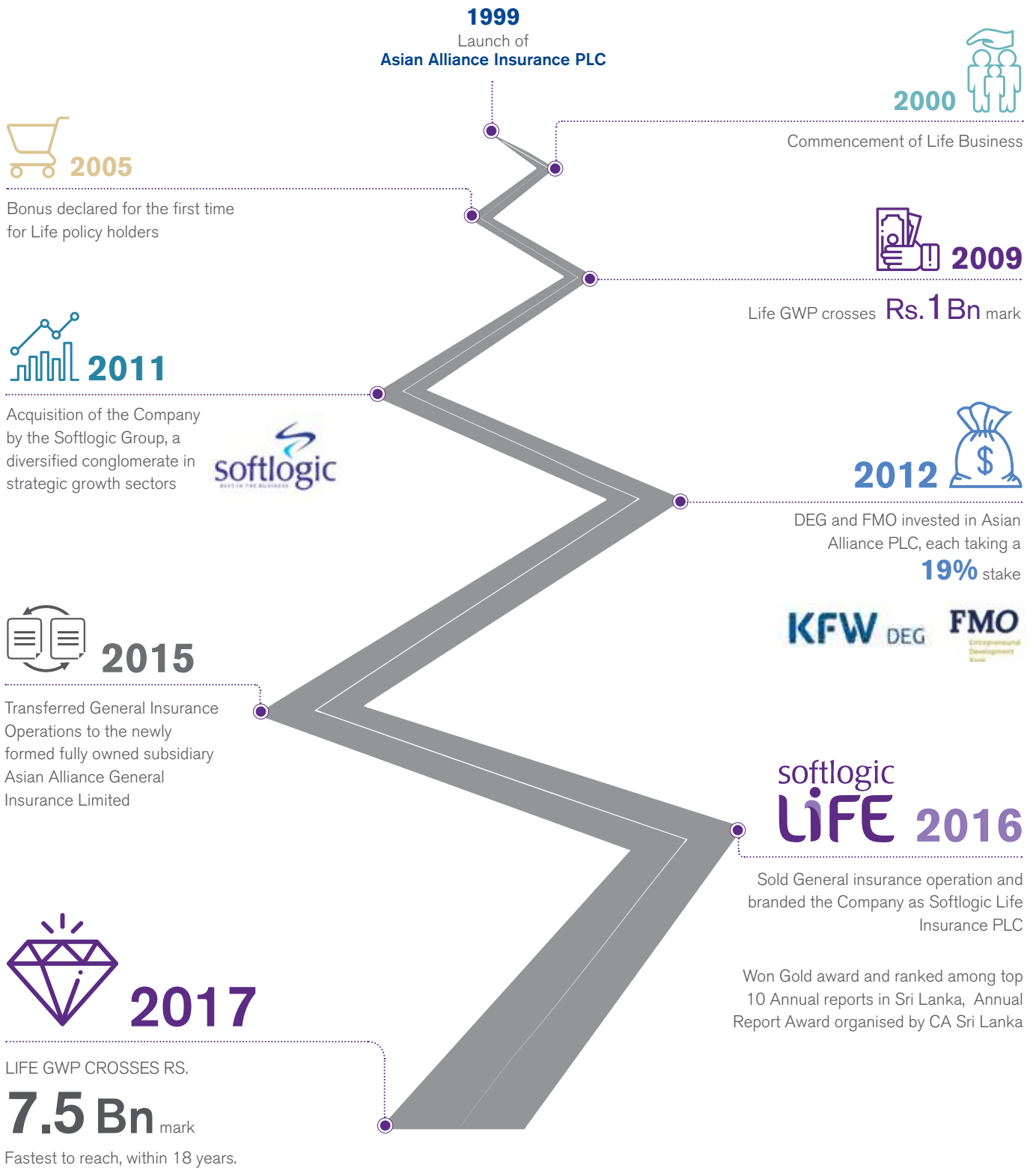
Ranked among the top ten Companies in Sri Lanka-Excellence in Integrated Reporting Awards organised by the Chartered Management Accountants of Sri Lanka



The Bronz Award for the Insurance Sector at the Annual Report Awards 2017, presented by the institute of Chartered Accountants of Sri Lanka.



Merit for Insurance sector at south Asian Region at the SAFA best presented Annual Report Awards 2017 organised by South Asian Federation of Accountants



INTREPID

[EXECUTIVE STATEMENTS]



Chairman's Statement **22**
Managing Director's Review **26**
Chief Operating Officer's Review **30**

WE BELIEVE THAT FORTUNE FAVOURS THE DARING



BY CONSISTENTLY DELIVERING OUTSTANDING FINANCIAL RESULTS, THE COMPANY DOUBLED ITS MARKET SHARE WITHIN FIVE YEARS AND EARNED THE DISTINCTION OF BEING THE FASTEST TO CROSS RS. 7.5BN WITHIN 18 YEARS.

It is with great pride that we welcome you to the 19th Annual General Meeting of Softlogic Life Insurance PLC. This is our 5th Integrated Annual Report which has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council, focusing on the Company's value creation process. I trust this Annual Report will provide you with an in-depth understanding of this process and how it connects with the stakeholder-centric strategies and actions, which are founded on the principles of compliance, conformance, good governance, ethical conduct and sustainable development. Our conformance to these principles is reflected in our exceptional performance during the year under review. Our spectacular achievements during the year have been 'Spirited' - as reflected in this annual report. The true ethos of the Company and its people is its indefatigable spirit which inspires us to reach beyond the norm. As you read through the report, you will see diverse examples

of our spirited and inspired initiatives and how they have growth shareholder wealth while sustaining the environment and the communities in which we operate.

PERFORMANCE OF THE COMPANY

I am happy to report that the Company recorded a year on year growth of 34% which outstrips industry growth rate of 13%. The Company recorded GWP of Rs 7.5 billion, which reflects a growth of 34% and translates to PAT of Rs 1,527 million (without one off surplus) as compared to Rs. 967 mn in the previous year. Further Company recognised one off surplus of Rs. 798 million as per the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) boosting Company profit by 140% to Rs. 2,325 million with compared to Rs. 967 million. Our focus on quality remained uncompromised and we ended the year with arguably the best retention rates in the industry. During the year, the Company's Life Fund grew to

LAST FIVE YEAR CAGR OF

31%^{GWP}

VS

INDUSTRY CAGR OF

14%

FASTEST TO CROSS

Rs. 7.5Bn

GWP by 18 years

MARKET LEADER FOR ABSOLUTE GWP GROWTH BY

Rs. 1.9Bn

Rs. 7,439 million despite various challenging events. The Company achieved a Return on Equity of 79% and Earnings per share of Rs. 6.2. By consistently delivering outstanding financial results, the Company doubled its market share within five years and earned the distinction of being the fastest to cross Rs. 7.5 billion within 18 years.

Some of the key financial highlights of our performance in the 2017 financial year deserve to be highlighted:

- Total GWP increased by 34% to Rs. 7.5 billion.
- Profit After Tax (PAT) increased to Rs. 2,325 million. PAT of Rs. 1,527 million which is a 58% increase compared to year 2016 without one off surplus.
- Total Assets of the Company increased to Rs. 12.5 billion.
- Return on Equity (ROE) increased to 79% in 2017 from 48% in 2016.
- Our shareholders earned the benefits of our strong performance, with Earning per share of the Company rising to Rs. 6.20 from Rs. 2.58. The Company's financial position, which was reflected in its market capitalization increasing by 1% to Rs. 7.9 billion from Rs. 7.8 billion.

WINNING STRATEGIES

In a fiercely competitive market, finding alternate avenues for growth is a challenging task. Our passion to innovate and our creative approach witnessed the establishment of alternate distribution channels towards the end of 2016, focusing on banks and the corporate sector, which has shown much promise within a short period. We foresee immense scope to enhance these partnerships in the months ahead. Our industry best agency distribution channel remains the main engine of our growth while we explore new avenues for expansion.

Our strategic alliance with Dialog Axiata PLC, Sri Lanka's largest mobile service provider, reflects our commitment to demystify the concept of insurance amongst

masses. Dialog customers can now purchase Rs. 1 million life policies with a few clicks of their mobile phones. This realization and accessibility backed by the trusted brands of Dialog and Softlogic Life has helped us garner more than 100,000 new customers within a matter of months.

Technology is a key pillar of our growth and our competent IT and marketing teams work in close consultation with the senior management to engineer and market products that simplify and enrich lives.

ECONOMIC BACKDROP AND IMPACT TO INDUSTRY

Macroeconomic challenges to global headwinds are nothing new to Softlogic Life. We have mastered the storms many times throughout our 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.

Despite significant challenges, Sri Lanka's economic performance remained broadly satisfactory in 2017 and real GDP growth reached 3.1 percent in 2017 and is expected to increase to 4.8 percent beyond, driven by private consumption and investment.

The new Inland Revenue Act, which builds on international best practice, aims to broaden the tax base and simplify tax system. The insurance industry will affect from new Inland Revenue Act as the tax base of the insurance industry has been changed to surplus basis and companies will have to pay income tax on its surplus in the future.

CHANGING REGULATORY LANDSCAPE

During the year under review, the Insurance Regulatory Commission of Sri Lanka was renamed Insurance Regulatory Commission of Sri Lanka. The year was marked by a slew of regulatory changes directed at strengthening the industry. The Securities & Exchange Commission of Sri Lanka (SEC) directed the Colombo Stock Exchange to commence enforcement of the Revised

TOTAL ASSETS

Rs. 12.5Bn

5 YEARS COMPOUNDED ANNUAL GROWTH RATE

52% PAT

Rules on Continuing Minimum Public Float. Accordingly, the Colombo Stock Exchange will take action against entities that fail to comply with the Rules by 30th June 2017. I am pleased to report that Softlogic Life is one of few life insurance companies in Sri Lanka to have complied with these public float requirements.

Further injecting stability into the industry, the regulator issued Guidelines on Investments in 2017 to ensure funds of insurance companies are invested in a prudent manner. Thus, companies in the insurance industry will now have to meet minimum policies in investment management, management of investment portfolio and associated risks. Coming into effect from 6th November 2017, these guidelines will ensure that Boards and committees of insurance companies are performing due diligence to ensure that the strictest governance rules are being enforced. All investment activities have to be closely monitored by the Board of Directors and senior management while an Investment Committee has to be established to enhance accountability.

The new regulations also paved the way for defining the role and responsibility of a Specified Officer of an Insurer. The new rules necessitate that the Specified Officer will head the Technical Division and report directly to the Principal Officer. He will hold the authority to review and clarify matters with the CFO, Actuary and Investments, and hold the authority to sign regulatory returns.

He will ensure all governance is adhered to in Underwriting, Claims and Reinsurance areas, while remaining a key liaison between the Principal Officer, the Board and IRCSL. We believe these regulations will help to strengthen the industry and as a company we extend our fullest support to the regulator in ensuring we are in compliance to the fullest extent.

SUSTAINABLE STRATEGY

As a member of Softlogic Holdings which is engaged in leisure, health care, IT, and retail sectors, Softlogic Life has been able to derive multiple benefits from its rich group synergies. As a life insurer offering irresistible health care insurance due to group synergies of Asiri Hospitals has helped us pioneer health care insurance in the country. With the rising per capita income in Sri Lanka we envisage tremendous scope to expand our base of policyholders. The Company's innovation, strong technology platform and lean business model have positioned it for future growth as is evident from the manner in which we have achieved industry double growth each year. We offer an unparalleled value proposition none can match while our entrepreneurial brand and aspiration to offer customers nothing but the best ensures our sustainability and that of our policyholders by encouraging them to nurture Nutrition, Wellness and Health.

AWARDS AND ACCOLADES

Softlogic Life has consistently won local and international awards for its commitment to its diverse stakeholders. Recently, the Company was selected the Gold Award Winner in the Insurance sector at the National Business Excellence Awards organised by National Chamber of Commerce of Sri Lanka and the Bronze Award in the Extra Large Category.

The Company's impactful CSR Practices won the Runner-up for Excellence in Corporate Social Responsibility award at the National Business Excellence Awards.

We have consistently demonstrated accountability and transparency through our reporting standards. This is reflected in

the fact that our 2016 Annual Report won award at the Annual Report Awards 2016 and was ranked among the Best 10 Annual Reports in the country by CMA Institute and was the Bronze Award winner at the 53rd Annual Report Award Ceremony organised by Institute of Chartered Accountants of Sri Lanka in the Insurance Sector. Further annual report won Gold award for Insurance sector at the LACP award and ranked no 43 Worldwide.

Claiming to have the best agency force is not enough but when it is backed by tangible results and industry recognition, that says a lot. The Company won the Best Claim Paying Award and Best Agency Force awarded at Insurance Industry Awards in 2017.

Our inspiring work culture helps us derive the best performance from our employees repeatedly. We were recently anointed Top 25 Great Places to Work in the Country for 2016 by The Great Place to Work Institute.

We have become the first ever Sri Lankan brand to emerge winners in the prestigious Global Mobile Marketing Awards for the most innovative mobile messaging campaign in the world.

CORPORATE GOVERNANCE

One of the key contributors to our track record of outperforming the industry is our robust corporate governance framework which has not only helped to attract institutional investors such as FMO and DEG, but has also provided the boundary within which we can innovate. Our governance systems and processes ensure that the Board and the Company are held accountable for responsibility towards employees, shareholders, customers and the community. We have mechanisms in place to safeguard the rights of stakeholders with adequate protection for individual whistleblowers. The Company's adherence to a high standard of corporate behaviour and ethics has stood us in good stead.

I am happy to declare that there was no deviation 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 can be accessed in the corporate governance Commentary of this Report.

CORPORATE SOCIAL RESPONSIBILITY

CSR is an integral part of business strategy and the Company executes CSR activities under the pillars of Sustainable Environment Protection and Youth Empowerment under the flagship WIN programme. This youth-centred CSR initiative is empowering the future generation of Sri Lanka by teaching them important skills needed in the workplace. By equipping them with these skills, the school leavers are able to command higher salaries and enter the workforce with greater confidence. Buoyed by the impact of WIN, we aim to continue the programme across different provinces.

BUSINESS STRATEGY AND FUTURE OUTLOOK

Our vision to play a catalytic role in the development of the industry and the nation is bearing fruit. Our innovations and various industry firsts are already expanding the industry. We hold great faith in the potential of the national economy to surge ahead given the conducive policies in place. The rapid mega infrastructure projects and development of the Port City will accrue new opportunities for foreign direct investment into the country. As a spirited company, we remain committed to invest heavily in technology backed products and solutions that transform the insurance landscape and enrich the lives of citizens in the country. Our thirst for innovation will push us to explore new channels for growth while leveraging strongly on the latest technology platforms.

APPRECIATION

I wish to thank the Chairperson and Staff of IRCSL for their contribution towards ensuring the sustainability of the industry. I

am grateful to the Insurance Ombudsman for building confidence among the insuring public by providing an efficient and independent grievance redress mechanism.

I would like to commend the Managing Director, Senior Management team and the staff of the Company for their continued commitment and dedication to achieving the Company's objectives.

I express my gratitude to our valued shareholders and customers for placing their faith in our ability to add value to their lives.



ASHOK PATHIRAGE
Chairman

Colombo, Sri Lanka.
29th March 2018

COURAGE, INGENUITY AND RESOLUTION



MARKET SHARE

10.5%

MARKET CAPITALISATION

Rs. 7.9Bn

FINANCIAL INVESTMENT

Rs. 10Bn

A TRULY SPIRITED PERFORMANCE

The year 2017 is best described as one of the most spirited years of performance in the history of our company. We have hence adopted the theme - 'Spirited' - for this year's annual report. It is a term that truly reflects the exceptional performance delivered by the Company across all dimensions.

During 2017, our revenue depicted as Gross Written Premiums (GWP) grew to Rs. 7.5 billion, which reflects a growth of 34%, comfortably more than double that of the industry. Since the entry of the Softlogic Group in 2011, the Company has grown by a CAGR of last five years 31% as compared to market growth of 14%, demonstrating consistently strong growth. In a significant development, the Company has doubled its market share from 5% in the year 2011 to 10.5% as at December 2017. As a testament to our outstanding performance Softlogic Life took away the Gold Award for the Insurance Sector at the National Business Excellence Awards 2017.

What is special about this outstanding performance is the dynamism that has provided great momentum, powering our company with an unmatched spirit. Our 'Spirited' outlook has given us the ability to look at market segments and product solutions in a very enthusiastic manner in terms of taking on challenges and delivering exceptional solutions. Impeccable execution has been one of our hallmarks through which we have unfailingly converted great ideas into winning solutions.

“OUR SPIRITED APPROACH HELPS US TO COMBINE ALL DIFFERENT FACETS WITH THE KEY ELEMENT OF TECHNOLOGY IN EVERY INITIATIVE WE BRING TO THE MARKET, TO RENDER IT COST EFFECTIVE AND CUSTOMER EFFICIENT.”

At Softlogic Life, we are privileged to have an extremely talented team who actively seek opportunities to infuse value into the Company. Our ability to engage with different stakeholders who can contribute and develop our business is our key differentiator which enables us to execute strategies that deliver key outcomes.

We are proud to be shaping the insurance landscape in Sri Lanka. Our spirited approach helps us to combine all different facets with the key element of technology in every initiative we bring to the market, to render it cost effective and customer efficient. We firmly believe that as long as insurance solutions are easy to purchase, the demand for insurance can be expanded much more. The hitherto burdensome prospect of insurance we feel is a thing of the past, as customers now look for quick and easy insurance solutions, which in turn inspires us to innovate.

DISTRIBUTION REQUIRES DISRUPTION

When it comes to distribution, our agency team has great strength and depth. Widely considered to be the best in the industry as evidenced by the Best Agency Team award at the Fintelekt Sri Lanka Insurance Awards 2017, in second successive time the team has delivered time and again recording average premium value of Rs. 113,375 as at December 2017, which is more than double the market average. The sharp focus has ensured exceptional growth whilst also enabling higher persistency and profitability of the portfolio. We consistently strive to refine our operational parameters and several new measures that are to

GROSS WRITTEN PREMIUM

Rs. 7.5Bn

be introduced in 2018, we feel will bring further value. During the second half of the year, we opened 32 new branches, organically expanding with the avowed objective to cover the entirety of Sri Lanka. The expansion of our branch network that now counts 92 branches has been carefully planned towards tapping into locations with the best potential.

In keeping with our spirited approach, 2017 saw the first full year performance of the Alternate Channels team that we set up to focus on Banks and Corporate Customers. The team did exceptionally well to deliver an outstanding performance with GWP of Rs 1.2 Billion in the first year of operations. This we feel is a truly historic achievement that has never been achieved in the Sri Lankan insurance industry. The success that we have had on distributing our DTAP product in tandem with Bank loan products has been exceptional with distribution agreements signed up with almost all leading Banks. The synergies that we enjoy with the Softlogic Group Asiri Hospitals has enabled us to deliver a strong proposition to Corporate Customers in terms of Group Life and Group Health products. We have attracted an important set of clients whom we are sure will provide valuable testimonials to grow our business in this area.

EARNING PER SHARE GROWTH

58% Without one off surplus

In order to bring about inclusion in Insurance and to access an important market segment, we launched our Micro/Mobile channel in October 2017 together with Dialog Axiata PLC (Dialog) who is the country's leading mobile provider. We are the first Life product to be offered on a heavily integrated mobile platform that will be available to the eleven million subscribers that comprise the Dialog customer base. This revolutionary approach will touch the micro base in Sri Lanka with Life covers of Rs 100,000- to Rs 1,000,000- being available at any time by simply dialling #107#. We have been greatly encouraged to see over one hundred thousand customers enrolling by the time of this publication that shows the huge potential for insurance products when the buying process is made simple and easy.

FIRST IN THE INDUSTRY

In our drive to innovate towards customer excellence we have driven automation to the next phase where underwriting of policies can be done instantaneously on submission of an E-Proposal. As soon as an Advisor submits a E-Proposal our IT system processes it without any human interaction and sends the customer an email with a PDF copy of his policy within seconds. We are truly proud to have pioneered this measure and will soon be expanding this to all products.

NET ASSETS PER SHARE GROWTH

57% Without one off surplus

Our pioneering "One Day Claim Settlement" has made waves in the industry and we have extended the credibility of this measure by publishing our "claim meter" in the weekly press with a score of over 90% claims paid in one single day, achieved during the second half of the year. Making a claim on an insurance policy is the moment of truth, and we are happy to note that we have delivered in an exceptional manner. It was no surprise that we were awarded for the "Best Claims Settlement" at the Fintelekt Sri Lanka Insurance Awards 2017.

With a view to harnessing technology, we have implemented the first of our "Virtual Branches" which is a drive towards converting brick and mortar branches to being cloud based thereby converting to a virtual office. This enables staff to work remotely and be more productive without getting weighed down by paperwork. Our eventual goal is to rationalise brick and mortar costs and conduct operations in the virtual space.

During the second half of the year we reviewed our Health Reinsurance arrangements and were pleased to sign a new Health Treaty with SCoR who is Asia's largest health re-insurer, followed by Toa Re who is Japan's largest re-insurer. Both Companies are rated A+ by rating agencies AM Best and S&P respectively. Together with Munich Re who have our main life treaty and RGA, we believe that we have probably the best balanced re-insurance panel in terms of strength and diversity amongst Life Insurance Companies in Sri Lanka.

The Company make another country first initiative by releasing video version of Annual Report along with this report first time in Sri Lanka to improve the transparency.

CHOOSE YOUR LIFE

Life Insurance companies have traditionally focused on communicating their products by harping on morbidity. Our belief is that in Life you have many choices and we are encouraging all of Sri Lanka to "Choose your Life" with regards to wellness, fitness and nutrition. Softlogic Life marketing communications have taken this differentiated message to the public and received very positive feedback resulting in net promoter scores that are way ahead of the competition.

The brand change to Softlogic Life we believe has paid rich dividends signalling to all the Softlogic Group's focus in the financial services arena. Our Company is now able to directly leverage the benefits of being associated with a large and fast growing conglomerate with diverse interests and significant complementary synergies accruing from presence in the Healthcare and Retail segments.

SUSTAINABILITY AND CHALLENGES

Our strategic corporate objectives are closely linked with our sustainability initiatives. Our WIN programme, which helps senior students in rural schools with confidence building, inter-personal skills and presentation skills, is on track to create a Billion Rupees in value to the rural economy. We covered 905 students in 11 schools during 2017, putting them through valuable training to enhance their employability. The practical nature and far-reaching CSR practices were recognised the Runner-up award across the entirety of corporates at the National Business Excellence awards which is a huge endorsement of the efficacy CSR practices.

Commencing from 2018 Life Insurance Companies will be taxed on the basis of Surplus distributed to shareholders along with investment income of shareholder fund (former method was Income minus management expenses which is commonly call as I-E method) and consequent to many

discussions had with various industry stake holders we believe that a fair outcome has been reached. We have to however be mindful of the impact that the new measure will have on attracting capital to the Life Insurance Industry that will be required to overcome the very low insurance penetration in the country.

STRONG GOVERNANCE

We have in place a strong governance structure and have benefited immensely from our stakeholders - DEG and FMO – which are AAA rated organizations. Our Audit and Risk committees lead the way in having adopted the best practices in governance and these committees are chaired by independent and eminent Directors with strong backgrounds in the relevant practices. Our strong governance framework provides a safety-net for the Company as it continues historic expansion of the scope and the boundary of insurance products and solutions in the country.

We are optimistic about 2018 and feel that execution of some of the large projects in the country will be key towards delivering economic momentum. The country has made substantial progress in 2017 to end the year with reserves of USD 8 Billion and a Balance of Payment surplus of USD 2 Billion. Sri Lanka vision 2025 report issued by Central Bank of Sri Lanka states the targeted per capita income for 2020 at USD 5,200 which we feel will be a tipping point towards increasing life insurance penetration in Sri Lanka.

FUTURE OUTLOOK

Sri Lanka economy is expected to grow around 5% in the immediate future and we believe outlook of Sri Lankan Life Insurance industry will have an extremely positive growth. 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.

In short to medium term Technology based solutions will be the game-changer for us and we will continuously focus on the digitalisation and paperless solutions as a key differentiator in cost optimization and enhancing the value proposition of our customer. We are passionate on out-of-the-box thinking which will create greater value addition to all stakeholders is showing great success.

Looking ahead, we will strengthen our integrated focus on our sustainable contribution to Community, Environment and Corporate pillars during our long term journey. The Board and management of Softlogic Life is passionate about developing and maintaining strong governance framework and Board members have the necessary experience and craving in essential governance aspects.

APPRECIATION

In 2017 we issued 76,038 new policies compared to 23,756 policies in the previous year, which is also the highest growth in policies in the Industry. We exist to serve each and every one of these customers and are fully conscious of the obligations that we need to fulfill on their behalf. We pledge to uphold the highest standards of service to them and will be constantly seeking ways to improve our interactions and value.

We greatly appreciate the guidance given to the Industry by the Chairperson, Director General and other key officials of the Insurance Regulatory Commission of Sri Lanka (IRCSL), formerly known as the Insurance Board of Sri Lanka. Their expertise in steering the industry through turbulent times replete with regulatory changes has been done very adeptly. We are deeply grateful for their efforts to ensure the industry's well-being at all times.

We are extremely privileged to be led by a visionary Chairman and a highly committed Board of Directors who have provided Management with a clear mandate and the

resources and encouragement required to achieve the objectives of the Company. I am very proud to lead the dynamic management team at Softlogic Life whose diversity and commitment have rallied the entire team and has been the key to our success. They are immensely talented and believe that no goal is impossible.



IFTIKAR AHAMED
Managing Director

Colombo, Sri Lanka.
29th March 2018

CONFIDENT, DAUNTLESS AND DYNAMIC



AVERAGE PREMIUM PER POLICY

Rs. 1 13,375

ANNUALISED NEW BUSINESS PREMIUM

Rs. 2.7 Bn

Softlogic Life Insurance PLC recorded yet another impressive performance in the year under consideration, delivering an increase of 34% growth in earnings over the previous financial year to reach Rs. 7.5 billion in revenue for 2017. The Company outclassed the industry for the sixth consecutive year, growing over double the rate of the industry in the same period.

WINNING STRATEGIES

Our exceptional success was driven by continued performance management across all key sectors, including new business growth, client retention, market positioning, product mix management, productivity, operational efficiency, expense management and investment management. During the period under review, the Company sustained the essence of its core business model. While the agency-based channel was further strengthened during the period, yet another notable achievement was the strong performance of two alternate channels - corporate business and bancassurance. The relatively new channels succeeded in achieving a topline of Rs. 1.2 billion in less than two years, making a significant contribution to the Company's overall growth.

Our agency channel's strategy of operating in the top segment of the market continued to be our Unique Selling Proposition (USP), exceeding Rs. 110,000 in average Annual premium per client, as a result the company recorded strong client retention rates of 84% and 64% in the first and second year respectively on LIMRA standards. A testimonial to the efficacy of our business model is reflected in the Company being bestowed with the 'Excellence in Agency Distribution award at the Sri Lanka Insurance Industry Awards 2017 by Fintelekt. Overall, the Company's revenue growth has now been positioned extraordinary stable thanks to its

“CUSTOMERS ARE AT THE HEART OF THE COMPANY’S OPERATIONS AND WE DELIVERED ON OUR PROMISE TO FACILITATE OUR CUSTOMERS TO LIVE THEIR LIFE TO THE FULLEST”

well-oiled distribution channels which now include the two new channels of corporate and bancassurance, coupled with the supremacy of the agency channel.

PILLARS OF OUR SUCCESS

The Company strongly believe that the four key pillars of our success are delivering the expectations of the customers, employees, shareholders and the society at large, exceeding expectations. We are really proud that we have delivered our promise to all key stakeholders and this claim is reiterated through the host of awards we received during the year both locally and internationally.

Creating value for our customers by delivering on our brand promise

Customers are at the heart of the Company's operations and we delivered on our promise to facilitate our customers to live their life to the fullest. We continued to create value for our customers, especially through our claims settlement process. During the year, our customers enjoyed one-day claims settlement which is a record in the industry. Some 89% of claims were paid in one day which reflects the exceptional client service standards we strive to maintain, which was recognised with an 'Excellence in Claims' accolade at the Sri Lanka Insurance Industry Awards 2017.

Creating value for employees by empowering them with the required knowledge, skills, remuneration and rewards

Our employees are the engine that drives the Company's growth and through the year we remained focused on ensuring

REVENUE GROWTH

34%

a happy workforce who are able to fulfil their career aspirations while improving their income levels and thriving in a friendly and innovative work culture. Our ethos of ensuring every employee is heard has given rise to an atmosphere where employees take ownership of the Company's success by giving of their best. Our forward thinking human resource management was rewarded with the Great Place to Work 2017 accolade for the second consecutive year, which further reflects how our employees perceive us.

The Company performed well in terms of staff retention and successfully attracted the top-of-the-line talent from the industry across sales, operational and actuarial functions, effectively becoming a magnet for the best talent in the industry. The Company is well-positioned and our rock solid brand and talent will continue to drive future success for the Company

Creating value for our shareholders

For our valued shareholders, we delivered an expanded market share and resultant greater stability. The Company's market share has gone up to 10.5% from 8.9% previous year, as per statistics of Insurance Association of Sri Lanka which signifies the highest market share growth in the industry during the year.

PERSISTENCY

84%

Creating value for communities is our mission

For the society at large, we sustained our impactful Corporate Social Responsibility (CSR) programmes, which are having a far-reaching impact on youth. We enhanced our CSR programmes during the year which secured the 'Runner-up' CSR award, competing with all business sectors including finance and insurance, at the prestigious National Business Excellence Awards.

Our WIN programme, which envisions empowering underprivileged youth in rural areas with essential life skills to make them eminently employable, thereby enhancing their income levels.

Our digital-based CSR campaign launched during the flood disaster last year saved 2,500 lives and won the Smarties International Digital Award, which is widely acknowledged as the Oscars of Digital Marketing. We were also awarded the Gold Award at the APAC Mobile Marketing Awards,

During the year, the Company conducted a six-month long seminar programme for Grade 5 scholarship amongst underprivileged children in the Gampaha District. The Company provided lecturers, material and nutritious meals through the programme. The results were truly

heartening, with 28 children out of 166 that we coached, clearing the benchmark score to qualify for the Grade 5 scholarship.

The Company further demonstrated its corporate stewardship by continuing its Environmental Conservation signboard campaign at Yala National Park to raise awareness of the need to preserve our beautiful world. Responding to the rise in the dengue epidemic in the country, the Company ran a dengue prevention programme in collaboration with Health Ministry.

We continued our push into digital channels and some of the key innovations launched in 2016 showed impressive rates of adoption and growing popularity amongst our customer base. We accelerated our pace of converting all paper based work onto the digital platform now, and by April 2018, Softlogic Life will be a paperless office. This will significantly speed up time taken to serve customers.

Our LifeUp app enables customers to conduct transactions via their mobile devices while E-Advisor, another revolutionary digital innovation, helps our Sales Advisors to focus on business growth and fulfil total customer needs by completing required documentation online. By empowering them with this valuable online tool, they have earned a reputation as the most productive sales force in the industry.

Meanwhile, the Hospital Claims App empowers customers to transact their healthcare insurance claims online and at their convenience, while Auto Underwriting enables staff to share information with customers on the spot and helps them make informed choices.

Explores new market segments through diversified distribution channels

We are extremely optimistic about our prospects and look forward to yet another exceptional year in both financial and operational terms. Our dynamic systems and processes will continue to drive revenue growth and market share expansion.

Mobile-based insurance solutions are a rapidly growing trend and we are committed to expanding our business model to make place for dynamic mobile-based insurance services which are already generating topline growth.

In conjunction with the economic development in the country, expansion of our distribution channel was accelerated and we opened 32 branches in the country during the year, thereby bringing insurance protection to populations outside of main metro areas. We believe in the socio economic potential of these regions and want to be closely associated with their prosperity.

APPRECIATION

I take this opportunity to express my gratitude to the Managing Director and Board of Directors for their guidance. Our performance this year belongs to the entire Softlogic Life team for their exceptional contribution to the Company's strong performance.



CHULA HETTIARACHCHI
Chief Operating Officer

29th March 2018
Colombo

ENTERPRISING

A large, realistic hand is shown holding a small globe of the Earth. On the globe, a group of diverse people is sitting and smiling. A stream of water is pouring out from the bottom of the hand, falling into a body of water below. The background is a bright blue sky with white clouds and several white birds in flight.

[MANAGEMENT DISCUSSION & ANALYSIS - OPERATING CONTEXT]

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Material Aspects Impacting Our Business	65

REVIEW OF MACRO ECONOMIC ENVIRONMENT

“FORECASTED GLOBAL GROWTH FOR 2018 AND 2019 REMAIN BRIGHT AND HAVE BEEN REVISED UPWARD. 2018 IS ON TRACK TO BE THE FIRST YEAR SINCE THE FINANCIAL CRISIS THAT THE GLOBAL ECONOMY WILL BE OPERATING AT OR NEAR FULL CAPACITY.”

GLOBAL ECONOMIC ENVIRONMENT

Global Economy

Global output is estimated to have grown by 3.7% in 2017. The pickup in growth has been due to a combination of factors such as loose monetary conditions, solid labour markets, healthy global trade and higher commodity prices. Strong growth in the United States on the back of robust consumer spending, and high levels of business confidence propelled capital expenditure and contributed to the boost in growth. The increase in commodity prices have also provided relief to some battered developing economies this year.

Forecasted Global growth for 2018 and 2019 remain bright and have been revised upward to 3.9%. As such, 2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity, and policymakers will need to look beyond monetary and fiscal policy tools to stimulate short-term growth and consider initiatives more likely to boost long-term potential.

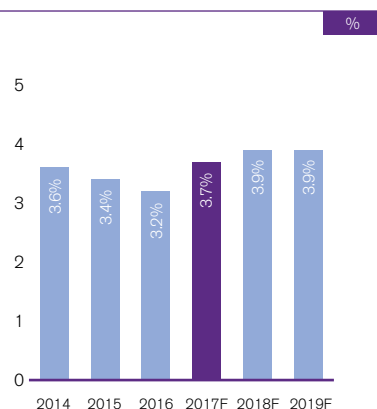
Table: World Economic Outlook

	2017 (F)	2018 (F)	2019 (F)
World Output	3.7%	3.9%	3.9%
Advanced Economies	2.3%	2.3%	2.2%
United States	2.3%	2.7%	2.5%
Euro Area	2.4%	2.2%	2.0%
Emerging Markets	4.7%	4.9%	5.0%
China	6.8%	6.6%	6.4%
India	6.7%	7.4%	7.8%

Source: IMF

2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity and policymakers will need to look beyond monetary and fiscal policy tools to stimulate short-term growth and consider initiatives more likely to boost long-term potential.

GROWTH IN WORLD OUTPUT

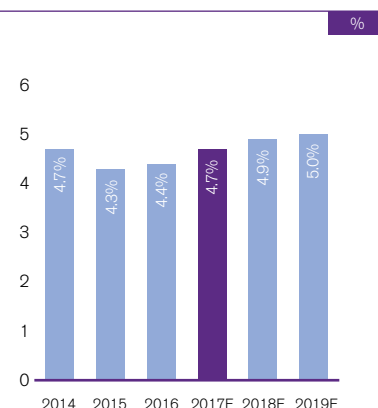


Emerging Markets and Developing Asia

The growth in emerging and developing markets have been stronger in 2017

compared to 2016 and similar momentum in growth is expected over the next couple of years. In comparison to other regions Emerging Markets and Developing Asia which accounts for over half of the world's growth, has recorded the strongest improvement in output levels in 2017. This is expected to remain the same for the next two years.

GROWTH IN EMERGING & DEVELOPING MARKETS



OUTLOOK OF THE EMERGING ASIAN MARKET AND ITS IMPACT ON SRI LANKA

Emerging Asia is expected to grow at above 6% in 2018 - 2022 in real GDP terms and is being transformed by new technologies, which are being rapidly adopted and creating digitalised economies.

Real GDP Growth in countries such as China, Indonesia and Malaysia, are growing rapidly.



7.3%

GDP Growth rate
2018 to 2022



6.2%

GDP Growth rate
2018 to 2022



4.9%

GDP Growth rate
2018 to 2022

Source: IMF

SRI LANKAN ECONOMY

A snapshot of Sri Lanka's economic performance in 2017

The Sri Lankan economy faced a challenging 2017 and, as a result economic growth is expected to be subdued and lower than projected at the beginning of the year.

The economy experienced lower output as a result of adverse weather conditions, fiscal policy measures, and lower credit growth owing to the monetary policy stance adopted over the past two years. The Government of Sri Lanka (GOSL) however, is aware of the importance of macroeconomic stability and also has in place a set of key economic objectives that are to be achieved and has in place several policy measures in order to achieve the said objectives.

A summary of key economic highlights and the outlook is mentioned in the following table;

Table: Key Economic Highlights

Indicator	2018 (F)*	2017	2016	2015
GDP growth	4.8%	3.1%	4.4%	4.8%
Per Capita GDP (US\$)	3,900	3,783	3,835	3,843
Inflation	6.0%	7.3%	4.2%	4.2%
Interest Rates (1 Yr T-Bill)	10.0% - 11.0%	8.89%	10.17%	7.11%
Total Debt as a % of GDP	78%	80% (F)	85%	78%
Trade Deficit as a % of GDP	1.9%	(2.1%) (F)	(2.4%)	(2.3%)
USD/ LKR	Rs. 165 -Rs. 170	Rs. 153.23	Rs. 149.75	Rs. 144.06
ASI	6,560	6,369	6,228	6,895

Sources: CBSL, IMF
(F) - Forecast

Agricultural activities reported a negative growth rate of 3.3% in the third quarter of 2017, which is the lowest reported growth rate in a third quarter, since 2010. This was owing to the sector being severely affected by unfavourable weather conditions (severe drought as well as heavy rainfalls) which have prevailed over the past two years.

Within the Industrial Sector, Construction and the Manufacture of Food, Beverages & Tobacco products were the largest contributors over the period concerned whilst the highest YoY growth was achieved by the Manufacture of other Non-Metallic Mineral Products followed by the Manufacture of Machinery and Equipment.

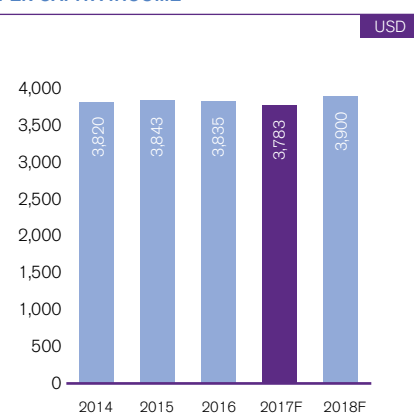
Service Sector growth was led by the growth in the Banking and Financial Sector which grew 17.1% YoY followed by the Telecommunication Sector which grew 11.6% YoY.

Per Capita Income

The Life Insurance Industry's penetration levels and growth are positively correlated with per capita income. The relationship between the two variables have been proven through extensive research and data from around the globe. (Please refer the case study provided on page 53 to gain further understanding on this topic.)

The Government of Sri Lanka has detailed in its 2025 vision statement that it aims to increase per capita income to USD 5,000 over the next three years. This bodes well for the Life Insurance Industry and brightens the medium and long term forecast of the Industry.

PER CAPITA INCOME



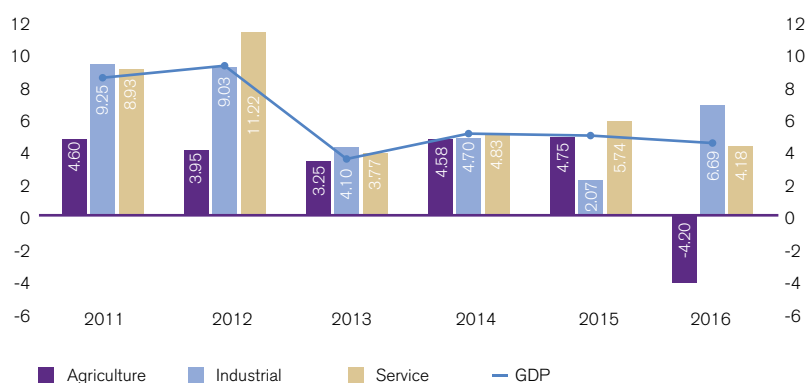
SUB SECTORAL GROWTH

Performance of Key Economic Indicators

GDP Growth

The Sri Lankan economy grew 3.1% during 2017 in comparison to 4.4% in 2016.

The four major components of the economy; 'Agriculture', 'Industry', 'Services' and 'Taxes less subsidies on products' contributed 6.9%, 27.8%, 58 % and 7.2% respectively to the growth achieved in 2017.

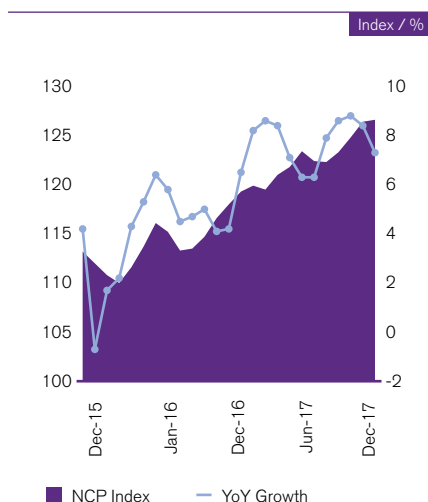


Inflation

Inflation, as measured by the change in the National Consumer Price Index (NCPI) (2013=100), decreased to 7.3% YoY in December 2017 in comparison to 4.10% in 2016. The decrease experienced in December was owing to the high base which prevailed in December 2016.

The NCPI Core inflation, which reflects the underlying inflation in the economy, continued to follow the declining trend exhibited since the early months of the year. As such, the NCPI Core inflation decreased to 2.7 per cent in December 2017 in comparison to 6.7% in December 2016.

INFLATION



Interest Rates

AWPR stood at 10.92 per cent, AWDR at 9.19 per cent and 1 Year T-Bill at 8.89 per cent as at 31st December 2017 in comparison to 11.52 per cent, 8.7 per cent and 10.17 per cent respectively as at 31st December 2016.

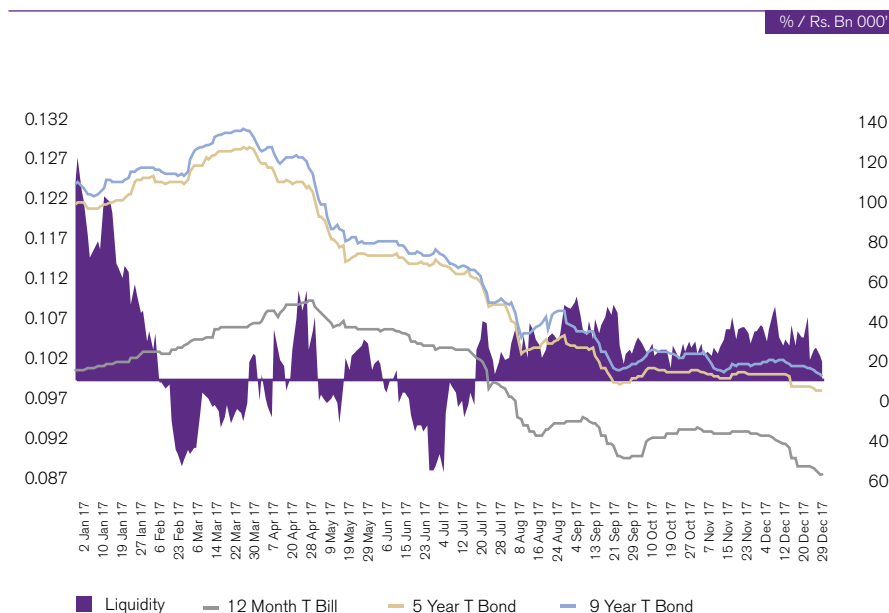
The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), was increased by 25 basis points each, in March 2017 to 7.25 per cent and 8.75 per cent respectively, as a precautionary measure to mitigate the impacts from inflation resulting from the drought and floods that prevailed earlier this year.

Policies adopted by the Central Bank and the government took effect through the year and have helped stabilise the economy. By end 2017, both the growth of broad money supply and the growth of credit extended to the private sector by commercial banks moderated to desired levels, with a rise in liquidity and a decline in rates declining across all tenures of the yield curve.

imports for the first eleven months of the year increasing 9% to US\$ 18,931.3 Mn.

As such, on a cumulative basis, the Trade Deficit widened during the first eleven months of 2017 by approximately 8.52% YoY.

INTEREST RATES AND MARKET LIQUIDITY 2017



Source: CBSL

External Sector Performance
Current and Capital Accounts

Exports continued to record a growth for the fifth consecutive month in November 2017, resulting in export earnings growing 9.4% for the first eleven months of 2017. This growth was mainly supported through the increase in earnings from the Tea, Rubber, Seafood, Spices, Food and Beverages, Petroleum Products and Printing Industry Products. Earnings from Textile And Garment exports, which account for approximately 48 per cent of total exports, grew by a marginal 1.6% in the first eleven months of 2016.

Reporting the highest monthly value since November 2011, expenditure on imports increased significantly in November 2017 to US\$ 1,940.4 Mn resulting in cumulative

With regards to inflows in relation to the current account, Income earned from tourism increased marginally by 2.48% year on year during the first eleven months of 2017, whilst workers' remittances recorded a year-on-year decline of 7.3% during the year up to end November 2017.

Despite the slower than expected improvement in the current account, the financial account of the BOP continued to strengthen during the month of November 2017. Accordingly, gross official reserves increased from US dollars 6.0 billion as at end 2016 to US dollars 7.3 billion by end November 2017 which was sufficient to finance 4.2 months of imports.

Exchange Rate Movements

The USD/LKR depreciated marginally by 0.21% QoQ and 2.39% YoY as at 31st

December 2017. Foreign inflows have strengthened considerably in 2017, owing to keen foreign interest in both the stock market and government securities. As at November 2017, foreign investment in the government securities market remained positive and inflows to the CSE on a cumulative basis was also positive as mentioned above.

Continuing the positive trend recorded since March 2017, foreign investments to the government securities market witnessed net inflows for the ninth consecutive month, whilst foreign investments in the Colombo Stock Exchange (CSE) recorded a significant net inflow during the first eleven months of 2017 in comparison to the net outflow recorded during the corresponding period of 2016.

Hambantota port proceeds and the IMF's disbursement of the third tranche of the EFF amounting to 251 US\$ Mn, will further strengthen reserve positions mitigating future external sector vulnerabilities

The Share Market Performance

The ASI closed at 6,369 as at the 31st December 2017. This was an increase of 2% YoY and a decrease of 5% QoQ. The market garnered a keen interest among foreign investors, with net foreign investor contribution to total turnover recording 48.9% through the year.

The Banking Financial and Insurance Sector Index closed at 16,619 as at the 31st December 2017. This was an increase of 5% YoY. The share price of the Company increased 2% within the year but declined

5% in the quarter concerned. The share closed the year at Rs. 21.00. The movement of the Company's share price against the Banking Financial and Insurance Sector Index is as below;

BFI VS SHARE PRICE OF SOFTLOGIC LIFE

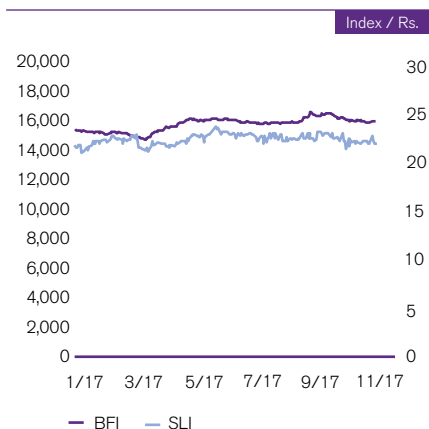


Table: Economic Indicators and its impact to Insurance Industry/ Softlogic Life

Indicator	2018 (F)	Reasoning	Key Risks that could affect expectation	Impact on the Life Insurance Industry and Softlogic Life	Impact on Softlogic Life
GDP Growth	4.8%	Economic Reforms are expected to boost investor and consumer confidence and attract Foreign Direct Investments for infrastructure development and in general.	Political uncertainty is at an all-time high given the recently concluded Local Government Elections. GDP Growth rates are at risk given the uncertainty that lies in the future of economic reforms and policy.	As per capita GDP increases, both prospective new customers and the existing customer base will expand and customer demands will need to be met to maximise the opportunities	●
GDP Per Capita	3,900 US\$				
USD/ LKR	Rs.165 - Rs.170	The increase in reserves as a result of an increase in foreign inflows in 2017 is expected to be maintained due to the conditions laid out by the IMF for the EFF. Market expectations are such that it expects volatility and a depreciation of approximately 2%-3% through the year owing to debt repayments and strengthening of the US\$.	The exchange rate is heavily dependent on the trade deficit as well as the accumulation of reserves. Thus, the inflow of foreign funds will play a substantial role in the CBSL's need to intervene and maintain the exchange rate. On an external front monetary policy strategies and fiscal policy in the US will affect all emerging market economies.	Exchange rate movements could adversely impact payments to reinsurers and claims paid out in foreign currency.	●
Interest Rates	10.0% - 11.0% (1 Yr T-Bill)	Given the current debt profile of the country, the bulk of debt repayments fall due in Q3 of 2018. This repayment is expected to reverse market liquidity prevalent at present. This together with external sector pressures, as detailed above indicate an increase in rates during 2018. Volatility is expected in the short term until a clear political direction is established.	Private sector credit growth declined to 15.4% YoY as at end of November 2017. Monetary Policy could be reversed to boost credit growth and GDP growth if needed towards the latter part of 2018.	An increase in rates bodes well for new investments and will contribute to an increase in investment income. However, the negative impact from policy liabilities will impact earnings depend on the extent of the existing asset and liability mismatch.	●

● Medium ● Low

INSURANCE INDUSTRY OVERVIEW AND ATTRACTIVENESS

GOLBAL INSURANCE INDUSTRY OVERVIEW

Gross Written Premium

Global Life Insurance Industry has been estimated to have grown by around 3% in 2017 (2016 - 2%). Much of this growth have been led by the robust performance of savings products in emerging markets, especially in Asia. Over the next two years, life premiums are forecast to grow by around 4% annually while profitability still remains challenging given the low interest rate environment that exist around the world. This adds pressure on investment returns and existing long duration books of business.

Re-Insurance Premium

Global life reinsurance premium growth is expected to be around 1.1% in 2017 and 1.2% in the following two years, primarily due to the close to zero growth in the advanced economies of North America and Europe where the bulk of cessions originate.

Profitability

The industry has taken a positive outlook across different regions. The global life insurance premium growth has risen to a modest 3% in 2017 from the previous year's 2% mainly driven by a strong emerging market performance. This strong performance in the emerging markets was led by an over 20% growth in the emerging Asia due to stable, robust economic growth; expanding populations; urbanisation; and, a rising middle class. This performance in the emerging Asia is expected to slightly drop over the next two years to a modest rate of around 10%. Meanwhile in advanced economies, the premium decline has dropped over the year.

Profitability impact from market risk factors

On the other hand, prevalent low interest rates pose significant problems to life insurers. Though low yields affect both sides (Assets as well as Liabilities) of the balance

sheet of life insurers, 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.

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

Emerging Asia	
Performance 2017	Outlook 2018-2019
<ul style="list-style-type: none"> Regulatory promotion of protection type solutions in China have led to a life premium growth of close to 23% in 2017. New group premiums in India have showed strong growth helped by government initiatives to promote life cover and pensions. Stable premiums have been sustained in most of the Southeast Asia markets while strong sales of unit-linked products in the Philippines has contributed to its growth recovery. 	<ul style="list-style-type: none"> China is expected to continue its strong growth trajectory with the favourable policy environment created by the government. India will see further growth from improving consumer-business sentiment and favourable regulatory changes. Life premium growth is expected to be steady as economic conditions stabilise in the rest of the Asia while insurers are promoting protection products more, given the prevailing low interest rates.
Latin America	
Performance 2017	Outlook 2018-2019
<ul style="list-style-type: none"> Life premium growth has fallen to 2% from a strong growth of 8% in 2016 mainly due to weak economic performance in key markets including Brazil, the biggest market where premium growth stood at 2%. 	<ul style="list-style-type: none"> Life premiums in Latin America are expected to increase by 3-4% per annum in 2018 and 2019, helped by a modest economic recovery in Brazil and premium growth in Colombia, Chile and Peru.
Central and Eastern Europe	
Performance 2017	Outlook 2018-2019
<ul style="list-style-type: none"> Life premium growth in CEE has rebounded formidably in 2017 after four consecutive years of contraction. While business in Russia has remained robust due to strong sales of investment savings products, life markets in Poland, Hungary and Slovakia have also stabilised. 	<ul style="list-style-type: none"> In CEE, a growth of around 5-6% is expected in the coming two years, reflecting the large share of Russia.

OVERVIEW OF THE LIFE INSURANCE INDUSTRY IN SRI LANKA

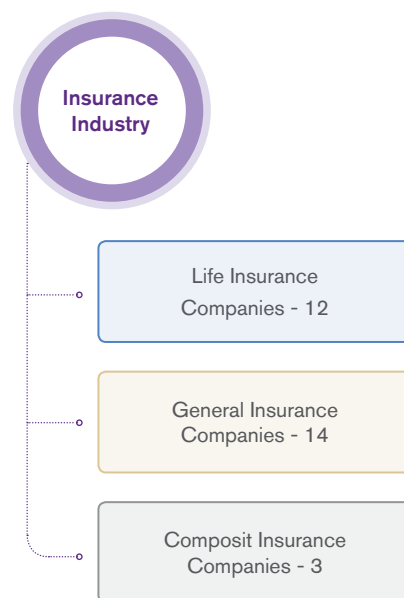
SALIENT FEATURES IN LIFE INSURANCE INDUSTRY

- Life Insurance industry was the most attractive industry in 2017 with an outstanding year on year growth of 13% and Industry Size of Rs. 71.6 billion despite challenging conditions.
- 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.
- Rising urbanization, customer sophistication levels and overall macroeconomic features in the country are positive for the growth of the industry.

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 Regulatory Commission of Sri Lanka (IRC SL), 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.

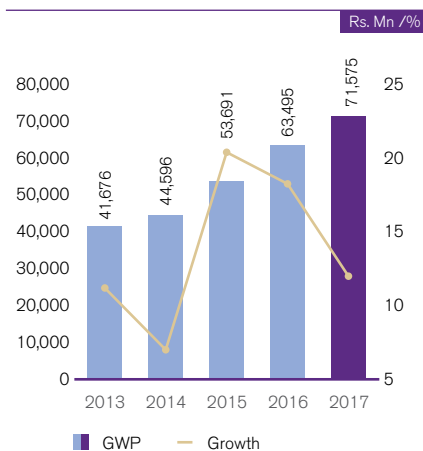
Figure: Insurance Industry Composition



Growth in Life Insurance Industry

Sri Lanka's Life insurance industry continued its growth momentum and recorded a premium income of Rs. 71.6 billion with a growth of 13% (2016: 18%) in comparison to Rs. 63.5 billion recorded in year 2016, as per the country's insurance regulator, the Insurance Regulatory Commission of Sri Lanka (IRC SL). 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.

LIFE INSURANCE INDUSTRY GROWTH



Key Performance Indicators of and Economic Indicators

Table: Premium Income and Penetration level

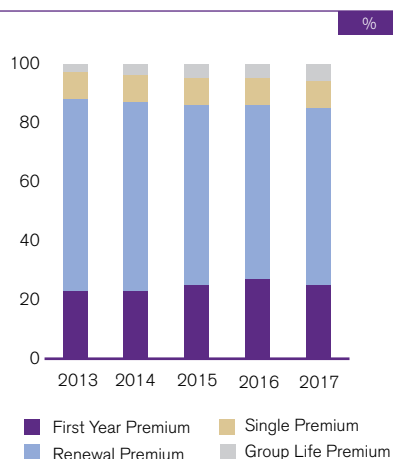
Description	2017	2016	2015	2014	2013
Premium Income (Rs. million)	71,575	63,495	53,691	44,596	41,676
Growth in Premium Income (%)	12.7	18.3	20.4	7.0	11.2
Gross Domestic Product at current market price (Rs. billion)	12,101	11,714	11,183	10,448	9,592
GDP Growth rate (%)	3.1	4.4	4.8	4.9	3.4
Penetration (%) - (Life premium as a % of GDP)	0.6	0.5	0.5	0.4	0.4
No. of policies	631,770	665,253	645,596	547,261	533,068
Insurance Density (Rs) - (Total premium income/Population)	3,422	3,053	2,555	2,147	2,025
Per Capita Income (USD)	3,783	3,835	3,843	3,821	3,609

Source: Annual Report of IRC SL, Industry GWP data circulated by IASL, CBSL, World Bank, IMF

Analysis of Life Insurance Industry GWP

The main contributor for the industry GWP is the premium income generated from the Renewal Premium GWP which is Rs. 43 billion, and First-Year New Business GWP of Rs. 18 billion, which accounts for 85% of GWP of the Life Insurance industry and recorded a growth of 15% and 8% 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 60% (2016 – 59%) to the total life premium, while First Year GWP contributed 25% (2016 - 27%). Details of the GWP composition are shown below;

LIFE INSURANCE CLASS WISE GWP



Market Share Performance

In 2017, the insurance companies which claimed the top six positions in terms of market share in the long term insurance business collectively accounted for 85.8% of the total industry GWP (2016: 85.8%) which indicates no change.

Further top two players in the market are losing their market share whereas players

in position 3-5 recorded a market share growth compared to 2016. Details of Market share movement of top six players are provided in following table;

Table: Market Share Movement - 2017 vs 2016 (Top six players)

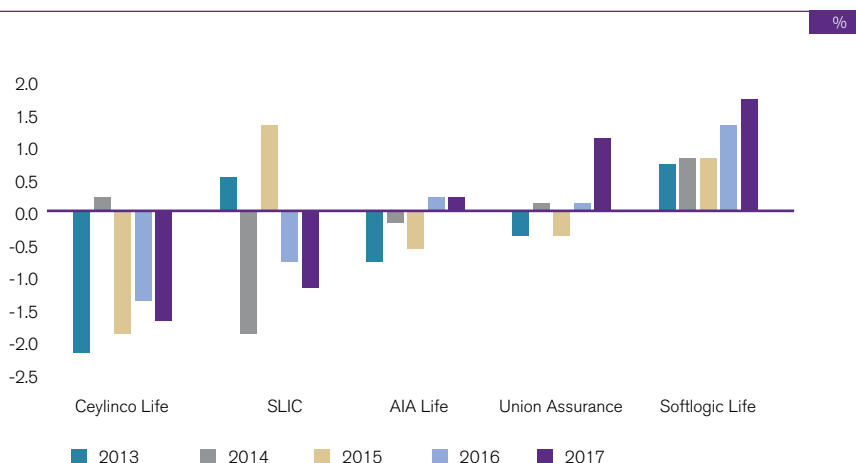
Description	Total GWP Rs. Mn.			Growth	Market Share		Change %
	2017	2016	Change		2017	2016	
Ceylinc Life Insurance	15,765	15,027	737	5%	22.0%	23.6%	(1.62)
Sri Lanka Insurance Corporation	12,517	11,894	623	5%	17.5%	18.7%	(1.23)
AIA Insurance Lanka PLC	11,511	10,104	1,407	14%	16.1%	15.9%	0.18
Union Assurance PLC	10,118	8,271	1,847	22%	14.1%	13.0%	1.12
Softlogic Life Insurance PLC	7,531	5,636	1,895	34%	10.5%	8.9%	1.65
HNB Assurance PLC	3,963	3,554	409	12%	5.5%	5.6%	(0.06)
Other Players	10,170	9,008	1,162	12%	14.2%	14.3%	(0.06)
Total	71,575	63,495	8,080	13%	100.0%	100.0%	

Source: Annual Report of IRC SL, Industry GWP data circulated by IASL

Market Share Performance of Top 5 Players in Life Insurance Industry

Top Five players in the market enjoy 80.2% market share in 2017 compared to 80.2% in 2016. Out of the top five, Softlogic Life Insurance PLC has maintained consistence growth in the market share from 2013 whereas other top players have not been able to achieve such a feat over the last five years.

MARKET SHARE GROWTH-TOP 5 PLAYERS - 2013 TO 2017



Analysis of distribution channels of Life Insurance

The table below describes the main distribution channels adopted by the insurance companies, namely agents, brokers, direct, bancassurance and other distribution channels. Agents are one of the most important distribution channels in which insurers acquire insurance business and they dominate the distribution channel by contributing 87.41% in 2016 (2015: 89.90%). Direct marketing and bancassurance contributed 6.18% and 4.91% respectively. There has been a small but gradual growth in the share of premium income that has been generated by both the Direct and Bancassurance channels.

Table -Mix of Distribution Channels % of Premium Income

Channel	2016		2015		Change
	GWP Rs. Bn	%	GWP Rs. Bn	%	
Agents	55.50	87.41%	48.27	89.90	(2.50%)
Direct	3.92	6.18%	2.58	4.81	1.37%
Bancassurance	3.12	4.91%	2.14	3.98	0.93%
Brokers	0.32	0.51%	0.23	0.42	0.09%
Others	0.63	0.99%	0.47	0.88	0.11%
	63.50	100.00%	53.69	100.00	

Source: Annual Report 2016 - IRCSL (2017 figure are not publish yet)

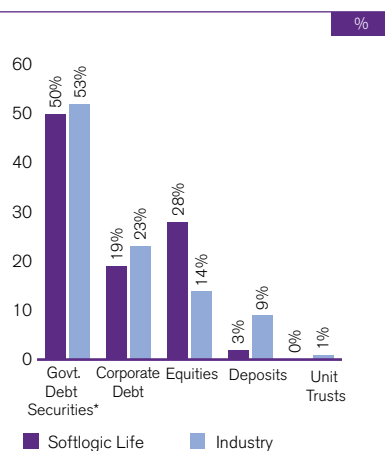
Above trend shows the rising potential in distribution channels such as bancassurance.

Financial Investment Portfolio

The industry maintains Rs. 307 billion worth of financial investments which includes government securities, equities, corporate debt, deposits and unit trust investments as at 31st December 2016.

In the investment composition of Softlogic Life, majority of the investments have been made in Government securities. This stands at a hefty 50% compared with the 53% of the industry during 2016. In terms of equities the Company has made a considerable investment of close to 28% of the total investments compared to the industry's value of 14% mainly in banking and finance sector

COMPOSITION OF INVESTMENT PORTFOLIO



* Inclusive of repos.

IN 2017, THE INSURANCE COMPANIES WHICH CLAIMED THE TOP SIX POSITIONS IN TERMS OF MARKET SHARE IN THE LONG TERM INSURANCE BUSINESS COLLECTIVELY ACCOUNTED FOR 85.8% OF THE TOTAL INDUSTRY GWP

Life insurance industry total assets stood at Rs. 346 billion as at 31st December 2016 (2015: Rs.313 billion). This shows a growth rate of 11% over the previous year's total assets, but this is a decline in the growth rate compared to the previous year's robust 27% which appeared to be an outlier compared to the historical values.

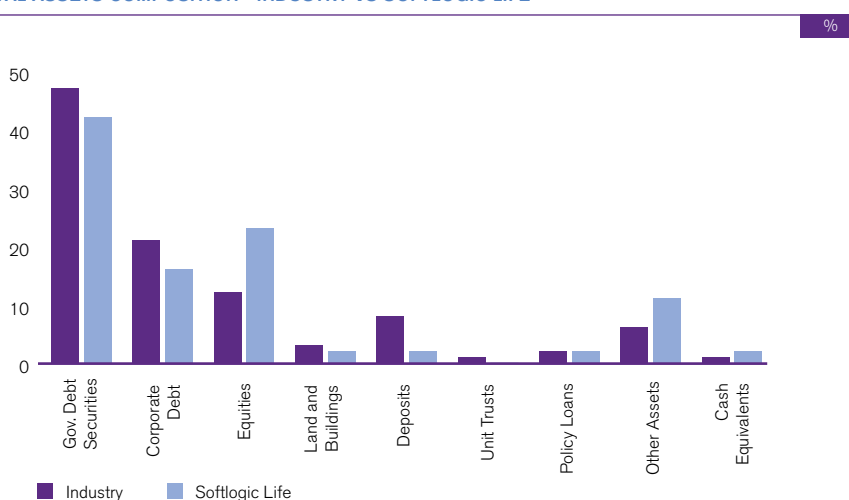
Profitability

Industry top 4 players recorded a profitability ratio of 12%, 11% and 19% respectively for year 2014, 2015 and 2016. Sri Lanka Insurance Corporation has significantly contributed for the 2016 profitability ratio by recording Rs. 3.8Bn in 2016 whereas 2015 profit was Rs. 925 Mn.

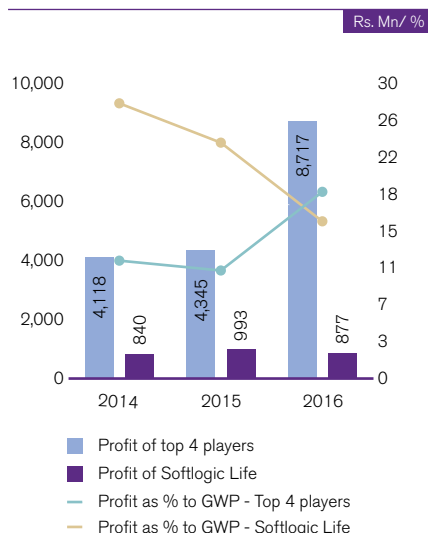
Softlogic Life has recorded a profitability ratio of 28%, 24% and 16% in 2014, 2015 and 2016 respectively.

Total Asset

TOTAL ASSETS COMPOSITION - INDUSTRY VS SOFTLOGIC LIFE



CONTINUING OPERATIONS PROFITABILITY OF TOP 4 PLAYERS VS SOFTLOGIC LIFE



Life Insurance Industry Future Outlook

As Sri Lanka moves forward being recognised as a middle income country, with a corresponding increase in GDP, it is imperative that the insurance sector, being one of the pillars of the financial sector of this country, rises to meet the challenges of the future.

The Government has declared 1st of September as National Insurance Day in 2017 for the first time in Sri Lanka. That itself is a very encouraging gesture of the Government to recognise the contribution of the insurance industry to the national economy and to the welfare of society.

Focus on Health insurance, prospects for long-term retirement savings and upcoming developments of new accounting standard (IFRS 17 - Insurance contracts) will have a considerable impact on the life insurance industry in medium term.

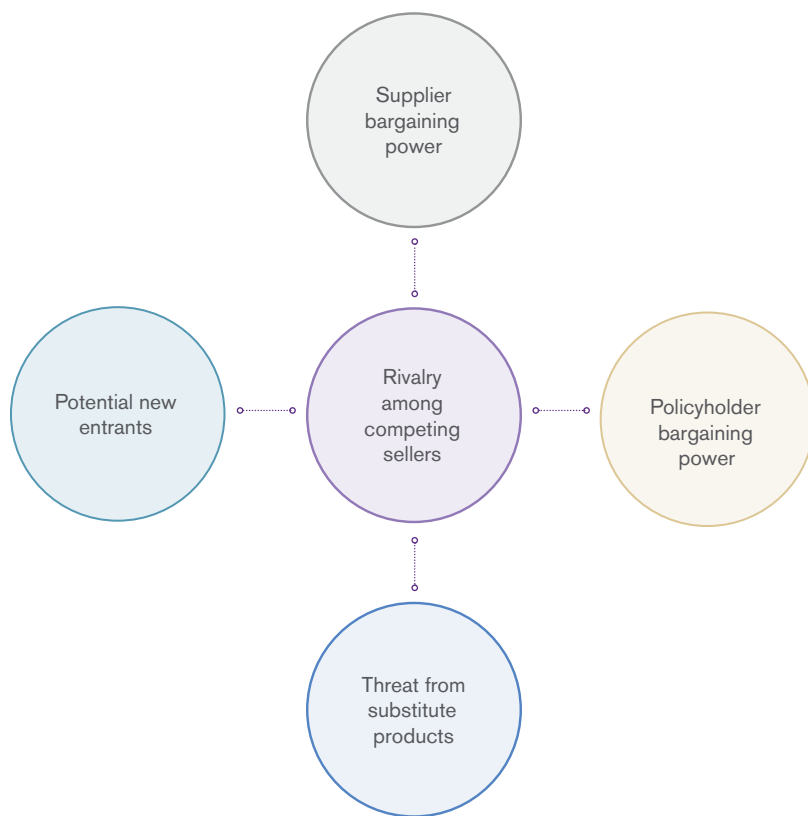
Sri Lankan life insurance industry outlook for 2018 and onwards is positive due to rising per capita income, rising middle class, lower penetration level and urbanisation.

INDUSTRY ATTRACTIVENESS AND COMPETITIVENESS

When considering the micro environmental factors which impact 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 most attractive industry.

Figure : Analysis of Five Forces



Impact of five forces on Softlogic Life business

Forces	Impact
Threat of Potential New Entrant	Moderate
Threat from Substitute Products	Moderate
Bargaining Power of Suppliers	Moderate
Bargaining Power of Customers / Policyholders	Low
Rivalry Among Competitors	Low

Please refer detail analysis provided on pages 43 to 45 for more information.

Five Forces Analysis on Life Insurance Industry

FORCES	DETAILS	STRENGTH
<p>THREAT OF POTENTIAL NEW ENTRANT</p>	<p>Both potential and existing competitors influence average industry profitability.</p> <p>MARKET BARRIERS</p> <p>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) as well as rising income levels along with standard of living provides greater demand for life insurance. ▪ Entry barriers are moderate except for the requirement of the minimum capital (Rs. 500 Mn) and registration from IRCSL. Hence, multinationals are interested in the market. However, the Life insurance market only accounts for Rs. 71.6 Bn (US\$ 460 Mn) of total GDP. ▪ There is also a natural barrier that exist within the industry from the need for technical expertise in areas such as actuarial and also due to the difficulty in recruiting and retaining a strong sales force. ▪ Lower product differentiation. ▪ Low switching cost. ▪ Opportunities for moving to online insurance solutions (Disruptive Business model). however impact is less to the industry due to inherent nature of business
<p>THREAT OF SUBSTITUTE PRODUCTS</p>	<p>ALTERNATIVE PRODUCTS</p> <p>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 and saving, deposit products etc. as alternatives for life Insurance products.</p>	<p>MODERATE</p> <ul style="list-style-type: none"> ▪ There are less substitute options available i.e. Pension and deposits products. ▪ Expect Life GWP to increase due to the lower interest rates in the economy. ▪ Banks provide insurance services as a supplementary for depositors.

FORCES	DETAILS	STRENGTH
<p>BARGAINING POWER OF SUPPLIERS</p>	<p>Suppliers have a great deal of influence over an industry as they affect price levels 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.
<p>BARGAINING POWER OF CUSTOMERS / POLICYHOLDERS</p>	<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 non insurance companies (products), the switching cost is high in life insurance products 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.

FORCES	DETAILS	STRENGTH
<p>RIVALRY AMONG COMPETITORS</p>	<p>INDUSTRY RIVALRY</p> <p>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</p> <p>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"> ▪ Life insurance industry penetration level is low (2017-0.6%) in the country as compared with the other regional countries. This shows significant potential in the industry which is again proved by the high industry growth rate of around 13% during 2017 and compounded annual growth rate for last five years is 14%. In turn this would mean that the companies can still grow without eating in to each other's portfolios. But this favourable situation is complicated up to some extent by the difficulty in selling life insurance. ▪ Demand grows faster as a result of growth of disposal income, improving living standards and ageing population. ▪ Fairly differentiated product. ▪ High margins. ▪ High exit barrier due to a regulated industry.

STATUTORY AND REGULATORY ENVIRONMENT

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 Regulatory Commission of Sri Lanka ("IRCSL") formally known as Insurance Board of Sri Lanka 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 "IRCSL" 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 the Company.

STATUTORY REQUIREMENTS INTRODUCED DURING THE YEAR

Enforcement of Revised Rules on Minimum Public Float

The Securities & Exchange Commission of Sri Lanka directed the Colombo Stock Exchange to commence enforcement of the Revised Rules on Continuing Minimum Public Float.

Accordingly, the Colombo Stock Exchange issued a Circular on enforcement action that would be taken against entities that fail to comply with the said Rules as at 30th June 2017.

Non-compliant entities were given an implicit extension to comply with the rule by 1st July 2018 and failure to comply resulted in the entity being transferred to the 'Watch List' (Default Board). Until full compliance, entities are required to make monthly disclosure on the compliance status.

As at date of this disclosure, the Company is in compliance with the said Rule.

SEC Directive & CSE Circular to Listed Companies

CSE Listing Rules on Enforcement Procedures to be Implemented on Listed Companies Violating Listing Requirements.

In summary the enforcement procedures deals with the following:

- Violation of corporate governance Requirements.
- Late submission or non-submission of interim financial statements.
- Late submission or non-submission of annual reports.
- Incidence of Modified Opinions in audited financial statements.
- Incidence of Emphasis of Matter on Going Concern in audited financial statements.
- Renaming the Default Board as 'Watch List'.

REGULATORY REQUIREMENTS INTRODUCE DURING THE YEAR

Amendment to the Regulation of Insurance Industry Act

An amendment to the Regulation of Insurance Industry Act became effective from 19th October 2017.

In summary the Amendment Act dealt with the following:

- Renaming of Insurance Regulatory Commission of Sri Lanka as 'Insurance Regulatory Commission of Sri Lanka'.
- Exemption to a Local Subsidiary insurance company of any Foreign Holding Company subject to conditions.
- Exemption from Listing Requirement subject to conditions.
- Regularizing registration of Agents with/ between insures and brokers.

Role & Responsibility of Principal Officer of an Insurer

In terms of the said Determination 9, the Principal Officer of an insurer shall be the CEO and/or MD and/or an individual who is responsible for implementing the direction of the Board of Directors of that entity.

Role & Responsibility of the Specified Officer of an Insurer

IRCSL issued a Directive specifying the role and responsibility of a Specified Officer (which was a lacuna in the IRCSL regulations to date).

In summary, the Specified Officer shall:

1. Head the Technical Division.
2. Report directly to the Principal Officer.
3. Have the authority to review and clarify matters with CFO, Actuary, Investments.
4. Sign off regulatory returns.
5. Provide assurance to Principal Officer, Board and IRACL that technical matters relating to the Underwriting, Claims, Reinsurance and Risk Management are adequate and prudent.
6. Ensure fairness to both policyholder and industry.
7. Responsible to inform Principal Officer and Board of any violations on technical provisions under the RII Act.

Guidelines on Investments for Insurance Companies

- Objective of the Guideline is to ensure funds of an Insurance Company are invested in a sound and prudent manner and IRCSL sets out minimum policies to be observed in governance of investment management, management of investment portfolio and associated risks.

In summary it deals with,

- Governance of Investment Activities.
- Role and responsibility of the Board of Directors.

- Role and responsibility of Senior Management.
- Establishment of an Investment Committee.
- Requirement of an Investment Policy.
- Monitoring and Internal Controls.
- Related Party Investments.
- Outsourcing of Investment Activities.

The Guidelines are applicable w.e.f 6th November 2017.

New Inland Revenue Act introduced during the year

The Inland Revenue Department has issued Inland Revenue Act No. 24 of 2017 which replace the Inland Revenue Act, No.10 of 2006 and new Act is effective from 01st April 2018. Major changes applicable for life Insurance Industry are listed in the following table.

ACCOUNTING STANDARDS TO BE INTRODUCED

SLFRS 9 - Financial Instruments

SLFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. The Insurance companies can differ this standard till they implement IFRS 17.

A detail description of this standard has been provided in pages 393 - 404.

IFRS 17 - Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

This standard will be effective for the periods beginning on or after 1st January 2021.

A detail description of this standards has been provided under technical review section

OTHER REGULATIONS INTRODUCED DURING THE YEAR

Suspicious Transactions Regulation 2017

Regulations have been issued by Financial Intelligence Unit setting out the reporting format as regards suspicious transactions. The report requires a statement of the grounds of suspicion relied upon, description of the circumstances and supporting documents.

The regulation also provides for specific grounds on which a reporting entity could base its suspicion on a transaction. This provides much needed clarity as regards the obligation on a reporting entity in terms of Sec 7 Financial Transactions Reporting Act in reporting transactions against which an entity has 'reasonable grounds to suspect'.

Caption	Old Act (No.10 of 2006)	New Act (No.24 of 2017)	Impact to the Industry
Tax base of an Insurance business	Income Tax calculation is done on Income minus Expenses basis (I-E)	Income Tax calculation is done; <ul style="list-style-type: none"> ▪ Surplus distributed to the shareholders as certified by Actuary (@ 28%) ▪ investment income of shareholder fund less any expenses incurred on such income generation (@ 28%) and ▪ Surplus distributed to the policyholder profit of life Insurance Company (@ 14%) 	●
Capital Gain Tax	No Tax on Capital Gains	Capital Gains will be taxed	●
Notional Tax credit ("NTC") on Government Securities	"NTC" is available	"NTC" is withdrawn	●
WHT on specified fee	No WHT on specified fee	WHT scope is widen	●
Deem Dividend Tax	Available	Removed	●

● High ● Low

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 IRCSL, 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 IRCSL any concerns they may have regarding such regulations. This constructive approach adopted by the IRCSL 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 regulations as a member of the IASL.

THE COMPANY PLANS AHEAD, TAKES PRECAUTIONARY MEASURES AS WELL AS ADJUSTS ACCORDINGLY TO EXPLOIT ANY OF THE OPPORTUNITIES THAT ARISE AS WELL AS TO GUARD AGAINST ANY THREATS OR RISKS.

RISKS AND CHALLENGES

Risk identification is an integral part of our business that has also been a key factor in the subsistence of the Company's long term success. As one of the change leaders in the industry we have a broader understanding and sensitivity towards the dynamic nature of the external business environment. Our business is also affected by a number of factors that are external to the Company or in other words, factors uncontrollable by the Company. In terms of these factors, the Company plans ahead, take precautionary measures as well as adjusts accordingly to exploit any of the opportunities that arise as well as to guard against any threats or risks. Some of these factors that affect our earnings and business overall are general economic conditions, the performance of financial markets, interest rates, currency exchange rates, changes in laws, regulations and policies of the Insurance Regulatory Commission of Sri Lanka (IRCSL) and competitive factors on a global, regional and national level.

Our financial condition and results of the operations are mainly dependent on Sri Lankan economic conditions as majority of the customers are locals. Accordingly, we have identified the key risks that can arise from the economic, social, political, technological and regulatory factors together with their potential impact, and mitigating actions taken by the Company and details are summarised in the following table;

	Risks and Opportunities	Impact on Products and Services/ Operations	Impact Classification	Softlogic Life Response
Economic	Growth in GDP and per capita income will attract new entrants to the industry.	<p>Increase in per capita income will increase the demand for protection based products as well as savings related life insurance products.</p> <p>New entrants could introduce disruptive business models to change the way products / services are offered.</p> <p>Higher levels of competition to expand the sales force.</p> <p>Could lead to increased product / service differentiation.</p>	Medium	<ul style="list-style-type: none"> Improve customer loyalty by promoting more customised services (Such as health related attractive propositions) and products. Customer attraction and retention through strategic positioning (Softlogic Life position life Insurance solutions as which provide benefits to customers now rather than in the future) and strong corporate brand image. Market development by moving into new local markets (During the year the Company introduced a life product with Dialog Axiata PLC which the customers can buy through their mobile).
	Volatility in Interest rate.	<p>Positive impact on equity related investments due to the shift from savings to equity related investments, and the lower cost of borrowing.</p> <p>Negative impact on yield of fixed income securities. Hence, lower investment income from fixed income securities.</p> <p>Decrease in interest rates will have a negative impact on the profitability of Life Insurance business as a result of increase in the insurance contract liability.</p>	High	The Company maintains a well-diversified investment portfolio to mitigate this risk and conducts an active management of its investment portfolio.

	Risks and Opportunities	Impact on Products and Services/ Operations	Impact Classification	Softlogic Life Response
Social	Growth in the ageing population in Sri Lanka.	The demand for specific insurance products increases (Eg: Health and pension related Life products).	High	Specialised in providing health related insurance solutions (with Asiri Group) and revamp and continuously improve such products during the year.
Technological	Continuing digital transformation of the businesses.	Emerging new distribution channels and customer value propositions. Improving efficiencies in operational processes.	High	<ul style="list-style-type: none"> ▪ Introduce technology-based solutions such as 'LifeUp'. ▪ Introduction of the E-Advisor platform has led to a better flow of information, speed up the process as well as as well as increased the confidentiality of information. ▪ Partnering with telco companies to launch new products such as the Dialog per day Insurance. ▪ Use IT as an enabler of new avenues and integral part of our business model.
	Increase in technology driven frauds, cyber threats and misappropriations will have a negative impact on profitability levels and customer satisfaction levels.	<p>Specially as life insurance businesses deal with customers' confidential information including health related information, there is a higher impact on the Company's reputation as well as the safety of the customers in case of a data breach. This risk is further boosted by the digitization of medical services.</p> <p>Increase in costs for providing services to implement new controls to safeguard IT systems.</p> <p>But it should be noted that these prevention costs will be lesser than the costs that would be incurred in case of a realization of such a risk.</p>	High	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.	<p>Flexibility of development of products may reduce.</p> <p>High complexity and cost of managing compliance.</p> <p>Negative impact on the competitiveness of life insurance products compared with other investment products.</p>	Medium	Continuous monitoring of required investment in resources such as human, technological, etc.
	Introduction of the new Inland Revenue Act.	Tax methodology has been changed and profitability of the life insurance industry will be adversely affected from 2018 onwards.	High	The Company closely monitoring the new rules and regulations introduced by the government and make necessary provisions as and when required.

SOFTLOGIC LIFE STANDS AT A UNIQUE COMPETITIVE POSITION DUE TO THE STRATEGIES THAT WE HAVE IMPLEMENTED DURING THE LAST FEW YEARS AND THIS WILL ENABLE US TO BENEFIT FROM THE GROWTH TRAJECTORY OF THE COUNTRY

REALISING OPPORTUNITIES

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 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 though it has dropped slightly 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.

In the life insurance industry, Softlogic Life stands at a unique competitive position due to the strategies that we have implemented during the last few years and this will enable us to benefit from the growth trajectory of the country as we create customizable effective solutions for our clients as well as 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 below highlights some of the exciting growth opportunities we have identified together with Softlogic Life's response to each.

Key Areas	Presentation	Description / Impact	Impact Classification	Softlogic Life Response																		
Low insurance penetration	<p>LIFE INSURANCE PENETRATION AS A % OF GDP</p> <table border="1"> <caption>LIFE INSURANCE PENETRATION AS A % OF GDP</caption> <thead> <tr> <th>Country</th> <th>Penetration %</th> </tr> </thead> <tbody> <tr> <td>Sri Lanka</td> <td>0.52</td> </tr> <tr> <td>India</td> <td>2.72</td> </tr> <tr> <td>Malaysia</td> <td>3.15</td> </tr> <tr> <td>Thailand</td> <td>3.72</td> </tr> <tr> <td>Indonesia</td> <td>1.64</td> </tr> <tr> <td>Philippine</td> <td>1.23</td> </tr> <tr> <td>Vietnam</td> <td>1</td> </tr> <tr> <td>Regional Avg.</td> <td>~1.8</td> </tr> </tbody> </table> <p>Source: Swiss Re Sigma</p>	Country	Penetration %	Sri Lanka	0.52	India	2.72	Malaysia	3.15	Thailand	3.72	Indonesia	1.64	Philippine	1.23	Vietnam	1	Regional Avg.	~1.8	<p>The persistent low level of insurance penetration % to GDP in the local market continues to prevail as compared to the other Asian countries. This could be a result of untapped market segments and disposable income groups in the industry.</p>	High	<p>Reassess the capabilities; develop appropriate financial products that are tailor-made to cater to each income level.</p> <p>Increased focus on new distribution channels.</p> <p>Please refer the Case Study on page 53</p>
Country	Penetration %																					
Sri Lanka	0.52																					
India	2.72																					
Malaysia	3.15																					
Thailand	3.72																					
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Philippine	1.23																					
Vietnam	1																					
Regional Avg.	~1.8																					

Key Areas	Presentation	Description / Impact	Impact Classification	Softlogic Life Response																
Positive outlook for urbanization	<p>URBAN POPULATION</p> <table border="1"> <caption>Urban Population (%)</caption> <thead> <tr> <th>Country</th> <th>Urban Population (%)</th> </tr> </thead> <tbody> <tr> <td>Sri Lanka</td> <td>19</td> </tr> <tr> <td>Vietnam</td> <td>34</td> </tr> <tr> <td>India</td> <td>31</td> </tr> <tr> <td>Pakistan</td> <td>39</td> </tr> <tr> <td>Indonesia</td> <td>54</td> </tr> <tr> <td>Malaysia</td> <td>74</td> </tr> <tr> <td>Thailand</td> <td>45</td> </tr> </tbody> </table> <p>Source: World Bank</p>	Country	Urban Population (%)	Sri Lanka	19	Vietnam	34	India	31	Pakistan	39	Indonesia	54	Malaysia	74	Thailand	45	<p>Sri Lanka shows a relatively low level of urbanization when compared with the region. As most of the country's development projects like Megapolis, Port City revolve around the main city of Sri Lanka, more people are expected to resettle in the metropolis area of the country with new jobs being created. Urbanization is also widely considered as an indicator of economic development, high living standards as well as sophistication of the consumers. Hence a higher demand for life insurance can be expected with the boost in urbanization.</p>	Medium	Designing new products and leveraging on innovative distribution channels to cater to these customers.
Country	Urban Population (%)																			
Sri Lanka	19																			
Vietnam	34																			
India	31																			
Pakistan	39																			
Indonesia	54																			
Malaysia	74																			
Thailand	45																			
Low Bancassurance market exposure	<p>BANCASSURANCE'S MARKET SHARE IN ASIA-PACIFIC REGION</p> <table border="1"> <caption>Bancassurance's Market Share (%) in Asia-Pacific Region</caption> <thead> <tr> <th>Country</th> <th>Market Share (%)</th> </tr> </thead> <tbody> <tr> <td>Vietnam</td> <td>2</td> </tr> <tr> <td>Sri Lanka</td> <td>4</td> </tr> <tr> <td>India</td> <td>21</td> </tr> <tr> <td>Philippines</td> <td>35</td> </tr> <tr> <td>Singapore</td> <td>37</td> </tr> <tr> <td>Hongkong</td> <td>49</td> </tr> <tr> <td>South Korea</td> <td>52</td> </tr> </tbody> </table> <p>Source: Axco Insurance Market Report</p>	Country	Market Share (%)	Vietnam	2	Sri Lanka	4	India	21	Philippines	35	Singapore	37	Hongkong	49	South Korea	52	<p>Bancassurance in SL is underutilised as the industry runs on an agent-based model. With over 5,600 licensed commercial bank branches island wide, we could optimise the channels to boost premiums and reduce acquisition expenses.</p>	Medium	<p>Focus towards development of Bancassurance Channels.</p> <p>Details of Bancassurance details on pages 128</p>
Country	Market Share (%)																			
Vietnam	2																			
Sri Lanka	4																			
India	21																			
Philippines	35																			
Singapore	37																			
Hongkong	49																			
South Korea	52																			
Growing ageing population	<p>RETIREMENT AGE GROWTH</p> <table border="1"> <caption>Retirement Age Growth (%)</caption> <thead> <tr> <th>Year</th> <th>Retirement Age Growth (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>12.4%</td> </tr> <tr> <td>2022</td> <td>16.3</td> </tr> <tr> <td>2032</td> <td>19.9</td> </tr> <tr> <td>2042</td> <td>23.2</td> </tr> <tr> <td>2052</td> <td>24.5</td> </tr> </tbody> </table> <p>Source: Ageing population of Sri Lanka report by UNFPA</p>	Year	Retirement Age Growth (%)	2012	12.4%	2022	16.3	2032	19.9	2042	23.2	2052	24.5	<p>Life expectancy increases to 75 years while birth rate reduces to 17.5 per 1000, thus the ageing population increase in Sri Lanka leading to higher demand for health related products.</p> <p>Life expectancy has increased to 75 years while this is qualitatively reflected in Sri Lanka's ageing population. Between 1981 and 2012, the proportion of population aged 60 years or above has increased from 6.6% to 12.4% and it is expected to further grow thereby increasing the wealth portion that will be set aside for health risk. This will be further boosted by the drop in the number of persons available for support of the elderly (1981:7 persons for 1 elderly, 2012:4 persons for 1 elderly.)</p>	High	<p>Focus to grow health related riders and emphasis on introducing stand alone new health products via Asiri Hospitals.</p> <p>Details of riders are provided on page 124</p>				
Year	Retirement Age Growth (%)																			
2012	12.4%																			
2022	16.3																			
2032	19.9																			
2042	23.2																			
2052	24.5																			

Key Areas	Presentation	Description / Impact	Impact Classification	Softlogic Life Response
Growth in per capita income	<p>PER CAPITA INCOME</p> <p>Source: World Bank</p>	The country is expected to reach US\$ 3,910 per capita income for the Year 2017. Country's "vision 2025" document however has set a target of USD5,000 which will provide greater opportunity for Insurance Products by 2020.	Medium	<p>Focus to expand its product range and distribution channels.</p> <p>Refer page 121-124 and 126 -128</p>
Growing mobile penetration in Sri Lanka and other technological improvements	<p>MOBILE PENETRATION</p> <p>Source: Telecommunications regulatory commission</p>	Mobile penetration in Sri Lanka is around 130% , which gives a platform for Softlogic Life to grow with technology, as innovation is one of the key values.	High	<p>Focus to strengthen</p> <ul style="list-style-type: none"> Customer Relationship Management (CRM) to customer satisfaction. Use of Big data (Business intelligence). Introducing mobile insurance. <p>Refer page 118 and 128</p>
Growing penetration in the use of internet	<p>INTERNET PENETRATION</p> <p>Source: World Bank</p>	Internet penetration in the country has grown from 18.29% in 2013 to 32.05% by 2017. This is considerably higher than that compared with the regional average (2013:11.51% and 2017:26.47%). This places Softlogic Life in a unique position to exploit this dynamic especially given its customer base.	High	<p>Revamp of LifeUp mobile application and further focus on the expansion of the variety of distribution channels.</p> <p>Refer page 127</p>

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.

The results are graphically presented in below figure " S Curve Relationship Between Per Capita GDP and Penetration".

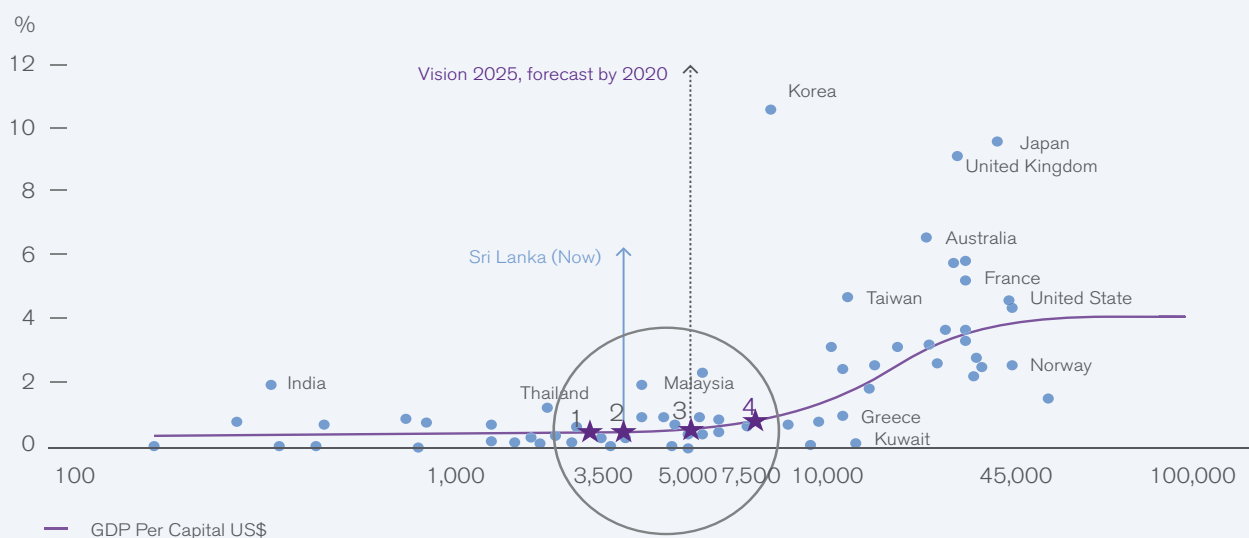
S CURVE RELATIONSHIP BETWEEN PER CAPITA GDP AND PENETRATION

The S-curve provides some insight into the relationship between per capita income and insurance penetration. 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 Life Insurance market in Sri Lanka 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. Furthermore, under the "Vision 2025" released by the Sri Lankan government, it clearly sets USD5,000 per capita as a main goal of the country by 2020 where the life insurance industry will experience a highly positive socio economic environment supported by appropriate and diligent economic policies.

S CURVE RELATIONSHIP BETWEEN PER CAPITA GDP AND PENETRATION



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 which focuses on the overall direction of the Company.

The Company embarked upon an extensive strategy process during the planning stage every year. Therefore, the Company's Strategy and Resource Allocation details are being discussed in this section.

The key objective is to grow Softlogic Life as the leading customer-centric insurance solution provider across the country.

The Company's strategy setting and budgeting process is illustrated under performance governance report on page 208.

STRATEGY MEETING

In November 2017, the Company's directors and management concluded the strategic plan as part of the formal strategic review process.



Management met on several occasions specifically to focus on the current issues 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.



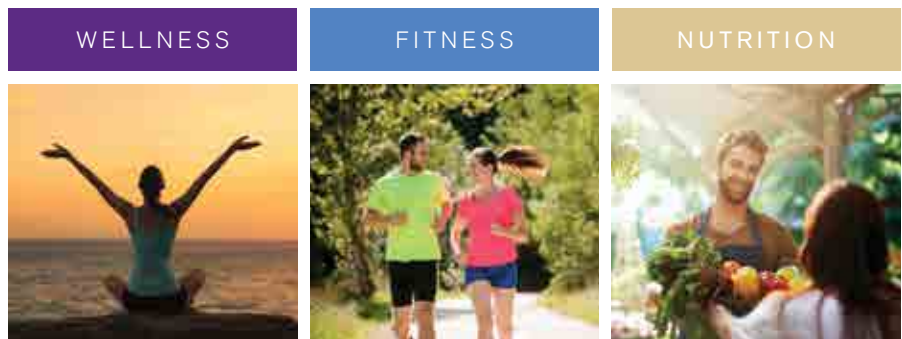
HOW WE DEFINE OUR BUSINESS AND STRATEGY

"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 maximises the "WELLNESS, FITNESS and NUTRITION" factors of our valued customers, while accurately addressing inherent risk of lives

to "LIVE OUR VALUED CUSTOMERS LIFE to the FULLEST". Further, we ensure continuity to counter the disruption that takes place when a tragic event occurs on the path of daily life for individuals, families, businesses, organizations and communities.

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 through its unique products and innovative service levels. Its focus remains unwavering and is always aimed at providing the best solutions and plans that are perfectly customised to meet specific requirements of a diverse clientele.



STRATEGIC THINKING OF SOFTLOGIC LIFE

Figure summarises 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. Detailed business model is provided on pages 12 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	<p>Sales volume</p> <p>Margin</p>	<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)

COMPETITIVE STRATEGY

The Company continues to operate as the “Best Value provider”, to stake out middle ground between pursuing a differentiation advantage and low cost advantage by appealing to a broad market as a niche offering. Further, we seek to serve mass value conscious buyers for a ‘good to great’ service eat an economical price by synergizing Softlogic group advantage and personalizing customer engagement at a reasonable price (by maximizing customer perceived value) utilizing our team as well as Innovative technological solutions in all the activities we do.



SUSTAINABILITY AS AN INTEGRAL PART OF BUSINESS STRATEGY AT SOFTLOGIC LIFE

The Company proactively embeds sustainability thinking and sustainable business practices at every level of its 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 policyholders 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 policyholders and stakeholders guarantees future business, which underpins the sustainability of the Company.

MANAGEMENT OF STRATEGIC RISKS

The various sections of the Annual Report discuss the various risks associated with strategy of the Company along with the mitigation actions in the risk management report. The most recent top strategic risks are summarised in table “The most recent top strategic risks”

Table: The most recent top strategic risks

Risk	Actions
Optimal leveraging of the businesses due to inefficient business processes and inappropriate IT architecture.	Investments in IT-enabled multi-channel and customer flexibility solutions. Risk management processes and robust business continuity plan. Strengthen IT governance processes.
Ability to sustain innovative and cost effective product development and distribution capabilities.	Continue to 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.	Various initiatives taken to be the employer of choice for the scarce talent. Succession planning is a specific requirement of the management committee.
Meeting of investment return objectives.	Performance Governance structure in place to monitor performance and take corrective action as necessary.
Ability to adopt innovative techniques and to pursue new ideas.	Various initiatives are planned, some of which are referred to in our 2017 strategic objectives.
Appropriately responding to regulatory and environmental changes.	Strategy has been formulated to ensure the alignment to the changing regulatory environment. Regulatory compliance is monitored by the Board and Management Committee of the Company.
Realisation of growth initiatives and supporting business plans.	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 50 to 53.

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 2017 and 2018 Plans

Details are summarised in the following table:

Strategic Objective	Key Initiatives Target for 2017	Progress 2017	Achievement	2018 Priorities
Embed customer and client centricity.	Expand branch network by another 30 branches.	Opened 32 new branches.	●	Expand branch network by another 15 branches.
	Engage with research activities to find more value propositions / customer product needs.	Carried out Internal research and results are provided on page 119.	●	Continue to engage with research activities to find more value propositions / customer product needs.
	Facilitate and improve product development capabilities to serve customer needs effectively.	Launch product with partner Dialog Axiata PLC.	●	Look for opportunities that arise through evolving nature of customer demand to introduce new products.
	Provide personalised service to customers.	Customer care service improvements are provided on pages 125, 127, 128.	●	Use data analytics / big data to provide products and services more relevant accurately address for customer's requirements.
	Enhance employee skills through continuous training to provide unmatched customer service.	Training provided to customer care center employees are detailed on page 128.	●	Plug in new technological advancements to enhance customer service.

Strategic Objective	Key Initiatives Target for 2017	Progress 2017	Achievement	2018 Priorities
Inspire and motivate our people.	Continue to engage with our employees.	Formal and informal employee engagement activities are provided on page 112 under Human Capital.	●	Further Improve internal culture to be awarded as 'Great Place to Work'.
	Continue to recognise employees who have performed exceptionally.	Spot recognition by way of "Purple Cards" and staff congress is planned for 2018. Details are provided on page 110 under Human Capital.	●	Improve talent management process allowing opportunity for emerging leaders.
	Create learning and development culture by encouraging engagement with insurance and other qualifications.	Provided more structured training based on need analysis and encourage professional development. More details are provided on page 108 under human capital.	●	Continue to focus on training and development, both locally and foreign.
	Encourage employees in participating in the company strategy and planning process.	Top management to middle/ low management participated in 2018 budgeting process.	●	Interaction of all levels of employees expected for next budgetary cycle.
	Inspire employees to attain work-life balance.	Formal and informal engagement activities explained under Human Capital report with culture of caring for each other promote work-life balance of our employees.	●	Promote culture of work life balance.

Strategic Objective	Key Initiatives Target for 2017	Progress 2017	Achievement	2018 Priorities
Sustainable return through operational excellence.	Improve performance and become more competitive in a sustainable manner.	The Company recorded historical performance during 2017 by achieving Rs 7.5 billion top line and Rs 2.3 billion of PAT. Financial highlights are provided on page 14.	●	Enhance under writing capabilities using latest technologies.
	Upgrade IT infrastructure to improve efficiencies and effectiveness of internal processes.	Technical and operational improvement are provided on pages 126 - 127.	●	Continue to improve efficiencies and effectiveness of internal processes.
	Leverage technology to improve the convenience as well as method of finding customer needs.	During the year company introduced <ul style="list-style-type: none"> ▪ E- receipting ▪ On the spot policy ▪ Tab proposals 	●	Focus on customer centric innovations to provide unmatched service to our customers.

Strategic Objective	Key Initiatives Target for 2017	Progress 2017	Achievement	2018 Priorities
Reshape our business to take account of trends in legislation and regulation.	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.	Complied with up to date regulation, guidelines and directions issued by Insurance Regulatory Commission of Sri Lanka.	●	Take proactive action on implications arising from IFRS 17 / SLFRS 9 at financial reporting, operational, fund valuation level for smooth integration of standards.
	Implement proper Asset and Liability management (ALM) framework in consultation with Wills Towers Watson.	Formulated Asset Liability Management Committee.	●	Further strength governance framework by expense study, assets liability management, bonus philosophy and internal transactions, CAR ratio.

Strategic Objective	Key Initiatives Target for 2017	Progress 2017	Achievement	2018 Priorities
Deliver as a relevant corporate citizen.	Continue to develop products which serve the needs of society.	Introduced micro insurance solution with a view of providing life insurance to everybody.	●	Engage in youth empowerment activities.
	Continue to invest in environmental protection activities.	Community development activities have been discussed in detail under community section of this report on pages 132 to 141.	●	Continue to invest in WIN programme with island-wide coverage.
	Continue to Invest in "WIN" program.		●	Emphasis on environment protection and green initiatives.
			●	Improve activities of our operation to drive paper less business in everything we do.

OUR STRATEGY 2020 AT A GLANCE

Details of our strategy 2020 are summarised as follows:



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 capitals 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 influences 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.

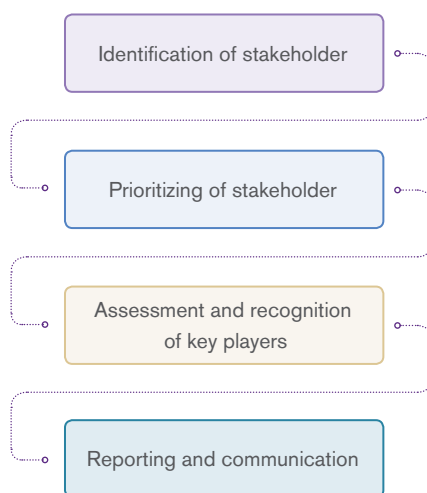
The stewardship role played by the Directors demands that they act responsibly towards stakeholders. Whilst the management of stakeholder expectations is a key aspect of sustainability, the management of stakeholder issues is equally important from a risk management perspective. Therefore stakeholder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

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 in below table;

Table: Identification of Stakeholders

Parties	Key Questions
<p>We considered all the parties;</p> <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 provide resources to continue the business.
- 
GOVERNMENT AND REGULATORY AUTHORITIES -
 who govern financial stability and market conduct of our industry.
- 
SUPPLIERS / BUSINESS PARTNERS -
 who make favourable 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.

and monitoring of our stakeholders and their needs. Hence we have identified our stakeholders based on the extent of power and interest of each stakeholder category, using a model that illustrates the complex inter-relationships 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.

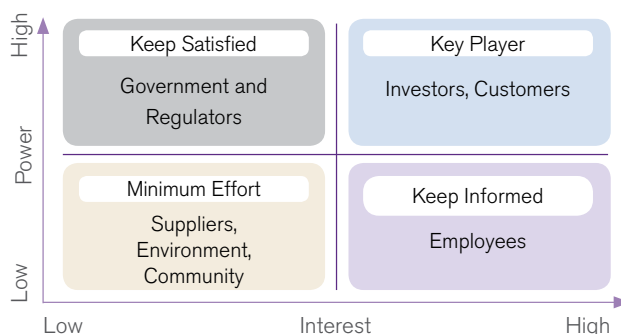
REPORTING AND COMMUNICATION

We have set up multiple channels of communication to solicit feedback on our performance, including our performance on external reporting. The tables on pages 62 to 64 broadly sets out issues raised by our stakeholders, and how we have responded.

PRIORITIZING OF STAKEHOLDERS

It is important to prioritise 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

Figure : Mendelow Matrix for Prioritizing of Stakeholders





INVESTORS

Key Expectations/ Commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	Topics and Concerns
<ul style="list-style-type: none"> ▪ Sustainable Increase in 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. ▪ Risk Management. 	<ul style="list-style-type: none"> ▪ Regular email feedback of performance to investors who request same. ▪ Improved website which captures the required information content. 	Shareholder Meetings/Annual General Meetings	Consult	Annual	Company performance
		Annual Report	Inform	Annual	Company performance
		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-on-one meetings	Consult	As necessary	Investor relations
		Corporate Website information	Remain passive	On a regular basis	Company information



CUSTOMER

Key expectations/ commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	Topics and concerns
<ul style="list-style-type: none"> ▪ Enhancing accessibility of 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 (service quality). ▪ New products to meet the evolving need. ▪ Grievances Handling mechanism. 	<ul style="list-style-type: none"> ▪ Customer Care Center. ▪ Systematic upgrading of customer centers to provide better service. ▪ Operational dashboard. 	Customer satisfaction survey	Consult	As necessary	Service quality
		Regular interactions at customer centers	Involve	On a regular basis	Customer complaints/ suggestions
		One-on-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
		Corporate Website information	Remain passive	On a regular basis	Product information
		Life Up App	Involve	As necessary	Policy related matters



EMPLOYEES

Key expectations/ commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	Topics 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. Diversify and inclusion. Perception of a prosperous future for the Company. 	<ul style="list-style-type: none"> Build ownership by engaging employees in our business. 	Management Meeting	Consult	Weekly	Review business performance
		Company social events	Collaborate	Annual/Ad hoc	Work life balance
	<ul style="list-style-type: none"> Maintaining diversity and providing equal opportunity. 	E mail updates		On a regular basis	Operational changes
		Softlogic Life Facebook group	Involve	On a regular basis	Operational changes
	<ul style="list-style-type: none"> Introduce Whistleblower policy. 	HR Portal	Involve	On a regular basis	HR information
		Employee direct meetings	Consult	On a regular basis	Open door policy
	<ul style="list-style-type: none"> Form a Crisis Management structure. 	WhatsApp and Viber	Involve	On a regular basis	Operational changes
<ul style="list-style-type: none"> Introduce office 360 to allow employees access to the email facility 24x7. 					



GOVERNMENT AND REGULATORY AUTHORITIES

Key expectations/ commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	Topics and concerns
<ul style="list-style-type: none"> Compliance with industry relevant legal provisions and directives. 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. 	Directives and circulars	Consult	As necessary	Compliance
		On-site review by IRCSL	Consult	Annual	Compliance
	<ul style="list-style-type: none"> Staying up to date on all regulatory changes. 	Press releases	Remain passive	As necessary	Compliance and information
		Meetings and discussions with Board and Senior Management	Consult	As necessary	
	<ul style="list-style-type: none"> Adopting regulatory changes well within the grace period. 	Submission of returns and status reports	Inform	Periodic deadlines	Compliance
		Training and workshops organised by regulators	Consult	As necessary	Awareness and knowledge



SUPPLIERS/ BUSINESS PARTNERS

Key expectations/ commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	Topics 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. Growth Potential. 	<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-on-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	Topics 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. Responsible Financing. Employment Opportunities 	<ul style="list-style-type: none"> Leverage IT to minimise impact on environment (paperless office). School Certificate Sponsorship Project. Blood Donation program Sponsorships for sports events. 	Community projects	Collaborate	As necessary	Serve community
		Call center conversations	Consult	As necessary	General inquiries
		Interact through branch network	Collaborate	As necessary	Financial inclusion
		Social media Corporate Website	Remain passive	As necessary	Public relations and communication

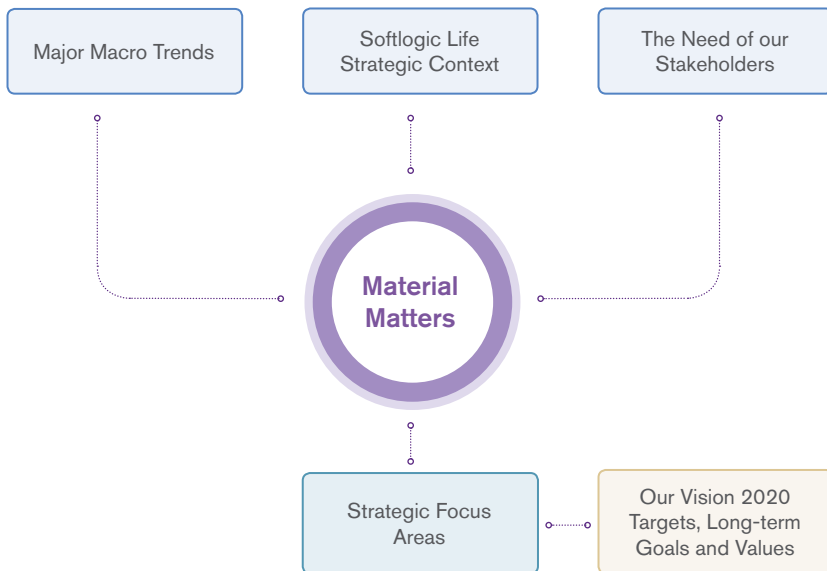


ENVIRONMENT

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

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.

Figure: Process of assessing material aspects in sustainable strategic formulation



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.

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.
- 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 2016.

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 2016.

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

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

Prioritizing Issues

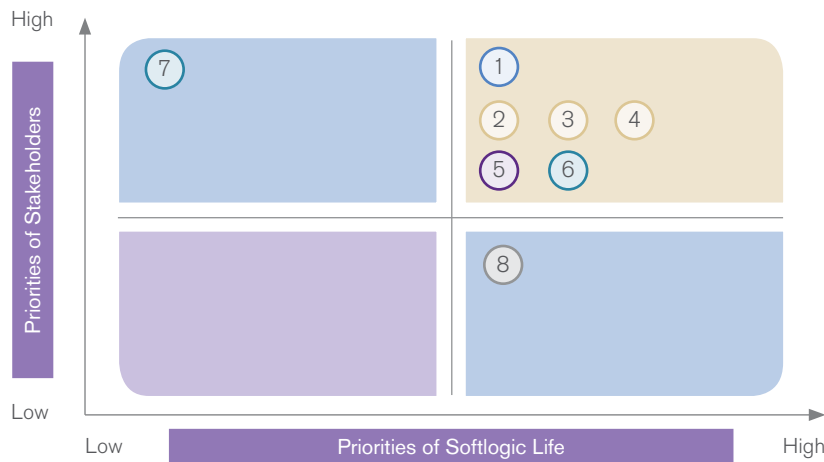
The outcome of this engagement process enabled us to prioritise the issues that are most material to our business and to our stakeholders at the present time. The priority issues identified through our analysis which are explained in the priority issues matrix are covered in significant detail in this 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

Figure: Priority issue matrix - Materiality matrix



Material issues rated as being of 'very high importance' by internal and external stakeholders.

Key issues for our business and our stakeholders.

Key issues rated 'lower in priority' by our stakeholders during this review.

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.

The company manage its material topics through its strategic planning process by assessing responsibility to the head of each relevant divisions of the company allocating necessary resources by evaluating significance of each material topic. Goals and targets are embedded in to the KPI's of the head of the company to ensure the organisation achieve its objectives.

For the list of KPI topics and other relevant details thereon please refer pages 57 - 59.

Table: Material Issues GRI-G4 Material Aspects against capitals

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	Social and Relationship Capital - Community report starting on page 132
		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 154

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;

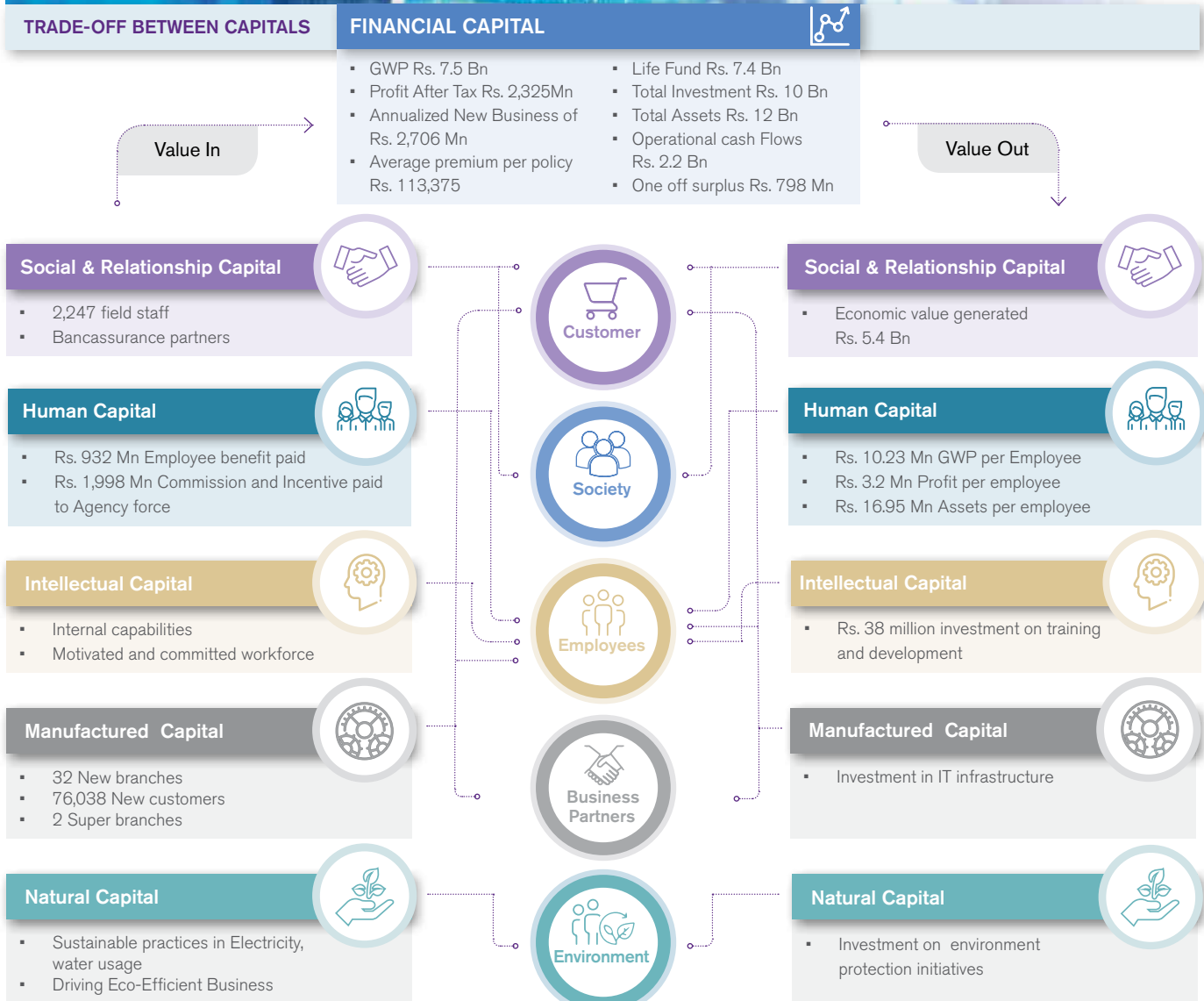
- The National Chamber of Commerce Sri Lanka
- Institute of Chartered Accountants of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Insurance Association of Sri Lanka (IASL)
- Sri Lanka Insurance Institute (SLII)
- Colombo Stock Exchange (CSE)
- Financial Intelligence Unit of Central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

BOLD

[MANAGEMENT DISCUSSION & ANALYSIS - OUR PERFORMANCE]

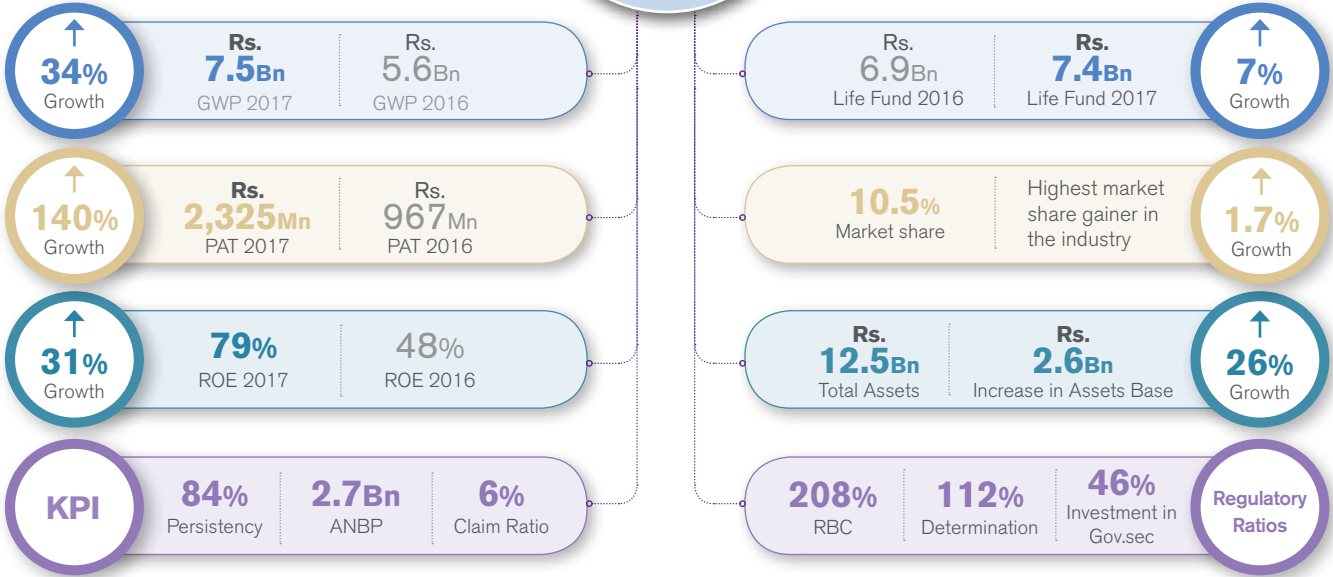


Financial Capital	70
Key Accounting Concepts of Simplified Insurance Financials	94
Human Capital	98
Social and Relationship Capital	114
Customers	115
Community	132
Business Partners	142
Intellectual Capital	146
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Future Outlook	166
Independent Assurance Report	167
GRI G4 - Content Index	169

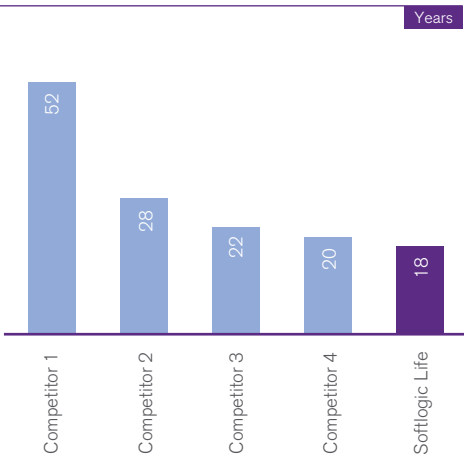


* The Diagram provides an overview of the trade-off between Financial Capital with other capitals as well as its impact to stakeholders.

2017 AT A GLANCE



NO. OF YEARS TAKEN TO ACHIEVE RS. 7.5BN GWP



YET ANOTHER INDUSTRY RECORD

“SOFTLOGIC LIFE IS THE ONLY COMPANY TO CROSS RS. 7.5 BN REVENUE IN 18 YEARS OF OPERATION IN THE SRI LANKAN INSURANCE INDUSTRY”

Softlogic Life crossed the Rs. 7.5 bn revenue milestone during the year, achieving yet another landmark record in Sri Lanka's insurance industry. The Company's operational efficiencies, sound financial management, differentiated product portfolio, and market-leading innovative solutions formed the foundation of this accomplishment. We are proud that this feat was achieved by us in 18 years of inception whereas other industry players took more than 20 years to achieve a revenue of Rs. 7.5 bn.

FINANCIAL REVIEW

“2017 WAS AN HISTORICAL LANDMARK FOR THE COMPANY AS IT CROSSED ITS HIGHEST-EVER TOPLINE OF RS. 7.5BN AND PROFITABILITY OF RS. 2.3BN BY ACHIEVING MARKET LEADERSHIP IN ABSOLUTE GWP GROWTH OF RS. 1,895 MN”

Overview

In 2017, the Company delivered historical results, despite persistent volatility in the macro-economic environment such as rapidly decreasing interest rates etc. 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 have introduced to ensure greater efficiency, effectiveness and competitiveness, underpinned our excellent performance.

The Company consistently improved its turnover, surpassing industry average growth rates during the last five years and has demonstrated a consistently exceptional sustainable performance. Our monetary concentration has been to help the conveyance of the Company's technique by dealing with our edges, money, adapting and return on value inside the setting of troublesome neighborhood working conditions. In parallel, our emphasis on operational upgrades has empowered us to fabricate a strong stage for outstanding execution in the years ahead.

“HIGHEST MARKET SHARE GAINER IN THE INDUSTRY BY 1.7%”

The Company evaluated 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. While reading our financials, it is pertinent to note that information presented for the financial years 2017, 2016, 2015, 2014, and 2013 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. 7.5Bn

GROSS WRITTEN PREMIUM

Rs. 2.3Bn

PROFIT AFTER TAX

Rs. 12.5Bn

TOTAL ASSET

Rs. 7.4Bn

LIFE FUND

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 earnings drivers for exceptional growth. We have also explained other material income statement items such as Gross Written Premium, Net Earned Premium, Investment Income, Expenses, Claims and Profitability.

Softlogic Life approach to Income Statement

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

Topmost Line (Value-Price)

Top Line (Quality x Price)

Middle Line (Costs)

Bottom Line (Profit)

Source: Adaptation from Professor Uditha Liyanage

Where:

Topmost line: 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

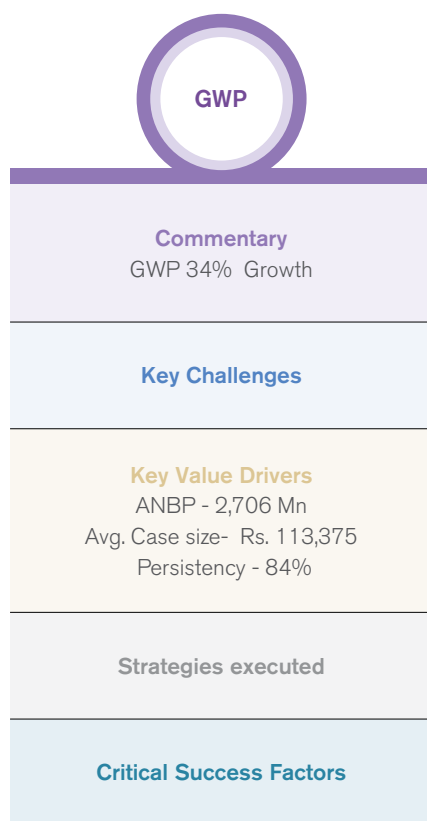
The following indicators denominated our progress over the last three years

Table: Snapshot of Income Statement

Description - Rs. million	2017	2016	2015	2017 % Growth
Gross Written Premium	7,531	5,636	4,091	34
Reinsurance	(802)	(633)	(501)	27
Net Earned Premium	6,729	5,003	3,590	34
Investments and Other Operating Revenue	1,069	664	868	61
Total Net Revenue	7,798	5,666	4,457	38
Net Benefits and Claims	1,223	1,072	(433)	14
Change in Insurance Contract Liability	(1,315)	(288)	(966)	357
Change in Contract Liability due to transfer of one off surplus	798	-	-	100
Underwriting and Net Acquisition Cost	(1,831)	(1,580)	(993)	16
Operating, administration and finance expenses	(2,322)	(1,849)	(1,072)	26
Profit Before Tax	1,905	967	993	97
Profit After Tax	2,325	967	993	140

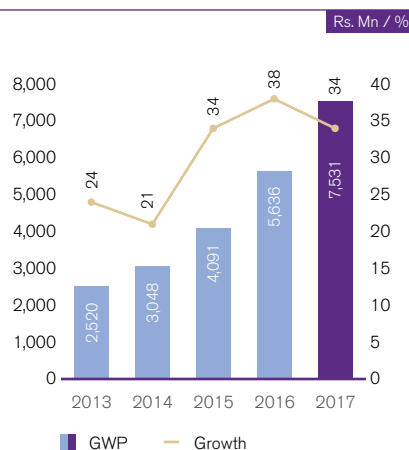
GROSS WRITTEN PREMIUM (GWP)

Gross written premium is analysed under following captions as tabulated below.

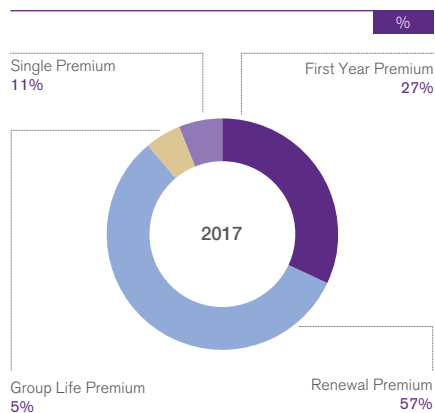


COMMENTARY

GROSS WRITTEN PREMIUM



COMPOSITION OF LIFE INSURANCE GWP



FIVE YEAR COMPOUNDED GROWTH STANDS AT 31%, INDUSTRY AVERAGE OF 14% AND THE YEAR-ON-YEAR GROWTH WAS 34% AND INDUSTRY AVERAGE WAS 13%.

COMMENTARY

The Life Insurance GWP consists of First Year Premium (FYP), Renewal Premium (RP), Group Life and Single premium. GWP, represents the premium charged to underwrite risk and which is the main source of income from the operations, reached Rs. 7,531 million in 2017, with an increase of 34% compared to Rs. 5,636 million recorded in 2016 and fastest to reach within short period of 18 years of business operation. The GWP grew consistently over the last five years as shown in graph, "Gross Written Premium".

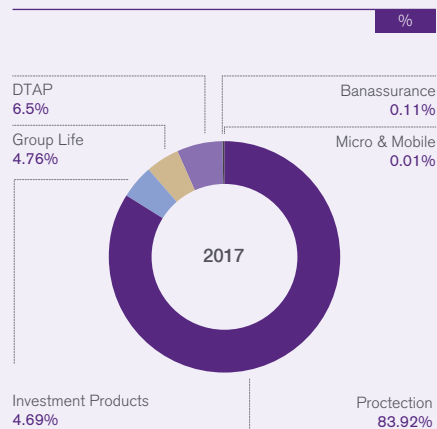
FYP includes the premium earned from the new business which recorded a growth of 18%, which is above the industry growth of 8%. Further, the renewal premiums continue the same trend compared to the year 2016, being the main contributor by contributing 57% to the total GWP. The renewal premium grew by 28% during the period under review by recording Rs. 4,309 million. The group life premium and single premium contributed to Life GWP by recording Rs. 360 million and Rs.827 million respectively. The single premium includes the premium earned from alternate channel business which is a new business line of the company. This recorded a very impressive growth of 140% contributing Rs. 827 Mn to the total GWP with compared to Rs. 345 mn in year 2016 and at presently the Company ranked number two in this segment. FYP and RP mix is 27% / 57% and 31% / 60% respectively for the year 2017 and 2016 respectively.

COMPOSITION / CLASS WISE PERFORMANCE OF GWP

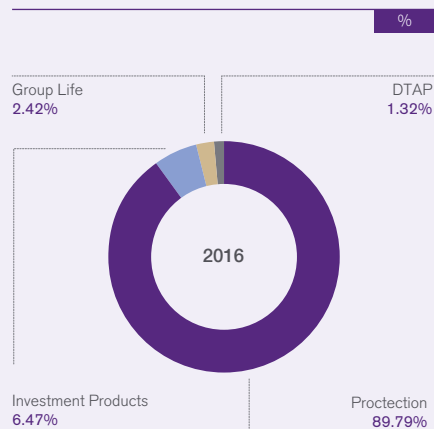
During the year 2017, major contribution was made by the Endowment products, which accounted for 84%. Investment and Group Life also contributed 9% to GWP which is similar to contribution made in 2016. Another notable development was growth in single premium products, which is mainly through contribution made from the newest distribution channel - "Alternate Business Channel" - which made a 16% contribution to the total GWP, amounting to Rs. 1,210 million. Main focus on this channel is bancassurance and corporate clients.

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

GWP CLASS WISE COMPOSITION 2017



GWP CLASS WISE COMPOSITION 2016



KEY CHALLENGES IN 2017

The Company expected significant GWP from Investment products, however due to a lower interest rate environment, the Company was not able to achieve expected results at end of 2017. However, the Company achieved topline targets due to higher delivery in other product lines such as Single Premium and Group Life based products which exceeded the budgeted figures.

KEY VALUE DRIVERS RELATED TO GWP

In the Life Insurance industry GWP, achievement mainly depends on the key value drivers such as Annualized New Business Premium (ANBP), Average Premium per Policy Value (APPV), Premium Persistency Level as well as productivity of the Agents. Key success of the company was to maintain sustainable growth above the industry last 7 years due the sustained focus on improving these key value drivers. Details of key value drivers for last five years are provided in the table below:

Table: Key Value Drivers

Description	2017	2016	2015	2014	2013	Change % 2017 Vs 2016	Industry Average
Annualised New Business Premium (ANBP) Rs. Million	2,706	2,182	1,725	1,247	1,086	24	N/A
Average Premium Per Policy (Rs)	113,375	99,573	86,667	81,639	76,187	14	Rs. 35,000/45,000 *
Persistency Ratio Year 1 (%)	84	83	82	79	76	1	50% *
Persistency Ratio Year 2 (%)	64	66	63	58	55	(3)	N/A
Persistency Ratio Year 3 (%)	59	57	52	57	52	3	N/A
Average ANBP per Agent Rs. Million	1.5	1.4	1.3	1.1	1.1	4	N/A

* Extracted from the Industry Laps Study 2015

ANNUALISED NEW BUSINESS PREMIUM (ANBP)

The Company recorded a five-year compound growth at 26% in ANBP (year 2017 Rs. 2,706 million to Rs. 1,086 million in 2013), 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 considered as historical achievement in the industry.

AVERAGE PREMIUM PER POLICY / AVERAGE POLICY VALUE

Average policy value of the Company grew to Rs. 113,375 in 2017 from Rs. 76,187/- in 2013, 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. Considering the predominant sale of Endowment product, these average policy values are considered as having very high standards.

PERSISTENCY (PREMIUM) RATIO YEAR 1-3

In the Life Insurance industry, premium persistency means the payment of premium over the policy period without any overdue. The Company was able to improve premium persistency ratio consistently to 84% from 76% (year 2013) over last five years, whereas Industry average is around 50% - 55% which is significantly above the industry standard.

AVERAGE 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. 1.5 Mn from Rs. 1.4 Mn compared 2016.

STRATEGIES EXECUTED TO ACHIEVE GWP

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. Key innovations in the year 2017 are provided on pages 126 to 127 which were instrumental to support exceptional service delivery.

Growth in FYP and ANBP were reported as a result of the implementation of the market penetration strategy, which led us to increase our branch network by 32 during the year 2017 – with the total footprint increasing to 92 by end of 2017. In addition, the Company introduced new products to capitalise on new opportunities by implementing our new distribution unit in addition to its conventional Agency channel to focus on Bancassurance, Group life, Investment products and DTAP.

Softlogic Life unique business model of premium follow-up, 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.

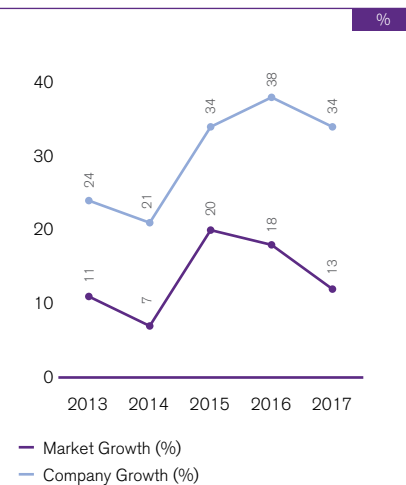
CRITICAL SUCCESS FACTORS FOR SUSTAINABLE GROWTH IN GWP

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 34% in year 2017, which is well above the industry growth of 12.6%. 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 31% while industry average for the same is 14%. Further to this, the Company recorded highest absolute growth in GWP and became the market leader in GWP growth in year 2017 by recording Rs. 1,895 Mn.

INDUSTRY AVERAGE GROWTH VS SOFTLOGIC LIFE GROWTH 2013 - 2017



Refer page 76 review for more information

PERFORMANCE OF GWP IN RELATION TO INDUSTRY-CLASS WISE PERFORMANCE

The Company recorded growth of 18% and 28% growth in First-year premium and Renewal premium income respectively, which is 84% contributed to the Company's top line, by recording well above the average industry growth of 8% and 15%. 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.

Description (Rs. million)	Softlogic Life				Industry			
	2017	2016	Growth %	Mix 2017 %	2017	2016	Growth %	Mix 2017 %
First Year Premium	2,036	1,728	18	27	18,210	16,847	8	25
Renewal Premium	4,309	3,375	28	57	43,076	37,561	15	60
Group Life Premium	360	189	90	5	4,255	3,470	23	6
Single Premium	827	345	140	11	6,034	5,675	6	8
Total	7,531	5,636	34	100	71,575	63,553	12.6	100

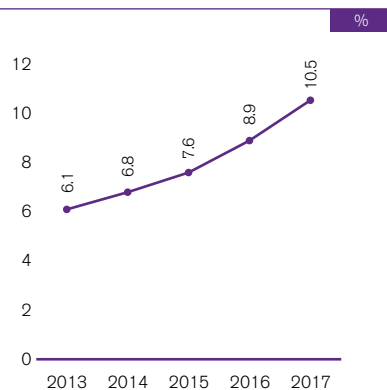
* Source: Industry GWP data circulated by IRC SL 2017

MARKET SHARE

The Company's market share increased by 1.7% during the year, which is the highest market share growth reported in the industry during 2017. Further, the Company reported Rs.1.9 Bn which is a 34% absolute growth in GWP during 2017, compared to year 2016.

Last five years market share movement of Softlogic Life's is provided in following graph:

MARKET SHARE



PERFORMANCE OF GWP IN RELATION TO INDUSTRY - CHANNEL CONTRIBUTION

Agency channel contributed 84% 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 contribution Softlogic Life vs Industry

Description	GWP Rs. Mn	Softlogic Life Mix %	Industry Mix %
Agency Channel	6,320	84	86
Direct Channels	1,211	16	14
Total	7,531	100	100

REINSURANCE EXPENSE

Reinsurance Expense is analysed under following captions as tabulated below:

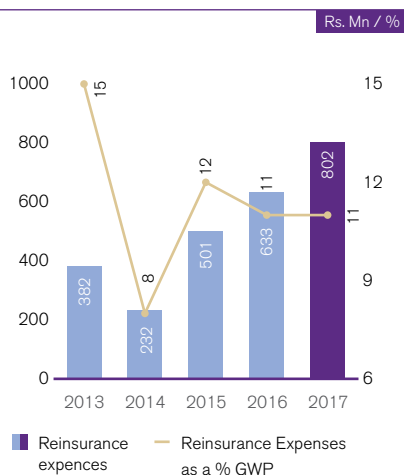


Table: Market Share of Key Players in the Market (Source : Industry GWP Circulated by IRC SL)

Description	Total GWP Rs. Million			Growth %	Market Share		Change %
	2017	2016	Change		2017	2016	
Ceylinco Life Insurance PLC	15,765	15,027	738	5%	22.0%	23.6%	(1.62)
Sri Lanka Insurance Corporation	12,517	11,894	623	5%	17.5%	18.7%	(1.23)
AIA Insurance Lanka PLC	11,511	10,104	1,407	14%	16.1%	15.9%	0.18
Union Assurance PLC	10,118	8,271	1,847	22%	14.1%	13.0%	1.12
SOFTLOGIC LIFE INSURANCE PLC	7,531	5,636	1,895	34%	10.5%	8.9%	1.65
HNB Assurance PLC	3,963	3,554	409	12%	5.5%	5.6%	(0.06)
Other Players	10,170	9,068	1,102	12%	14.2%	14.3%	(0.06)
Total	71,575	63,553	8,022	13%	100.0%	100.0%	

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.

REINSURANCE EXPENCES AS A % OF GWP



COMMENTARY

The premium ceded to reinsurers (Reinsurance Expense) of the Company grew by 27% by increasing it to Rs. 802 million in 2017 from Rs. 633 million in 2016. This is mainly due to the growth in the GWP by 34% which requires the company to increase contribution to reinsurers for the transfer risk portion to them according to the risk management policy of the Company. However, reinsurance expense as a % to GWP was decreased by 0.6% from 11.2% to 10.6% during the year, due to the optimization of reinsurance arrangements. The Company's reinsurance panel consists of the world's largest multinational reinsurers such as Munich Re, RGA, TOA Re and SCoR. The Company takes reinsurance arrangements to manage underwriting risk and provide better safeguard to its valued customers.

Please refer page 298 review for more information.

KEY CHALLENGES IN 2017

The Company has on board the world's largest reinsurance panel with diverse experience and capacity. Since the insurance market in Sri Lanka not significant to them, we were disadvantaged in discussing terms of the arrangements, but the Company was able to prove the future prospects of the company based on the proven track record.

KEY VALUE DRIVERS

The Company monitors reinsurance ratio as a key value driver at participative and non-participative fund level while accurately managing our portfolio risk through reinsurance arrangement and optimizing our portfolio.

STRATEGIES EXECUTED

The Company made a strategic decision aimed at bringing in fresh insights and global expertise by greatly enhancing the Reinsurance panel with the inclusion of world leading Reinsurers, namely SCoR and Toa Re. SCoR awarded the "Reinsurer of the Year" 2016 by the Asia Insurance Industry Awards and the Toa Re is Japan's No 1 Reinsurer. These Reinsurers are rated A+ and A respectively by the rating agency A.M Best. The Company has transferred its health portfolio to above two new Reinsurers as a strategic initiative in order to capitalise with their expertise and enhance the competitive edge and which ultimately benefit to customers. The Company firmly believes and offers an industry-best Reinsurance panel in terms of strength and diversity that will add great value to our customers as well as company.

CRITICAL SUCCESS FACTORS

The Company maintains a trustworthy and transparent relationship with its reinsurers, which in turn provides comfort to the Company to implement its business strategies smoothly. Further, we have a mutual understanding with our reinsurers to monitor profit margin of reinsurers to diverse these benefits to our customers where possible without breaking our sustainable relationship.

NET EARNED PREMIUM


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

COMMENTARY

In the year 2017, the Company's NEP surpassed the Rs. 6.7 billion mark, recording a notable growth of 34% from Rs. 5 billion in 2016. The steady increase in NEP was predominantly due to the robust performance in GWP. Further, NEP % to GWP slightly increased to 89.3% from 88.7% due to the slight decrease in reinsurance ratio during the year 2017.

INVESTMENT AND OTHER OPERATING REVENUE

Details are analysed under the following captions as tabulated below;



Investment & Other Income

Commentary	
61% Growth	
Composition	
Finance Income	82%
Net Realised Gains	5%
Net Fair Value Gains	9%
Other Operating income	4%
Key Challenges	
Key Value Drivers	
Strategies executed	

Details of Investment and other Operating Revenue is provided below.

Description - Rs. million	2017	2016
Finance Income	875	700
Net Realised Gains	51	54
Net Fair Value Gains	96	(96)
Other Operating income	47	5
Total Income	1,069	663

COMMENTARY

This consists of finance income which represents the interest income earned from the interest yield investment portfolio. During the period, financial income grew mainly due to the growth of the Investment portfolio compared to 2016. The Company recorded a net fair value gain of Rs. 96 million compared to the Rs. 96 million losses in 2016 due to equity gain in equity portfolio despite challenging market conditions.

KEY CHALLENGES IN 2017

During the year, the overall equity market did not perform well in Sri Lanka, generating continuous losses in the trading portfolio as well as overall yield which dropped by average of 250 basis point, bringing significant challenges in achieving the target of Investment income. However, due to efficient management of investment portfolio such as selective investment of equity and alternate method of investments, the Company was able to achieve the budgeted of the investment income.

KEY VALUE DRIVERS


The Company monitored expected yield of the investment before embarking on new investment along with the cash flow matching (ALM) and ensured expected yield did not fall below the yield's long term expectation as Softlogic life understood the importance of matching Assets and Liabilities.

STRATEGIES EXECUTED

The Company strategised its investment management by converting its loss making trading investment portfolio into a profit making. Further, the Company closely monitored the market to capitalise on emerging opportunities and matched future cash flow requirements in short, medium and long term.

NET INSURANCE CLAIMS AND BENEFITS

Net Insurance Claims and Benefits is analysed under following captions as tabulated below



Insurance Claims & Benefit

Commentary	
14% Growth	
Key Challenges	
Key Value Drivers	
Strategies executed	
Critical Success Factors	

In the Life insurance business, the main expense is claim expense. Insurance claim expense includes claims due to death, disability or hospitalization. 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. The Company recovers part of their claim expense through their reinsurance partners according to the reinsurance arrangement.

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

Table: Details of claims based on the nature

Description - Rs. million	2017	2016
Regular Claims (net of reinsurance recoveries)	319	352
Group Life Claims	103	126
	422	478
Endowment Maturities	345	266
Policy Surrender	102	84
Investment product surrenders / maturities	354	244
	801	594
Grand Total	1,223	1,072

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, the Company's net claims and benefits expenses was Rs. 1,222 million which is an increase of 14% compared to the year 2016.

This growth reflects the manner in which the Company diligently paid out policyholder claims while maximizing shareholder value. The increase in Investment product surrenders due to growth of the Investment product portfolio which is part of the growth of the investment related life insurance business portfolio.

KEY CHALLENGES IN 2017

During the year, claim expenses was above the budgeted figure due to the higher surrenders reported in Investment products. However, these did not have any impact on the profitability of the Company since these were already adequately reserved when the liability valuation was done.

Please refer pages 83 to 85 under insurance specific ratio analysis for more information.

KEY VALUE DRIVERS

The Company monitors claim settlement status against the service level on a day to day basis as well as at the weekly management committee meetings to ensure service levels are met. Further, claim ratio is monitored at product level to identify material variations.

CRITICAL SUCCESS FACTORS FOR SUSTAINABLE GROWTH

One of the key success factors of our business is our speedy and transparent claim settlement which is widely recognised by the insurance industry and proved by achieving many accolades recently. Accordingly, our human capital, internal process and technological infrastructure played a critical role in creating competitive edge through claim processing, which is considered as revolutionary improvement in the life insurance market in Sri Lanka.

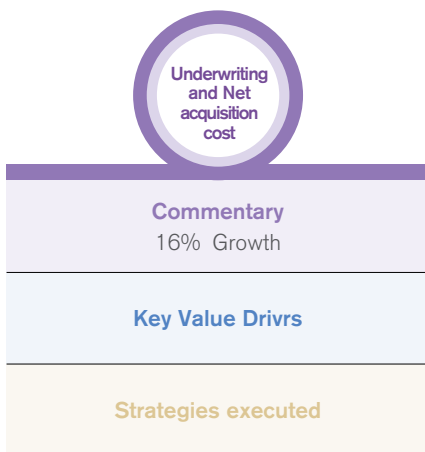
STRATEGIES EXECUTED

At Softlogic Life, a robust system is in place to eliminate / reduce bogus claims. However, there is no process in place to manage genuine claims as the Company believes one of the key success factors / service to customer is speedy claim settlement as well as paying fairly. Therefore, several initiatives were taken to pay the claim faster and correct value such as one-day health claim settlement, one-day death claims (industry first) settlements and extended cashless claim settlement hospital network etc. Softlogic Life recorded over 85% settlement of claims within one day and is the only insurer in the market show real time claim settlement statistic on its website. Further to this, the Company launched another industry first to settle death claims as well "within one Day". The Company strengthened the underwriting process to ensure risks are underwritten at a correct price. These novel initiatives were recognised at the Insurance Industry Awards in 2017 and awarded for "Best claim Settler Award" as well.



UNDERWRITING AND NET ACQUISITION COST

Underwriting and net acquisition cost is analysed under following captions as tabulated below



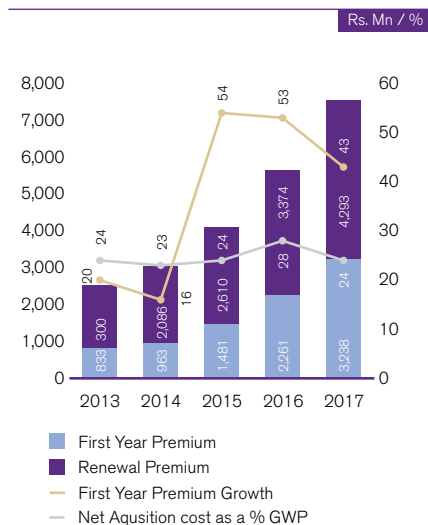
Underwriting and policy acquisition costs (including reinsurance commission income) represents the amount of commission and incentives incurred by insurance companies to such intermediaries less any commission income due from reinsurers for placing business with them. The acquisition costs include commissions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

COMMENTARY

The cost of underwriting and net acquisition increased to Rs. 1,831 million, which is a 16% increase compared to the year 2016. This is mainly due to the increase of new business during the year in endowment products as well as other type of life insurance products by 45% amounted to Rs. 3.2 billion in 2017 compared to Rs. 2.3 billion recorded in 2016. In life Insurance business, acquisition cost is one of the main expenses and in the first year, new business (specially endowment business) are paid higher incentive compared to the other years of the policy. However, acquisition cost as a ratio to GWP is 24% which is 4% less than 2016 due to growth in renewal premium (which involved lower acquisition cost) and higher revenue growth achieved from single premium products such as group life and DTAP products, which involved lower acquisition cost compared to the endowment products. Details of analysis of the last 5 years aquisition cost is provided in below graph, "Net aquisition cost".

Please refer page 83 to 85 under insurance specific ratio analysis for more information.

NET ACQUISITION COST



KEY VALUE DRIVERS

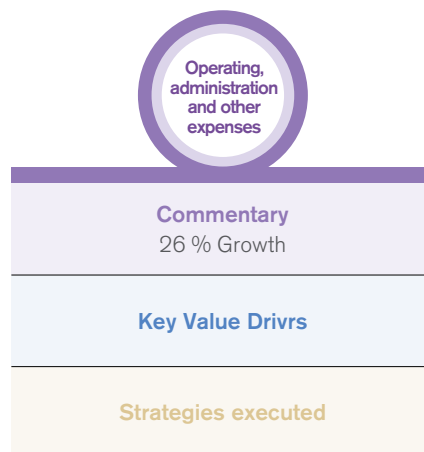
Details of Acquisition cost and business mix are monitored regularly against the target and last year.

STRATEGIES EXECUTED

We pay competitive rate of commission and incentive to attract and retain quality business producers and continuously benchmark the industry in deciding the package for our intermediaries.

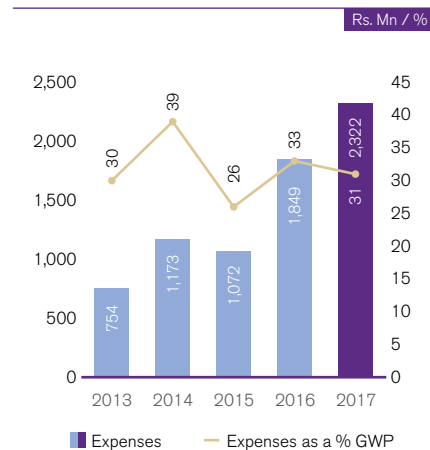
OPERATING, ADMINISTRATION, FINANCE AND OTHER EXPENSES

Operating, administration and other expenses is analysed under following captions as tabulated below



The Company experienced Rs. 2,322 million of operating and administration expenses and Finance expense which reflect a 26% increase compared to last year's Rs. 1,849 million. The Company spent 31% of its GWP as operational and administration and finance expenses which is 2% less than the last year's figure of 33%, as a result of significant expansion which took place in the Company. These expenses comprise salaries, administration expenses, brand development expense, depreciation and amortization of assets and all other expenses, excluding underwriting and net acquisition costs.

EXPENSES AS A % GWP



COMMENTARY

During the year, the Company incurred Rs. 2,322 million as total expenses which is a 26% increase compared to 2016. The Company continued to implement initiatives to optimise expenses through streamlining of processes to enhance productivity and change the existing operating model and business practices. These initiatives are discussed in 'Social and Relationship capital'. The total staff cost of the Company increased by 35% from Rs. 690 million in 2016 to Rs. 932 million 2017. 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 is linked with the performances as detailed in the 'Human Capital Report'. In addition to the above, during the year, the Company made significant investment in the agency channel to increase the capacity by building the team as well as by expanding distribution network by 32 in order to sustain a robust growth rate.

KEY VALUE DRIVERS

Overall expenses base in the form of acquisition cost and Maintenance cost is closely monitored as it has a direct link with Company profitability.

Please refer pages 83 to 85 under insurance specific ratio analysis for more information.

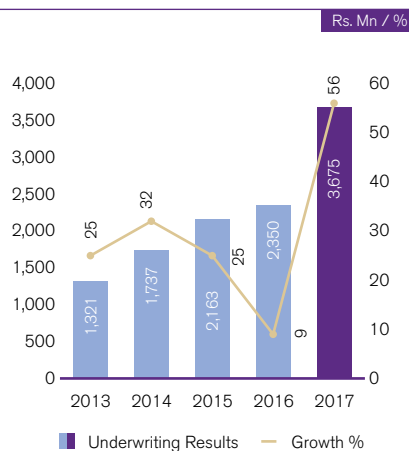
STRATEGIES EXECUTED

Softlogic Life's philosophy is to optimise its expenses concentrating on value for money. Accordingly, the Company incurred expenses where necessary but consciously monitored the outcome against the set objectives.

UNDERWRITING RESULTS

Underwriting results show the new inflow generated from the business before the investment income and Expenses, but after paying the claims to policyholders, a direct acquisition cost 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 increases underwriting results, which provides greater support to manage the positive operating results without depending on investment income of the business. The Company experienced Rs. 3,675 million of underwriting results, which reflect a 56% increase compared to last year's Rs. 2,350 million. This year underwriting results is 49% as a percentage of GWP which is 7% above the last year's which was 42% in 2016. Mainly due to growth in alternate channel which has lowest acquisition cost

STRATEGIES EXECUTED

The Company consistently focuses to improve the premium persistency level through its unique follow-up process of Policy Conservation Unit (PCU). Several initiatives have been taken to improve the customer retention such as strategic use of Customer Relationship Management (CRM). In addition to the above, the Company executed alternative distribution strategies to grow the business without increasing expenses via Alternative channel as well as other strategic partnership like the recently-concluded partnership with Dialog Axiata PLC to distribute Life insurance products to their customer base. In addition to above we consistently increase average policy value as this has direct relationship to persistency of the policy.

INSURANCE CONTRACT LIABILITY

Life insurance companies are subject to value its policyholder liabilities according to Solvency Margin (Risk Based Capital) rules stipulated by Insurance Regulatory Commission of Sri Lanka (IRCSL), formerly known as Insurance Board of Sri Lanka. In case of changes in the insurance contract, any excess of funds could be taken as profit (surplus) as recommended by the appointed actuary to the shareholder as at reporting date. Details of change in insurance contract liability for the last five years are provided below.

Table: Change in Insurance Contract Liability

Description (Rs. million)	2017*	2016*	2015	2014	2013
Operating surplus before the Actuarial valuation	2,332	1,178	1,776	1790	1,142
Surplus transfer as recommended by Appointed Actuary	1,017	890	810	537	300
Change in insurance contract liability after the surplus transfer	1,315	288	966	1,253	842

* Figures are under Gross Premium method of valuation and year 2015,2014 and 2013 are under Net Premium valuation method.

COMMENTARY

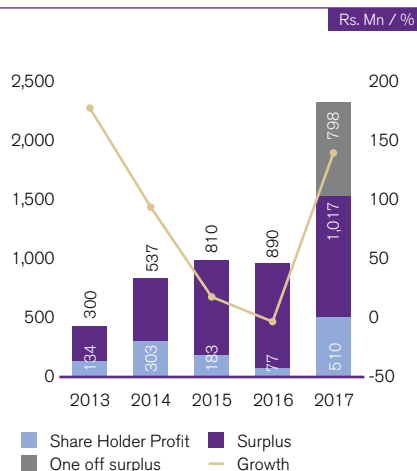
In 2016, valuation method of policy holder liabilities has been changed to Gross Premium Valuation (GPV) from net premium valuation (NPV) as recommended by IRCSL as per solvency margin rules issued in 2015. Therefore, the company value policy liability in year 2017 and 2016 was based on GPV method and whereas in year 2015, 2014 and 2013 were based on NPV method. During 2017, transfer to life fund increased to Rs. 1,315 million compared to Rs. 288 million in 2016, mainly due to the growth of the business portfolio reported in single premium products.

Please refer pages 337 - 338 and 342 - 343 review for more information.

PROFIT AFTER TAXATION (PAT) COMPANY

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 and one off surplus. Total profit and its composition over last 5 years are provided as follows:

PROFIT AFTER TAXATION



Five year compounded growth stands at 52% (2016 - 17%), and the year-on-year growth of the Life business was 140% (2016 - -3%)

COMMENTARY

The Company Profit After tax surged to Rs. 2,325 million for the year 2017 which is 165% growth compared to PAT Rs. 877 million (excluding profit of disposal of discontinued operation of General Insurance Company Rs. 89 million) which is a historically highest profitability of the Company. The Company Earnings Per Share (EPS) stood at Rs. 6.20 in 2017 compared to Rs. 2.34 in the year 2016.

During the year, Appointed Actuary recommended surplus of Rs. 1,017 million based on the valuation performed according to the Solvency Margin Guidelines (Gross Premium Valuation) which is significant growth compared to Rs. 890 million recommended in year 2016. In addition to surplus, shareholder funds of recorded operating profit of Rs. 90 million in 2017.

In 2017, profit of the Company includes Rs. 420 million Deferred tax by utilizing brought forward tax losses by assessing forecasted taxable income of the Company. Increase in PAT helped the Company to record an improved Return on Assets (ROA) of 19% and Return on Equity (ROE) of 79%, significantly higher than 10% and 48% reported respectively in 2016.

Further as directed by Insurance Regulation Commission (IRCSL), the company transferred one off surplus relating to non-participating fund to restricted regulatory reserve Rs. 798 million during the year.

PROFITABILITY AND INVESTOR ATTRACTIVENESS – INDUSTRY PEER COMPARISON

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

Rs. million	2017	2016	2015	2014	2013
Profit After Tax	2,325	967	993	840	433
Total profit from listed companies	6,887	5,247	5,161	4,189	3,527
SLI share of profit as a % of total profit from listed companies	34	18	19	20	12

It shows that the Company reported significant percentage of (34%) profit out of total profit of listed insurance companies for the year 2017.

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 with related tax, Re-measurement of Defined Benefit Liability and Revaluation of land and building. The Company recorded positive Rs. 409 million in the other comprehensive income with majority contribution from fair value changes of investments classified as available for sale financial assets. Prudent investment management strategies executed during the year was able to transform Rs 853 million loss recorded during 2016 into a profit of Rs 383 million in available for sale financial assets. Further to during the year land and building were revalued and recognised gain of Rs. 23.5 million during the year.

LIFE INSURANCE INDUSTRY SPECIFIC RATIOS AND ITS DISCUSSION - INCOME STATEMENT

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

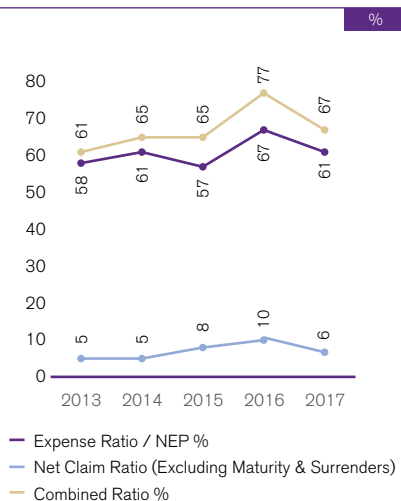
Description	Movement	2017	2016	2015	2014	2013	Growth 2017 %	Remarks
KEY OPERATING RATIOS								
First Year / Renewal GWP Mix %	N/A	32/68	34/66	35/65	31/69	33/67	-	Refer page 73 for commentary
NET CLAIMS RATIO								
Net Claims Ratio (without maturities and surrenders) %	●	6	10	8	5	5	(4)	Refer page 84 for commentary
Net Claims Ratio (with maturities and surrenders) %	●	18	21	12	11	8	(3)	
EXPENSE RATIOS								
Reinsurance Expense Ratio %	●	11	11	12	8	15	-	Refer page 76 for commentary
Net Acquisition Cost Ratio % GWP	●	24	28	24	23	24	(4)	Refer page 80 for commentary
Total Expense Ratio % GWP*	●	55	60	50	53	46	(5)	Refer page 80 for commentary
Total Expense Ratio % NEP*	●	61	67	57	61	58	(6)	Refer page 80 for commentary
COMBINED RATIO								
Combined Ratio % NEP - without maturities and surrenders	●	67	77	65	65	61	(10)	Refer page 84 for commentary
Combined Ratio % NEP - with maturities and surrenders	●	79	88	69	71	66	(9)	
REGULATORY RATIOS								
Risk Based Capital Ratio (Min 120%)	●	208	195	N/A	N/A	N/A	N/A	Refer page 85 for commentary
Determination Ratio % (Min 100%)	●	112	105	111	113	105	7	
Investment in Government Securities % Life fund (Min of 30%)	●	46	66	64	69	56	(20)	
KEY VALUE DRIVERS								
Premium persistency – Year 1	●	84	83	82	79	76	1	Refer page 75 for commentary
Premium persistency – Year 2	●	64	66	63	58	55	(2)	
Premium persistency – Year 3	●	59	57	52	57	52	2	
Average Premium per policy (Rs.)	●	113,375	99,573	86,667	81,639	76,187	14	Refer page 75 for commentary
Annualised New Business Premium Rs. million	●	2,706	2,182	1,725	1,246	1,086	24	Refer page 75 for commentary
Annualized new Business per Agent Rs. million	●	1.5	1.4	1.3	1.1	1.1	4	Refer page 75 for commentary
No of New policies	●	76,038	23,756	20,601	15,616	14,370	220	Refer page 85 for commentary
Life fund Rs. million	●	7,439	6,935	6,569	5,224	3,938	7	Refer page 88 for commentary
Surplus Rs. million (Without one off surplus)	●	1,017	890	810	537	300	14	Refer page 88 for commentary
One off Surplus Rs. million (Participating)	●	1,056	1,815	N/A	N/A	N/A	(43)	Refer page 88 for commentary

● Positive Variance ● Adverse Variance up to 5%

Movement in expense, claims and combined ratios are provided below.

Figure: Movement in expense, claim and combined ratios

INDUSTRY SPECIFIC RATIO ANALYSIS



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 Claim Ratio

Description	2017	2016
Net Claims Ratio (with maturities and surrenders)	18%	21%
Net Claims Ratio (without maturities and surrenders)	6%	10%

COMMENTARY

The overall claims ratio decreased to 18% from 21% mainly due to 34% increment in Net Earned premium during the year attributable to growth of the top line. Even though the overall claim ratio has decreased by 3% absolute, claim expenses increased by Rs. 150 Mn mainly due to 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.

EXPENSE RATIO

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 in the following table:

Description	2017	2016
Net Acquisition Ratio %	24	28
Operating Expense Ratio % GWP	31	32
Overall Expense Ratio % GWP	55	60
Overall Expense Ratio % NEP	61	67

COMMENTARY

During the year, Net acquisition cost as percentage of Net Earned Premium decreased by 4% even though the company has recorded GWP growth of 34%. Remarkable growth in our alternate business channels which have different acquisition cost proposition has impacted to the decrease of 4%.

Operating (Excluding the Acquisition cost) Expense ratio reduced by 1% during the year by recording 31%. Although the ratio reduced, the company experienced a 29% increase in its expense base due to expansion projects carried out by the Company including additions of 32 new branches to our branch network. This showcases the company's efficient use of its financial resources.

Accordingly, overall expense ratio has drop to 55% recording 5% year on year drop.

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 2017 and 2016

Description Rs. million	2017	2016
Combined Ratio % (with maturities and surrenders)	79	88
Combined Ratio % (without maturities and surrenders)	67	77

NUMBER OF NEW POLICIES

The Company grew its number of new policies by 52,282 from 23,756 to 76,038 which is a 220% increment when compared to the number of new policies reported in the year 2016. This is an exceptional growth compared to the Industry. The Number of new policies decreased by 5% on average in the Industry (based on the IRC SL Industry GWP circulation). Our latest expansion of alternate business channel provided considerable contribution to place us at higher to industry average.

REGULATORY RATIOS

Key regulatory Ratios are provided below.

Table: Key regulatory ratios

Description Rs. million	2017	2016
Risk Based Capital Ratio (Min 120%)	208	195
Determination Ratio % (Min 100%)	112	105
Investment in Government Securities % Life fund (Min of 30%)	46	66

PERFORMANCE OF CAPITAL AND LIQUIDITY MANAGEMENT

Financial Position Analysis

Snapshot of the total asset portfolio and composition is as follows:

Description Rs. million	2017	2016	Growth 2017	Composition 2017
ASSETS				
Intangible Assets, Property, Plant and Equipment	585	498	17%	5%
Financial Investments	9,994	8,218	22%	80%
Loans to Life Policyholders	140	158	(11%)	1%
Reinsurance Receivables	150	86	74%	1%
Premium Receivables	291	92	215%	2%
Other Assets	579	632	(8%)	5%
Differed Tax Assets	420	-	100%	3%
Cash and Cash Equivalents	319	233	37%	3%
Total Assets	12,478	9,918	26%	100%
EQUITY & LIABILITIES				
Total Equity	3,886	1,962	98%	31%
Insurance Contract Liabilities	7,439	6,935	7%	60%
Reinsurance Payable	236	139	70%	2%
Other Liabilities	917	881	4%	7%
Total Liabilities	8,592	7,955	8%	69%
Total Equity and Liabilities	12,478	9,918	26%	100%

COMMENTARY

Risk Based Capital Ratio

Risk Based Capital (RBC) regime was introduced by Insurance Regulatory Commission of Sri Lanka 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 2017, the Company maintains 208% which is well above the minimum requirement.

Determination Ratio

The company maintains Determination Ratio which is above the required level as at 31st December 2017 as shown in the table "Key Regulatory Ratios"

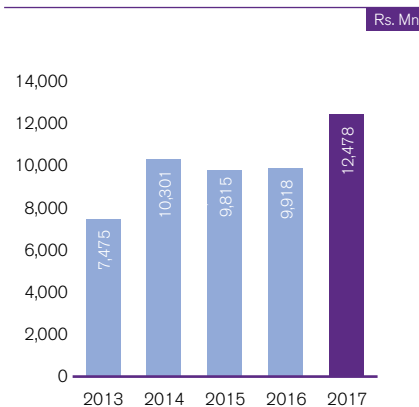
Investment in Government Securities % Life fund

The Company is required to invest in Government Securities in as much as at least 30% of the long-term fund. As at 31st December 2017, the Company was well above the minimum requirement as a result of the company's risk management practices and due care we place when handling our policyholders' money.

TOTAL ASSETS

Last five years total assets movement is provided in the graph below:

TOTAL ASSETS

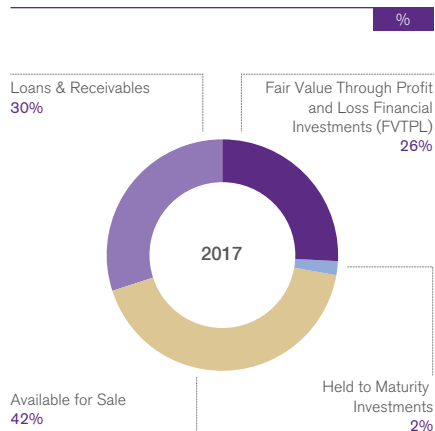


Five year compounded growth stands at 13.7% (2016- 14.2%), and the year-on-year growth of the total assets was 26%.

COMMENTARY

2017, was a year of accomplishment as the Company's asset base crossed the Rs. 12 billion mark, recording 26% (2016 - 1%) increase over Rs. 9.9 billion achieved in 2016, signifying a two fold increase over the past 5 years supported by sustained growth higher than both historical average and industry growth of the GWP of the Company. Total Investment portfolio reached Rs. 10 billion (including policyholder loans) which is 81% of the total assets which shows the quality of the asset portfolio.

COMPOSITION OF INVESTMENT PORTFOLIO



decreased by 11% when compared to the previous year mainly due to higher settlements.

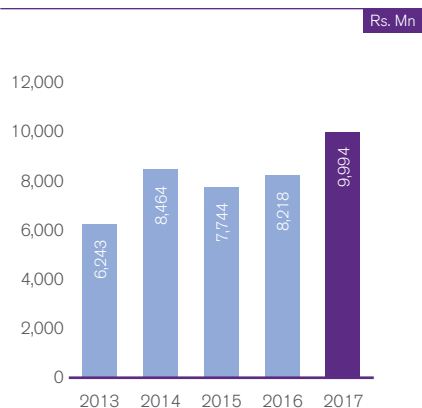
In line with the Sri Lanka Accounting Standards (SLFRS / LKASs), the Company categorised financial instruments into four broad segments namely Available for Sale (AFS), Loans and Receivables (L&R), Fair Value Through Profit or Loss (FVTPL) and Held to Maturity (HTM). The graph depicts the composition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

Total Financial Investments

Description Rs. million	2017	2016	Growth 2017
Financial Investments	9,994	8,218	22%
Policy Loans and other loans	140	158	(11%)
Total Investments	10,134	8,376	21%

Composition of financial investments and investment portfolio over the last five years is provided in graph "Composition of investment portfolio".

FINANCIAL INVESTMENTS



Five years compounded growth stands at 12.48% (2016 – 14.21%), and the year-on-year growth of the total investment was 22% (2016 – 6%).

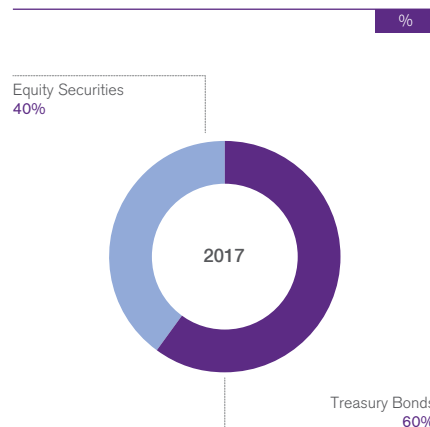
COMMENTARY

Continuing our growth momentum, our total investment portfolio (including the policy loans) crossed the Rs. 10 billion mark in the year 2017, recording a 22% growth over the Rs. 8.2 billion achieved in 2016. The financial investment portfolio includes government securities, corporate securities, bank deposits and equity investment, which represent 80% of the total assets. During the year, investment related asset portfolio recorded 22% growth compared to 2016. A majority of the policyholder funds were invested in Government securities (37%) and other fixed income securities according to the guidelines issued by Insurance Regulatory Commission of Sri Lanka.

Policy loans, which are loans granted to active Life Insurance policyholders, represent 1% of total assets and

FINANCIAL INVESTMENTS - AVAILABLE FOR SALE (AFS)

COMPOSITION OF AFS



COMMENTARY

Financial Investments categorise as Available-For-Sale those that are not classified in any of the other categories. This type of security is reported at fair value. Accordingly change in fair value is recorded in other comprehensive income until the securities are sold.

The Company's AFS financial investments comprised of equity shares and government securities with 40% and 60% contributions respectively.

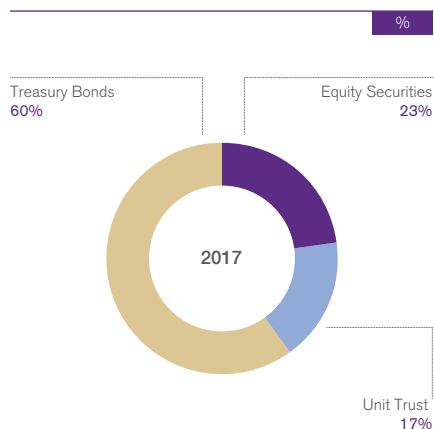
FINANCIAL INVESTMENTS - LOANS & RECEIVABLE (L&R)

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 comprised of Debentures 61%, Bank deposits of 17%, Government securities of 16% and 6% of commercial papers. These investments are recorded at the amortised cost.

FINANCIAL INVESTMENTS - FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

COMPOSITION OF GOVERNMENT SECURITIES - FVTPL



COMMENTARY

Financial instruments classified at 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 60% of unit trusts, 23% of quoted equity shares and 17% of government securities.

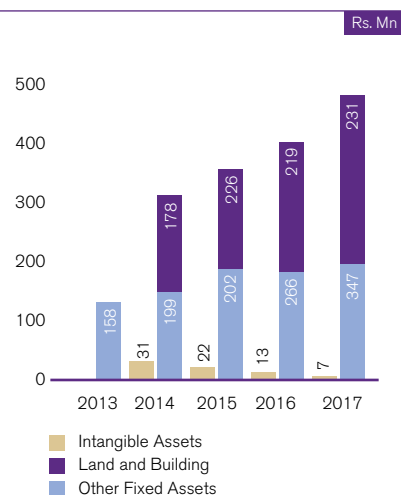
FINANCIAL INVESTMENTS - HELD TO MATURITY INVESTMENTS (HTM)

COMMENTARY

Financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company intends to hold it to maturity. HTM financial instruments consist of 100% of investment government securities.

INTANGIBLES, PROPERTY PLANT AND EQUIPMENT (PPE)

INTANGIBLES, PROPERTY PLANT & EQUIPMENT

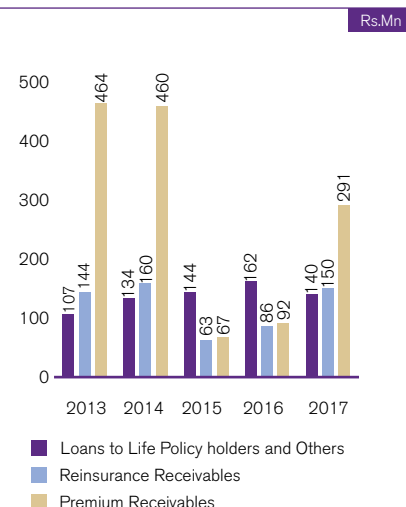


COMMENTARY

The Company holds only 5% of its total assets in intangible assets, property, plant and equipment, amounting to Rs. 585 million (2016: Rs. 498 million), out of which 40% represents land and building, whereas other fixed assets represent 60% of total investments in PPE. Except the land and building, all other intangibles and PPE are recorded 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.

PREMIUM AND REINSURANCE RECEIVABLES

PREMIUM AND REINSURANCE RECEIVABLE



COMMENTARY

The premium and reinsurance receivables accounts for 4% of total assets and amounted to Rs. 440 million (2016: Rs. 178 million). Reinsurance receivables increased by 74% to reach Rs. 150 million mainly due to delay in settling from reinsurers. Premiums receivable from customers, which amounted to Rs. 291 million increased by 215% mainly due to the exceptional growth of the Group life business during 2017.

Total Equity and Reserves / Shareholder Funds

Description Rs. million	2017	2016
Stated Capital	1,063	1,063
Revenue Reserves	2,942	2,223
Restricted Regulatory Reserve	798	-
Available for Sale Reserve	(965)	(1,349)
Revaluation Reserve	48	25
Total Equity and Reserves	3,886	1,962

COMMENTARY

The total equity reached Rs. 3.9 billion, which is a 98% increase compared to Rs. 1.9 billion reported in the year 2016. This is mainly due to the exceptional growth in profitability during the year, and reduction of losses in the AFS reserve due to favourable market indicators.

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 and growth of equity provided positively to strength the Capital Adequacy Ratio (CAR) of the Company.

Total Reserve include a new reserve in 2017, "Restricted Regulatory Reserve" which was created due to transfer of one off surplus transfer relating to Non Participating fund as directed by Insurance regulatory commission of Sri Lanka as per the treatment of one off surplus amounting to Rs. 798 million.

LIFE INSURANCE CONTRACT LIABILITIES

LIFE FUND

Rs. 7.4 Bn

7% growth compared to 6.9 billion in 2016

Table :- Insurance Contract Liabilities

Description (Rs. million)	2017	2016	Growth %
Insurance Contract Liabilities	6,090	1,815	236
Surplus Created due to Change in Valuation method from NPV to GPV	1,057	4,815	(78)
Claims Payable / Unclaimed benefits	292	305	(4)
Total	7,439	6,935	7

COMMENTARY

The Life Insurance contract liabilities, which refer to the reserves built to meet the future claims and maturities of Life Insurance policyholders. The Life Insurance contract liabilities of the Company crossed Rs. 7.4 billion in 2017 with significant increase of 7% in compared to 2016 and represents 60% of the total liabilities.

Change in Valuation Method

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

The report on the valuation of the Life Fund was conducted by the appointed independent Consultant Actuary Mr. M. Kunj Behari Maheshwari from Towers Watson India Private Limited, a Willis Towers Watson entity. Details of actuarial report appears on page 268 on this annual report. As recommended / Approved 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

According to the direction issued by IRCSL at the transition to Gross Premium valuation from Net Premium Valuation, 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. The 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 at non zeroed liability method. Further to this, during the year, the Company zeroed one-off surplus at product level and rearranged the one-off surplus to Rs. 1,815 Mn in consultation with IRCSL.

However, IRCSL reviewed non participating one-off surplus and directed the Company to transfer to reserve as at 31st December 2017. However, one-off surplus relating to participating policyholders retained as separate reserve under Insurance contract liabilities as directed by IRCSL.

Liability Adequacy Test (LAT) Valuation

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 was performed by Towers Watson India Private Limited, an independent Consultant Actuary and concluded that there is no requirement to provide additional reserve as reserve available is sufficient to meet future liabilities.

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 IRCSL, requires to comply with Risk based Capital requirement with effective from 1st January 2016 in addition to Approved asset and Determination requirement, 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. Details are as follows:

Table: Capital adequacy ratio

Description (Rs. million)	2017	2016
Total Available Capital (TAC)	6,084	8,570
Risk Based Capital requirement(RCR)	2,921	4,386
Risk Based Capital Adequacy (CAR) %	208	195
Required Solvency (CAR) Ratio %	120	120

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.

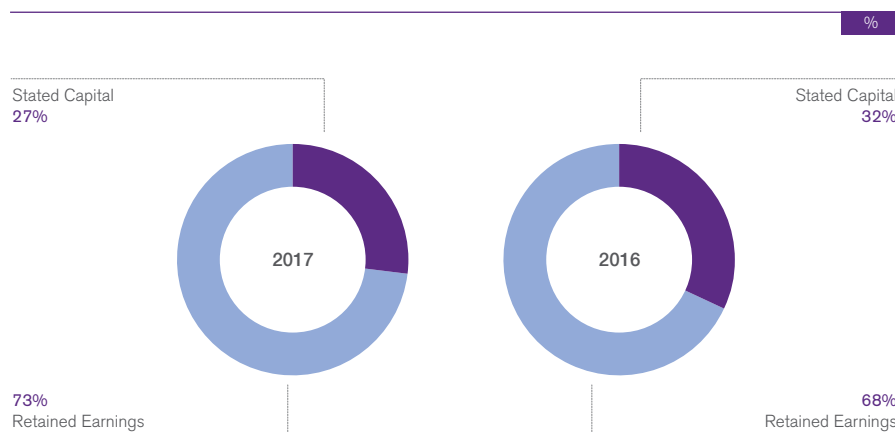
Table:- Statement of Approved Assets

Description (Rs. million)	2017	2016
Approved assets maintained in business	8,023	6,953
Insurance fund	7,147	6,630
Approved assets in excess of the insurance fund	876	323
Approved assets as a % of insurance fund	112	105
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 IRCSL 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

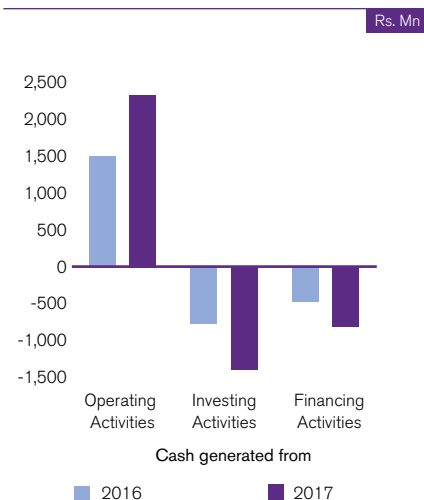


COMMENTARY

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. 2,942 million as at 31st December 2017.

CASH FLOW STATEMENT ANALYSIS

CASH FLOW ANALYSIS



Five-year compounded operating cash flow growth stands at 22% (2016- 31.66%), and the year-on year growth was 47% (2016 – 32%)

COMMENTARY

During the period under review, net cash generated from operating activities was Rs. 2,220 million which is a 47% increment compared to Rs. 1,507 million in 2016 due to growth of the business and efficient underwriting results. The majority of these funds were channeled into investing activities. As a result, the overall investment portfolio grew to Rs. 10 billion from Rs. 8.2 billion as at end 2017. Details of financing cash flow include the dividend payment made during 2017.

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. Details of these and impacts are summarised on page 393 - 404 of this report.

- SLFRS 9 - Financial Instrument
- IFRS 17 - Insurance Contract

SUMMARY

In competitive industry conditions, 2017 was a historical year for the Company. Looking forward to 2018, the Company is confident of continuing to deliver sustainable premium growth and strong profitability.

Performance Dashboard 2017 and Targets for 2018

Financial Performance	Actual	Target	Achievement	2018
Return on Equity %	79	37	●	41
Market Capitalisation (Rs. Mn)	7,875	9,993	●	9,450
GWP Performance - Overall (Rs. Mn)	7,531	7,704	●	9,000
GWP Performance – Agency Channel (Rs. Mn)	6,320	6,604	●	5,561
GWP Performance – Alternative Channel (Rs. Mn)	1,211	1,100	●	1,439
Profit After Tax (Rs. Mn)	2,325	1,500	●	1,800
Annualised New Business Premium (Rs. Mn)	2,706	3,150	●	3,309
Average Premium Per Policy (Rs.)	113,375	105,600	●	123,200
Persistency (Year 1) %	84	83	●	87
Persistency (Year 2) %	64	68	●	68
Persistency (Year 3) %	59	62	●	62
Market Share %	10.5	10.0	●	12
Claims Ratio %	6	5	●	5
Expense ratio %	55	70	●	49
Combined ratio %	68	96	●	65
ANBP per Advisor (Rs. Mn)	1.5	1.6	●	2
No of Advisors	1,854	1,969	●	2,000

Where: Fully Achieved ● Partially achieved ● Not Achieved ●

PERFORMANCE OF THE INVESTMENT PORTFOLIO

2017 was a year of reforms and fiscal consolidation through which the benefits will flow through in 2018 and beyond, whilst adverse weather conditions continued to negatively affect inflation, which willfully remained higher than IMF sanctioned limits. Tightening of fiscal policy in three instances within the year by the Central Bank of Sri Lanka together with higher taxation through the budget generating revenue to the government threw a dampener on economic growth which is expected to grow just below 4%. Some positives that arose are that the Current Account generated a surplus for the first time since 1987 as a result of broadening the tax base and new revenue measure adopted by the government, together with a reduction in growth of government spending allowing for a higher allocation towards capital expenditure, namely infrastructure related spending.

The BOP registered a surplus for 2017 as a result of a combination of FDI's, ISB's,

syndicated loans and healthy inflows to the capital markets of the country, and CBSL has plans to build up reserves to US\$10bn by YE2018. As a result the rate of depreciation of the LKR versus USD eased in 2017 to 2.5% versus 7.4% in 2016.

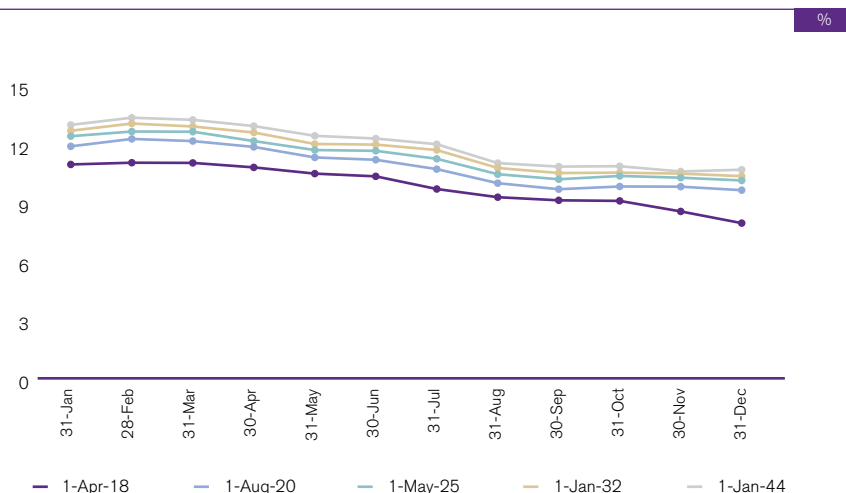
The continued dollar purchases of up to 1.2Bn during 2017 by the CBSL, together with the unwinding of their Treasury Bill stock allowed the market to sustain its liquid state, most notable through the second half of the year. This was also assisted by the drop in Private sector credit growth which reached 14.7% in December 2017. Volatility was witnessed in the first half of 2017 along the yield curve, but as a result of fiscal and economic reforms coming through the system the stability witnessed in the markets was reflected in the yield curve which reduced nearly 300 basis points from peaks seen in March 2017.

The treasury team took cognizance of all above factors in developing their views for 2017 which proved invaluable as both fixed income and equity portfolios outperformed the market benchmarks comprehensively as a result of the active management approach adopted by the team in place. The above factors were closely monitored and taken into consideration by the treasury team in carrying out active management of the respective funds of the company, which combined with the expertise and experience of the treasury team ensured that target investment income for the year was well satisfied.

Treasury Bond Portfolio

As a result of the volatility witnessed along the curve during the year the composition

TREASURY BOND RATE MOVEMENT 2017



of the bond portfolio witnessed significant changes, with exposure increasing in the first half to take advantage of high rates and been reduced towards the end of the year, partly due realization of gains as well as the view held of rates increasing in 2018 due to factors such as bunched debt maturities and political uncertainty.

Some positives were witnessed in the government securities market with foreign investor holding increased end of the year, together with rates reducing nearly 300 basis across the curve as a result of reforms pushed through by the Governor of the Central Bank.

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

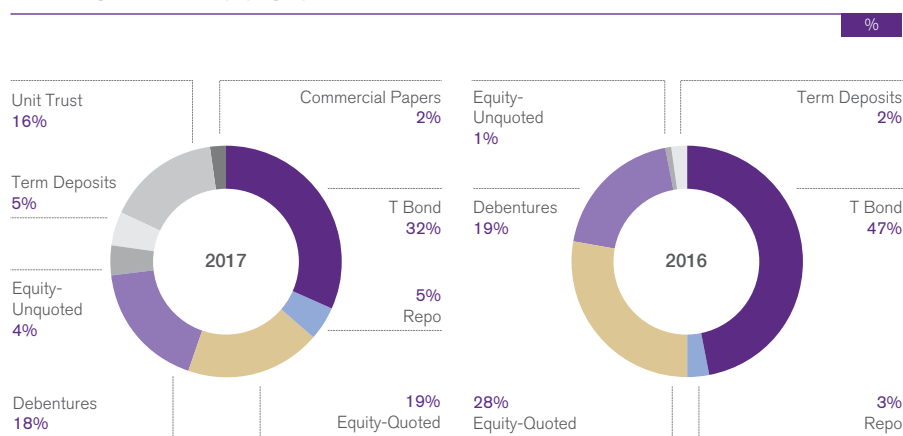
The ASPI too witnessed its share of volatility with peaks reaching over 6750 points and valleys below 6000 points, with the overall index registering a marginal growth of 2.85% for the year. As a result of reforms and fiscal stability the stock market witnessed significant foreign investor inflows with a net inflow for the year of Rs. 18.22bn, with foreign investors playing a major role in day to day trading on the floor in the absence of major domestic investors, both corporate and individual.

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

Monitoring of investment composition is a critical function of our business process. The rules imposed by Insurance Regulatory Commission of Sri Lanka on minimum investment on Government Securities and Assets Liability matching of the life fund has urge the close monitoring of composition of funds at assets category level, investment duration level etc. Companies overall investment portfolio mix has been provided on figure "Investment Mix 2016 VS 2017"

LIFE INVESTMENT MIX 2016 VS 2017

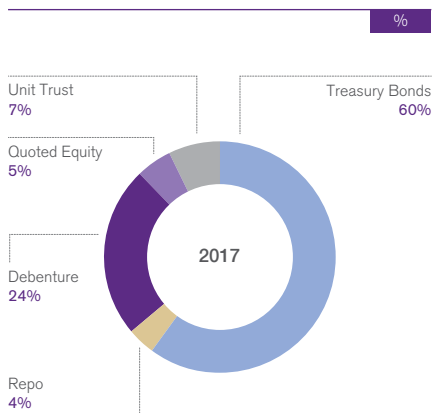


Further the composition of funds is regularly monitored under Participating fund, Non participating fund and Life share holder fund as directed by Insurance Regulatory Commission of Sri Lanka. The basis provides more transparent and effective way of allocating investments.

PARTICIPATING FUND

Participating fund predominantly consist of government securities accounting for 64% of the fund. The fund performed well in first half of the year and showed downward trend in the second half of 2017. However, company was able to achieve budgeted investment income during the year. The fund is dominated by Fixed Income Securities allowing 5% contribution from equity securities which are sensitive to fair value of securities. Debentures generated high yield during the year contributing 24% of the fund. Healthy investment mix is maintained under participating fund which reduce the market risk without compromising the best return for the investments. The composition of the Participating Fund is provided in figure "Investment Mix – Participating Fund"

INVESTMENT MIX – PARTICIPATING FUND



NON PARTICIPATING FUND

The company maintain healthy portfolio of investment under Non Participating Fund also by investing 78% of the portfolio in Fixed Income Securities. This fact generated steady investment income during the period. Investment in equity securities account for 22% the fund in which performance are volatile to the market conditions of Sri Lanka. The fund performance during the year was satisfactory and well supported to company's short term financial management strategies.

SHAREHOLDER FUND

Shareholder investment fund mainly consist of equity securities contributing 97% of the total fund. The fund not performed as expected due to low performance in equity market within the country. However, the fund achieved substantial portion of its investment income in the form of Dividend income.

LOOKING AHEAD

Analysts have a consensus on the fact that the yield curve will have an upward trajectory over the coming year due to maturing debt, both domestic and foreign denominated together with political uncertainty stemming from results of the provincial council elections in the first quarter of the year which even though not having a direct impact on the ultimate governing authority, would serve as a barometer of how the public feels the present government has tended to its elected mandates. If voter base

turns against the current composition of the government it may result in a spending spree which may offset any gains achieved in the fiscal and economic front since 2017.

The new taxation limits which will take effect by 1st April 2018 too will have an impact, in particular on government securities, listed debt and unit trusts due to the removal of notional tax and exemption of tax on all the above asset categories as well as income earned on those investments now been eligible for income tax.

Due to the proactive approach taken by the Treasury team, the funds under management are favourably placed to take advantage of an environment of increasing rates due to a significant block placed in liquid or near liquid investments, which can be shifted as and when rates are expected to peak whilst not incurring losses in the process.

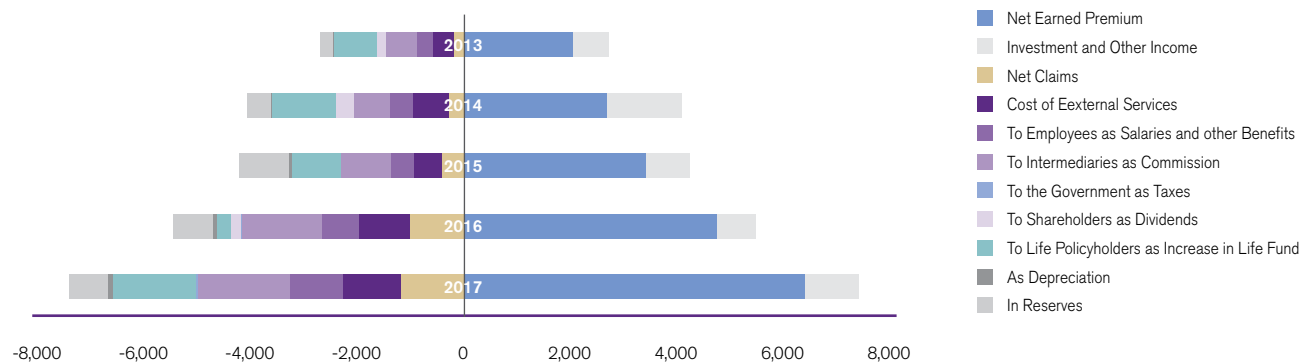
The Treasury team remains bullish on the local equity market, as the CSE continues to trade at attractive multiples in comparison to its frontier market peers. It is expected that the run of record inflows in to emerging and frontier markets will continue through 2018 though a possibility remains of a reversal as a result of higher than expected rates hikes by the US FED. The team will continue with its approach in looking at trading opportunities as and when they arise and hold core stocks for the long term.

CONTRIBUTION TO THE NATIONAL ECONOMY (VALUE ADDED STATEMENT)

Sources of Income Rs. million	2017	2016	2015	2014	2013
Revenue (Net Earned Premiums)	6,728	5,003	3,590	2,817	2,139
Investment and Other Income	1,069	664	868	1,477	709
Net Claims	(1,223)	(1,072)	(434)	(312)	(214)
Cost of External Services	(1,147)	(995)	(564)	(702)	(415)
Total Economic Value Added	5,428	3,599	3,460	3,280	2,219
Economic Value Distributed					
To Employees as Salaries and Other Benefits	1,052	745	450	445	316
To Intermediaries as Commission	1,831	1,580	993	715	604
To the Government as Taxes	26	21	-	-	-
To Shareholders as Dividends	810	200	-	375	180
To Life Policyholders as Increase in Life Fund	1,315	288	966	1,253	842
Total Economic Value Distributed	5,034	2,834	2,409	2,788	1,942
Economic Value Retained with the Business					
as depreciations/ amortisation	98	88	59	27	23
in reserves	297	677	992	465	254
	394	765	1,051	492	277

VALUE DISTRIBUTION - 2017

Rs. Mn



Direct Economic Value Generated - Rs. million	2017	2016
Total value added	5,428	3,599
Operating cost	3,512	2,216
Employees wages	679	392
Payments to providers of capital	810	200
Payments to government	26	21
Community investment	7	5
Economic value retained	394	765

UNDERSTANDING OUR FINANCIALS

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 31st December 2017	
Gross Written Premium	7,530,935
Less: Premium ceded to reinsurers	(802,462)
Net earned premium	6,728,473
Net insurance benefits and claims	(1,245,257)
Net acquisition cost	(1,830,773)
Increase in Life Fund	(1,315,369)

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 the same Rs.1200/- in December - 2010 we take the whole Rs. 1200/- as GWP.

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

Policies issued to customers and receipt of insurance premiums

Reinsurance Companies

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".

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.

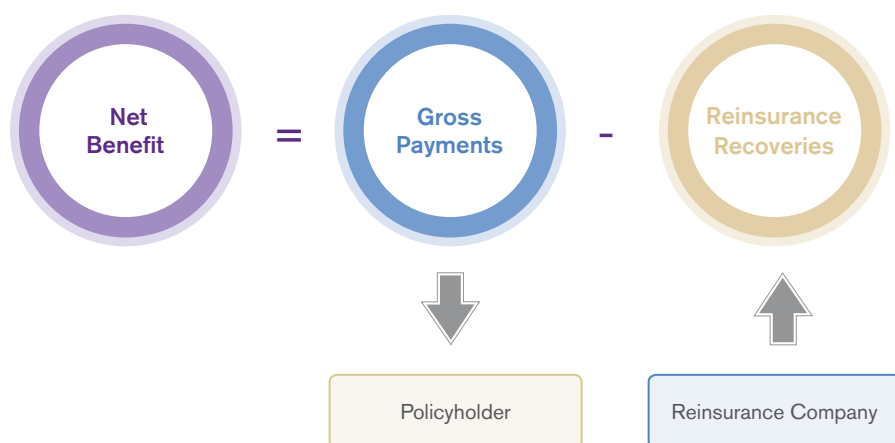
The terms Written Premium, Earned Premium, Commission and Claims when stated as 'Gross' refers to the absolute amount and 'Net' refers to the amount left after deducting the reinsurance portion.

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.

Reinsurance Premiums paid to Reinsurers

Policyholders



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 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:

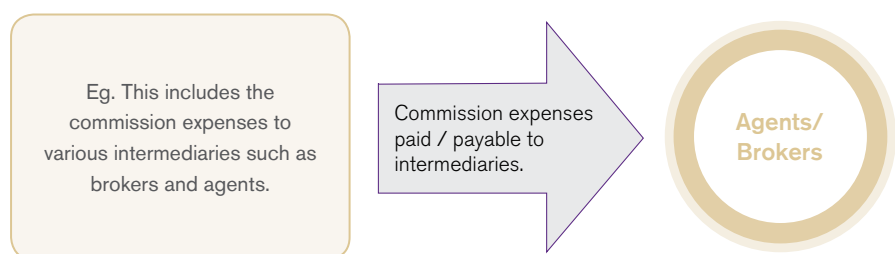
Liabilities	2017 Rs. '000
Life Insurance Fund	6,090,446
Surplus created due to change in valuation method from NPV to GPV	1,056,535
Unclaimed Benefits	291,611
Life Insurance Contract Liabilities	7,438,592

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

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 regulatory commission of Sri Lanka, these reserves are maintained under Life Fund until 2016.

However as at 31st December 2017 Life fund only include one of surplus relating to participating fund only.



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 54 to 59 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 "understanding our Financials" section on pages 94 to 95 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 12 to 13 of this report:

Key Financial Performance is provided below;

Description	2017	2016
Gross written premium		
Total amount we receive from customers as payments for their insurance policies (Rs. million)	7,531	5,636
Net earned premium (Rs. million)	6,728	5,003
Net profit		
Profit after tax attributable to our ordinary shareholders	2,325	967
Return on net assets (%)	2.84	1.65
Net profit attributable to our ordinary shareholders as a percentage of net assets (Excluding AFS Reserves) as at year end (%)	57	27

The details of the Company's financial performance are provided in Financial Performance Review Section on page 14 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. 5,405 million compared to value added of Rs. 3,683 million in the year 2016 which amount to 47% growth. This shows the exceptional performance to our valued shareholders.

Economic Value Added	2017	2016
Invested equity		
Shareholders' funds (Rs. million)	3,886	1,962
Earnings		
Profit after tax (Rs. million)	2,325	967
Cost of equity (based on 12 months weighted average)	10.72	12.17
Cost of average equity (Rs. million)	417	239
Economic value added (Rs. million)	1,908	728

Performance Key Ratios	2017	2016
Net Asset per Share (Rs.)	10.4	5.2
Earnings per Share (Rs)	6.20	2.34
Share Price at the year-end (Rs.)	21.00	20.70
Earning Yield %	29.52	11.30
Market Capitalisation Rs. millions	7,875	7,763
Price Earnings Ratio (times)	3.39	8.85

The details of the Share information and additional ratios are provided on pages 405 to 410.

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 173 to 250 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 241 to 250.

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 Management 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 208 to 226 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 2016 Annual Report won the Gold award in the Insurance sector and ranked as 43 among the world top 100 Annual Reports at global competition conducted by League of American Communication Professionals (LACP). Further, Softlogic Life Annual Report recognised as one of the best integrated report in Sri Lanka by CMA Institute. Also we won the bronze award at the 53rd Annual Report Award ceremony conducted by the Institute of Chartered Accountant of Sri Lanka.

In addition to this, The Company received a merit award from the South Asian Federation of Chartered Accountants (SAFA) for the Annual Report 2016.

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 2017 is provided on page 254.

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 207.



TRADE-OFF BETWEEN CAPITALS

HUMAN CAPITAL



- Motivated Staff
- 316 New recruits
- 62 Promotions
- 10,161 Training hours

Value In

Value Out

Financial Capital

- Rs. 932 million Employee Benefit paid
- Rs. 38 million Investment in training and development

Social and Relationship Capital

- Interaction with wider stakeholder groups.

Intellectual Capital

- Facilitating internal IT systems.

Manufactured Capital

- Office facilities provided.

Customer

Society

Employees

Business Partners

Investors

Environment

Financial Capital

- Profit per employee Rs. 3.2 Mn
- Employee cost as % of total cost 22%
- Financial Results (Refer page 251 to 386)

Social and Relationship Capital

- Excellent customer service
- Strong relationship with our business partners
- Volunteering for community development projects

Intellectual Capital

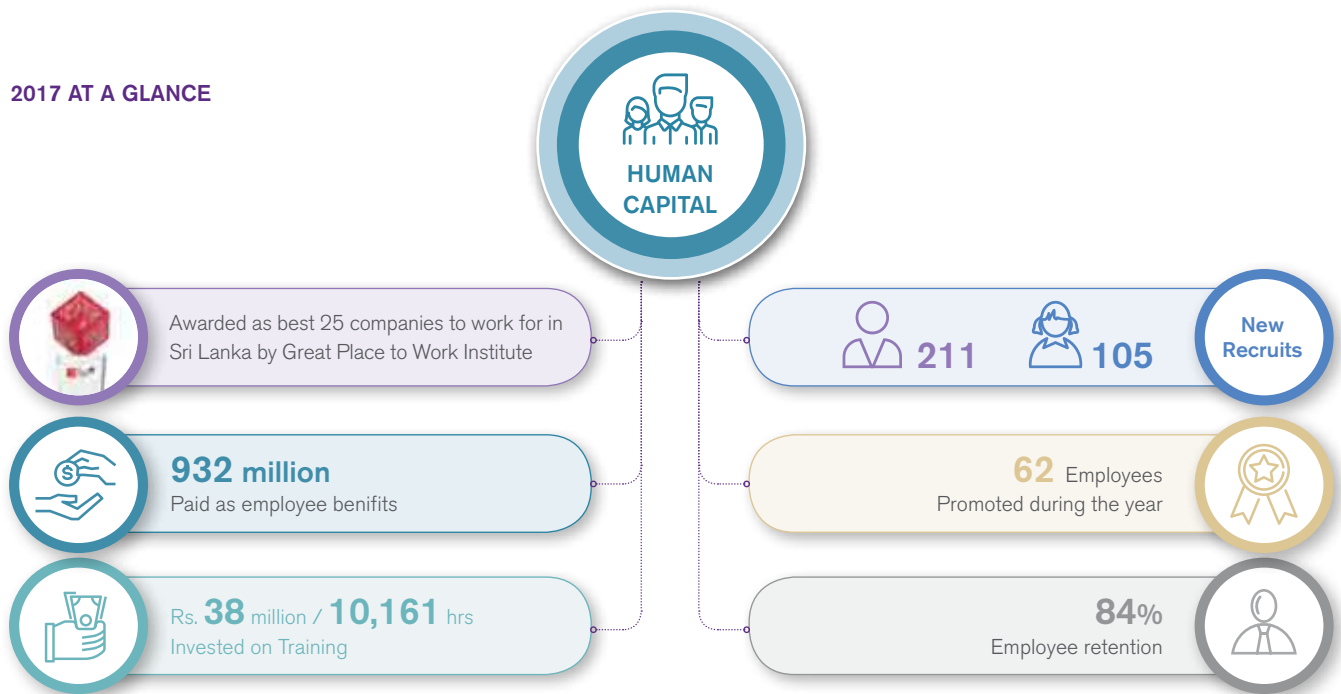
- New products (Micro Insurance)
- Improved/ new IT systems (E-receipting, on the spot policy issuance)

Natural Capital

- Contributing towards minimizing the environmental impact. (Eg. Introducing E-receipting to reduce usage of papers)

* The Diagram provide an overview of trade-off between Human Capital with other capitals as well as its impact to stakeholders.

2017 AT A GLANCE



“A WORKFORCE THAT REFLECTS THE DIVERSITY OF OUR CUSTOMERS AND COMMUNITIES ENABLES US TO PERFORM EFFECTIVELY IN OUR CHOSEN MARKETS. SOFTLOGIC LIFE PROMOTES A HIGH PERFORMANCE AND CUSTOMER CENTRIC CULTURE WHILE DRIVING INNOVATION AND EXECUTION OF STRATEGY IN ORDER TO CREATE VALUE FOR ALL STAKEHOLDERS”

OUR FOCUS

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 the happiness and wellness of our employees. Our vision and values guide our efforts in creating a supportive work environment in order to “LIVE OUR EMPLOYEE LIFE TO THE FULLEST”.

“THE WAY OUR EMPLOYEES FEEL IS THE WAY OUR CUSTOMERS WILL FEEL”

Softlogic Life believes that our people are our greatest asset, and are central to our success. Our constant endeavour is to attract, invest in, develop and retain the best talent in the industry. We have put in place policies and guidelines for talent management, recruitment, selection, remuneration, training and skills development, and employee equity. Our philosophy and culture in the areas of knowledge and learning has made the Softlogic Life workplace a crucible of leadership while taking our Company from “Good to Great”.




KEY INITIATIVES 2017

- ◆ Revamp “Key Performance Indicators” methodology for employee performance evaluation.
- ◆ Empowering people through training and leadership development.
- ◆ Winning “Great Place to Work” award for the second consecutive year.
- ◆ Improve employee retention ratio.
- ◆ Increase health awareness of employees.
- ◆ Promote team building activities and cultivate Softlogic values among the team.
- ◆ Encourage employees to engage in voluntary community activities.

KEY INITIATIVES 2018 AND BEYOND

- ◆ Empowering people through training and leadership development.
- ◆ Talent management and Succession Planning.
- ◆ Winning the ‘Great Place to Work’ award.
- ◆ Improve employee retention further.
- ◆ Recognise our employees for their performance, creativity, risk taking ability, living our values etc. at employee conferences.
- ◆ Talent management programme to identify/ develop second level leaders in the company.
- ◆ Encourage employees to engage in voluntary community activities.

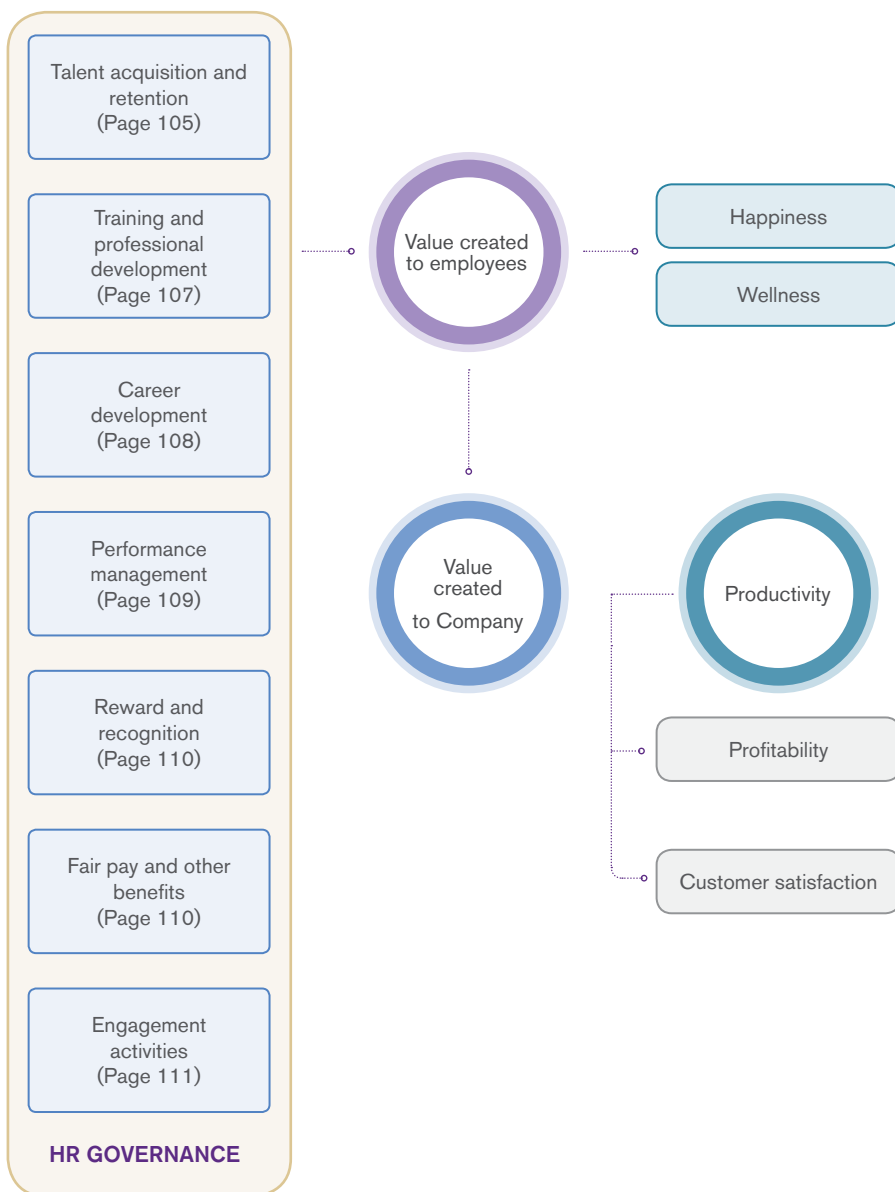
FOCUS ON 2017 KEY INITIATIVES

Key Initiatives	Our Response
Revamp of "Key Performance Indicators" methodology for employee performance evaluation.	Successfully implemented. Performance Appraisal method completely revamped.
Empowering people through training and leadership development.	Company carried out a series of structured training and development activities. More information on these programmes are provided on page 108.
Winning "Great Place to Work" award for the 2nd consecutive year.	The Company won GPTW award for the year 2017.
Improve employee retention ratio .	3% improvement in employee retention ratio.
Increase health awareness of employees.	<p>Our awareness campaign to employees</p> 
Promote team building and cultivate Softlogic Values among the team.	<div style="display: flex; justify-content: space-between;"> <div data-bbox="574 968 1024 1209"> <p>Sports Day</p>  </div> <div data-bbox="1040 968 1484 1381"> <p>Family Trip to Hotel RIU</p>  </div> </div>
Encourage employees to engage in voluntary community activities.	<p>During the year, our employees volunteered to spent their time and resources in community development activities including,</p> <ul style="list-style-type: none"> ▪ Conducting a series of seminars for grade 05 students. ▪ Donating a mini Library and computer lab to Nidangala Kanishta Vidyalaya. <p>Detailed information on community development activities are provided on pages 134 - 137.</p>

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 a productive and innovative workforce by caring for their wellness and the concept of "live employee life to the fullest". The Company's value creation model with regard to human capital is provided below:

Figure: Value Creation Model / Employee Engagement Model



HR GOVERNANCE

Our HR governance structure ensures that we balance the interests of our employees with the interests of all 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 regularly.

HUMAN CAPITAL DIVERSITY

“THE DIVERSITY OF OUR PEOPLE BRINGS RICHNESS IN PERSPECTIVE, SKILLS AND EXPERIENCE WHICH WE LEVERAGE WHILE 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 so that there would be no discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion.

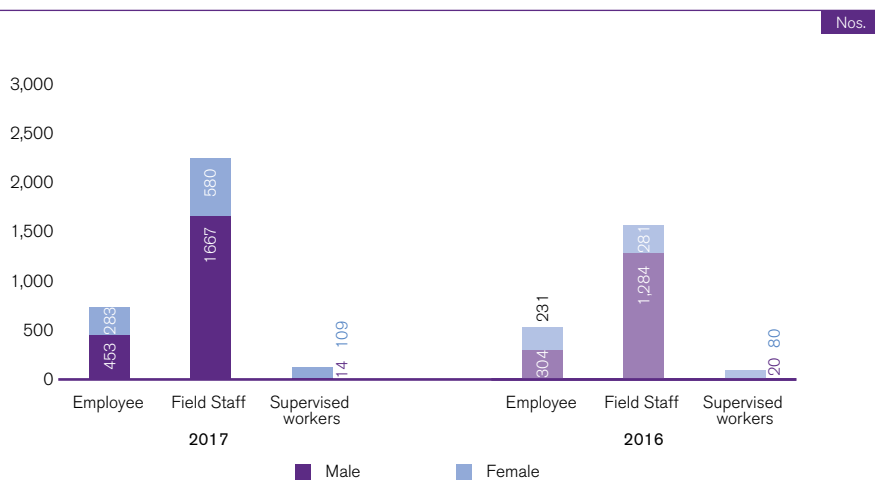
Being a life insurance Company, our human capital consists of employees, out-sourced personnel and field staff. The workforce composition as at 31st December 2017 is provided in table "Composition of Workforce" on page 102.

Table: Composition of Workforce

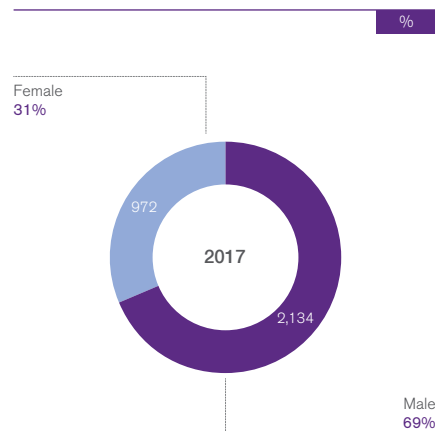
Description	2017			2016		
	Male	Female	Total	Male	Female	Total
Employees	453	283	736	304	231	535
Field Staff	1,667	580	2,247	1,284	281	1,565
Outsourced Staff	14	109	123	20	80	100
Total Workforce	2,134	972	3,106	1,608	592	2,200

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

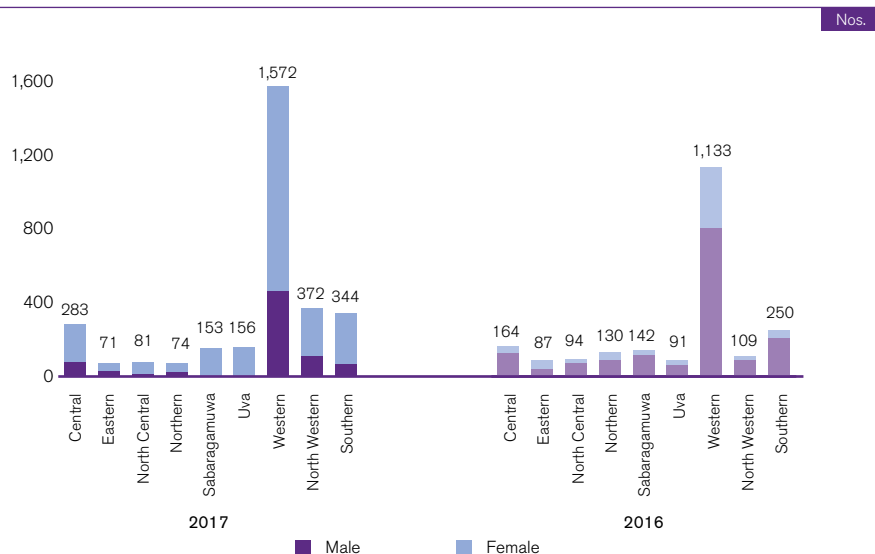
WORKFORCE BY TYPE OF EMPLOYMENT



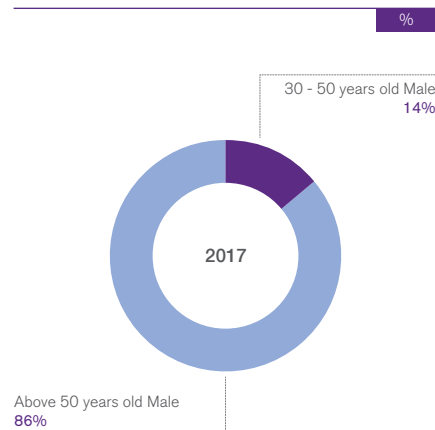
COMPOSITION OF WORKFORCE 2017



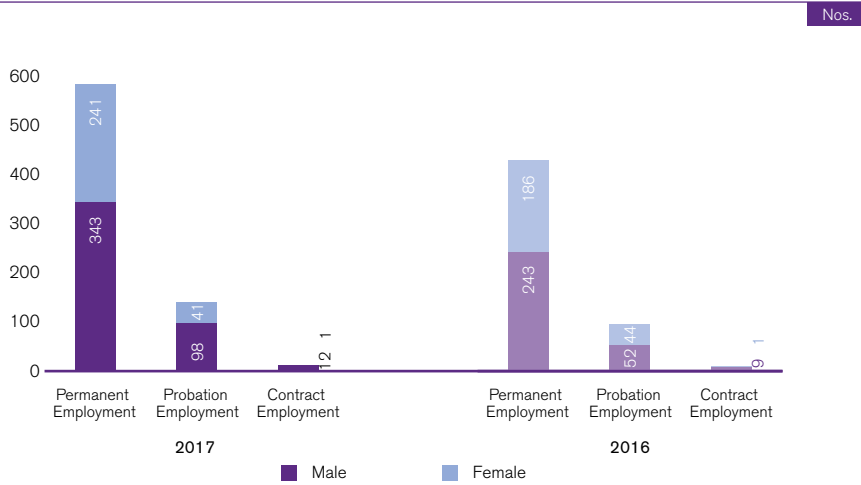
WORKFORCE BY REGION



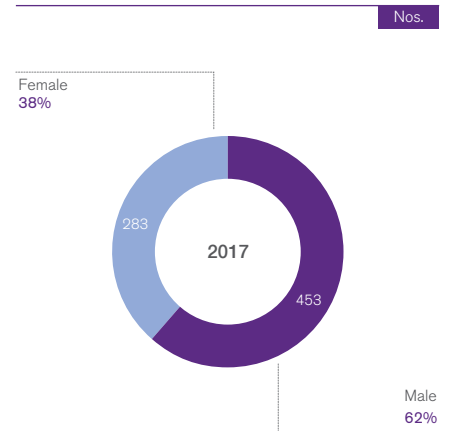
COMPOSITION OF GOVERNANCE BODY 2017



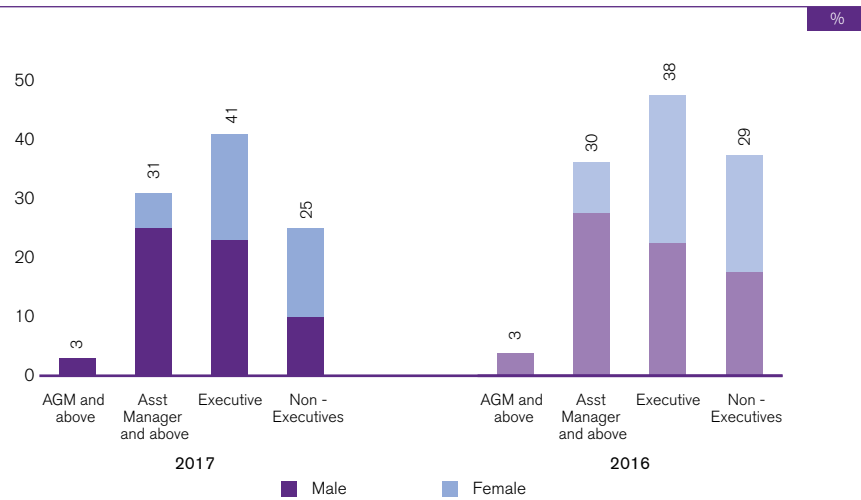
EMPLOYEES BY EMPLOYMENT CONTRACT



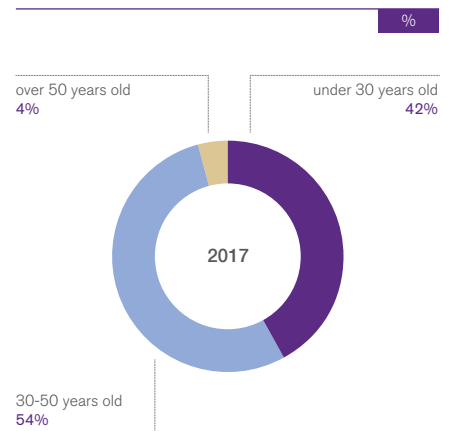
EMPLOYEES BY GENDER 2017



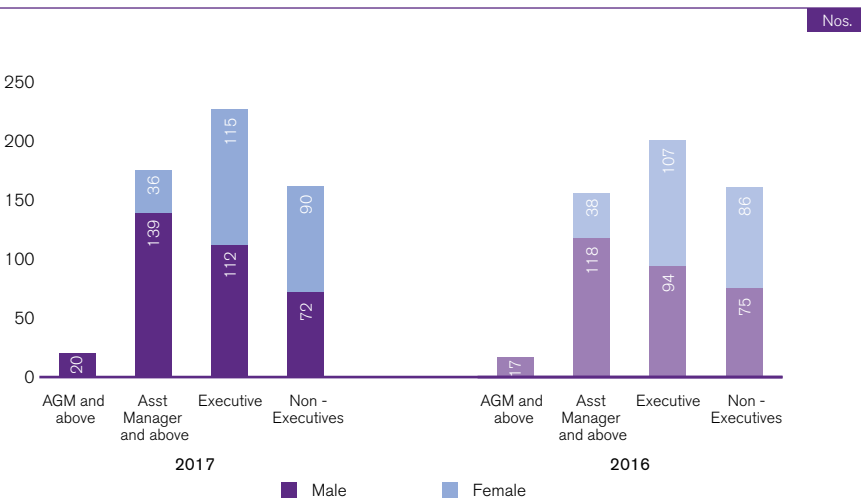
PERCENTAGE OF EMPLOYEES BASED ON EMPLOYMENT CATEGORY AND GENDER



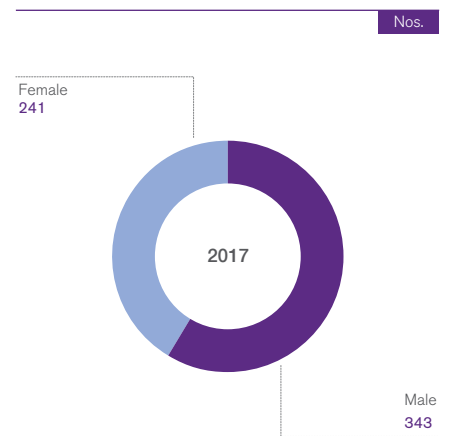
PERCENTAGE OF EMPLOYEES BASED ON AGE



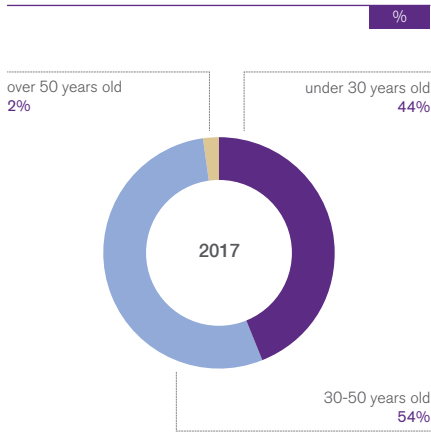
PERMANENT EMPLOYEES BY EMPLOYMENT TYPE



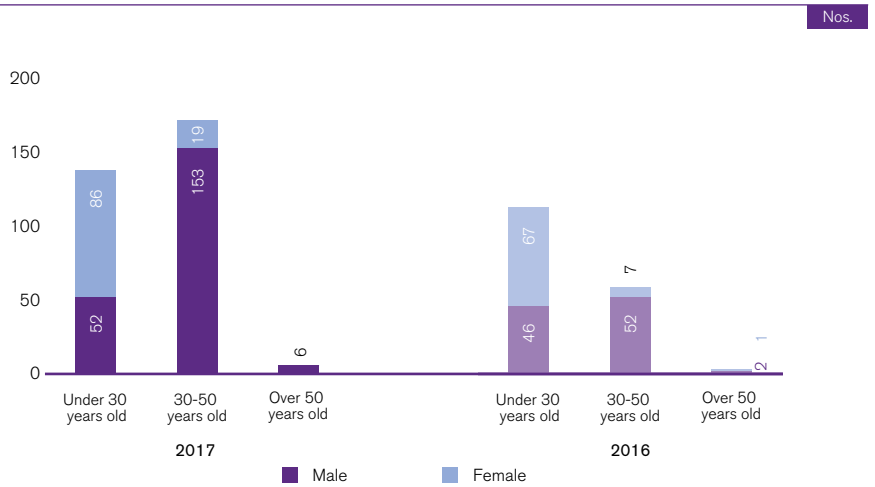
NUMBER OF PERMANENT EMPLOYEES BASED ON GENDER



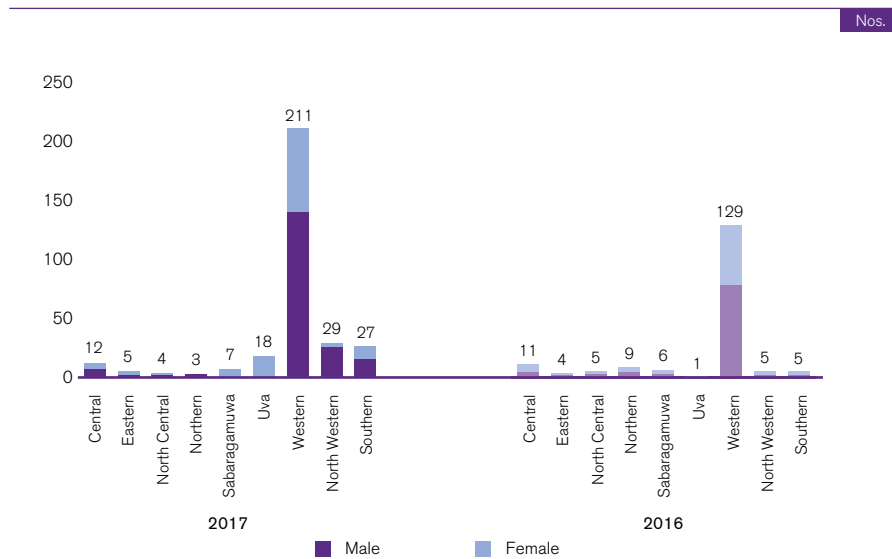
RATE OF NEW EMPLOYEE RECRUITS BASED ON AGE



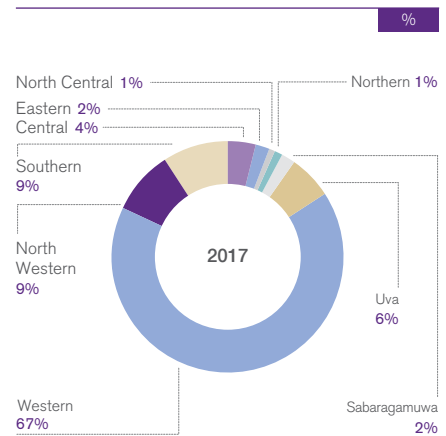
NEW EMPLOYEE RECRUITS BY AGE



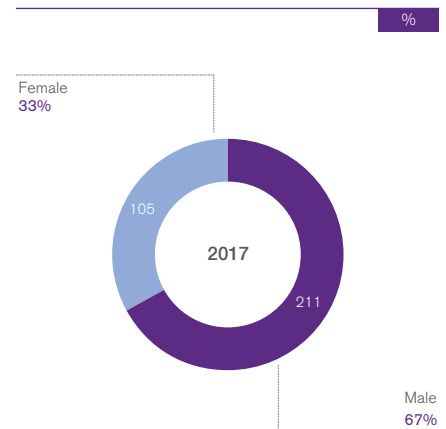
NEW EMPLOYEE RECRUITS BY REGION



RATE OF NEW EMPLOYEE RECRUITS BASED ON REGION 2017



RATE AND NO. OF EMPLOYEE RECRUITS BASED ON GENDER



The table given below analyses our employee diversity based on the tenure of the service:

	No of Employees 2017	%	No of Employees 2016	%
0 =<2Years	337	46	206	39
2 =<4Years	127	17	118	22
4 =<6Years	99	13	90	17
6 =<8Years	70	10	39	7
Above 8 Years	103	14	82	15
Total	736	100	535	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”

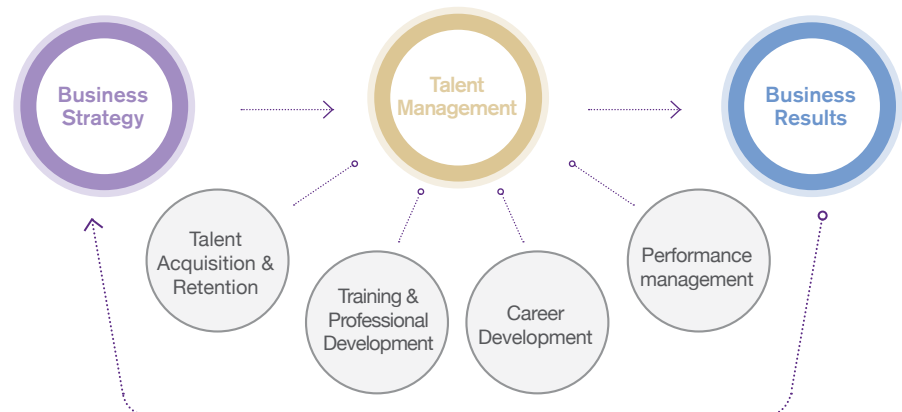
We work in a fast-paced, highly competitive industry with ever changing demands. Our people, therefore, must be equipped with the necessary skills to drive a client-focused approach now and into the future. We aim to do this by creating a culture of continuous professional development and adaptability.

“TALENT MANAGEMENT ENABLING SUCCESSION PLANNING”

Our talent management philosophy and approach enables 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 pool thereby creating and strengthening a succession pipeline for key management positions, as evidenced by the number of internal moves and promotions into key leadership positions across the Company during recent years.

We invest in young people in areas of specialised skills and who have the potential to become future leaders. It is evident that, the Company made significant investment in its flagship Leadership Development programme. Our talent management process is provided in the below figure:

Figure : Softlogic Life talent management process



TALENT ACQUISITION

The Company has a robust recruitment process in order to select the best talent for our workforce. Depending on the position in question, the candidates go through a series of processes which involve panel interviews, tests and presentations in order to assess their technical skills, softskills and attitude. Further, recruitment based on profile mapping was introduced at certain levels to ensure a better fit with the needs of the Company. We first look internally to fill vacancies and then, if required, advertise externally.

INDUCTION AND FAMILIARIZATION

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

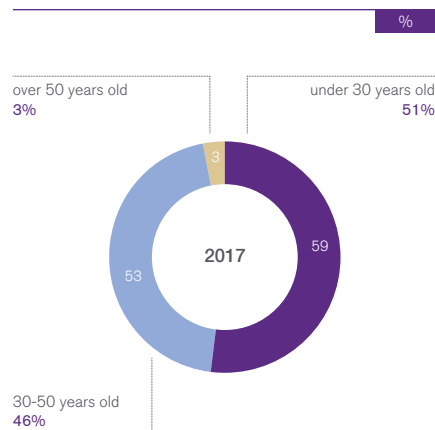
TALENT RETENTION

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 18% and 10% 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. The Company continuously monitors its employee retention and, in particular, seeks to address staff attrition through proactive initiatives that engage employees. Further, as indicated in the table below, 94% of employees return to the Company after their parental leave period.

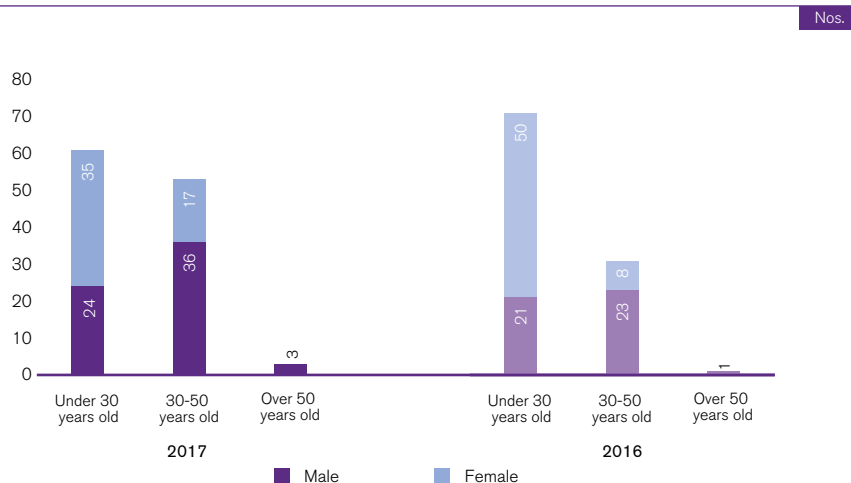
Table: Details of Return to Work and Retention After Parental Leave

	2017		2016	
	Male	Female	Male	Female
Total No of employees that were entitled to parental leave by gender.	N/A	241	N/A	186
Employees that took parental leave, by gender.	N/A	17	N/A	11
Employees who returned to work after parental leave ended, by gender.	N/A	10	N/A	7
Employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender.	N/A	07	N/A	7
Employees who took parental leave but leave period not ended as of 31st December.	N/A	6	N/A	3
Employees who return to work and retention rates of employees who took parental leave, by gender.	N/A	94%	N/A	91%

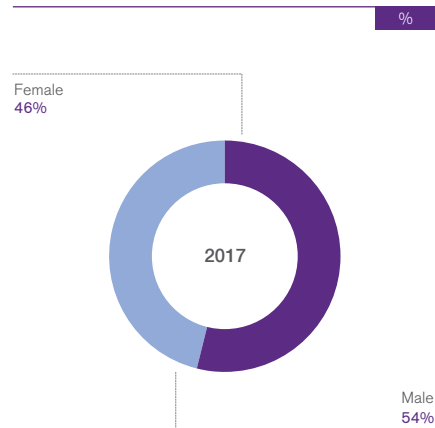
RATE AND NO. OF EMPLOYEE TURNOVER BASED ON AGE



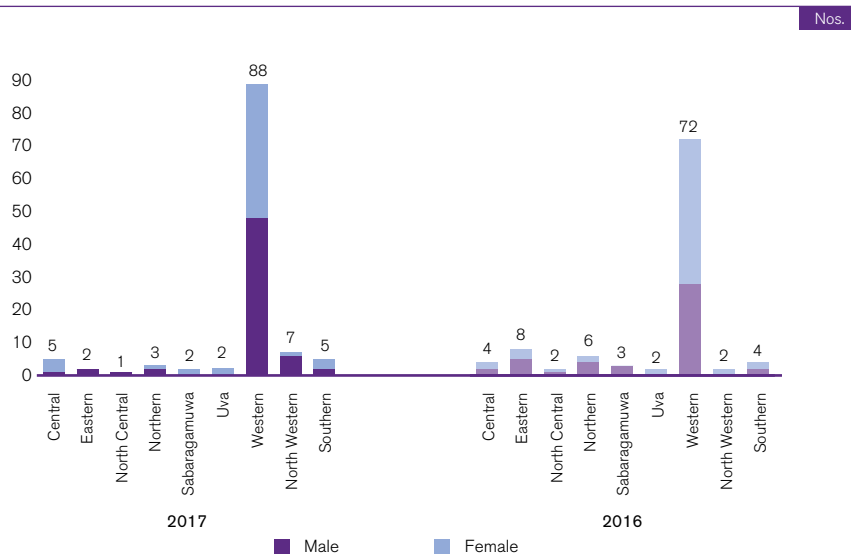
EMPLOYEE TURNOVER BY AGE



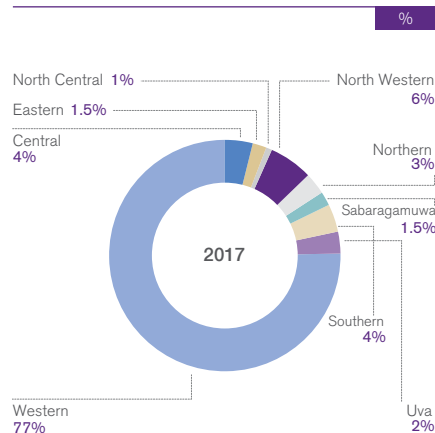
EMPLOYEE TURNOVER BY GENDER



EMPLOYEE TURNOVER BY REGION



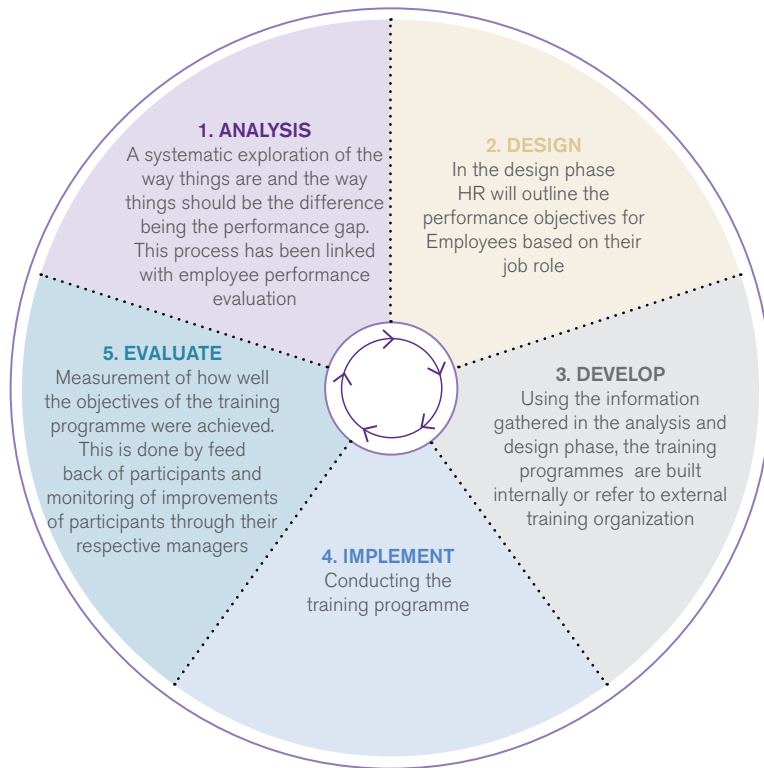
RATE OF EMPLOYEE TURNOVER BASED ON REGION



TRAINING AND PROFESSIONAL DEVELOPMENT

The Company's training and development initiatives play a pivotal role in talent retention and ensured a sustainable competitive advantage as well as served as motivational tools. During the year, the Company invested Rs. 38 million in training and development initiatives and generated a total of 10,161 hours for employees. The range of training encompassed technical, functional, soft skills, information technology and general management. The Company uses the following model in order to train and develop people:

A systematic exploration of the way things are and the way things should be the difference being the performance gap. This process has been linked with employee performance evaluation.



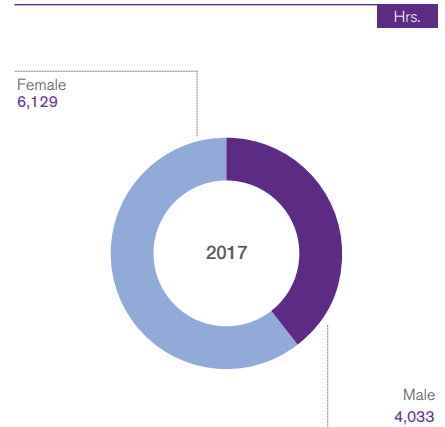
Further, the Company uses a wide variety of training resources and programme locally and internationally to suit the needs of employees, including the in-house panel of trainers. The total training and development expense is tabulated as follows:

Table: Investment in Training and Development

Rs.million	2017	2016
Overseas	9	6
Local	29	24
Total	38	30

11 hrs
AVERAGE TRAINING HOURS PER EMPLOYEE

TOTAL HOURS OF EMPLOYEE TRAINING BASED ON GENDER



AVERAGE HOURS OF TRAINING PER EMPLOYMENT CATEGORY



Average Training Hours per Employee

	2017	2016
Male	10	11
Female	12	8
Total	11	9

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

Rate Calculation Basis: Rates are calculated using the total number of employees who participated at the training programmes.

Table: Employees' Training Summary for the Year 2017

Training Programme	Scope
Leadership Management Training	Overall
Corporate Etiquette	Overall
Fraud Risks and Anti-Fraud Strategies	Overall
Practical Aspects of RBC	Operational
Administration and Logistics Management	Overall
Branding and Marketing	Operational
CPD Seminar	Overall
Soft Skills development programme	Overall
Life Technical Process Training	Operational
Enhancing Information Technology Knowledge	Operational
Business Writing	Overall
IFRS Training	Operational
Technical session on Accounting and Auditing	Operational
Introducing to New Acts and Regulations	Overall
Practical aspects of creating Great Place to Work	Overall
Technical Programme on life operational procedures	Overall
Reporting on Compliance	Overall
Risk Management	Overall
Human Resource Management	Overall
GRI Application on Sustainability Reporting	Operational









CAREER DEVELOPMENT

We are committed to enable career development 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.

MANAGEMENT TRAINEE PROGRAMME

The Company launched a management trainee programme in 2017 and five were selected including existing employees. During the year, they were going through a comprehensive on-the-job training covering all functional areas of the company. On completion of the programme, they were recruited to the permanent cadre at Assistant Manager grade.

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

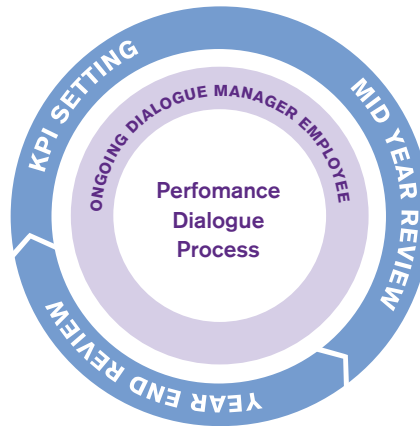
Leadership & Strategic	Knowledge	Skill	Other
Management Development Programme 	Training on Life Academy 	Training on Interviewing skills 	Induction Programme 
Training on Business Writing 	Anti-Money Laundering 	Corporate Etiquette 	Anti-Fraud Training 



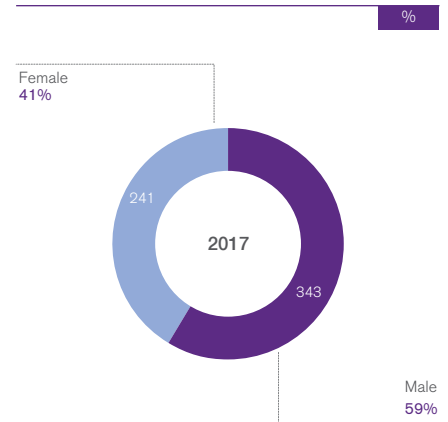
CASE SATUDY

“Rumesh Modarage, who joined Softlogic Life’s Finance Department in 2011 as a Management Trainee after completing his CIMA (UK) qualification, subsequently moved to the Life Operations Department in 2014 as Assistant Manager - Life Operations on completion of his Chartered Insurance Exams (UK). Thereafter, the management identified his potential for value addition to Life Operations considering his finance and insurance background. He took this opportunity to build his capacity in Life Operations and as at today, remains a very special success story in Softlogic Life, working as Senior Manager – Life Operations.”

Figure: Redesign Performance Evaluation Process



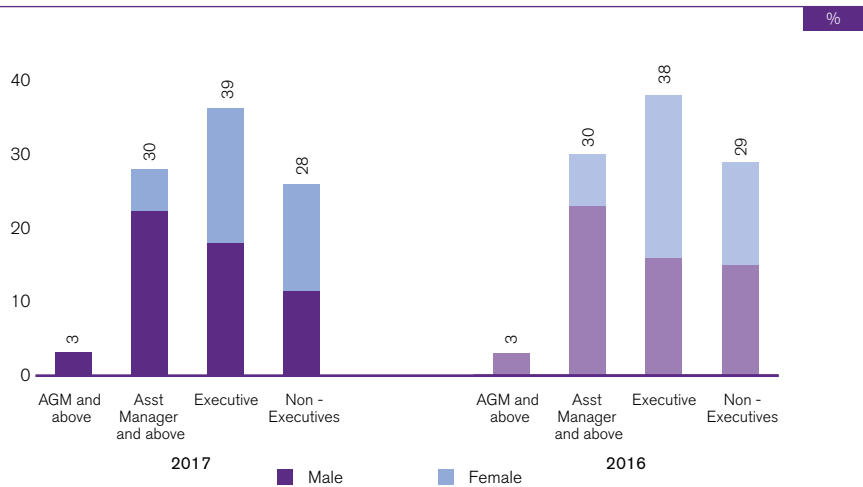
PERCENTAGE OF EMPLOYEES REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS BY GENDER



The performance evaluation cycle starts at the beginning of the year by setting KPIs and six months' progress is evaluated and corrective actions are communicated to all employees by immediate senior level. At the year-end evaluation, the supervisor and employee discuss the performance for the year and mutually agree on appropriate rating showing the transparency of the process.

KPI set should be SMART which stands for S=Specific, M= Measurable, A = Attainable, R = Relevant, T = Time-bound

PERCENTAGE OF TOTAL EMPLOYEES' PERFORMANCE AND CAREER DEVELOPMENT REVIEWS BY EMPLOYEE CATEGORY



PERFORMANCE APPRAISALS

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

The Company shifted to the “Key Performance Indicator” (KPI) setting process from balance scorecard to sharply align expectations from individual job role to company overall strategy. Accordingly, the Board of Directors decide short term strategy for the company and expectations from individual job roles to achieve company goals and this is cascaded down from the top.

REWARD AND RECOGNITION

Our field staff was recognized at Sales convention 2017.



Spot Recognition

The company introduced “Purple Card” concept during the year for spot recognition of employees who archive extra mile in their capacity



REMUNERATION AND OTHER BENEFITS

Our 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 is commensurate with each employee’s level of expertise and contribution and is aligned with the Company’s performance.
- Executive remuneration is set 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, competencies and remuneration policies.

OTHER 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 does not discriminate employee benefits including remuneration based on diversity, gender, age, race etc.

The diagram below summarises the employee benefits available at Softlogic Life:

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.	<p>Benefits for full-time employees include:</p> <ul style="list-style-type: none"> ▪ Life and Disability Insurance ▪ Safe and Healthy Workplace ▪ Maternity Leave and Holidays ▪ Staff medical Life plans ▪ Professional education assistance ▪ Reimbursement of selected professional memberships/ subscription payments ▪ Employee welfare ▪ Competitive remuneration ▪ Personal and career development 	Self-Actualization
Sense of Community	Softlogic Life provides a safe, non-discriminatory work environment and job security based on performance.	Personal Financial Security

During the year, the company introduced Paternity leave and enhanced employee’s medical insurance to keep our employees motivated and make them feel that the Company cares for them.

Paternity Leave

The company decided to introduce paternity leave with effective from 2018. This enables our employees to enjoy and embrace one of the most important milestones of their lives. We strongly believe that, not only our employees, but their families are also our responsibility, hence their well being is important to us. Paternity leave will help our employees to support their families and actively take part in shared responsibility. All employees of Softlogic Life will be entitled to this and 5 working days can be taken within the first 30 days from the child birth and applicable for 2 child birth occasions during the tenure at Softlogic Life.

Increment to Employee Insurance benefit

With a view to support our employees and their families in time of need, the management has decided to revise the staff insurance policy by increasing the OPD/ Dental limit and the staff group life policy.

Employee Retirement Benefits

The Company contributes to two compulsory defined contribution plans

namely Employee's Provided Fund (EPF) and Employee's 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	2017	2016
EPF	57	39
ETF	14	10
Defined Benefit Plan	21	15

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 199 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 2017.

ENGAGEMENT ACTIVITIES

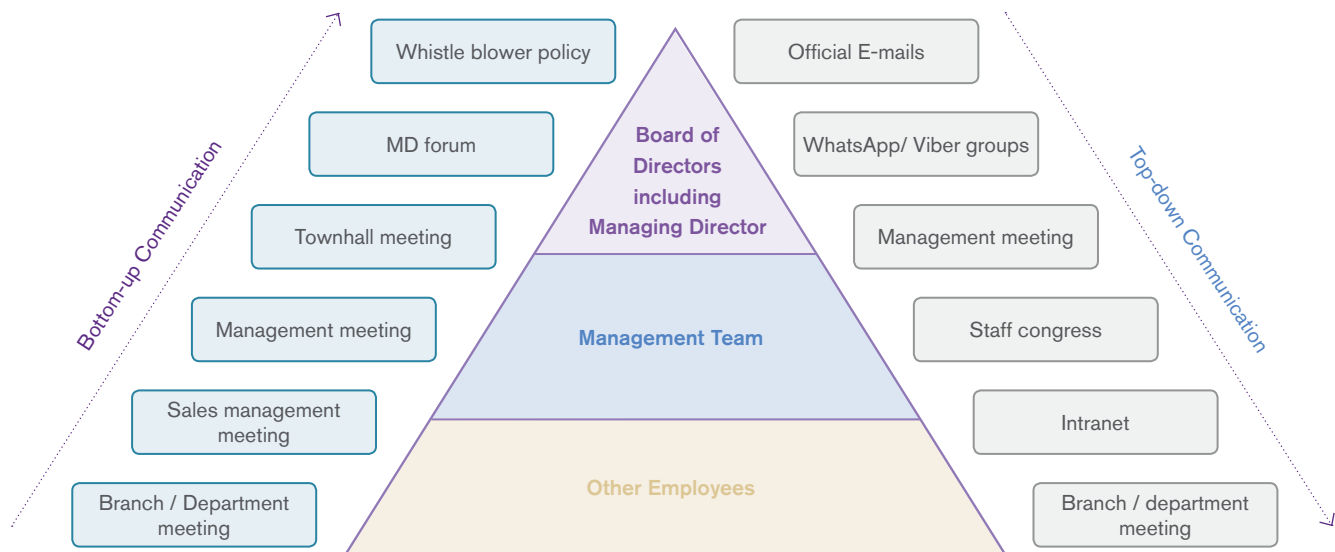
Employee Communication

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 pages 60 to 64 of this report.

Open Culture

The Company has instituted a warm and friendly work culture that nurtures learning and development. Further, the Company upholds the two-way communication 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 organised 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.

RIU Trip

The Company organised an annual day out to Hotel RIU in Ahungalle, which reflects just how much Softlogic Life truly cares for its employees and their family members. This establishes the authenticity of our proposition of “True caring for our employees” by giving them an opportunity to step out from their busy schedule to spend quality time with their loved ones. The trip was planned in a way that the families have the freedom to spend the day according to their own schedule. This also promotes a better quality of life and ensures work-life balance.



Trip to Malaysia – Finance Team

Proving the passion for always going the extra mile at Softlogic Life, the finance team converted their conventional annual trip to a foreign tour to Malaysia.



Insurance Sixes (Mercantile Cricket)



70's Night



Kiddies Party



Christmas competition



Wesak competition



ENSURING A SAFE AND HEALTHY WORK PLACE

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.

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 or 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 2017.

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 Sri Lanka, including the right to freedom of association, the eradication of child and forced labour, and non-discrimination. 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 or

forced labour. During the year, there were no incidents reported on employment of child labour.

COMPLIANCE WITH REGULATIONS

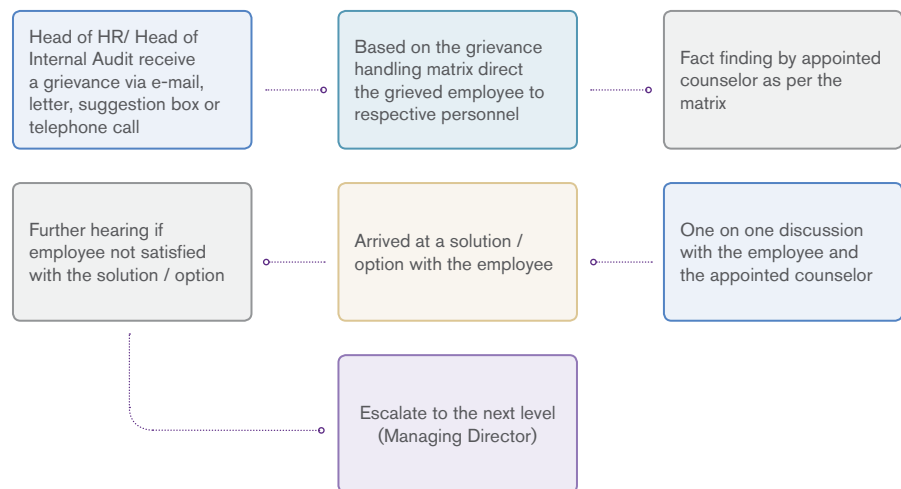
During the year under review, there were no incidents of employing under-age or forced labour and there were no incidents of discrimination or grievances regarding labour practices.

LISTENING TO EMPLOYEE GRIEVANCES

We believe in a 'Great Place to Work' where 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 out to 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. The Company's employee grievances handling process is provided below:

Figure:Employee Grievances Handling Process



RISK MANAGEMENT

Risk management with reference to the human capital section is discussed in page 201 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. We have already initiated the following steps to improve the quality of the work-life of employees effective from 1st January 2018.

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 adopt an ever-changing world of work through a continued focus on learning and development.



TRADE-OFF BETWEEN CAPITALS

SOCIAL AND RELATIONSHIP CAPITAL

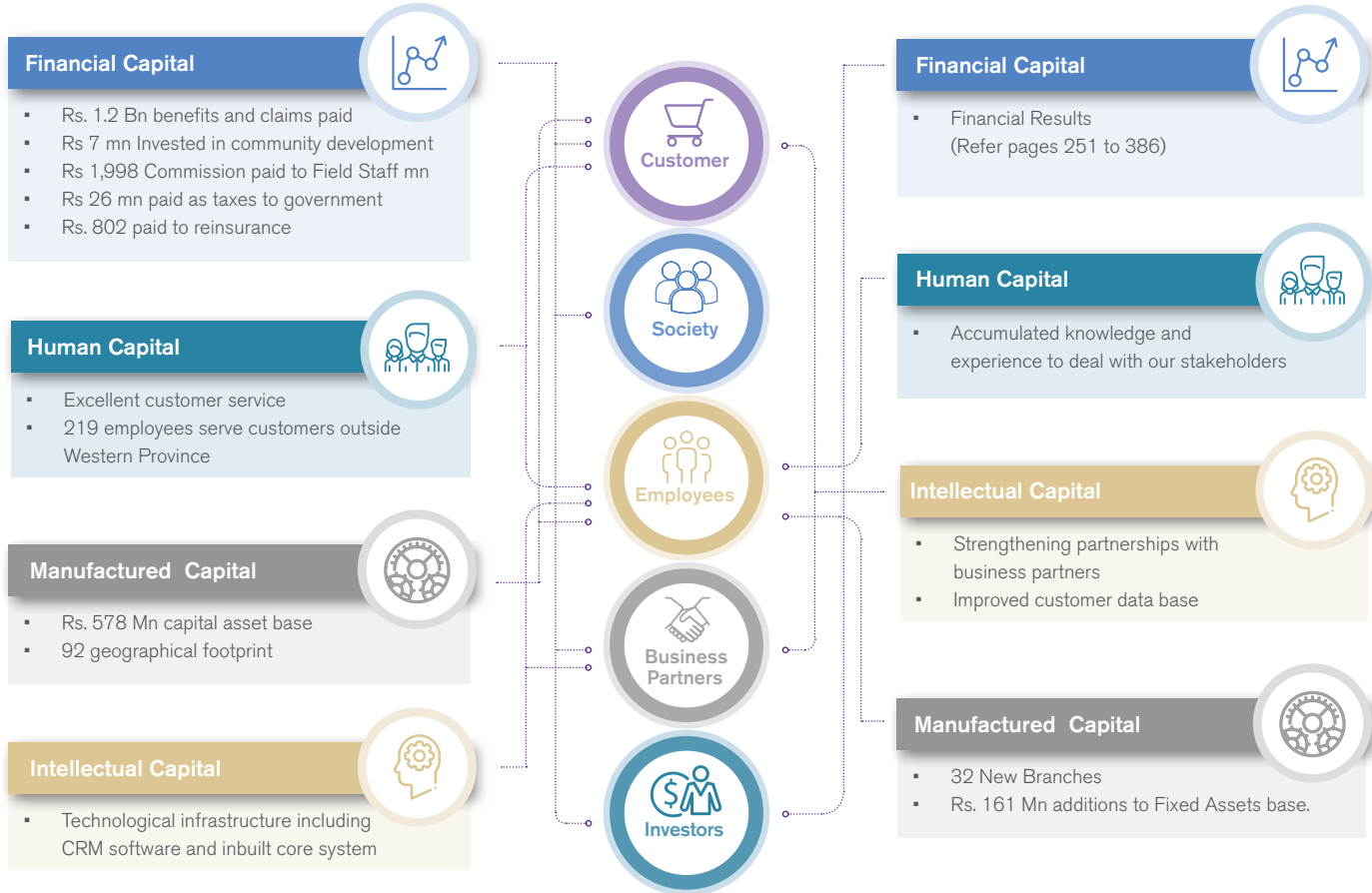


Value In

- Micro insurance products
- Strengthening Re-Insurance panel
- Field Staff Strength of 2,247

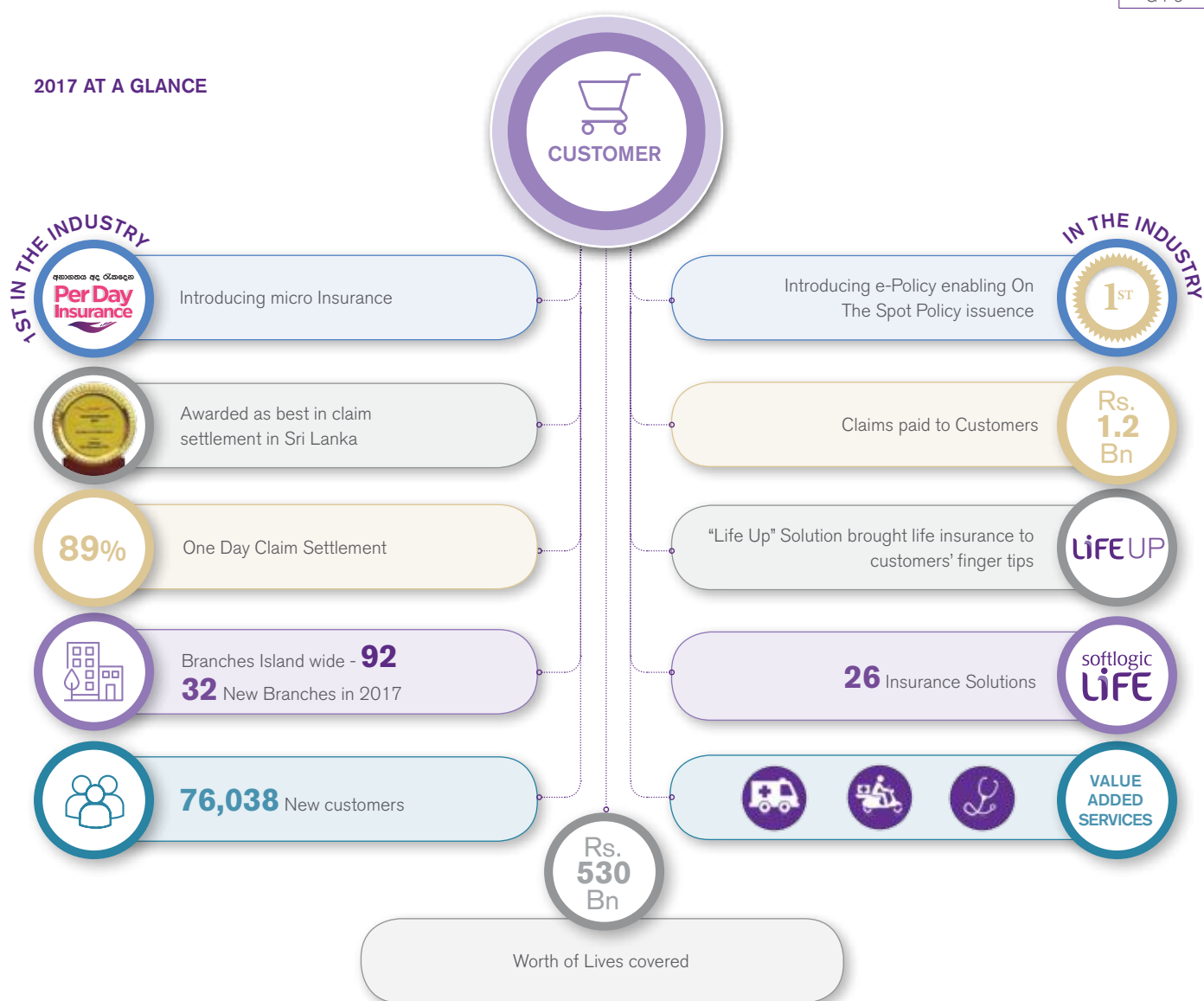
- 10 bancassurance partnerships
- More than 1000 beneficiaries from community development projects

Value Out



* The Diagram provide an overview of trade-off between Social and Relationship Capital with other capitals as well as its impact to stakeholders.

2017 AT A GLANCE

**OUR FOCUS**

Provides innovative life insurance solutions to maximise 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 will deliver widespread convenience and succeed in the creation of new business avenues.

KEY INITIATIVES (KI) FOR 2017

- ◆ **KI1** - Settle 80% of claims within one day.
- ◆ **KI2** - Enhance customer experience at every touch point.

- ◆ **KI3** - Continue to be the best value provider in the market.
- ◆ **KI4** - Launch of new innovative products that capture untapped market.
- ◆ **KI5** - Increase customer convenience.

KEY INITIATIVES 2018 AND BEYOND

- ◆ Introduce new products to cater to evolving nature of customer demand and be the best value provider in the market.
- ◆ Use technology as key differentiator to provide enhanced customer experience such as digital proposals, profile base underwriting, etc.

- ◆ Use "Big Data" - a data mining tool to understand customer behaviour and requirements to provide more focused products and services.
- ◆ Enhance capabilities and efficiencies of underwriting process to improve percentage of auto underwriting.
- ◆ Introduce modern technologies to our customer care operation, enabling our staff to provide superior customer service.
- ◆ Bring 50% of new policies through "On the spot policy" issuance process in 2018 and improve it further.
- ◆ Strategic expansion of our geographical footprint by capitalizing on new technologies.

FOCUS ON 2017 KEY INITIATIVES

KI1 - SETTLE 80% OF CLAIMS WITHIN ONE DAY

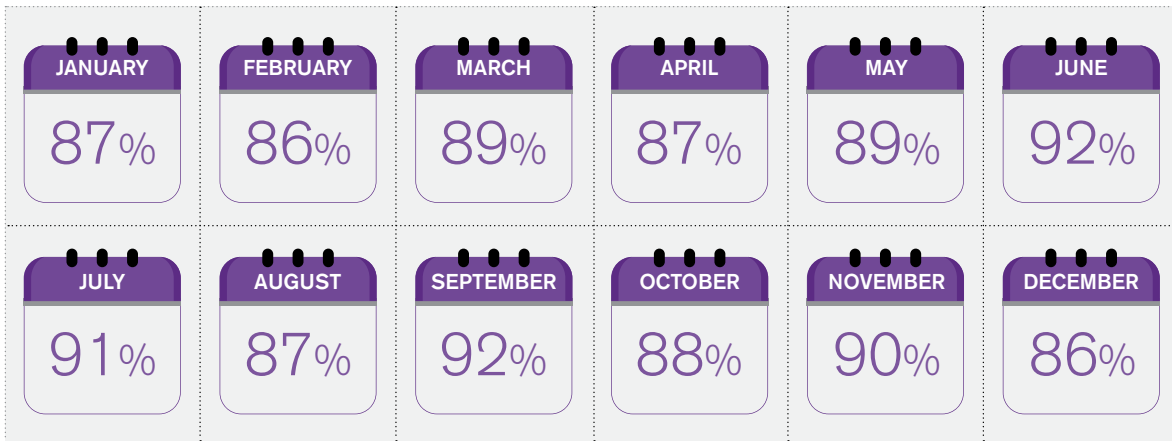
One Day Claim Settlement

At Softlogic Life, we accord high priority to customer claim payments because we believe immediate financial support in an emergency situation will bring peace of mind to customers. In return, our act will positively impact customers' wellness, which is one pillar of our core focus on customers.

Accordingly, the Company introduced the one day claims settlement process for the first time in Sri Lanka which is considered as game changer in the life insurance industry. The claims settlement process has set the internal performance indicator of settling above 80% of claims within one day without compromising quality of the process and value to the customer. The innovative solution brought industry benchmarks to a very high level competitors have yet to reach. The concept also resulted in increasing customer satisfaction.

Online Claim Meter

One-day claim settlement ratio is displayed on the Company's website in order to be transparent about our service levels for the benefit of the general public. Monthly service level achievements are presented below.



One Day Death Claim Settlement

The Company also introduced one-day death claim settlement - another industry first solution showcasing our customer centric culture. Accordingly, 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.

These innovations were recently conferred the prestigious "Excellence in Claims Service" award at the Sri Lanka Insurance Industry Awards 2017 by Fintelekt, further strengthening our position as the undisputed claim service leader in the life insurance sector of Sri Lanka.

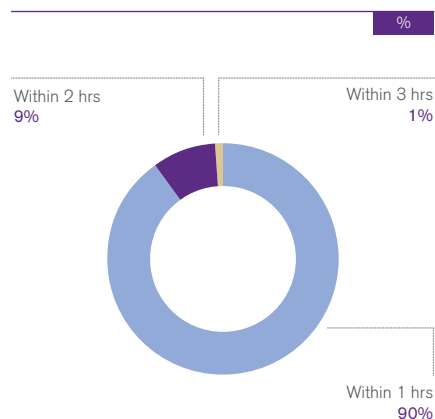


SOFTLOGIC LIFE RECOGNISES THAT OUR ABILITY TO DO BUSINESS AND REMAIN COMMERCIALY VIABLE DEPENDS ON OUR RELATIONSHIP AND THE TRUST WE BUILD WITH OUR CUSTOMERS

KI2 - ENHANCE CUSTOMER EXPERIENCE AT EVERY TOUCH POINT

During the year, the Company revamped its cashless claim settlement unit to provide speedy service to customers. As a result, the Company was able to complete 90% of its hospital discharge clearance within one hour, offering convenience and comfort to customers. Our service, which demonstrates our customer centric culture, was widely appreciated by our customers. The stats on the cashless discharge unit is provided in the figure below:

HOSPITAL DISCHARGE STATS



We are passionate about satisfying our customers and make every effort to provide a valued service to customers through innovation. Innovative solutions introduced to enhance customer experience at every touch point are discussed in detail on pages 126 to 127.

KI3 - CONTINUE TO BE THE BEST VALUE PROVIDER IN THE MARKET

The company's objective is to provide the best value proposition to our customers. Accordingly, the Company carefully developed a product portfolio to cater to widespread customer insurance needs. Our product portfolio, its unique features, and our value added services are discussed in detail on pages 121 to 124 and 126 to 127.

KI4 - LAUNCH OF NEW INNOVATIVE PRODUCTS THAT CAPTURE UNTAPPED MARKETS

During the year, the Company introduced micro insurance solution to the life insurance industry by revolutionizing the industry and opening a door for a digital era in life insurance. Details about micro insurance products are provided on page 121.

KI5 - INCREASE CUSTOMER CONVENIENCE

The Company has ensured that technology is a core competence of Softlogic Life through which it has introduced many products and services to increase customer convenience. During the year, the Company developed its payment gateway, allowing customers to schedule their insurance payments, thereby eliminating the hassle of regular premium payment.

Providing greater convenience, the Company introduced micro insurance whereby the customer can obtain an insurance policy around the clock. The concept is a landmark milestone in Sri Lanka's digital insurance journey and more information on the product is provided on page 121.

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.

Focused on top most line, Maximizing customer perceived value

TOP MOST LINE = VALUE - PRICE

The Company consistently looks 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;

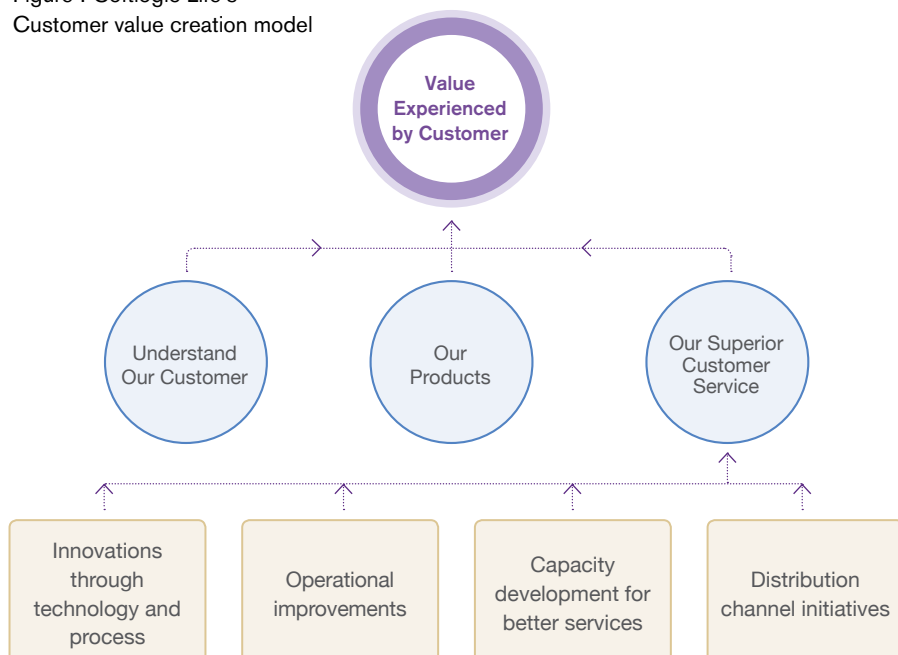
Table: Value Propositions and Softlogic Life Response

What Customers Expect	What Softlogic Life Offers
Financial security for unexpected life risk/ peace of mind due to financial commitment at a reasonable price.	Offers a range of protection-based life insurance solutions at a reasonable price.
Enjoy benefits before death / maturity from the life policy.	Offers a 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 the 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 customise his/her policy based on requirements. Use innovative ideas to develop products which capture emerging customer needs (Eg: Introducing micro insurance) .
Fair/Equitable and speedy claims settlement.	<ul style="list-style-type: none"> One day claim settlement / one day death claim settlement. Extended cashless claim settlement offers islandwide. Robust process to track and settlement of claims (Real-time claim meter and work flow based approach). Transparency over claim settlement. Strategic support at the hospital discharge.
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. 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 92 branches; online payment scheduling gateway etc. - Introducing micro insurance channel to eliminate barriers of obtaining life insurance.

CUSTOMER VALUE CREATION

Softlogic Life uses the following model to create value for its customers:

Figure :-Softlogic Life's Customer value creation model



Detail discussion of each activity above is provided below:

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 ascertain that our products or services are having a positive effect and creating customer loyalty, we take time to assess customers' emotional and material needs, and then offer valuable incentives for them to remain loyal to Softlogic Life. The Company follows a 'four step' approach to understand customers:









Details of each step is 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 customers through our agents
- Welcome call programme
- Use of website and email
- Customer feedback
- Customer research

 24 x 7 Care Centre Number: (+94) 0112 333 888	 Complaints and Inquiries: info@softlogiclife.lk
 Viber us on: (+94) 76 5148 892	 Follow us on : https://web.facebook.com/softlogiclife/
 WhatsApp us on : (+94) 76 5148 892	 Fax Number : (+94) 112678751

The 'Client Experience' is one of our strategic priorities. While we appreciate unsolicited feedback from clients, we also objectively measure clients' satisfaction through internal research. The results of the 2017 research are presented in the table, Customers' Overall Expectations vs. Experience on Softlogic Life.

Table: Customers' Overall Expectations vs. Experience on Softlogic Life

	Achievement
Claim Processing	83%
Honesty in business dealings	80%
Transparency in business dealings	81%
Sales agent /representative	80%
Customer respect	85%
Obtaining an Insurance Policy	81%
Information on payments and balance	82%
Charges & premium payments	81%
Call center	83%
Complaint Handling process	84%

Source :- Internal research results

Step 2- Empathizing with Our Customers

When our customers offer 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 grievances.

Step 3 - Learning from Our Competitors

Softlogic Life considers healthy competition to be the best teacher. The Market Intelligence Unit 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 Customers 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' requirements by optimizing our products and services to further suit their needs, which help maximise customer perceived value.

OUR PRODUCTS

The Company offered a wide range of insurance solutions for both individual and corporate customers. Our solutions are mainly focused on whole life, health combined, investment related and Decreasing Term Assurance products as explained below:

These products strengthen the Company's competitive edge as well as guarantee 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.



WHOLE LIFE SOLUTIONS

It provides guaranteed insurance protection for the entire life of the insured, otherwise known as permanent coverage. The premiums are usually levelled 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 the customer chosen.



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.

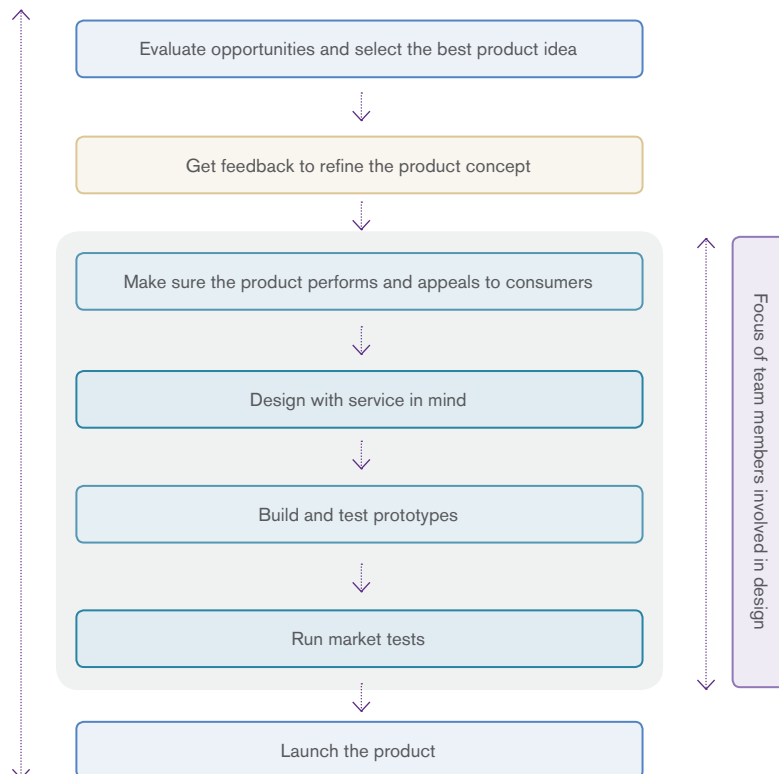


DECREASING TERM ASSURANCE POLICY

DTAP plan is a simple term Life Insurance product that covers a variety of unfortunate tragedies that could take place and the sum assured is paid on the death of the life assured during the term of the policy.

PRODUCT DEVELOPMENT PROCESS

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



NEW PRODUCTS

අනාගතය අද රැකදෙන

**Per Day
Insurance**

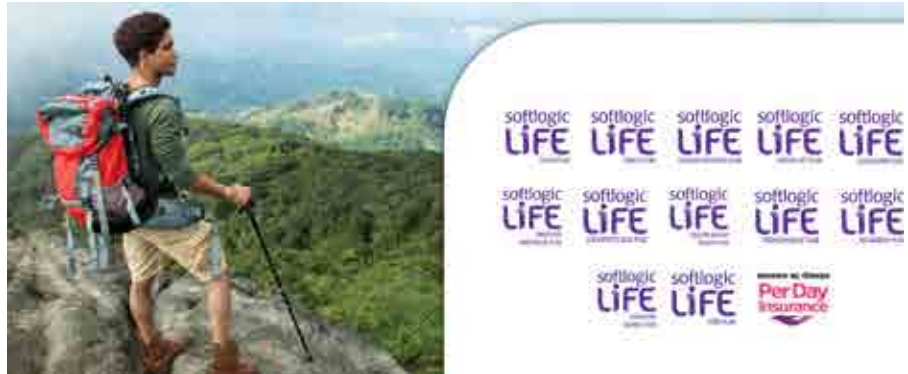
During the year the Company was able to revolutionise the insurance industry through its strategic action to introduce micro insurance in the life insurance sector. This is a huge disruption made to the industry by Softlogic Life. With the growing trend of using Omni-channels by new generations, the potential market for the product is vast. Showing very positive growth, the product

generated a net revenue of Rs 0.8million with 67,138 active policies for the period of 02 months since it was introduced to the market.

The Company is focused on innovation and goes beyond conventional thinking to satisfy customers at every touch point .

OUR LIFE INSURANCE SOLUTIONS

Insurance is an important element of any sound financial plan. Different insurance products help to protect 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 individual insurance needs:



PARTICIPATING PRODUCTS

Softlogic Life Family Plan

softlogic
LIFE
FAMILY PLAN

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.

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 forced for more than 10 years.

Softlogic Life Child Plan

softlogic
LIFE
CHILD PLAN

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.

Child benefits are as follows

- 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 Healthcare Plan



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.

Softlogic Life Premium Relief Plan



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 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.

DIVIDEND BASED INVESTMENT PRODUCTS

Softlogic Life Protected Savings Plan



The Protected Savings Plan is a unique product that combines the benefits of term insurance and Protected Savings account coupled with Life cover. 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 policy holder 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.

DIVIDEND BASED INVESTMENT ACCOUNT PRODUCTS

Retire with Pride – Softlogic Life Retirement Plan



The product provides retirement options to the policy holder where they can choose to receive the accumulated fund balance as a lump sum or select from one off our annuity options upon reaching retirement age. The annuity options are 10 year certain, life time or two joint life time 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 policy holder has the option of paying a single premium or regular premiums in order to build up the retirement fund. The policy holder 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.

Softlogic Life Protected Investment Plan



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.

TERM COVER PRODUCTS

Softlogic Life Level Term Plan



The product provides retirement options to the policy holder where they can choose to receive the accumulated fund balance as a lump sum or select from one off our annuity options upon reaching retirement age. The annuity options are 10 year certain, life time or two joint life time 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.

Decreasing Term Assurance Plan (DTAP)



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.

Softlogic Life Global Plan



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 Park Way Group of Hospitals Singapore which includes Mount Elizabeth Hospital.

Will enable our policy holders to have specialised & prioritised medical services including cashless hospitalization

Softlogic Life Group Life Plan



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 corporate clients are in safe hands.

Dialog Per Day Cover



"Per Day Insurance" product being accessible to customers via their mobile connections. This proposition is intended to serve the void in micro-insurance in the country. The Company has simplified the distribution, underwriting and claims process by optimizing on technology to increase accessibility to a life insurance benefit from LKR 1000,000/- to LKR 1,000,000/- whilst having in mind to serve the low income population of the country with life insurance benefits.

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 & 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 LKR 100,000 to 10 million on policies with a Family Healthcare Super Benefit + Overseas cover amount above LKR 2,000,000 hospitalization in Malaysia, Singapore and India is also covered under the policy.

100 Years PLUS LifeCover

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 LKR 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 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.

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, transparency and provide greater value to them in every customer engagement.

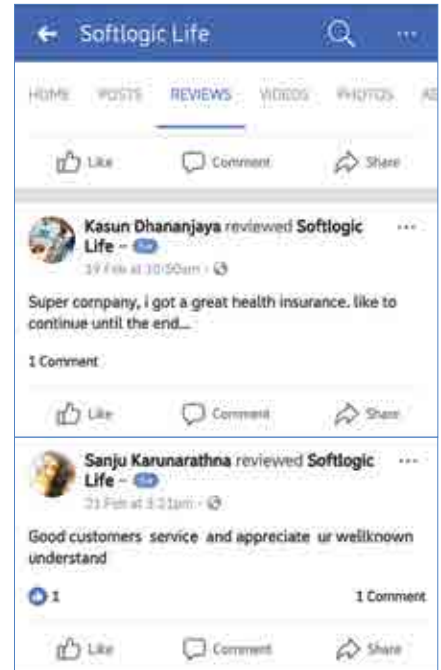
During the year 2017, the Company carried out improvement to the Customer Care Department which enhanced the capability of the team to provide excellent service to our customers. The Company's customer centricity drives its improvements across all areas.

Our customer care center statistics for the year 2017 are illustrated below:

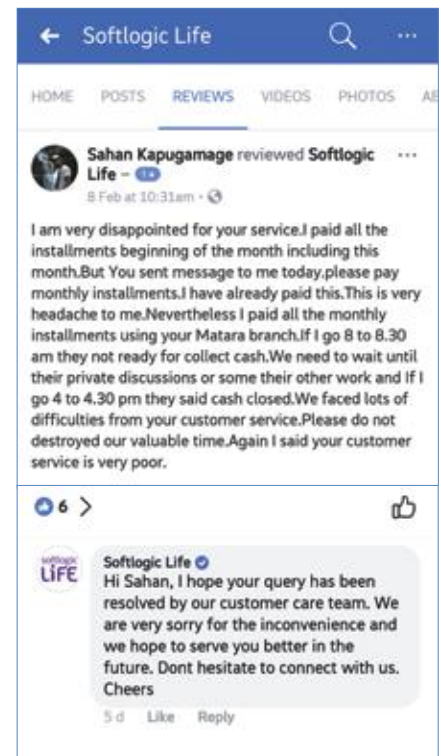


Rewarding Customers through Customer Relationship Management (CRM)

As a brand that proactively drives their customer's quality of life in term of wellness, fitness and nutrition the Company kick started its unique loyalty campaign called "Purple Christmas 2017" for our loyal customers who have been making right choices incessantly throughout 2017. The company awarded one million worth of shopping experience to the winner, which is significant enough to be recognised as the largest prize awarded by an insurance company to promote healthy lifestyle amongst its customers.







Positive feedback from a customer



Negative feedback from a customer and our response

Key Operational Innovation and Performance

The Company has undertaken many initiatives to maximise customer perceived value by way of improving Wellness, Nutrition and Fitness. We have revolutionised 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	
<p>1ST</p> <p>IN THE INDUSTRY</p> 	<p>Express Digital Policy Issuance</p> <p>Our novel Express Digital Policy platform aims to ease the purchasing of life insurance, eventually assisting customers to get their insurance cover immediately and sales staff to eliminate the need for traditional paper-based application processes. We understand that our customers have busy lifestyles. Our new concept assists them by significantly reducing the time they need to spend to get their insurance policy. A physical customised policy document that is significantly low on paper usage is also delivered to the customer subsequently in keeping with current regulations.</p>
<p>1ST</p> <p>IN THE INDUSTRY</p> 	<p>Online Payment Scheduling</p> <p>The company upgraded its online payment gateway allowing customers to schedule insurance premiums. The advancement aimed at relaxing customers about frequent premium payment. Accordingly, insurance premiums will be debited to customers' debit or credit cards on the premium due date and ensures that customers are always under the Company's protection.</p>
<p>1ST</p> <p>IN THE INDUSTRY</p> 	<p>Value Added Service</p> <p>The company introduced the following value added service, creating a different meaning to life insurance in Sri Lanka .</p> <p>Medicine Delivery to Customers' Doorstep</p> <p>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.</p> <p>Ambulance at Customers' Doorstep</p> <p>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, the ambulance will facilitate transport of patient for emergency treatment.</p> <p>Doctors' Visit to Customers' Doorstep</p> <p>The Company launched another innovation that offer a Doctor's facility at customers' doorstep in order to examine a medical condition of the customer or a member of the family.</p>
<p>1ST</p> <p>IN THE INDUSTRY</p> 	<p>Launch of 'Super Branch'</p> <p>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". The Customer can decide on the policy feature of 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 playstore which provides great entertainment.</p>

TECHNOLOGY AND PROCESS INNOVATION

1ST

IN THE INDUSTRY



Expansion of Life cashless claims settlement

Cashless claims settlement process, which was initiated with the 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 include Mount Elizabeth Hospital in order to provide a superior service to our customers, as they are not required to pay their claims out of their own pockets. Softlogic Life settles the claim directly to the hospital on behalf of the customer.

1ST

IN THE INDUSTRY



Customised Policy Document

The Company took a new initiative to issue customised policy documents to our policy holders with the intention of increasing customer convenience, and the process became the first-ever Sri Lankan insurance company to do so. This initiative is aimed at providing our policy holders 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.

1ST

IN THE INDUSTRY



'LifeUp' Application

The 'LifeUp' smart phone application is a great value-added tool to ease the life of all Softlogic Life policy holders. Customers can get quick access to their policy details through the app and make certain minor changes to the policy on their own. This will enable the policy holder to pay premiums, intimation of claims, upload claim documents, view payment history, rate services received, process special letter requests such as surrender value Certificates, Embassy letters, premium summary reports etc.



DTAPsystem

'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 the policy issuance cycle.

During the year, the Company extended this system facility to its bancassurance partners with a view of boosting operational efficiency by eliminating manual document processing.

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.

Continuous professional development is part of our corporate culture and the Company produced 65 MDRT (Million Dollar Round Table) qualifiers including 1 top of the table participant and 5 quarter of the table participants. Success of the capacity building is outlined as the company provided the 2nd highest MDRT qualifiers within short period of 18 years of operation.

CAPACITY DEVELOPMENT FOR BETTER SERVICES



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.

During the year, the Company announced a customer care week to internalise customer care best practices on our customer care team through on the job training covering concepts of Polite, Genuine, Attentive and Go extra mile.

DISTRIBUTION CHANNEL INITIATIVES



Alternate Distribution Channel

During the year 2017, the Company reinforced its alternate distribution channel to diversify our portfolio into other revenue streams of DTAP, Group Life etc. The channel brought in Rupees one billion revenue during the year which is a momentous achievement by the channel. While driving for one billion, they achieved more historical records including the second-largest single premium provider in the industry, third-largest group life insurance provider etc.



Micro Insurance

The Company steps on to the Omni distribution channel platform during the year which provides access to over a one billion customer base without any barriers. Softlogic Life was the first company to uncover Omni channel distribution through micro insurance products with the vision of providing "Life Insurance to Everybody".



Bancassurance

The company further strengthened the Bancassurance channel during the year through which the company can reach the customer base in Banks as well as employees. The company was able to expand its bancassurance partnerships with the largest banks in Sri Lanka.

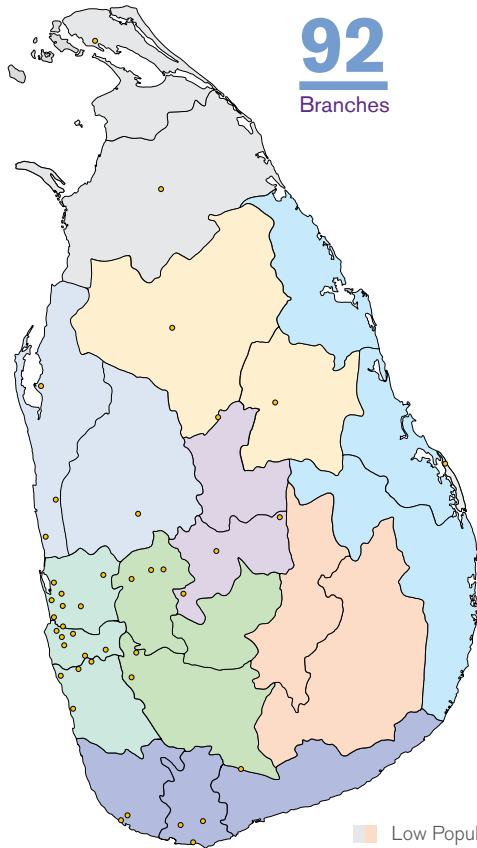


Distribution Channels Expansion

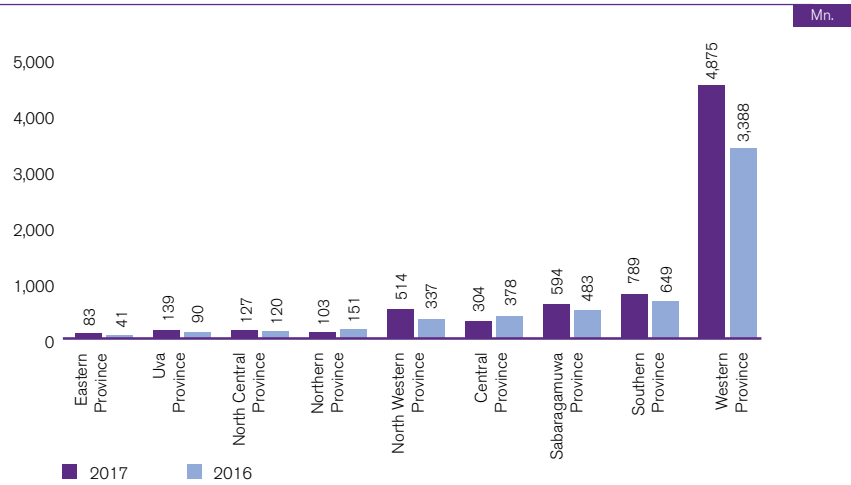
Our extensive branch network of Regional Distribution Offices located strategically throughout Sri Lanka was one of the critical factors of our success. Our island-wide agents' network is taking Softlogic Life's perception to the community. During the year, Softlogic Life expanded its reach by opening 32 new branches.

Our island-wide branch distribution is graphically presented below:

OPERATIONAL FOOTPRINT



GROSS WRITTEN PREMIUM BY MARKETS SERVED



No	Branch	Status
1	Dambulla	●
2	Gampola	●
3	Geliyoa (Peradeniya)	●
4	Hatton	●
5	Ibbagamuwa	●
6	Kandy	●
7	Kandy - Metro	●
8	Matale	●
9	Nuwara Eliya	●
10	Peradeniya	●
11	Pilimathalawa	●
1	Anuradhapura	●
2	Anuradhapura - 2	●
3	Anuradhapura 3	●
4	Polonnaruwa	●
1	Akuressa	●
2	Akuressa - RDO	●
3	Ambalanthota	●
4	Galle	●
5	Galle East	●

No	Branch	Status
6	Galle Metro Dangedara	●
7	Matale - Metro	●
8	Matara - Central	●
9	Matara - City	●
10	Matara - south	●
11	Matara -PCU (East)	●
12	Tangalle	●
13	Tissa	●
14	Welligama	●
1	Badulla	●
2	Bandarawela	●
3	Mahiyanganaya	●
4	Mahiyanganaya 2	●
5	Monaragala	●
6	Welimada	●
1	Jaffna	●
2	Jaffna Metro	●

No	Branch	Status
3	Kilinochchi	●
1	Batticaloa	●
2	Trincomalee	●
3	Trincomalee Metro	●
1	Embilipitiya	●
2	Kegalle	●
3	Mawanella	●
4	Rathnapura	●
1	Chilaw	●
2	Chilaw - Metro	●
3	Kuliyaipitiya	●
4	Kurunegala	●
5	Kurunegala Metro	●
6	Kurunegala Western	●
7	Puttalam	●
8	Puttlam - City	●
9	Vavuniya	●
10	Wennappuwa	●
1	Awissawella	●
2	Battaramulla	●
3	Colombo Central	●
4	Colombo Central - CB	●
5	Gampaha	●
6	Homagama	●
7	Horana	●
8	Horana West	●
9	Ja-Ela	●
10	Kadawatha	●

No	Branch	Status
11	Kadawatha - Metro	●
12	Kaduwela	●
13	Kaluthara	●
14	Kelaniya	●
15	Kiribathgoda	●
16	Kiribathgoda - City	●
17	Kirulapona - Super Branch	●
18	Koswatte	●
19	Kottawa	●
20	Mahabage (Wattala)	●
21	Makola	●
22	Malabe	●
23	Minuwangoda	●
24	Moratuwa	●
25	Negombo	●
26	Negombo - North	●
27	Negombo - Province	●
28	Nugegoda	●
29	Panadura	●
30	Piliyandala	●
31	Ragama	●
32	Seeduwa	●
33	St Michals-Kollupitiya West	●
34	Thalawathugoda	●
35	Thalawathugoda - Super branch	●
36	Ward Place - Colombo Metro -	●
37	Wellisara	●

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.

The figure Complaint Management Process displays customer complaint management process and established service level agreements within the customer care unit.

Out of 205 complaints received during the year 2017, 203 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 amounts 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.

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 a year and the results are reported to the management and the audit committee for decision-making purposes and rectification procedures when required.

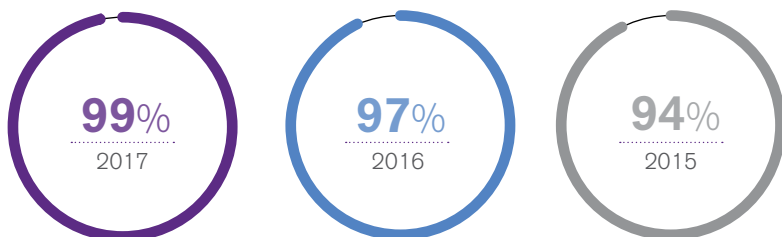
There were no substantiated complaints received concerning breaches of customer privacy from outside parties and substantiated by the organization or complaints from regulatory bodies which is due to leaks, thefts, or losses of customer

Figure: Complaint Management Process



Successful complaint resolution is a key part of delivering our brand promise. We have a customer complaint committee 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.

Figure: Statistics on Complaints resolved



- 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 specialised 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.

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 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. Radio active 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 2017, 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 Regulation Commission of Sri Lanka (IRCSL). The boundaries and regulatory requirements set by the IRCSL 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 Deputy Head of Legal and Compliance.

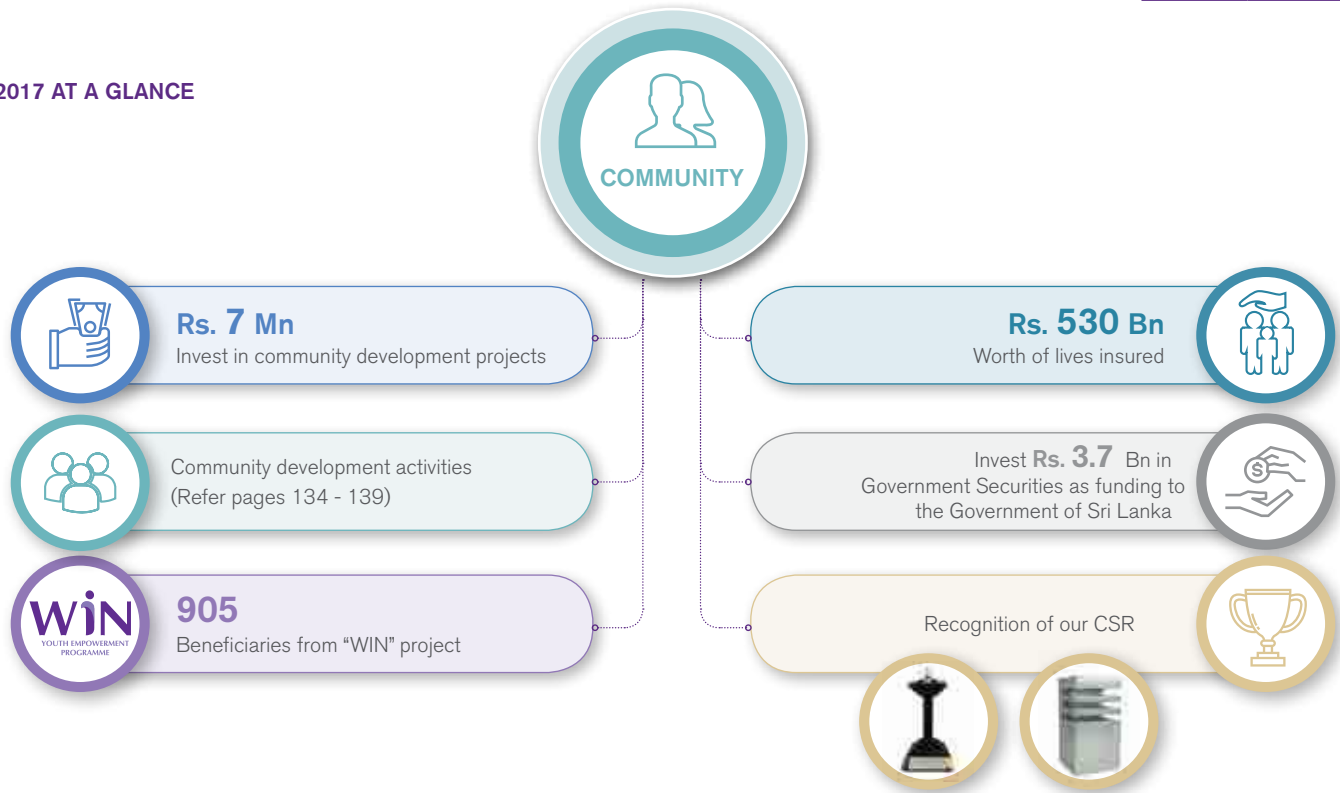
As discussed earlier, The product development forum of Softlogic Life evaluates the product before it is exposed to the public. At the time of product launch, a separate press conference is held and a Q&A session is conducted for each new product which prevents instances such as selling products banned 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 company will focus on serving untapped markets through product and service innovations and new distribution channels.

Environmental sustainability is one of the key focus areas in our every business decision and the Company will find ways to move towards a green operation without compromising customer satisfaction and regulatory boundaries. We place our customers at the heart of everything we do.

2017 AT A GLANCE



OUR FOCUS

Our Community Development strategy is focused on 'Empowering Youth' through development of Sri Lanka's education system which improves the 'Wellness' of our citizens in order for them to enjoy their life while contributing to build a thriving economy as a responsible business in Sri Lanka.

We focus on promoting honesty, fairness and responsibility in all our advertising communication 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.





KEY INITIATIVES FOR 2017

- ◆ Community development through "WIN programe" and other knowledge based programmes.
- ◆ Agile campaign.
- ◆ Providing financial support to fulfil people's dreams.
- ◆ Investment in Government Securities as source of funding to the Government of Sri Lanka.

KEY INITIATIVES 2018 AND BEYOND

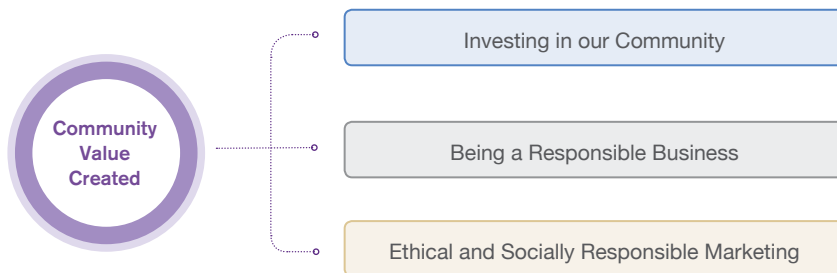
- ◆ WIN CSR projects with island-wide coverage.
- ◆ Continue Scholarship programme with the University of Kelaniya.
- ◆ Helping underprivileged societies around the country.
- ◆ Invest in 'Agile' campaigns and increase the number of beneficiaries.
- ◆ Continue our contribution to the national economy.

FOCUS ON 2017 KEY INITIATIVES

KEY INITIATIVES	OUR RESPONSE
<p>Community Development through “WIN program” – Empowerment of Youth (Refer page 134)</p>	 <p>09 WIN PROGRAMMES</p> <p>905 STUDENTS BENEFITED</p> <p>11 SCHOOLS BENEFITED</p> <hr/> <p>SCHOLARSHIP PROGRAMME FOR BEST STUDENT IN THE DEPARTMENT OF FINANCE OF THE UNIVERSITY OF KELANIYA</p>
<p>Agile Campaign (Refer page 135 - 138)</p>	<p>Flood Awareness Campaign</p> <p>2,500 LIVES SAVED</p>  <p>Certificate Program</p> <p>91 SCHOOLS</p> <p>109,395 CERTIFICATES</p> <hr/> <p>Grade 05 scholarship program</p> <p>166 STUDENTS BENEFITED</p> <ul style="list-style-type: none"> ▪ Donating mini library and computer lab to Nindagala Kanishta Vidyalaya, Weligama. ▪ Donation of Digital Interactive Grade 5 Quiz programme to a rural school with computers. ▪ Awareness initiatives focusing on citizen's wellness.
<p>Providing Financial Support to Build Dreams of People (Refer page 139)</p>	<p>Nurturing niche sports in Sri Lanka Sponsorship for Golf and Motorcross racing</p> 
<p>Recognitions of our CSR Towards the Community</p>	<p>Excellence in Corporate Social Responsibility -Silver Award (National Business Excellence Award 2017)</p> 

VALUE CREATION PROCESS

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 bridge the gap and provide a safety net to those disadvantaged communities and 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 'Choose Your Life' itself promotes health and well being 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 2017 are provided as follows:

Investment 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 youth in 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 is 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 2017

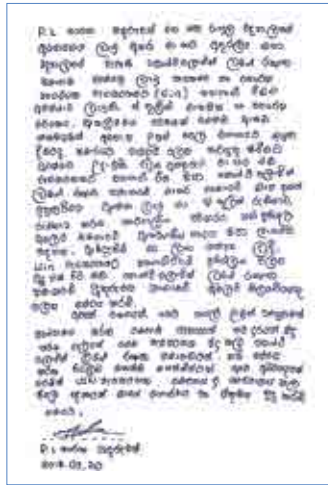
During the year, 9 projects were held covering 7 provinces. Details are provided in the following figure:

Figure :- Provincial distribution of WIN programme

Province	School Name	No.of Participants
Sabaragamuwa	Balavinna Maha Vidyalaya	68
Sabaragamuwa	Pallebedda Maha Vidyalaya	35
North Central	Galenbindunuwewa Maha Vidyalaya	113
Central	Dambulla Maha Vidyalaya	47
Central	Sigiriya Maha Vidyalaya	24
Eastern	Hindu College, Batticaloa	100
North Western	MaEliya Maha Vidyalaya	83
Southern	Karandeniya Central College	86
Northern	Kokkuvil Hindu College	143
Southern	Bolana Central College	72
Eastern	Vivekananda Vidyalaya, Trincomalee	134
Total		905

The programme will be extended to all provinces of the country and in its next stage will partner organizations, which are able to provide jobs for 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.

CASE SATUDY



During the year company provided one year comprehensive on the job training to highflyers in the WIN programme. The opportunity provided was helped them to understand corporate culture, develop their soft skills requires in the business context as well as to understand the business of insurance.

Case Study : Mr. Tharaka Sandaruwan works at Akuressa branch

The Company continue to support talented youth unearth through WIN programme to make their dream true by providing job opportunities and talent development.



Investment in Community Development Programmes

Agile Programme – Education



Scholarship programme for Grade Five Rural Students

This scholarship program was initiated by Softlogic Life to enhance the education level of Grade 05 students who were lacking certain facilities for education under the theme of “Fighting Poverty through Education”. The target group of this programme were children from very poor families who had a daily income of Rs.150 per household in the Gampaha division. This was to empower knowledge of the young generation who possess the ability to succeed. We provided one of Sri Lanka’s best teachers, along with nutrition for the children, and all materials to enable these children to study for the Grade five scholarship programme.

The Company provided scholarships for students who were successful at the exam and they were ceremonially recognised at the Kingsbury Hotel – Colombo, together with their parents as well as teachers.

166 Total Participation

28 Passed

05 Students obtained above 180 pass mark

School Name	No of Participants
Ranpokunugama M/V	37
Walpola Vidyalaya	29
Alawala M/V	24
Urapola Vidyalaya	26
Yatawaka Vidyalaya	22
Walikadamulla Vidyalaya	14
Bopagama Vidyalaya	9
Godagama Vidyalaya	5
Total	166

Investment in Community Development Programmes

Agile Programme – Education



Building of quiz programme

In order to sustain support to these children's academics, our IT department devised an exam quiz, which helped them prepare for the exams. As a result of this quiz programme, the children practiced model questions and answers to test themselves. Time tracking facility was also provided to train students in time management. This concept not only improved their knowledge but also enhanced fluency in IT.

Filling the technology gap experienced by the underprivileged students, the Company donated 14 new computers for selected 7 schools.

The programme was immensely appreciated by students, parents and teachers, as this was their first experience. We are proud of our genuine effort to infuse optimism in the lives of the younger generation.



SCHOOL CERTIFICATES PROJECT

At Softlogic Life, we believe that Sri Lanka's state education sector faces many challenges in its pursuit of ensuring that youth 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 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 by encouraging their talent. 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 109,395 certificates, covering 91 schools island-wide

	2017	2016	2015
No of Certificates	109,395	97,823	73,055
No of Schools	91	97	73

Agile Programme – Education



CONSTRUCTION OF MINI LIBRARY AND COMPUTER UNIT

The project was initiated to uplift the conditions and help the children of the Nidangala Kanishta Vidyalaya situated at Nidangala in Weligama. Softlogic Life initiated collection of books from the internal staff resulting in amassing an extensive number of books for donation to the Library.

Further, Softlogic life extended a helping hand to donate computers for the mini computer lab of the school and to repair the roof, ceiling and to colour wash the Nidangala Kanishta Vidyalaya, making it a comfortable place for children to focus on their education.



The Company's commitment to community development is appreciated by our employees and they always take pride in spearheading the mission. Beneficiaries of the project including students and school staff expressed their gratitude for developing their school.



RECOGNIZING AND SPONSORING UNDERGRADUATES

Encouraged to study Insurance

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



SPONSORSHIP OF 38TH NATIONAL CONFERENCE CHARTERED ACCOUNTANTS AND ANNUAL STUDENT CONFERENCE

The Company provided Gold sponsorship for the Annual Conference of Chartered Accountants of Sri Lanka. The conference, which has built a reputation as one of Sri Lanka's most sought after and highly attended annual business summits, this year revolved around the theme 'Dynamism – Agility in Leadership'. During the three-day conference, local and international speakers steer the over 1500 delegates to think out of the box and understand why it is increasingly important to incorporate dynamism within the corporate culture in Sri Lanka and also look at developing more agile leaders, who understand the importance of changing with time, to ensure sustainable and successful corporates.

Investment in Community Development Programmes

Agile Programme – Awareness



AWARNESS CAMPAIGN THAT SAVED 2500 LIVES

Strategy - Due to the high network traffic caused by the flash floods in 2017, the ability to contact the Disaster Management Centers (DMC) through voice calls was impossible. This prompted us to come up with a communication solution based on the common short messaging service, as a means to contact DMC as the possibility of a phone in possession was high.

Implementation - With the help of the local mobile operator, a SMS hotline directly linked to the DMC was activated with a simple but efficient dashboard giving critical information at a glance.

Result - The DMC received more than 1,300 messages within just a few hours of setting up the system. Over 200,000 people were reached through social media which resulted in close to 8,000 reactions, comments & shares. In the end, DMC was able to connect and support almost 2,500 distressed individuals who were impacted through this simple but very effective system.

This was creative and innovative enough to win Silver award at the Smarties Global Awards 2017, a first for Sri Lanka & rest of South Asia.



LIFE INSURANCE FOR EVERYBODY

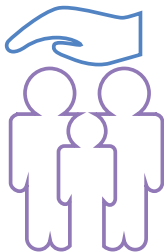
The Company launched a 'per day' insurance cover partnering with Dialog Axiata, a large telecommunication company in Sri Lanka with a view of providing insurance cover for every citizen in Sri Lanka. The policy can be obtained by any person through the mobile phone.

The Company's objective is to provide financial support to every citizen in Sri Lanka who faces unfortunate events in their life. With this innovative solution, we extend benefits of our wellness platform to all Sri Lankans.



AWARENESS CAMPAIGN THROUGH SOCIAL MEDIA

The Company took another innovative path to make people aware of the small things which can make a big difference in their lives through social media. We believe that social media is a very effective channel to reach a large population, so that many people benefit from these health and wellness tips.



PROTECTION OF RS. 530 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 death.

As at the end of December 2017, the Company provided protection coverage worth Rs. 530 billion of 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 the community.

Investment in Community Development Programmes

Providing financial support to build dreams of people



NURTURING NICHE SPORTS IN SRI LANKA

Under our sustainability strategy, we build niche sports in Sri Lanka. During the year 2017, the Company provided sponsorship for Golf and Motorcross racing.

The Sri Lankan golfer and silver medalist in the Seoul Asian Games 2002, who clinched a major title by winning the coveted Pune Open Golf Championship 2017, Aruna Rohana, said, "Softlogic Life coming forward to sponsor me has been great and is a turning point in my golfing career. It has been a long gap for me since my last win back in 2014. I have had top 5 finishes in the last two events on the PGTI and I am delighted to win at the Poona Club Golf Course – a special venue for me as I qualified for the Indian tour for the first time in 2002 after playing at the same venue.

RECOGNITION OF OUR CSR TOWARDS COMMUNITY

Our commitment to develop the community in which we interact with, was recognised at the National Business Excellence Award 2017. Accordingly Softlogic Life awarded with a silver award and Softlogic Life was the only insurer to receive a award under CSR category in the ceremony.



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 emphasises 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.

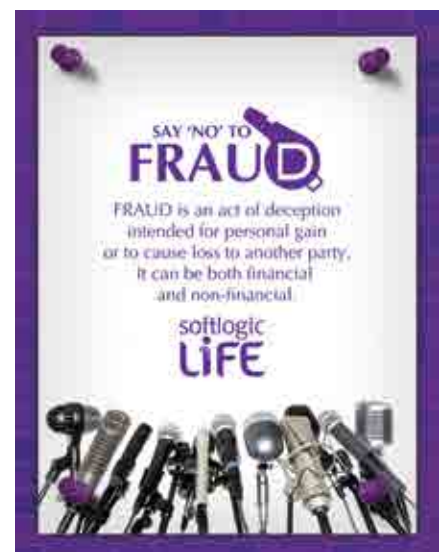
Our Internal audit unit handles all internal anti-corruption activities, whereas our compliance officer handles all external anti-corruption activities and compliance. The Human Resource team reviews and discusses internal discrimination and corruption further. The table below summarises the incidents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

Table: Confirmed Incidents of Corruption and Actions Taken

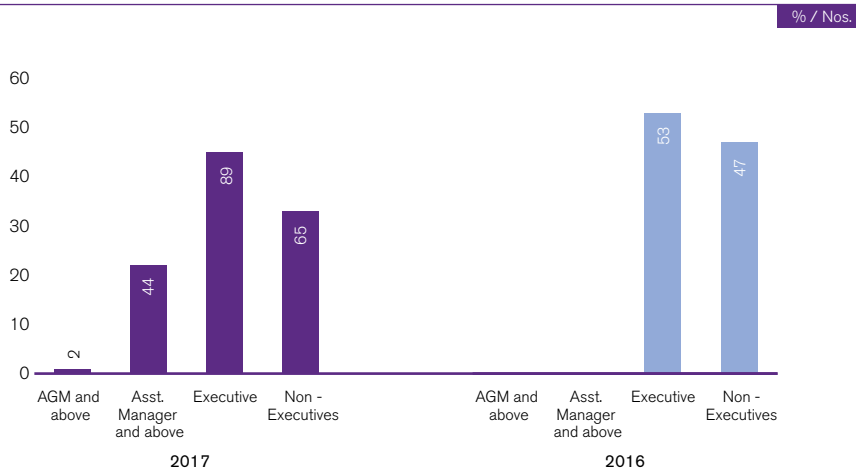
Nature of incident	2017	2016
Misappropriation of funds	7 instances	11 instances
Misconduct	8 instances	2 instances
Total Non-compliance with company procedure	15 instances	13 instances

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

Nature of incident	2017	2016
Misappropriation of funds	6 instances	9 instances
Total Non-compliance with company procedure	6 instances	9 instances



TOTAL NUMBER OF EMPLOYEES' RECEIVED TRAINING ON ANTI-CORRUPTION 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.

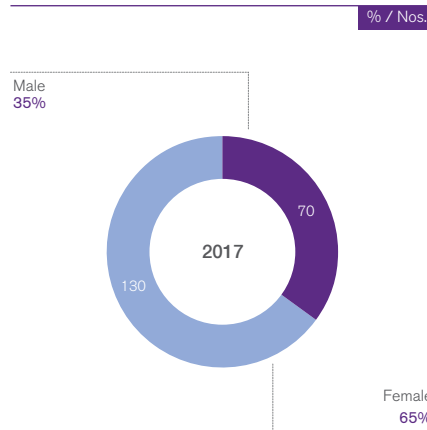
We report the status of child labour in every Risk Committee meeting and discuss whether there are any matters arising in this regard each year.

Anti-corruption policies and procedures have been communicated to all members

of the governance body and all employees. But since we do not 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, Company provided Anti-corruption training and the figure below shows employee diversity amongst training participants.

TOTAL NUMBER AND PERCENTAGE OF EMPLOYEES' RECEIVED TRAINING ON ANTI-CORRUPTION 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 kind 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

Advertising 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 the 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 product promotions. All our advertising is legal, decent, honest and truthful and to prepare with a due sense of social responsibility and conforms to the principles of fair competition, as generally accepted in business.

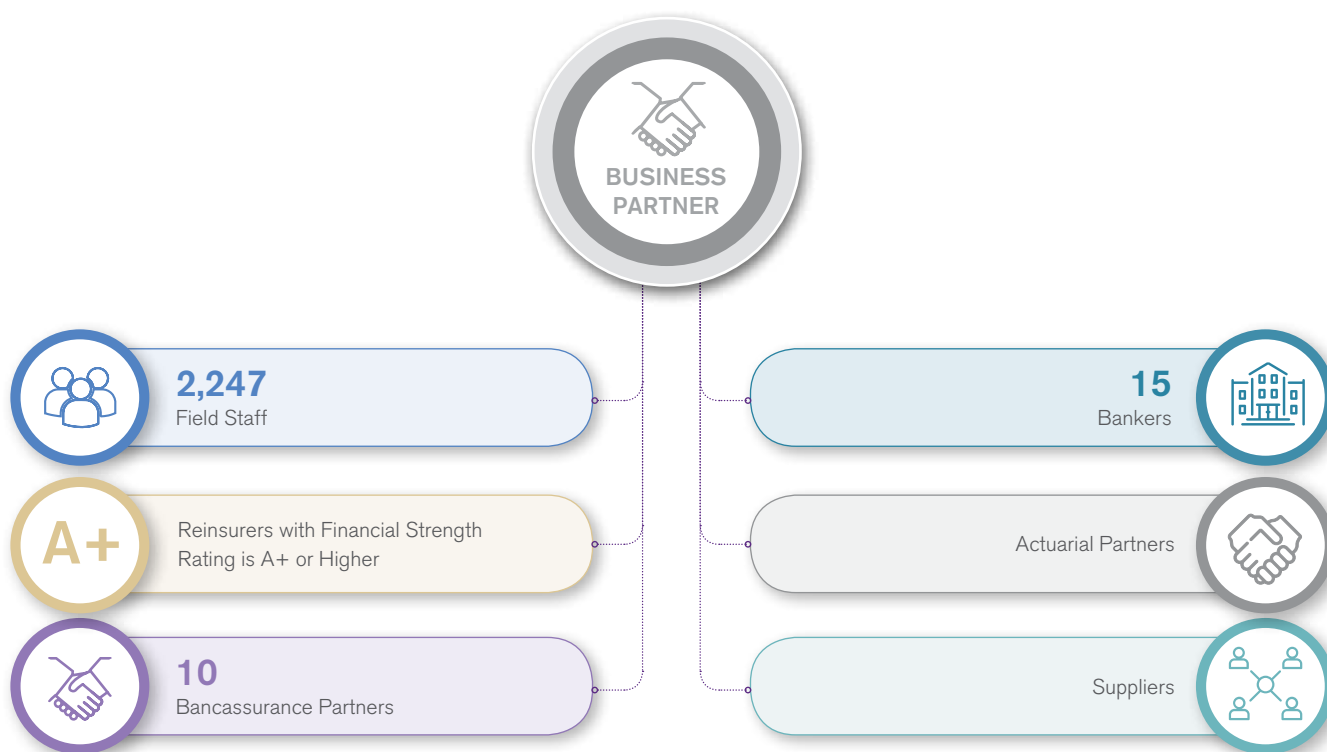
We do not use advertisements to abuse the trust of our consumers or impair the public confidence.

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

The community we are dealing with is an important aspect of our journey towards the success as we firmly believe the community will provide our future customers as well as our critical success factor of employees. Accordingly, community development in priority in our all strategic decision making. The Company will continue to focus on its community development strategy on developing youth of Sri Lanka on the platform of education, skill development and enhancing employability. Further, we will be making an effort to direct our community towards Wellness, Fitness and Nutrition platforms allowing them to "Live their lives today".



OUR FOCUS

We always strive to build trust and strong ties with our Business Partners in a shared working environment while achieving individual goals.

KEY INITIATIVES FOR 2017

- ◆ Development of field staff.
- ◆ Increase MDRT participants.
- ◆ Strengthening Reinsurance panel through assessment of rating and expanding the panel.
- ◆ Increase Bancassurance partnerships with leading banks.
- ◆ Strengthening the bond with other business partners.

KEY INITIATIVES 2018 AND BEYOND

- ◆ Focus on professional qualifications of our field staff and driving them for professional advancement.
- ◆ Further extend our Bancassurance partnerships to cover all leading banks in Sri Lanka.
- ◆ Dealing fairly with all our business partners.

Key Initiatives	Softlogic Life Response
Development of field staff.	1,304 Training hours . Rs 1.5 Mn. Invested in training. Force of the field staff 2,247 (2017) 1,565 (2016)
Increase MDRT participants.	65 - 2017 45 - 2016
Strengthening Reinsurance panel through assessment of rating and expanding the panel.	The Company expanded reinsurance panel by addition of two reinsurance to the existing panel. Further financial strength rating of reinsurance panel is A+ or above.
Increase bancassurance partnerships with leading banks.	10 Bancassurance partners by end of 2017. Key Partners includes leading commercial banks such as Commercial Bank, NSB, BOC etc.
Strengthening the bond with our business partners.	Fair and equitable dealing with suppliers and other business partners especially distributional channel alternations such as Dialog Axiata PLC.

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. 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 minimal environmental impact.

All these parties play a vital role in the 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 categorised our business partners according to the criteria depicted in the table below.

Table : Categorisation of our business partners

Core to our operation	Ongoing Support	Non-routing Engagement
Field Staff	Software Suppliers	Contractors
Re-insurers	Banks and Financial Institutions	
Actuarial Partners	Service providers (Security, Electricity etc.)	
Bancassurance Partners		

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.

Our field staff strength is 2,247 who are passionate with following our unique lead generation process and contributing to our exceptional growth by producing new business of Rs. 2,706 Mn from the

endowment products. During the year we have invested Rs 1.5 million on training and development of our field staff including 1,304 training hours and paid Rs. 1,998 Mn as commission and Incentives. The Company offers a range of development programmes designed to strengthen our field staff. The programmes cover technical and

Rs. 1.5Mn

INVESTED IN TRAINING AND DEVELOPMENT

1304

TRAINING HOURS

65

MDRT QUALIFIERS

“DURING THE YEAR TALENT MANAGEMENT DIVISION WAS ABLE TO PRODUCE 65 MDRT QUALIFIERS”



The company was able to attract and retain Sri Lanka's best talented field staff pool who continuously raise the bar higher. Fastest growth rate of the company evident the capability and success of field staff. Accordingly, our field staff were recognised as the best agency distribution channel in Sri Lank at the Insurance industry award 2017.



The company uses both formal and informal communication methodologies such as monthly sales meetings, annual conference etc. to here voice of field staff. Further attractive commissions and incentive schemes have been introduced to motivate and retain the best talented pool of field staff within the company.

The Company took several initiatives to motivate our field staff. During the year the company held its grand event of “Softlogic Life Awards 2017” to recognise our best sales staff.



Field staff’s cricket carnival 2017



Re-insurers

The Company uses reinsurance as an essential tool for managing risk. Softlogic Life maintains an eminent panel of Reinsurers who are well recognised internationally as best rated multinational reinsurers. During the year, the company further strengthened reinsurer panel by including SCoR and Toa Re to the existing panel. Details of Re-insurers are provided in table below;

Table : Our reinsurance panel

Re-insurer	Financial Stability Rating	Rating Agency
Munich Re	A+	A.M. Best
RGA	AA-	S & P
SCoR	A+	A.M. Best
Toa Re	A+	S & P

We are focused on increasing our goodwill with healthy reinsurance relationships. In some cases, through our good quality relationships, we have benefitted our policyholders by paying the claims with a gesture of goodwill (ex- gratia) so that even the reinsurer does 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

Actuarial partners are play vital role in our business; hence, having quality actuaries’ partnering is key to operate a smooth business that is profitable in the long run. At Softlogic Life, our actuarial consultation is performed by Messrs. Willis Towers Watson global professionals. The global expertise together with in house actuarial department contribute to ascertain companies liability, profitability and other key measures accurately and provide valuable insights to develop companies strategies in short, medium and long term.

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 are maintaining our expected level of standards. Our suppliers include mainly service providers to run our daily operations such as stationery suppliers, cleaning and maintenance, 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 our businesses. Therefore, mutual trust and understanding, and reliance are very important to successful growth.

Group Synergy

Our critical success factors count the group synergies on which we capitalise market opportunities. Softlogic is a giant in the Sri Lankan market having diversified experience and capabilities through out it's successful journey. The markets Softlogic group operates and its winning brands are provided below.

Figure: Softlogic Group's Brands

Looking Ahead

Softlogic Life will continue to build our relationship with our business partners with a view in achieving sustainable growth in the long term. We believe transparent, equitable and fair dealing with our business partners make our mission achievable.



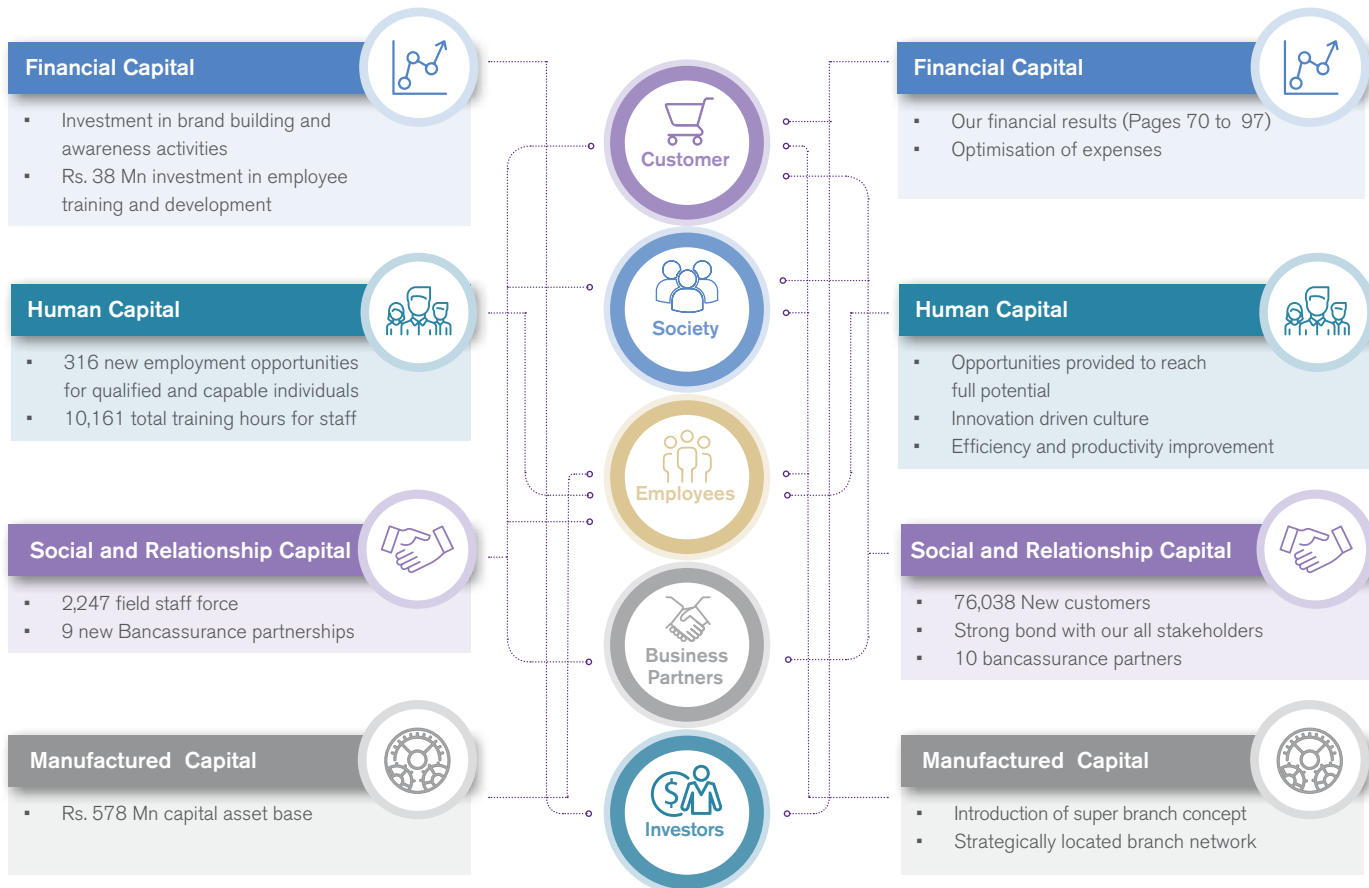


TRADE-OFF BETWEEN CAPITALS **INTELLECTUAL CAPITAL** 

Value In

- Our Brand
- Unconventional Innovative products
- Awards and Accolades
- Operational and regulatory compliances
- Internally developed software to improve operational efficiency and effectiveness – Life UP/IME/e-advisor
- Our relationship with stakeholders

Value Out



* The Diagram provides an overview of trade-off between Intellectual Capital with other capitals as well as its impact to stakeholders.

2017 AT A GLANCE



“AWARD FOR BEST INSURANCE COMPANY IN SRI LANKA”

National Business Excellence Awards 2017,

“WINNER IN EXCELLENCE IN CLAIM SERVICE AND AGENCY DISTRIBUTION”

Insurance Industry Awards 2017,

“ANNUAL REPORT 2016 RANKED 43RD WORLD WIDE”

LACP Annual Report Competition 2017

OUR FOCUS

Generate blended synergy of our human capital, governance structure, brand and our relationships which open up new avenues of revenue and to invest continuously to develop those core competencies to achieve sustainable business results.

KEY INITIATIVES FOR 2017








- ◆ Develop our human capital to bring value additions to the operation and provide unmatched customer experience in every customer touch point including products, after sales services etc.
- ◆ Expansion of field staff cadre and to develop MDRT qualifiers.
- ◆ Ensure strong corporate governance practices, risk management practices and value-driven culture.
- ◆ Increase bancassurance partnerships.
- ◆ Build 'Softlogic Life' brand on the pillars of Wellness, Fitness and Nutrition.

KEY INITIATIVES FOR 2018 AND BEYOND

- ◆ Building “Softlogic Life” brand value.
- ◆ Introduce at minimum two new innovations per year.
- ◆ Invest in development of human capital.
- ◆ Expand field staff cadre by 200 who possess qualifications and maintain quality of their work.
- ◆ Promote innovation driven culture.
- ◆ Strength bancassurance partnerships.

FOCUS ON 2017 KEY INITIATIVES

KEY INITIATIVES
Develop our human capital to bring value additions to the operation and provide unmatched customer experience in every customer touch point including products, after sales services etc.
Expansion of field staff cadre.
Ensure strong corporate governance practices and value driven culture.
Increase tie-up with bancassurance partnerships.
Build “Softlogic Life” brand on the pillars of Wellness, Fitness and Nutrition.

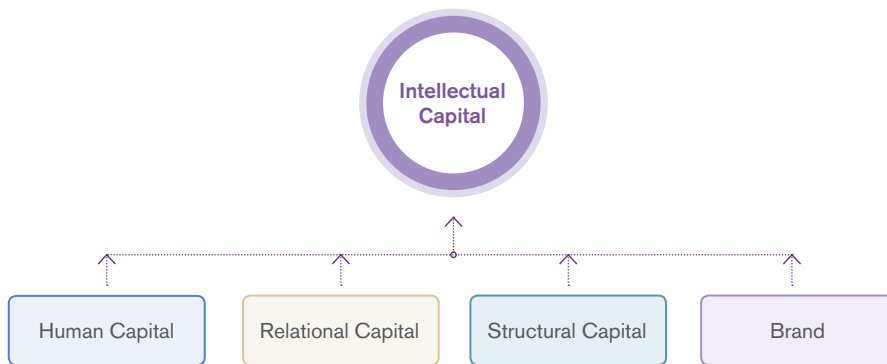
OUR RESPONSE
<p>Rs.38Mn SPENT ON TRAINING</p> <p>10,161 TRAINING HOURS</p> <p>STRUCTURED TRAINING AND DEVELOPMENT PROGRAMMES (REFER PAGES 107 - 110)</p>
<p>65 MDRT QUALIFIERS</p> <p>682 FIELD STAFF NET ACQUISITION</p> <p>2017 2,247 2016 1,565</p>
<p>REFER PAGES 173 TO 226 FOR MORE DETAILS OF OUR CORPORATE GOVERNANCE AND RISK MANAGEMENT PRACTICES</p>
<p>09 NEW BANCASSURANCE PARTNERS DURING THE YEAR</p>
<p>OUR MASS MEDIA CAMPAIGN</p>   <p><i>view this video on youtube</i></p>
<p>OUR SOCIAL MEDIA CAMPAIGN</p>      <p><i>view this video on youtube</i></p>

OVERVIEW

Our Intellectual capital comprises our knowledge based intangibles, tacit knowledge, systems, processes and protocols built up and nurtured over the years. Our intellectual capital differentiates our service offering and provides us with a significant competitive edge. Awards and accolades bear testimony to exceptional growth of our intellectual capital thereby enhancing our brand capital.

The Company is aware that pursuing GWP growth well above the industry average and its sustainable competitive advantage are no longer driven only by investing in physical assets but by investing in and managing intellectual capital. Therefore, measuring intellectual capital is important, so that the Company knows what it owns, but it does not capture the process required to reach that stage. Intellectual capital can be both the end results of knowledge that is transformed into intellectual capital. The company's intellectual capital value creation model is provided below:

Figure :- Intellectual capital value creation model



Sub components of intellectual capital are disused below:

Human Capital

The principal sub components of the Company's Human Capital (including employees and field staff) are its workforce's set of skills and depth of expertise, hence human capital plays a critical part in the intellectual capital value creation process. Engaged in a people and relationship based

business, we realised that our success and competitive edge is determined by the people we employ. Relationships nurtured with customers by our employees and field staff will eventually convert into revenue. The contribution of human capital could be further examined under three main categories as mentioned below:

- Employee know-how
- Educational and vocational qualification
- Work related knowledge and competencies

A high 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 105.

Employee Know-How

The Company recognised the importance of employee know-how to drive customer centric competitive service and has taken many measures to retain such knowledge

within the company. This includes reducing employee turnover and converting tacit knowledge to explicit knowledge etc. Talent retention ratios are provided on page 105 under human capital.

Our Board of Directors comprise individuals with diverse experience and accumulated industry experience of over 30 years, which shows an appropriate mix of knowledge and experience at the top of the company

to take Softlogic Life higher. The senior management consists of well-qualified experts who have been working in the corporate industry for many years. Our senior management profiles can be found on pages 180 to 182 of this report. The Company has taken all possible measures to retain and maintain tacit knowledge of employees especially in technical areas such as Actuarial, Finance, Information Technology, Underwriting etc.

Education and Vocational Qualification

Softlogic Life believes that education and vocational qualifications of employees are a critical measure of the success of their individual job role, hence 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.

Work-related Knowledge and Competencies

Softlogic Life provides continuous training opportunities to its employees to bridge the identified knowledge gap components. Information about training programmes conducted during the year is included in the Human Capital report on pages 107 and 108.

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 are outlined in pages 110 to 113.

Excellence in Human Capital

Investment made by the company in Human Capital has in turn increasingly contributed to the extraordinary growth of Softlogic Life. The Company is proud to be the employer of a result oriented strong employee base who have pioneered significant innovations. Few recent developments have been listed below, all of which demonstrate the proven track record of excellence of Softlogic Life's intellectual capital;

- Industry first to launch "One Day claim Settlement" process.

- Industry first and one and only Mobile App introduction.
- Be the inventor of Medical products to the industry.
- Industry first to launch micro insurance solution.
- Introducing value added services to industry.
- Introducing on the spot policy issuance.

In addition to the above, details of recently introduced innovative solutions are listed on pages 126 to 127 of Social and Relationship Capital.

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, various regulatory bodies and investors.

Relation with Customers / Policyholders

Customers / Policyholders being a top most line of the Company, strong relations with them create customer loyalty. For a Life Insurance Company, customer confidence is a pre-requisite for sustainable growth. While financial stability is key, our intellectual capital plays a key role in inspiring customer confidence. Sound corporate governance, risk management frameworks, business ethics and values are the foundation for sustaining customer confidence which needs continuous attention and nurturing.

The Company fulfills its promises made to customers and caters to all socio economic 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 116 to 131.

Relation with Intermediaries

Intermediaries such as field agents (sales agents) and brokers play a vital role in the Company's journey. The company makes

prompt settlement of their payment such as commission to build motivation and loyalty towards the Company. Our initiatives to build strong relationships with our field staff is discussed in detail on page 143 under "Business Partners".

Relation with Employees

Detailed discussion on this is included in the Human Capital Report on page 98.

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 Ontwikkelingslan den 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, 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 own Asiri Group of Companies who is the leader in the 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. Group's diversified business channels and market leading brands are provided on page 145 under business partners.

STRUCTURAL CAPITAL

Structural capital is our knowledge that stays within the Softlogic Life through its organizational 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 in the Corporate Governance Report on pages 173 to 246).

OUR 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 18 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 of 'Innovation' - with the ultimate objective of providing greater convenience to all our customers, as we truly understand their lifestyles and their priorities. Softlogic Life surrender with market leading brands as follows;

Choose Life with Softlogic Life

As a company our priority has always been to help customers to achieve the best in life. We want them to have ultimate control in their life, so they can live life to the fullest. This is precisely why the Softlogic Life brand is built on the values of Authenticity, Simplicity, Innovation, Care and Courage.

Throughout this journey we have been continuously taking steps to enhance the quality of life of Sri Lankans. Being part of the Softlogic Group, we have strengthened our capacity, supported by health infrastructure and innovative technology to deliver our brand purpose with world-class solutions. Therefore, as a company and as a brand custodian, our aim is to take care of our customers closest to the heart to enhance the quality of Sri Lankans in terms of mind, body and soul, so that they can live healthy and surrounded by happiness.

With the mission of becoming the market leader in the near future, Softlogic Life is driven by a vision with a greater purpose: "Drive Sri Lanka rewards life with better quality".

Our brand positioning platform

Positioning – Promote proactive health management/healthy lifestyle behaviours, through promoting three wide concepts i.e Wellness, Fitness and Nutrition. We recognise that our customers needed a change that redefined category norms. Hence, our brand positioning takes a unique path which differentiates Softlogic Life from others and includes:

- Insurance that works and benefits you now and while you live.
- Broaden the scope of our products 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.
- Make Insurance an enabler of confidence, freedom and give you control to enjoy life so that you can aspire to be the “best you”.

Brand communication

We reach our customer segment through mass media, digital channels and outdoor visibility. The Company was able to place its new brand prominently within a short period due to an effective brand communication strategy. Some brand communication highlights are presented below:

Our Achievement

During the year, the company released a video which was reached by 1.8 Mn people within 26 hours, whereas the previous record for Sri Lanka to reach 1 Mn viewers was four days.



view this video on youtube

While we appreciate unsolicited feedback from customers, we also objectively measure clients' satisfaction through internal research. Results given by the Customer Satisfaction survey clearly emphasises that the service rendered by the Softlogic Life throughout the year has converted to higher satisfaction by the customers. The results of the research provided on page 119 under Social and Relationship Capital.

LOOKING AHEAD

It is expected that the initiatives set in motion as part of the brand positioning will enhance the value and power of the Softlogic Life brand in future years. The brand will carry the unique features of innovativeness and concern on the three pillars of “Wellness, Fitness, Nutrition” and setter of industry benchmarks which will bring the Softlogic Life brand ahead of others. Our human capital development is key to our success and we will take measures to sustainable improvement of our human capital.

Further, the Company grew by 34% during the year, which is more than twice industry growth, reflecting that customers are increasingly trusting our brand and selecting Softlogic Life as their life care partner. This demonstrates our success and the acceptance of brand value by our customers.

CHANNELS	
<p>Mass Media</p>	<p>view this video on youtube</p>
<p>Digital Channels</p>	
<p>Outdoor visibility</p>	

AWARDS

NATIONAL BUSINESS EXCELLENCE AWARDS



At the National Business Excellence Award 2017 organised by the National Chamber of Commerce, the Company clinched the Gold Award for the insurance sector and two other awards for Excellence in the Corporate Social Responsibility (Silver) and Overall Excellence in extra-large category (Bronze).

Softlogic Life was the only insurer awarded with three accolades at the ceremony.

INSURANCE INDUSTRY AWARDS



Softlogic Life's speedy, fair claim settlement process was recognised in the insurance industry award 2017 as "Best in Claim Service" in Sri Lanka.



Reaffirming the strong capabilities of the agency channel, Softlogic Life was awarded for its "Excellence in Agency Distribution" for the second successive year.

LACP - LEAGUE OF AMERICAN COMMUNICATIONS PROFESSIONALS



LACP competition covers more than 1000 participants around the world. Our 2016 Annual Report was able to mark its excellence on a global platform by being rewarded the "GOLD award for insurance sector and ranked No. 43 worldwide.

ICASL ANNUAL REPORT AWARDS



At the 53rd Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka (ICASL), Softlogic Life Insurance won the Bronze award for the Insurance Sector.

CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS



Softlogic Life was awarded as one of the top ten best integrated Annual Reports presented during the year 2017 for the 4th consecutive year.

SAFA BEST PRESENTED ANNUAL REPORT AWARD



Merit for Insurance sector at south Asian Region at the SAFA best presented Annual Report Awards 2017 organised by South Asian Federation of Accountants

GREAT PLACE TO WORK AWARDS

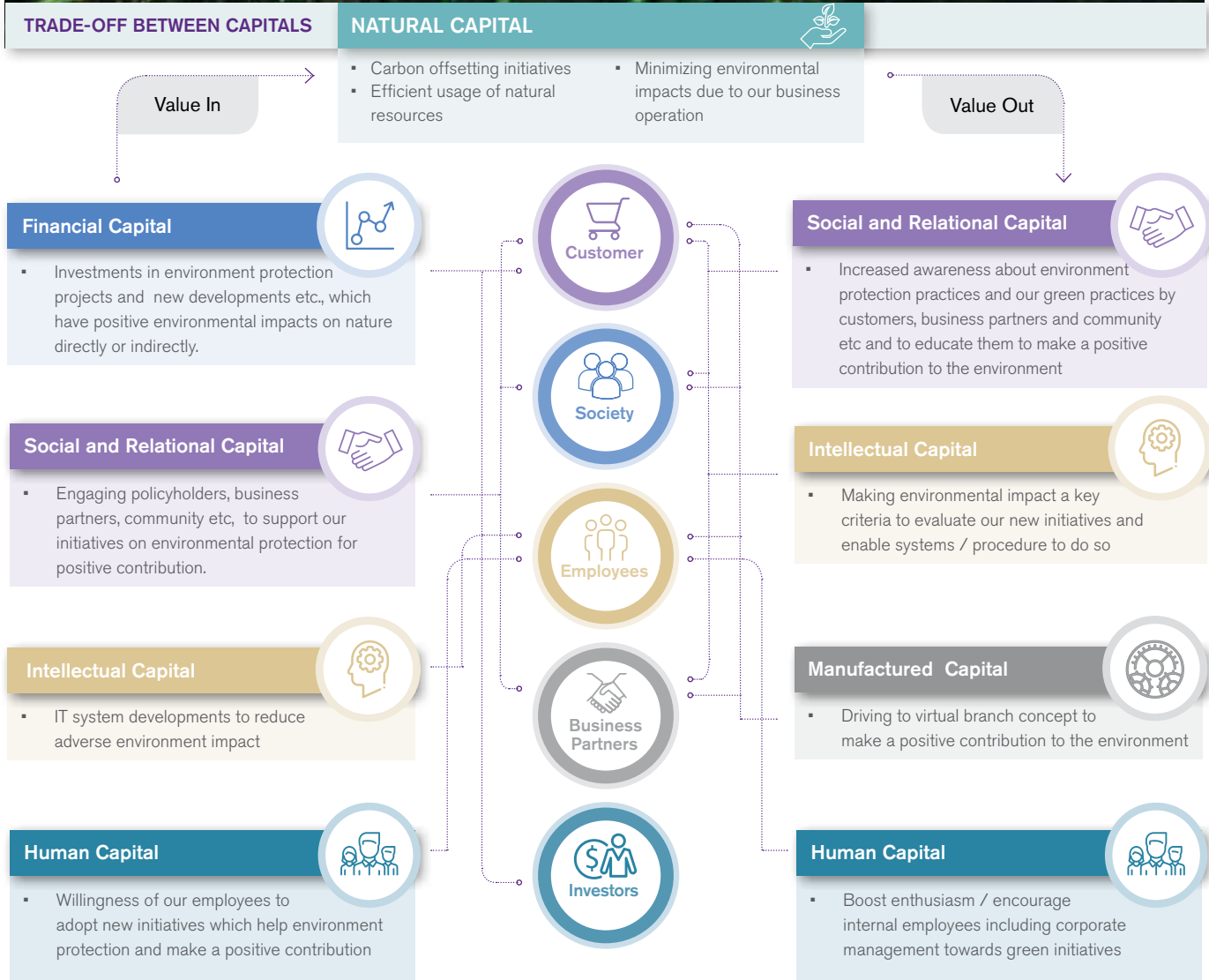


Softlogic Life has been listed as one of the 'Top 25 Best Companies to work for in Sri Lanka' by the Great Place to Work Institute in partnership with LMD and Ceylon Chamber of Commerce.

SMARTIES GLOBAL AWARD

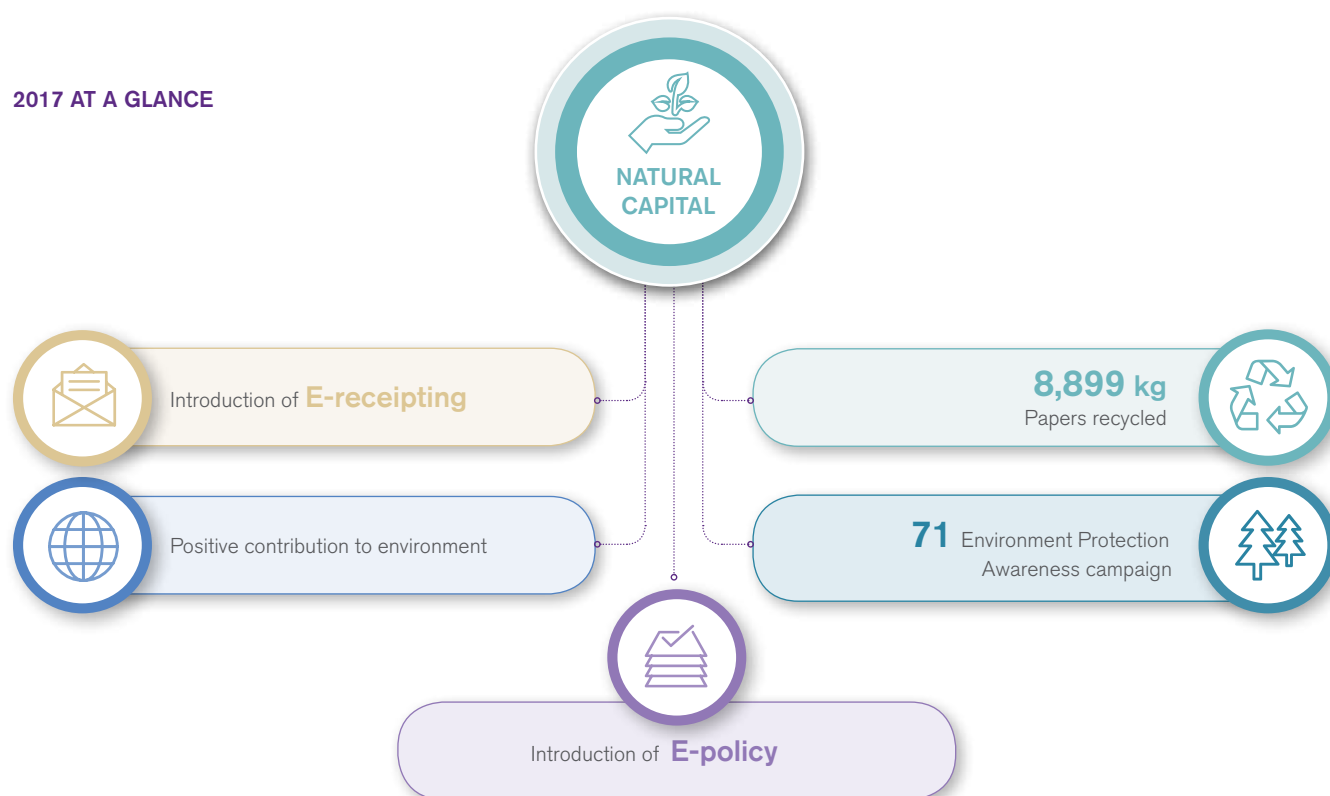


The Company won the Silver award at the Smarties Global Awards 2017, a first for Sri Lanka & for the rest of South Asia for its communication solution in response to the natural disaster situation, successfully saving 2,500 distressed individuals.



* The Diagram provides an overview of trade-off between Natural Capital with other capitals as well as its impact to stakeholders.

2017 AT A GLANCE



“WE DON’ T WANT TO PROTECT OUR ENVIRONMENT. WE WANT TO CREATE A WORLD WHERE THE ENVIRONMENT DOESN’ T NEED PROTECTION”

OUR FOCUS

As a responsible corporate citizen, we always comply with environment protection laws and regulations while protecting our environment. Further, we look forward to invest our resources to protect nature and make a positive contribution, because we believe that the existence of mother nature today decides our existence tomorrow.





KEY INITIATIVES FOR 2017

- ◆ Environment protection awareness campaign.
- ◆ Reduce paper usage and encourage / promote digital usage.
- ◆ Recycling of papers for a positive contribution to environment.
- ◆ Promote and encourage environment protection aspects in everything we do.

KEY INITIATIVES FOR 2018 AND BEYOND

- ◆ Promote and encourage environment protection aspects in everything we do.
- ◆ Introduce recycling practices for e-waste across the organization including industrial disposal.
- ◆ Optimizing usage of technology to reduce usage of paper and printing materials.
- ◆ Drive for paperless operation to all strategic business units.

FOCUS ON 2017 STRATEGIC PRIORITIES

Strategic Priority	Our Response
<p>Environment protection awareness campaign</p> <ul style="list-style-type: none"> Reduce paper usage and encourage / promote digital usage. Promote and encourage environment protection aspects in everything we do. 	<p>During the year, the Company maintained 71 environment protection awareness boards.</p> <p>The Company introduced three innovative solutions which reduced the usage of papers:</p> <ol style="list-style-type: none"> E-receipting Electronic receipt is generated and e-mailed to customers instead of a physical receipt. On the Spot Policy Issuance Electronically generated policy document shared with customer through e-mail. In addition, the company provides condensed printed policy to customers by eliminating standard information which reduces the need for paper printing. Continue to promote digital customer interaction using "LifeUp" by eliminating paper usage During the year, the company revamped the Life Up App to increase digital usage by customers instead of physical paper usage and voice calls.
<ul style="list-style-type: none"> Recycling of paper – A positive contribution to the environment. 	<p>The Company Recycled 8899kg of paper which saved:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  151 Trees </div> <div style="text-align: center;">  15,618 Oil </div> <div style="text-align: center;">  35,596 kWh Electricity </div> <div style="text-align: center;">  282,810 Water </div> </div>

Although environmental awareness is rapidly improving in 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:

DRIVING ECO-EFFICIENT BUSINESS

We are constantly in the process of applying and expanding eco-efficiency in everything we do. Softlogic Life has incorporated several eco-efficient initiatives in its business activities to combine sustainable development by way of technological and operational improvements, waste management, Carbon off-setting and efficient use of natural resources. Key initiatives are presented in below table.

Figure :- Activities of value creation to Natural Capital

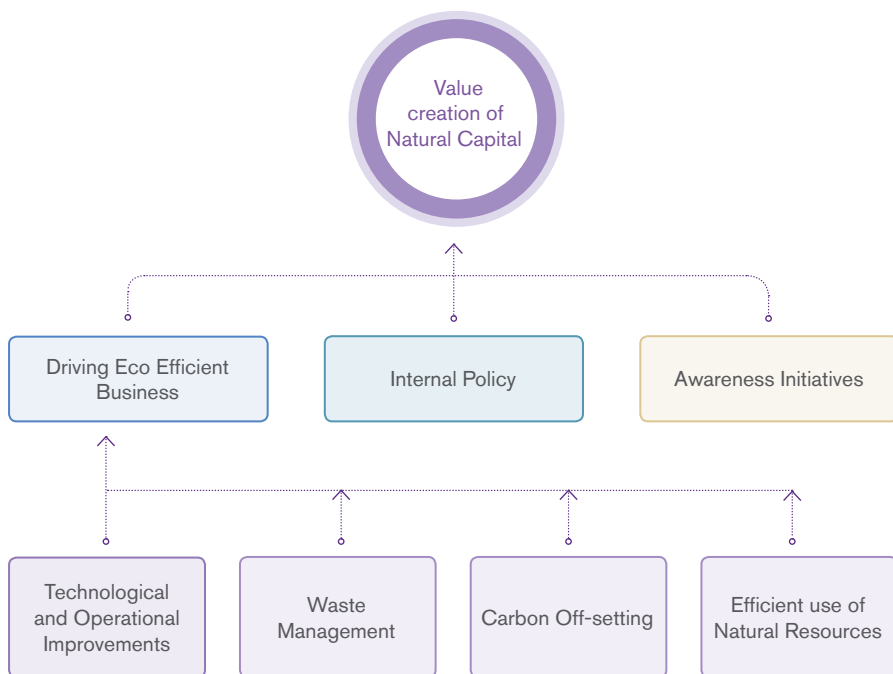


Table :- Key initiatives for Driving Eco-friendly Business

Focus Area	
Technological and Operational Improvements	<p>1. E-receipting In an effort to provide efficient customer service whilst being environmentally friendly, the company rolled out e-receipts for Life Premium payments during the year. We have issued 250,582 receipts since the concept was introduced in September 2017.</p> <p>2. On the Spot Policy This is another revolutionised concept introduced by the Company which eliminates a large number of printed materials used in the conventional policy issuance process. Accordingly, we were able to save 25 printed papers per policy. However, we provide customers a simplified version of the policy document to comply with laws and regulations issued by the Insurance Regulatory Commission of Sri Lanka.</p> <p>3. Introduction of Micro Insurance The Company introduced the mobile insurance channel during the year in partnership with Dialog Axiata whereby customers can buy life insurance instantly through a few clicks of a mobile without submitting any papers. The Company expects a significant growth in this new channel and this is a paradigm shift towards the paperless environment for the life insurance industry as well as the digital insurance landscape of Sri Lanka.</p> <p>4. Customised Policy Document The Company introduced a customised policy document to the life insurance industry in which most of the non value adding items have been removed. The Number of pages included in the document was brought down to 55 by saving 25 printed papers.</p> <p>5. Document Sharing Through Life UP App The Company launched an application, "Life Up", through which customers can upload pictures of documents required to claim processing. Claim processing activities have been integrated with the Life Up app to process the claims request received electronically. The concept also reduces a significant quantity of paper usage and we consider it as prototype for our digital age of insurance where a paperless environment is the key measure. As at end of December 2017, there were 10,805 customers registered for Life Up and 25,362 documents have been shared.</p> <p>6. Promotion of Digital Proposal and Auto Underwriting The Company actively promoted digital proposal submission and Auto underwriting process by initiating various motivational, i.e. extended time, provided at the year-end period for digital submission etc.</p> <p>7. Launch of Digital Payment Registration Process The Company launched a digital payment registration process via company payment gateway without submitting any physical hard copy of standing order which eliminates paper usage in standing order process by 100%.</p> <p>8. SMS Reminders Instead of Written Papers The Company converted its conventional written payment reminders into digital channels such as Short Message Service (SMS) and E-mails, which contribute positively to our environment as well as improve efficiency of the process while enhancing customer convenience.</p>

Focus Area

Waste Management

Waste management and management of paper consumption were prioritised as in the previous year. The Company boosted our savings of greenhouse gas emissions over 77% 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. Results of the paper recycle process are provided in below table.

Table: -Results of paper recycle

Saving to environment	2017	2016	%
Fully grown trees	151	89	70
Oil (Liters)	15,618	9,231	69
Electricity (Kwh)	35,596	21,040	69
Water (Liters)	282,810	167,163	69
Land fill (cubic meter)	27	16	69
Reduction of Greenhouse gas emission (Kg's of carbon)	8,899	5,026	77

Carbone off-setting

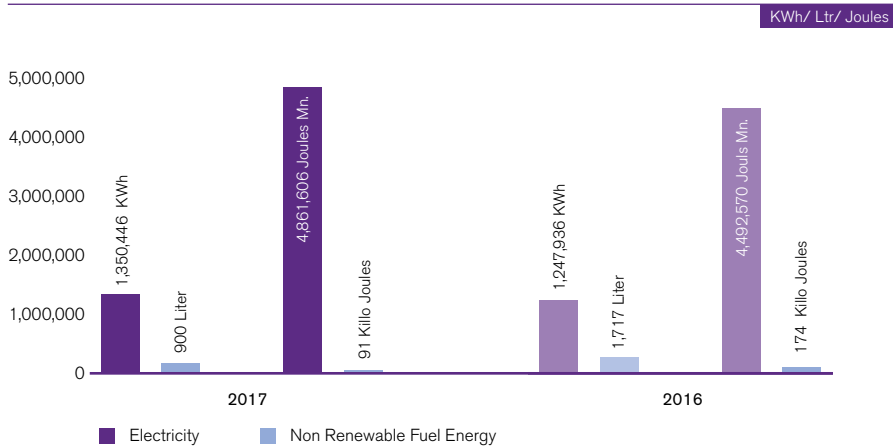
Carbon offsetting is an internationally recognised way to take responsibility for unavoidable carbon emissions. In simple terms, offsetting one tonne of carbon means there will be one less tonne of carbon dioxide in the atmosphere than there would otherwise have been. It is the fastest way to achieve 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.

For the purpose of measuring 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

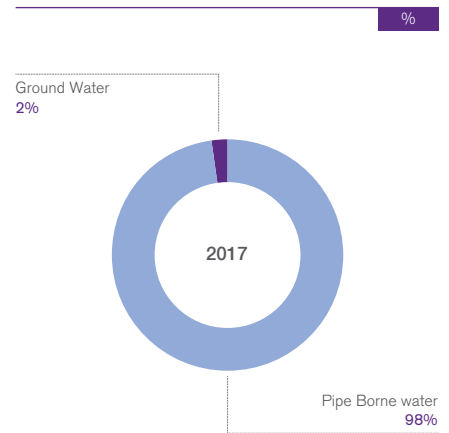
Table : Renewable and Non-renewable energy consumption

Energy	2017	2016
Non Renewable Sources		
Non Renewable fuel (Units in Killo joules)	91	174
Electricity Consumption (Units in Killo joules Mn.)	4,862	4,493
Electricity Sold	N/A	N/A
Total Energy (Units in Killo joules Mn.)	4,862	4,493

ENERGY CONSUMPTION



WATER WITHDRAWAL BY SOURCE



Focus Area

Efficient use of natural resources

Usage of Water

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 15,382 m³ units of water during the year 2017.

Further, Softlogic Life supplies mineral water to the employees through a third party supplier. In 2017, the Company consumed 15,500 units of water for drinking purposes.

Resource Utilisation

Under the sustainability practices of the company, we have taken initiatives to improve efficiency of the resources we are using. Accordingly, the following initiatives have been taken during the year:

- Driving Organization to be a paperless Company.
- Best Printing and Stationary Saver and utility saver competition.
- "Power Saving" – Softlogic Life Sustainability Programme.
- Using of LED lights to reduce electricity consumption.
- Using of split air conditioners.
- Increasing employee participation on utility saving projects.

Management of E-waste

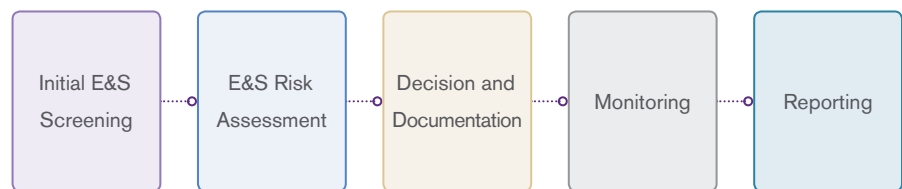
There are improvement areas to current E-waste management and the company has taken corrective actions to bridge the gap by 2018.

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 comprise 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.

AWARENESS INITIATIVES

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, by 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

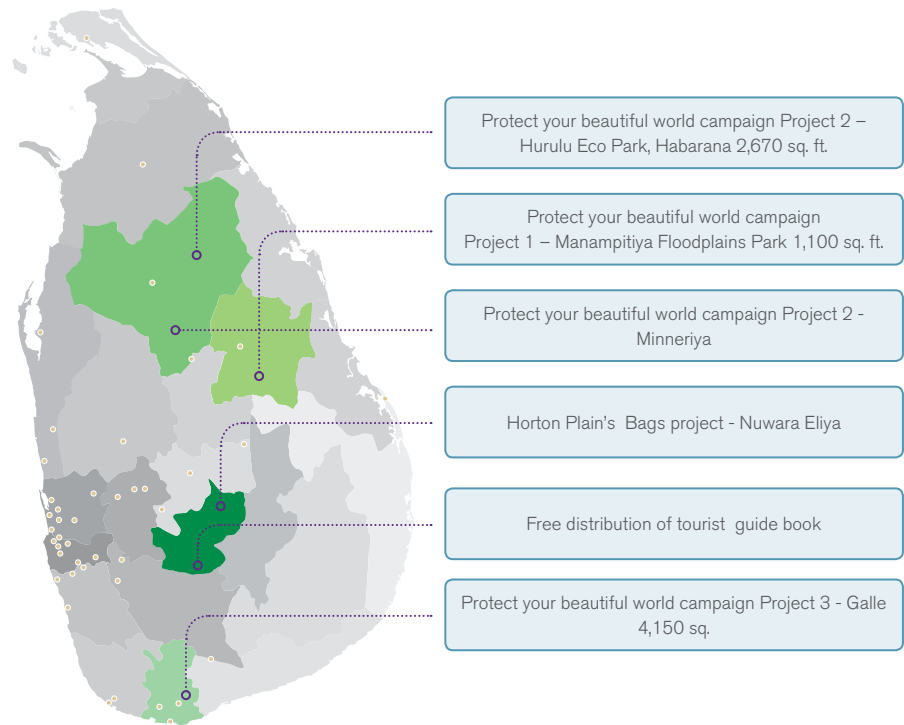
Galle, to create awareness on preserving wildlife, which forms an integral part of nature’s equilibrium, under the theme ‘Protect Your Beautiful World’.

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 2017. Details of projects are shown in table below 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 2017, we managed to maintain and continue these awareness initiatives.

Table: BioDiversity 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



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

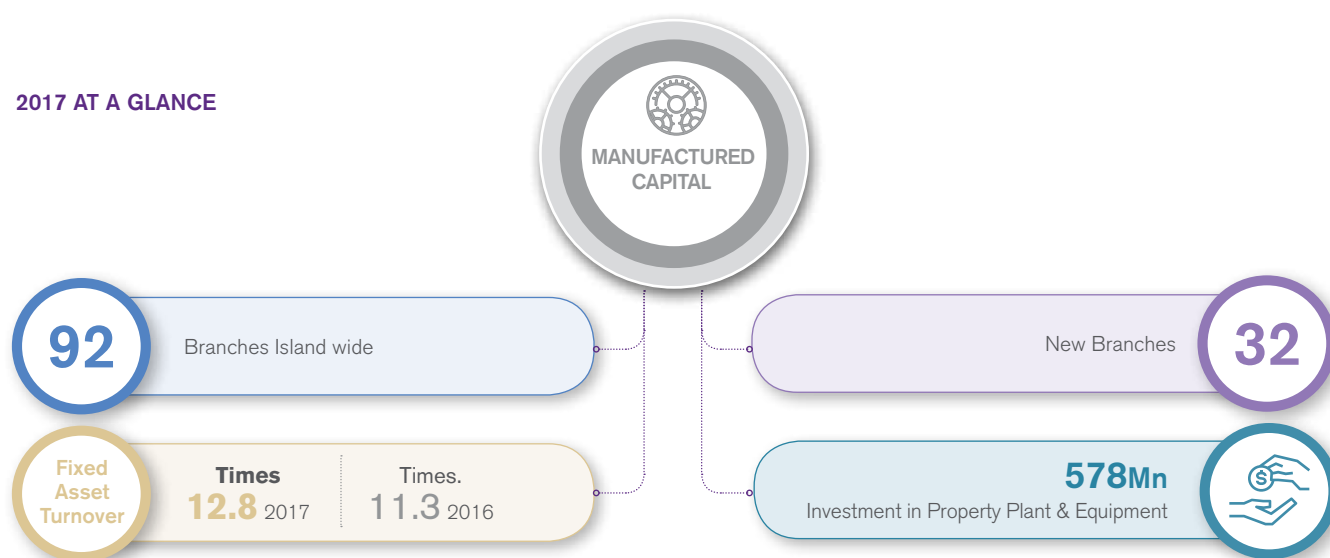
The objective of Softlogic Life is to provide long-term protection and security for the future of our next generation. The nurturing and mentoring role we have adopted ensures the well-being, health and financial security of our stakeholders. Our commitment to the environment is born out of this desire to extend the platform of protection to include our natural resources.

Our green 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. As a responsible corporate citizen, we not only want to protect our environment but we want to create a world where the environment doesn't need protection.



* The Diagram provides an overview of trade-off between Manufactured Capital with other capitals as well as its impact to stakeholders.

2017 AT A GLANCE



OUR FOCUS

In line with our customer-centric culture, we manage manufactured capital to cater to the evolving nature of customer needs blended with innovation to provide superior customer service and thus use manufactured capital efficiently in our value creation process.

KEY INITIATIVES FOR 2017

- ◆ Expand branch network by 30 new branches.
- ◆ Spent Rs 278 million on capital assets to achieve strategic objectives of the company.
- ◆ Improve fixed assets utilization.

KEY INITIATIVES FOR 2018 AND BEYOND

- ◆ Expand our geographical presence to carefully selected strategic locations (20 new branches).
- ◆ Efficiently use our manufactured capital in our business operation.

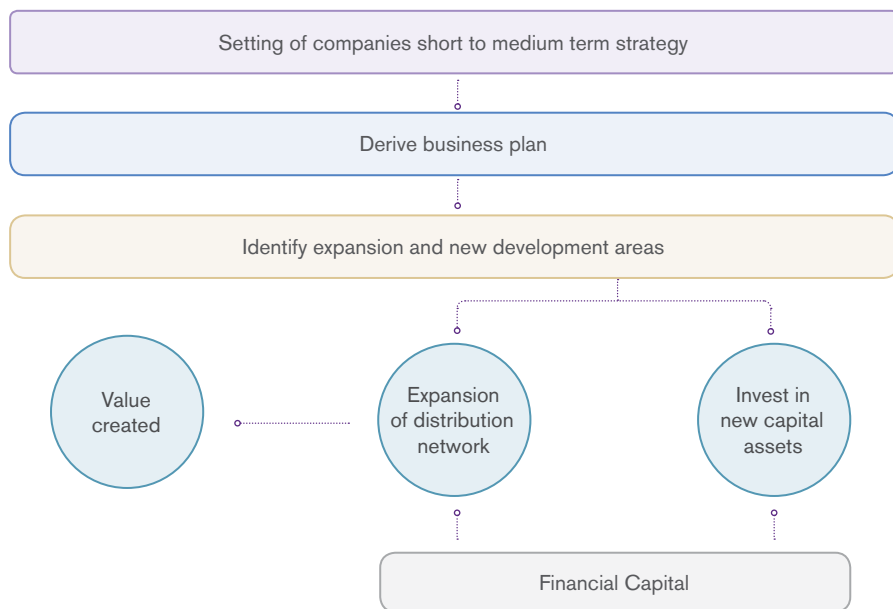
FOCUS ON 2017 KEY INITIATIVES

Key Initiatives	Our Response
Expand branch network by 30 new branches.	The Company opened 32 new branches.
Spend Rs 161 million on capital assets to achieve strategic objectives of the company.	The Company spent Rs 161 million on capital assets based on the strategic priorities. Due to efficient utilization of capital assets, the company managed to complete its planned activities for 2017 based on the strategic priorities. Accordingly, the Company spent Rs 161 million on these initiatives.
Improve fixed assets utilization.	Improved Fixed Asset turnover to 12.8 (2017) from 11.3 (2016).

The components of the Company's manufactured capital include both 'hard' and 'soft' elements. Manufactured capital of Softlogic Life is a mix of its Building, Property Plan and Equipment, Branch network, IT equipment 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. The Company used these assets to provide quality customer experience and analyse information to make strategic decisions which bring a competitive edge over other Companies.

The Company's Manufactured Capital building process is illustrated below:

Figure:- Softlogic Life Manufactured Capital Building Process

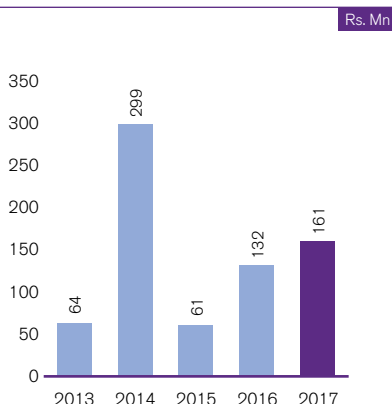


BUILDING MANUFACTURED CAPITAL

During the year, the Company opened 32 new branches expanding our geographical presence to 92 island-wide. We invested Rs 161 million in capital assets including Rs 22.5 Mn for computer equipment, Rs 137.9 million on office furniture, fixtures, fittings and equipment and Rs 53,000 on motor vehicles. The company measures expected return on these investments and manages them cautiously to generating maximum possible benefits out of the investments made. Accordingly, the company monitors assets turnover ratio as a key indicator among the other measures such as new business premium per branch, Gross Written Premium per branch etc. The graph below

indicates our investment in capital assets over the last five years.

ADDITIONS OF FIXED ASSETS



EXPANSION OF DISTRIBUTION NETWORK

Since our ultimate purpose is to serve our customer with an incomparable and unique customer service, we believe our distribution network is a key strategic asset. Our Branch is a physical sign of our company through which customers engage with us. Therefore, we are conscious about incorporating the ethos of our culture and corporate values within our distribution network. Further, we believe the physical existence of the company by way of a branch builds customer confidence to select Softlogic Life as their insurance partner.

The company maintains certain standards at each branch spanning our branding and other office facilities to provide the same level of service. The company introduced the super branch concept to the life insurance industry, facilitating customers to buy their insurance policy as they wish. Super branches are equipped with modern technology to serve this purpose. Most of the customers in urban areas value this concept as they can buy an insurance policy around the clock.



During the year, significant changes to our branch network are given below.

Table :- Changes to our branch network

Category	2017	2016
New branch additions to network	32	6
Conversions (Upgrades)	6	1
Relocations	4	3
Closed	1	1

Our geographical presence is provided in detail on page 129 under Social and Relationship Capital.

OPERATIONAL AND TECHNOLOGICAL IMPROVEMENTS.

The company's passion to instill an innovation driven culture has unveiled many new concepts, new products and new working standards to the life insurance industry in Sri Lanka. The Year 2017 was yet another year during which we unveiled many innovations which brings the insurance industry to the next level of its life cycle. Accordingly, for the first time in Sri Lanka we introduced micro insurance, which is an opening to a new era of life insurance. Further, by improving our internal processes and technical infrastructure, we have launched 'on the spot' policy issuance, e-receipting, online customer payment scheduling gateway etc. During the year, a total of Rs 22.5 million was invested in developing the technological infrastructure of the company.

Details of all our customer-centric innovations are provided on pages 126 to 127 under Social and Relationship Capital.

LOOKING AHEAD

Since we are growing rapidly within the local market, reaching new customers will be a key strategic priority in our journey. Accordingly, we will expand our branch network strategically through which we not only expect to reach customers, but also to

link with our local communities by offering new employment opportunities and giving them a helping hand to develop their lives.

Innovation is part of our vision statement. Therefore, the company will continue to promote an innovation driven culture which will bring new products and new operational improvements to the industry. We promote Wellness, Nutrition and Fitness and will be a caring partner for customers as well as employees.

Our focus remains to invest further in the above mentioned areas in order to achieve our business goals in a sustainable manner.

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 green-house 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.



KPMG
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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 2017. The Sustainability Indicators are included in the Softlogic Life Insurance PLC’s Integrated Annual Report for the year ended 31 December 2017 (the “Report”).

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	14

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	15
Information provided on the following capitals	
Financial	70 - 97
Human	98 - 113
Social and Relationship	114 - 145
Intellectual	146 - 153
Natural	154 - 161
Manufactured	162 - 165

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 2017 are, in all material respects, prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 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 2017, have not in all material respects, been prepared and presented in accordance with the GRI G4 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 Guidelines.

These responsibilities includes 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 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

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

M.R. Mihular FCA
 T.J.S. Rajakarier FCA
 Ms. S.M.B. Jayasekara ACA
 G.A.U. Karunaratne FCA
 R.H. Rajan ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
 Ms. C.T.K.N. Perera ACA
 P.Y.S. Perera FCA
 W.W.J.C. Perera FCA
 W.K.D.C Abeyratne FCA
 R.M.D.B. Rajapakse FCA
 C.P. Jayatilake FCA
 Ms. S. Joseph FCA
 S.T.D.L. Perera FCA
 Ms. B.K.D.T.N. Rodrigo FCA



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 controls 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 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 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
29 March 2018

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/ Direct Answer	External Assurance	Description
STRATEGY AND ANALYSIS			
G4-1	26 - 29	None	Statement from the most senior decision maker of the organisation.
G4-2	48 - 53	None	Provide a description of key impact, risk and opportunities.
ORGANIZATIONAL PROFILE			
G4-3	10	None	Report the name of the organization.
G4-4	121 - 124, 126	None	Report the primary brands, products, and services.
G4-5	9	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	10 - 11	None	Report the nature of ownership and legal form.
G4-8	129	None	Report the markets served.
G4-9	14, 73, 102, 115, 121 - 124, 126, 129	Yes	Report the scale of the organization.
G4-10	102, 103, 105	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	12 - 13	None	Describe the organization's supply chain.
G4-13	18 - 19	None	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.
G4-14	204	None	Report whether and how the precautionary approach or principle is addressed by the organization.
G4-15	204, 126 - 128	None	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.
G4-16	68	None	List memberships of associations.

GENERAL STANDARD DISCLOSURES

	Page	External Assurance	Description
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	65	None	List all entities.
G4-18	65 - 68	None	Aspect Boundaries.
G4-19	67	None	List all the material Aspects identified in the process for defining report content.
G4-20	68	None	Report the Aspect Boundary within the organization.
G4-21	68	None	Aspect Boundary outside the organization.
G4-22	66	None	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	66	None	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.
STAKEHOLDER ENGAGEMENT			
G4-24	61	Yes	Provide a list of stakeholder groups engaged by the organization.
G4-25	60	Yes	Report the basis for identification and selection of stakeholders with whom to engage.
G4-26	62 - 64	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	62 - 64	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	66	None	Date of most recent previous report.
G4-30	Annually	None	Reporting cycle.
G4-31	9	None	Provide the contact point for questions regarding the report or its contents.
G4-32	65, 167 - 172	None	Report the 'in accordance' option.
G4-33	7, 229 - 232	None	External Assurance.
GOVERNANCE			
G4-34	203 - 204	None	Report the governance structure of the organisation.
ETHICS AND INTEGRITY			
G4-56	195 - 196	None	Describe the organization's values and codes of ethics.

SPECIFIC STANDARD DISCLOSURES

Material Aspect	DMA and Indicators	Page	Omission	External Assurance	Description
CATEGORY: ECONOMIC					
Economic performance	G4-DMA	72-73/ 93/ 96-97 /110-111	-	Yes	
	G4-EC1	93	-	Yes	Direct economic value generated and distributed.
	G4-EC3	111	-	Yes	Coverage of the organisation's defined benefit plan obligation.
CATEGORY: ENVIRONMENTAL					
Energy	G4-DMA	158	-	Yes	
	G4-EN3	158	-	Yes	Energy Consumption.
Water	G4-DMA	159	-	Yes	
	G4-EN8	159	-	Yes	Total water withdrawal by source.
Effluents and waste	G4-DMA	158	-	Yes	
	G4-EN23	158	-	Yes	Total weight of waste by type and disposal method.
CATEGORY: SOCIAL					
Sub-Category: Labour Practices and Decent Work					
Employment	G4-DMA	104-106	-	Yes	
	G4-LA1	104, 106	-	Yes	New Employee Hires and Employee Turnover.
	G4-LA3	106	-	Yes	Return to Work [parental leave].
Training and Education	G4-DMA	107 - 109	-	Yes	
	G4-LA9	107	-	Yes	Average hours of Training.
	G4-LA10	108 - 109	-	Yes	Programs for Skills Management.
	G4-LA11	109	-	Yes	Percentage of Employees receiving Regular Performance evaluation.
Diversity and Equal Opportunity	G4-DMA	101 - 102, 110 - 111	-	Yes	
	G4-LA12	102	-	Yes	Composition of Governance Bodies and Employees.
Equal Remuneration for Women and Men	G4-DMA	110 - 111	-	Yes	
	G4-LA13	110 - 111	-	Yes	Ratio of Basic Salary and Remuneration of Women to men.
SUB-CATEGORY: HUMAN RIGHTS					
Non-Discrimination	G4-DMA	113	-	Yes	
	G4-HR3	113	-	Yes	Incidents of Discrimination.
Child Labour	G4-DMA	113, 139	-	Yes	
	G4-HR5	113, 139	-	Yes	Incidents of Child Labour.

Material Aspect	DMA and Indicators	Page	Omission	External Assurance	Description
SUB-CATEGORY: SOCIETY					
Local Communities	G4-DMA	132 - 139	-	Yes	
	G4-SO1	132 - 139	-	Yes	Local Community Engagement, Impact Assessments, and Development Programs.
Anti-Corruption	G4-DMA	139 - 140	-	Yes	
	G4-SO4	139 - 140	-	Yes	Anti-corruption Policies and Procedures.
	G4-SO5	139	-	Yes	Incidents of Corruption.
Public Policy	G4-DMA	141	-	Yes	
	G4-SO6	141	-	Yes	Value of Political Contributions.
Compliance	G4-DMA	140 - 141	-	Yes	
	G4-SO8	140 - 141	-	Yes	Compliance with laws and Regulations.
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
Customer Health And Safety	G4-DMA	130 - 131	-	Yes	
	G4-PR2	130 - 131	-	Yes	Incidents of non-compliance.
Marketing Communications	G4-DMA	130 - 131	-	Yes	
	G4-PR6	130 - 131	-	Yes	Sale of Banned Products.
Customer Privacy	G4-DMA	130	-	Yes	
	G4-PR8	130	-	Yes	Breaches of Customer Privacy.
Compliance	G4-DMA	130 - 131	-	Yes	
	G4-PR9	130 - 131	-	Yes	Non-compliance with Laws and Regulations.
Sector specific indicator	FS-13	129	-	Yes	Access Points in Low - Populated or Economically disadvantage by area and type.

CONFIDENT

[STEWARDSHIP]



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1 MR. ASHOK PATHIRAGE
Chairman

Mr. Ashok Pathirage is a visionary leader of a leading diversified conglomerate, the Softlogic Group. Mr. Pathirage serves as Chairman of Softlogic Life Insurance PLC since its acquisition in 2011. He manages over 50 group companies providing employment to both local and expatriate staff of over 9,500 people across six growing sectors of the economy – Retail, Healthcare Services, Financial Services, ICT, Leisure and Automotive. Softlogic Holdings PLC, Softlogic Capital PLC, Softlogic Finance PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC are listed, public companies in the Colombo bourse where he serves as Chairman/Managing Director. Mr. Pathirage is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

2 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 specialises 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.

3 MR. IFTIKAR AHAMED
Managing Director

Mr. Iftikar Ahamed was appointed Managing Director of Softlogic Life Insurance PLC in 2014. He also heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the financial services holding company of the group that has interests in Insurance, Leasing and Finance and Stockbroking. 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 the University of Wales, UK.

4 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. He was serving as a member of the Monetary Policy Consultative Committee of Central Bank of Sri Lanka and was also 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.



6 MR. RAY ABEYWARDENA

Director

Mr. Ray Abeywardena is the Managing Director of Acuity Partners (Pvt) Ltd. He has been associated with Sri Lanka's capital markets for over 30 years, primarily as a Stockbroker and since 2009 as an Investment Banker. Prior to being appointed as Managing Director/CEO of Acuity Partners (Pvt) Ltd he served as the Managing Director/CEO of Acuity Stockbrokers (Pvt) Ltd from 2001 to end 2008. Mr. Abeywardena is the Chairman of Acuity Stockbrokers (Pvt) Ltd, Acuity Securities Ltd, the Colombo Stock Exchange and the Central Depository Systems (Pvt) Ltd, and is a Director of Guardian Acuity Asset Management Ltd, Lanka Ventures PLC, Lanka Energy Fund Ltd and The Associated Newspapers of Ceylon Ltd.

Mr. Abeywardena, a past Chairman of the Colombo Stockbrokers Association, is a member of the Chartered Institute of Marketing (UK) and holds a Masters Degree in Business Administration from the University of Wales.

6 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.

7 MR. JATINDER MUKHI

Director

Mr. 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.

Mr. 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.

Mr. 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.

CORPORATE MANAGEMENT TEAM



IFTIKAR AHAMED
Managing Director



CHULA HETTIARACHCHI
Chief Operating Officer



AMAL DHARMAPRIYA
General Manager - ICT



SURANGA WADUGE
Deputy General Manager - Actuarial



NUWAN PUSHPAKUMARA
Assistant General Manager - Finance



DAYAN RANASINGHE
Assistant General Manager - Treasury



INDIKA BAMUNUSINGHE
Head of Human Resources

* Please Refer Page 180 to 182 for Profiles of the Corporate Management Team



THILANKA KIRIPORUWA
Chief Corporate Services Officer



DILAN CHRISTOSTOM
Chief Strategy Officer



LASITHA WIMALARATNE
General Manager - Life Operations



PIYUMAL WICKRAMASINGHE
Assistant General Manager - Alternate Channel



NUWAN WIDYAPATHIGE
Assistant General Manager - Marketing



RUWANTHA ARUKWATTA
Chief Manager - Internal Audit



ROSHENI WICKRAMARATNE
Deputy Head of Legal



RUSHIKA BEMUNUGE
Senior Manager - Risk

SALES MANAGEMENT TEAM



KAPILA SURIYARACHCHI
General Manager - Life Sales



SANDAMAL HETTIARACHCHI
General Manager - Life Sales



LAL HETTIGE
Deputy General Manager - Customer
Relationship Development



HIRAN GUNAWARDENA
Deputy General Manager - Training &
Knowledge Development



PRIYASHANTHA SIRIWARDENA
Deputy General Manager - Life Sales



VIRANGA GUNATHILAKA
Assistant General Manager - Life Sales



MIHILAL NISHANTHA
General Manager - Life Sales



INDU ATTYGALA
General Manager - Business Development



SUSANTHA ABEYTUNGE
General Manager - Life Sales



SOMA HETTIARACHCHI
Assistant General Manager - Life Sales



SUSIL ATAPATTU
Assistant General Manager - Life Sales



CHAMINDA WEERAKKODY
Assistant General Manager - Life Sales

MR. IFTIKAR AHAMED

Managing Director

Refer page 174 for the detailed profile.

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.

MR. THILANKA KIRIPORUWA

Chief Corporate Services Officer

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, Payment Operations/ Business Control, Admin- Facilities & investigations aspect for Softlogic Life.

MR. DILAN CHRISTOSTOM

Chief Strategy Officer

ACCA

He is an Associate Member of the Association of Chartered Certified Accountants (ACCA). His career spans over 16 years, of which 5 years was spent overseas. He also functions as Head of Finance at Softlogic Capital PLC and Softlogic Stockbrokers (Pvt) Ltd. 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 Softlogic Team that won the International Asset & Liability Management competition conducted in Germany by DEG and FMO. His extensive knowledge and experience in Strategy, Corporate Finance, ERP Implementation, Actuarial and Accounting brings a wider perspective to the Company.

MR. LASITHA WIMALARATNE

General Manager - 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 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 20 years, including 17 years in Life Operations and 3 years of Marketing and Sales exposure 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 Vice President. Also a Council Member of the Association of Chartered Insurance Professionals (ACIP) Sri Lanka and was the founder Secretary General of the ACIP. He had published a book on importance of Life Insurance in 2003.

MR. AMAL DHARMAPRIYA

General Manager – ICT

B.Sc. (Applied science), M.Sc. (Computer Science), MBA

Mr. Dharmapriya counts over 15 years of IT and business process automation management experiences in his career. He possesses a proven track record of driving quality solutions and delivering complex integrations and roll-outs by providing innovative end-to-end solutions; oversees budget adherence, milestone completion and strengthens policy and compliance frameworks. Mr. Dharmapriya has guided and nurtured a proactive and effective team performance culture in the Softlogic Life IT. He is also a committed individual for continual improvement in team building and client satisfaction. His pet area of Research & development is Big Data and AI based machine learning.

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.

MR. SURANGA WADUGE

Deputy General Manager - Actuarial

BSc(Hons), MSc (Mathematics & Statistics) MSc (Actuarial Management)

Suranga Waduge heads the Actuarial functions in the Company. He holds M.Sc. degrees in Actuarial Management from Heriot Watt University, UK and in Mathematics and Statistics from the University of Missouri, Kansas City, USA. He earned his B.Sc. (Hons) in Business, Financial and Computational Mathematics from the University of Colombo.

Suranga began his career at Softlogic Life Insurance as a Management Trainee

in 2004 and left the company in 2006 to pursue higher studies. He returned to Softlogic Life as Manager -Actuarial in 2009. He counts over 8 years management experience in the fields of Actuarial and Life Reinsurance. During his career in Insurance, he has participated in many foreign and local training programs in Life Insurance and Reinsurance including FALIA (Japan). At present, he is working towards becoming an Associate Member of the Institute and Faculty of Actuaries(UK).

MR. NUWAN PUSHPAKUMARA

Assistant General Manager - Finance

MBA PIM (USJP), Bachelor of Business Management Finance Special, ACA, ACMA

Mr. Nuwan Pushpakumara holds a Master's in Business Administration from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura 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 in January 2014 and currently Heads the Finance function of the Company. He counts over 13 years of management experience in fields of insurance, finance and audit. He started his career with KPMG Sri Lanka and subsequently join to Union Assurance PLC.

The high point of his career was spearheading the IFRS convergence in the Industry panel. He is member of the Banking, Insurance, Public Sector Committee at the Institute of Certified Management Accountants of Sri Lanka and Continuous Professional Development Committee (CPD) 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.

MR. 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 then moved from operations to sales in end 2016 to start up the Alternate Distribution Channel. He is presently heading the Alternate Channel of which the main pillars are Bancassurance (endowment & mortgage protection) and Corporate life & health. The Alternate Channel achieved a record-breaking GWP within the 1st year of operation under his leadership. 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.

MR. NUWAN WIDYAPATHIGE

Assistant General Manager - Marketing

B.Com (Special) – University of Kelaniya

Mr. Nuwan Widyapathige is an accomplished marketer counting over a decade worth experience in 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 of 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 and also inducted in to the Most Influential Global Marketing Leaders Listing by World Marketing congress in 2017. Mr. Widyapathige holds a B.Com (Special) Degree from the University of Kelaniya.

MR. DAYAN RANASINGHE

Assistant General Manager - Treasury

BA, ACMA, CGMA

Dayan Ranasinghe has previously worked in several institutions in the financial sector, notably covering areas of audit, leasing and hire purchase as well as asset management and as a result 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 which have continued to outperform industry benchmarks consistently to date.

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), most of which were recognised as ground breaking innovative projects at their introduction to the local finance sector.

Dayan is an alumnus of the University of Colombo and an Associate of the Chartered Institute of Management Accountants (U.K)

MR. INDIKA BAMUNUSINGHE

Head of HR

B.Bus (Management & HRM) - LTU Australia

Indika Bamunusinghe holds a Bachelor of Business majoring in Management and Human Resource Management from La Trobe University, Melbourne, Australia. His experience spans over a period of 12 years in insurance and retail sectors in Sri Lanka, Australia and Hong Kong. Prior to joining Softlogic Life, he worked at AIA Insurance. During his tenure he has held a regional role in talent management where he was strategically involved in identifying key successors and developing leadership at AIA group office in Hong Kong. Indika has actively contributed to many projects and missions in areas of organizational development, talent management and leadership development in several countries.

MR. RUWANTHA ARUKWATTA

Chief Manager - Internal Audit

ACA, IIA

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 8 years experience in the finance and insurance industry.

MS. ROSHENI WICKRAMARATHNE

Deputy Head of Legal & Compliance Officer

LL.M (Masters in Law), Attorney-at Law

Rosheni Wickramaratne joined Softlogic Life as Deputy Head of Legal in April 2016 and also took over the function of Compliance Officer in October 2016. She heads the Legal and Compliance functions of the Company.

Immediately prior to joining Softlogic Life she worked at AIA Insurance Lanka PLC as Manager Legal & Group Compliance and thereafter as Legal & Regulatory Affairs Manager and also as the Company Secretary of one of its subsidiary company. She also possesses experience in capital market policy initiatives and market regulations and enforcement actions having worked at the Legal & Enforcement Division of the Securities & Exchange Commission of Sri Lanka.

She is an Attorney-at Law by profession and holds a Masters of Law (LL.M) from the Faculty of Law, University of Colombo. She also holds a Diploma in Banking, Insurance and Finance Law from the Institute of Advanced Legal Studies of the Incorporated Council of Legal Education and a Certificate of Business Accounting from the Chartered Institute of Management Accountants (CIMA UK).

She counts over 11 years of management experience in the fields of Commercial Law & Foreign Direct Investments, Corporate Transaction Structuring, Litigation, Securities and Capital Market Regulation, Compliance and Company Secretarial Practice. Her career development includes experience in legal and compliance work relating to both local and foreign jurisdictions and introduction and implementation of capital market regulations, take-over and mergers and operations of market participants.

MS. RUSHIKA BEMUNUGE

Senior Manager - Risk

MFE (University of Colombo), BSc. Econ (London School of Economics)

Rushika 's journey at Softlogic Life Insurance commenced in 2014, and since, she has been instrumental in establishing the Risk Management Unit and successfully designing and implementing the Risk Framework and Risk Processes of the Company.

She is equipped with over 9 years' of Risk Management experience, with specialty focus in Market Risk Management in the Banking and Finance Sector.

Her journey in Risk Management began at DFCC Bank, where her core responsibilities were Market Risk Management and providing extensive Economic Analysis and Forecasting for the Bank.

Rushika holds a Masters in Financial Economics from the University of Colombo and a BSc. Economics from the London School of Economics and Political Science.

She also holds an award in Risk in Financial Services through the Chartered Institute for Securities & Investments, UK, and, has received specialty training in Risk Management Practices for Life Insurance through FALIA (Japan) and OLIS (Japan).



“WE WILL CONTINUE TO STAY FOCUSED ON IMPROVING THE EFFECTIVENESS OF THE BOARD AND IN RESPONDING APPROPRIATELY TO STAY CURRENT WITH REGARDS TO DEVELOPMENTS TAKING PLACE IN THE GOVERNANCE ENVIRONMENT. OUR FOCUS IS TO BE CONTINUOUSLY COMMITTED TO OPERATE AT THE HIGHEST STANDARDS OF ETHICS AND TRANSPARENCY AND BEING FULLY ACCOUNTABLE TO ALL OUR STAKEHOLDERS.”

CHAIRMAN'S MESSAGE

At Softlogic Life, we embrace corporate governance across the organization as we believe that it ensures the sustainability of the organization and allows the Company to carry out its business in a responsible manner with respect to its stakeholders. This report goes on to provide an overview of the corporate governance framework within the Company and also the initiatives taken during the year to further elevate the governance of the Company to highest standards.

Governance Ideology

Softlogic Life has the firm belief grounded deep within its value system, that promoting and maintaining responsibility, accountability, transparency, reliability and impartiality at all levels of the organization is the essence of corporate governance. These guiding principles are well embedded within the governance structures of the organization as well as within the job roles of the employees so that it can sustain its reputation as an effective, truly sustainable corporate citizen.

Governance Structure

Softlogic Life operates within a well-defined governance structure through which the Board balances its role of providing risk oversight and strategic counsel while ensuring that the Company adheres to regulatory requirements and risk tolerance. The governance structure provides for delegation of authority whilst enabling the Board to retain effective control. The

Board delegates authority to the relevant Board Committees and the management with clearly-defined mandates and authority, while preserving its accountability.

We work closely with the regulators to ensure that our internal governance standards are up to their expectations.

Continuous Improvement

Softlogic Life has taken new initiatives to further strengthen the corporate governance framework in line with its continued commitment to foster and maintain the highest standards of governance in all operational aspects. Such continuous improvement in corporate governance is very critical especially in a dynamic business environment which changes drastically due to economic, technological, social and many other reasons. Most of the corporate governance initiatives in 2017 has improved the transparency of core operations.

Our Promise

We will continue to stay focused on improving the effectiveness of the Board and in responding appropriately to stay current with regards to developments taking place in the governance environment. Our focus is to be continuously committed to operate at the highest standards of ethics and transparency and being fully accountable to all our stakeholders.

Declaration

In addition, I wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the Code of Best Practice on Corporate Governance.

A handwritten signature in blue ink, appearing to read 'Ashok Pathirage'. The signature is stylized and cursive.

ASHOK PATHIRAGE
Chairman

29th March, 2018

STATEMENT OF COMPLIANCE

Softlogic Life Insurance PLC continues to maintain the highest level of standards in corporate governance. This is to a large extent driven by the top level leadership from the Board as well as from other levels of management. Most importantly it is driven by the strong values that lie at the core of our company's culture. We also strongly believe that such high standards allow us to earn the respect and trust of the stakeholders which translates into sustainable growth in the share value.

The Board of Directors of Softlogic Life Insurance PLC wishes to confirm that the Company has been fully compliant, during the year under review with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission (SEC), Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto issued by Insurance Regulatory Commission of Sri Lanka ("IRCSL"). In addition, we have achieved the status of 'Fully Compliant' with the applicable sections of the Listing Rules on Corporate Governance issued by The Colombo Stock Exchange (CSE).

The Board of Directors also wishes to confirm that, to their best of knowledge and belief, Softlogic Life is compliant with all the requirements under the Companies Act No.7 of 2007 and has satisfied all its statutory payment obligations to the government and other regulatory bodies.

The status of compliance with each section of the Code of Best Practice on Corporate Governance issued jointly by CASL and SEC appears on pages 210 to 221. The Company has also included a table which summarises the status of compliance with Rule No. 7.10 of the Listing Rules of the CSE, on pages 224 to 226.

Further the Statement of Directors' Responsibility to Financial reporting is provided on pages 265 to 266.

INTEGRATED GOVERNANCE FRAMEWORK

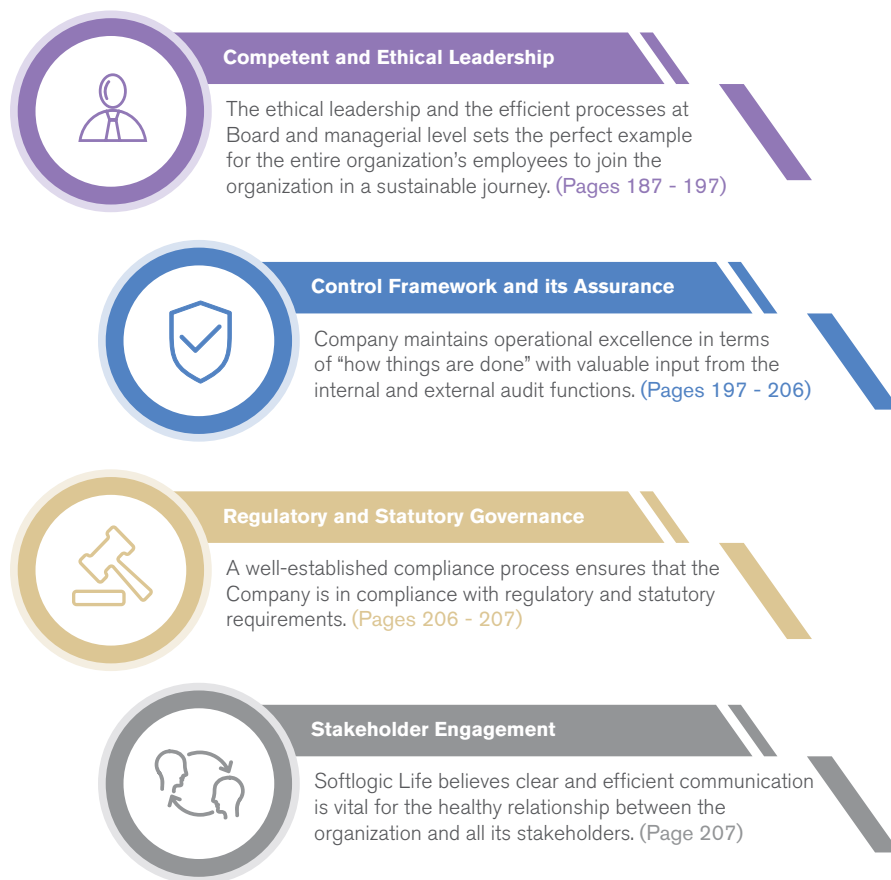
Integrated Governance framework of Softlogic Life exists to facilitate strong foundation in effective management and sustainable growth of the Company. Our structured governance framework and application of best governance practices builds confidence in all stakeholders on 'how we operate'.

We always focus on the accountability and transparency in each and every action we take as an Insurance Company. This ensures that we meet shareholder expectations as well as protect policyholders and act in their best interest.

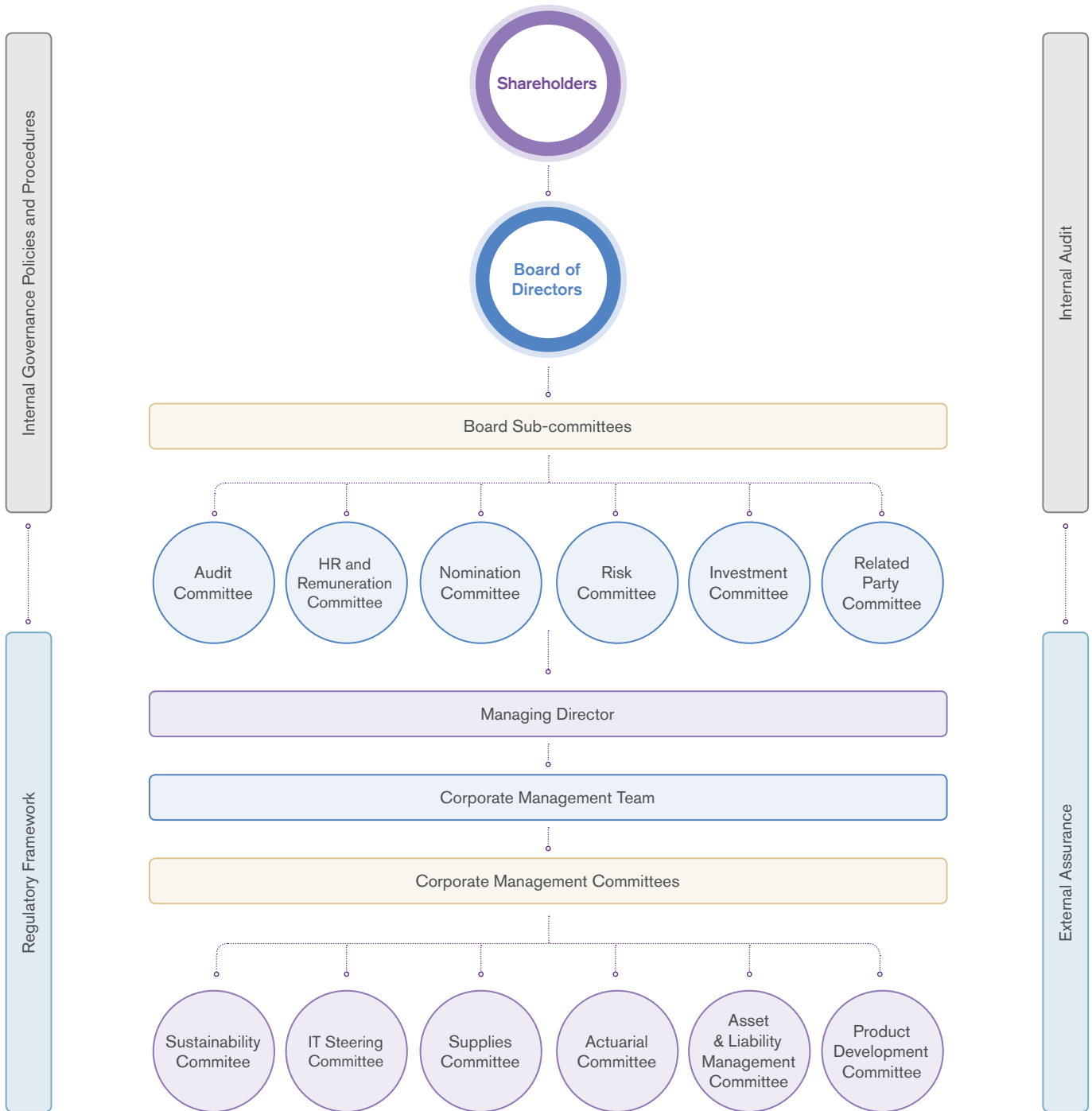
OUR APPROACH TO CORPORATE GOVERNANCE

We summarise all our governance practices under the following pillars. This graph shows how Softlogic Life Insurance PLC has effectively carried out its corporate governance practices during 2017.

Figure: Our approach to Corporate Governance



CORPORATE GOVERNANCE FRAMEWORK



KEY CORPORATE GOVERNANCE INITIATIVES IN 2017

Initiative	Description
<p>Oracle Implementation to facilitate Insurance fund level accounting</p>	<p>The Company has implemented the new Oracle accounting system with effect from 01st January 2017. The new system is designed to keep separate ledgers for the Participating policyholder segment, Non-Participating policy holder segment and Shareholder segment. The new methodology improves transparency of the assets and liabilities position of the Company as there is a clear segregation of the assets and liabilities respective fund. This initiative provides significant improvement in its governance practices compared to the previous practice of notional allocation of assets and liabilities.</p>
<p>Setting up of internal Management Investment Committee</p>	<p>The Company has set up the Internal Management Investment Committee during the year. The Insurance Regulatory Commission of Sri Lanka issued guidelines on investments for insurance companies on 6th November 2017 and the Company ensures that it is fully compliant with such guidelines through this committee.</p> <p>The Committee will mainly focus on designing operational level investment strategies and policies and procedures for effective and efficient governance of investment activities of the Company. Further this committee will focus on the risk management framework and the internal control mechanism of investment activities.</p>
<p>Ring-fencing of investment assets</p>	<p>Investment Assets have been physically ring-fenced at each fund level during the year. The Company started to maintain separate custodian accounts in order to maintain the physical separation of the financial investments. This initiative has further strengthened transparency of investment activities such as computation of fund wise investment performance and allocation of precise benefits to policyholders based on performance of the fund.</p>
<p>Assets Share Analysis</p>	<p>The Company has developed initial asset share for participating business by engaging the Towers Watson India Private Limited which is a globally recognised actuarial firm. This exercise enables the Company to declare an accurate bonus.</p> <p>The asset share of a policy is a mathematical construct that aims to estimate the 'fair share' of the participating fund due to each policy or group of policies. The study proves that the Company is allocating the bonuses to the participating policy holders on a fair basis.</p>
<p>Expense Study</p>	<p>The draft guidelines on management of insurance funds issued by the Insurance Regulatory Commission require expenses to be attributed to the insurance fund against which expenses are incurred. During 2017, the Company engaged Towers Watson India Private Limited to assist in developing an expense allocation framework to enable appropriate expense attribution and assumption setting for various actuarial applications.</p> <p>The Company identified most appropriate allocation basis for each type of expense and concluded the expense study. Further these allocation bases are used to allocate the expenses in the general ledger on a consistent basis throughout the year.</p>
<p>Minimum Public Holding Requirements</p>	<p>The SEC introduced revised minimum public holding requirements as a continuous listing requirement in January 2017 and provided with two options for the companies listed in the Diri Savi Board to comply with the new rules. During the year, Softlogic Life was able to comply with this new rule that was put forward by the SEC.</p>

CORPORATE GOVERNANCE BENCHMARKS



MANDATORY GOVERNANCE RELATED COMPLIANCE

- Code of Best Practice on Corporate Governance - Section 7.10 of the Listing Rules of Colombo Stock Exchange (Pages 224 - 226).
- Content of Annual Report - Section 168 of Companies Act No.7 of 2007 (Pages 255 - 256).
- Content of Annual Report - Section 7.6 of Listing Rules of Colombo Stock Exchange (Page 410).
- Related Party Transactions - Section 9 of the Listing Rules of the CSE (Page 226).
- Regulation of Insurance Industry (RI) Act No. 43 of 2000 and subsequent amendments.



VOLUNTARY GOVERNANCE RELATED COMPLIANCE

- 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) of Sri Lanka (Pages 210 – 221).
The Institute of Chartered Accountants of Sri Lanka has launched a revised code and it will be effective from 01st January 2018.
However, Softlogic Life Insurance PLC has already complied with some revised requirements.
The Company has presented the status of compliance of the new Disclosure requirements in the revised code (Pages 222 - 223).



INTERNAL GOVERNANCE POLICIES

- Articles of Association
- Risk Management policies and procedures
- Internal control processes and procedures
- Code of business conduct and ethics
- Finance related policies
- IT governance policies
- Compliance policy
- Whistleblower policy
- Supplier and Procurement policy
- Treasury policy
- Reinsurance administration policy
- Life underwriting and claims management policies

1. COMPETENT AND ETHICAL LEADERSHIP



1.1 BOARD OF DIRECTORS

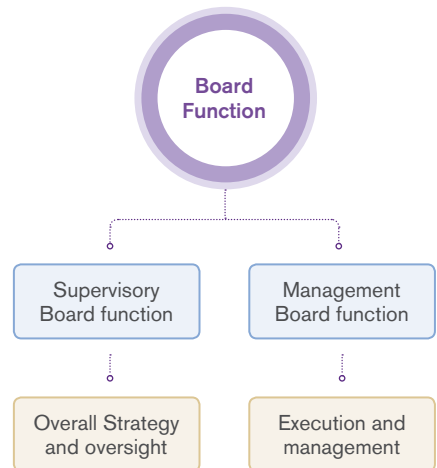
A. Board Dynamics

A.1 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 which comprises of the Board of Directors including the MD 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). Hence it also clearly ensures division of responsibilities between the Chairman and CEO. Therefore, the Chairman is independent from the CEO.

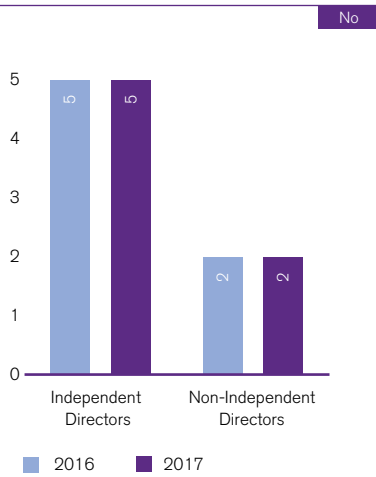
Figure: Dual Function of the Board



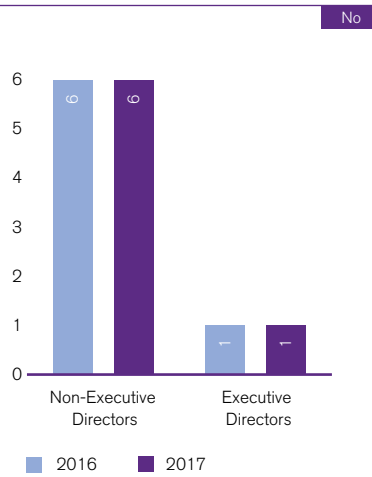
A.2 Composition of the Board

The Board consists of 07 Directors. The Managing Director is an Executive Director whilst the other directors hold office in a Non-Executive capacity. The Board comprises of the Chairman, Managing Director (MD) and 5 other Directors. Except for the MD, the other Directors hold office in a Non-Executive capacity, whereas 5 Non-Executive Directors are independent. The MD, with his experience, deep knowledge of business 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 and oversight. The Board is also strengthened by the fact that five out of the six Non-Executive Directors are independent and this especially ensures objective judgement on corporate matters.

BOARD COMPOSITION - INDEPENDENT/ NON-INDEPENDENT



BOARD COMPOSITION - EXECUTIVE/ NON-EXECUTIVE



A.3 Skills and Experience of the Board

The Board members display a wide, rich array of skills, expertise and knowledge that ensures insightful and constructive debate at Board Meetings. The qualifications each of these Directors possess, the exposure in various industries as well as fields and differing scopes at various levels bear evidence to the skills and expertise they possess.

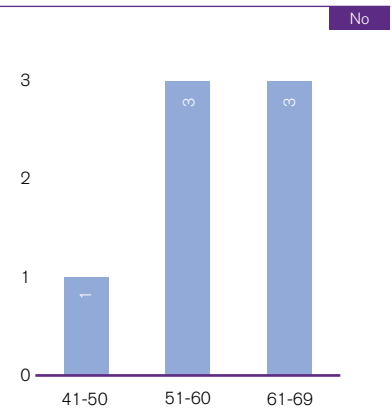
The expertise, experience and qualifications of the Board are mentioned in their respective profiles in pages 174 to 175.

EXPERTISE AREAS OF DIRECTORS



* An individual director may fall into several expertise areas.

AGE DISTRIBUTION OF DIRECTORS



A.4 Role of the Board

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.

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 are as follows;

Table: Responsibilities of the Board

Strategic Direction	Execution and Operating Governance
<ul style="list-style-type: none"> Setting, reviewing, directing, approving and monitoring the corporate strategies. Setting strategic targets and implementation plans. Discharging its duties through various sub committees of the main Board. 	<ul style="list-style-type: none"> Providing guidance to Director/MD and senior management and ensuring they possess the relevant skills, experience and knowledge to implement the strategies. Ensuring the effectiveness of internal controls and risk management via review of internal audit reports, compliance reports and management letters (external auditors). Appointing the MD and succession planning in the senior management. 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.
Continuous Monitoring	Reporting and Compliance
<ul style="list-style-type: none"> Monitoring how strategy is executed on a periodic basis. Monitoring performance against budgets on a regular basis via monthly review of financial performance reports. 	<ul style="list-style-type: none"> Compliance with laws, regulation (IRCSSL) and statutory payments via review of compliance reports. Reporting to shareholders on their stewardship. Ensuring the integrity of financial information, internal controls, risk management and financial statements.

Role of Chairman

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.

Role of Independent Non-Executive Director

In addition to Independent 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 190 and 191.

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.

A.5 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.

Reasoning behind new Board appointments:

- Skills, expertise and experience necessary to meet the strategic vision for the business.
- Means for enhancing Board performance.
- Skills, expertise and experience not adequately represented at the Board.
- Process necessary to ensure the selection of a candidate who possesses the required qualities.

A.6 Board Induction

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 such as financial plans, including budgets and forecasts and periodic performance reports necessary to carry out duties and responsibilities effectively and efficiently.
- Company secretaries, Senior management, External and internal auditors, Experts and other external professional service providers.
- Updates on regulations, best practices as relevant to the business and other matters which are considered to warrant Board attention.
- Seek independent professional advice at the Company's expense, if considered appropriate and necessary, at any time.

A.7 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. Hence, 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.

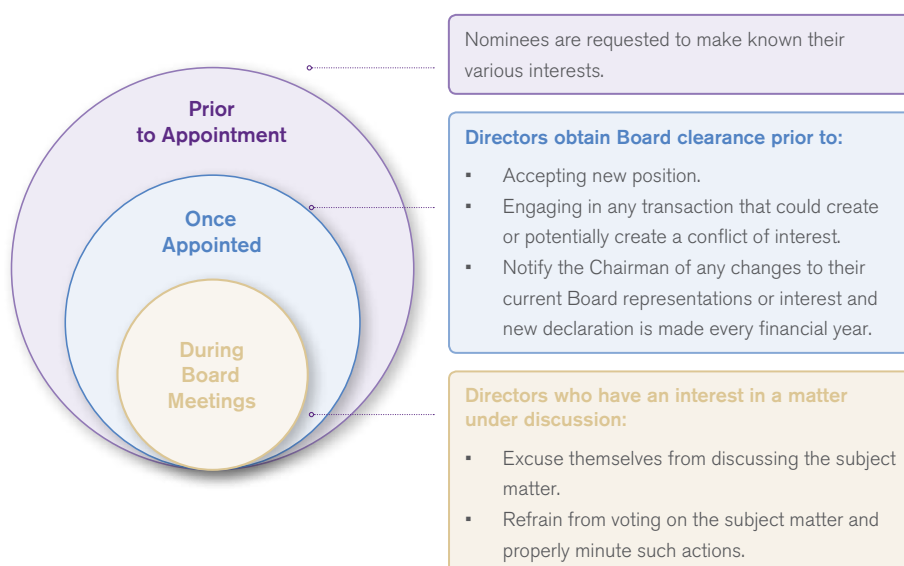
B. Maintaining the Independence of Directors

B.1 Independence of the 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.

Figure: Three-way approach to eliminate conflict of interest



The independence of the Non-Executive Directors was reviewed on the basis of the detailed criteria mentioned on page 191:

	Employment by the Company	Material business relationship	Close family member is a KMP	Significant shareholding	service of nine or more years	Business Relationship	Director in another entity	Shareholder in another company
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Mr. Ashok Pathirage	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Paul Ratnayeke	✓	✓	✓	✓	✗	✓	✓	✓
Mr. Iftikar Ahamed	✗	✓	✓	✓	✓	✓	✓	✓
Mr. Sujeewa Rajapakse	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Ray Abeywardena	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Jatinder Mukhi	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Johannes Richters	✓	✓	✓	✓	✓	✓	✓	✓

✓ Compliant ✗ Do not meet independence criteria

Note: The board noted that Mr. Paul Ratnayeke does not satisfy the criteria for 'Independence' in that he has continuously been a director of the company exceeding nine years from the date of his first appointment. However the board taking into account all of the circumstances in that Mr. Paul Ratnayeke being a professional and has considerable experience in the commercial sphere, the board is satisfied that this judgement will be exercised in the same manner as a qualified independent director.

Criteria

- Has not been employed by the Company during the period of two years immediately preceding appointment as Director.
- Currently has no material business relationship with the Company directly or indirectly, nor had any during the period of two years.
- Does not have any close family member/s who is a Director or CEO or key management personnel in the Company.
- Does not have a significant shareholding in the Company nor associated directly with, a significant shareholder of the Company.
- Has not been served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment.

- Self or close family member is not a Director or employee of another company or a trustee which is materially connected to the Company in terms of shareholding or business relationship.
- Not a Director of another company in which majority of the other directors are employed / directors or have any significant shareholding.
- Does not have any material business relationship or significant shareholding in another company in which majority of the other directors are employed / directors or have any significant shareholding.

B.2 Submission of Independence Declaration

The formal declaration of independence which is made annually has been submitted by all Directors in 2017.

C. Board Sub-committees

While the entire Board remains accountable for the performance and affairs of the Company, it delegates certain functions to sub committees (to deal more effectively with complex or specialised issues) and the management to assist it in discharging its duties.

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.

The details of the Board Committees are presented in the following table:

Table: Board Sub-committee Dynamics

Board Sub-committee	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 Mukhi	Mr. Ashok Pathirage	Mr. Sujeewa Rajapakse
Members	Mr. Ray Abeywardena, Mr. Jatinder Mukhi, Mr. Johannes Richters	Mr. Sujeewa Rajapakse, Mr. Ray Abeywardena, Mr. Paul Rathnayake	Mr. Paul Rathnayake, Mr. Ray Abeywardena	Mr. Ray Abeywardena, Mr. Iftikar Ahamed, Mr. Johannes Richters	Mr. Iftikar Ahamed, Mr. Sujeewa Rajapakse, Mr. Jatinder Mukhi, Mr. Johannes Richters	Mr. Ray Abeywardena, Mr. Johannes Richters, Mr. Jatinder Mukhi
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 weeks 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, AGM - Finance, CSO, GM - Operations, Group Head Audit & Risk, D. Head of Legal & Compliance Officer, CM Internal Audit, Representatives of FMO/DEG, GM IT, Representatives of External Auditors	MD	N/A	COO, AGM - Finance, CSO, GM - Operations, DGM Actuarial, GM - IT, Head of Group Audit & Risk, CM Internal Audit, D. Head of Legal & Compliance Officer, SM Risk, Manager IT Security & Risk	AGM - Treasury, Head of Investments - Softlogic Holdings Limited, AGM - Finance, CSO	MD, AGM - Finance, D. Head of Legal and Compliance Officer, CSO

Board Sub-committee	Audit Committee	HR and Remuneration Committee	Nomination Committee	Risk Committee	Investment Committee	Related Party Committee
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 pages on 229 - 232	Refer Remuneration Committee report pages on 233 - 234	Refer Nomination Committee report page on 236	Refer Risk Committee report pages on 237 - 238	Refer Investment Committee report page on 235	Refer Related Party Transactions Review Committee report pages on 239 -240
Role	To provide effective governance and oversight over the Company's financial reporting, performance of the internal audit function, external audit function and management of the Company's internal controls and related activities.	To assess and make recommendations to the Board on the policy on recruitment, remuneration, benefits and talent management of the Company's employees.	To ensure that the Board and the key management personnel comprises of individuals with the necessary skills, knowledge and experience to enable effective discharge of their duties.	Responsible to design, implement and monitor an effective risk management programme for the Company.	To ensure the appropriate investment strategy is designed and evaluate investment performance periodically.	To ensure that all related party transactions of the Company and its group are consistent with the regulatory provisions laid out under LKAS 24, the Corporate Governance Directions and Listing Rules issued by the Colombo Stock Exchange.

D. Board Meetings

D.1 Attendance of the Board members in Board and Board Sub-committee meetings

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 the table below for Committee membership of each Director and Board meeting attendance.

Table: Committee Membership of Directors

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	Managing Director (ED)	√	By invitation	×	By invitation	√	√	By invitation
Mr. Sujeewa Rajapakse	INED	√	√	×	√	×	√	√
Mr. Ray Abeywardena	INED	√	√	√	√	√	×	√
Mr. Johannes Richters	INED	√	√	×	×	√	√	√
Mr. Jatinder Mukhi	INED	√	√	×	×	√	√	√

INED - Independent Non-Executive Director NED - Non-Executive Director ED - Executive Director

Table: Attendance and Status of Director

Name of the Director	Board Meeting		Board Sub-committee											
	Status	Attendance	Audit Committee		HR and Remuneration Committee		Nomination Committee		Risk Committee		Investment Committee		Related Party Committee	
			Status	Attendance	Status	Attendance	Status	Attendance	Status	Attendance	Status	Attendance	Status	Attendance
Non-Independent Non-Executive Director														
Mr. Ashok Pathirage	Chairman	4/4	N/A	N/A	Chairman	1/1	Chairman	1/1	N/A	N/A	Chairman	4/4	N/A	N/A
Independent Non-Executive Director														
Mr. Paul Ratnayake	Deputy Chairman	2/4	N/A	N/A	Member	1/1	Member	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Sujeewa Rajapakse	Member	4/4	Chairman	5/5	Member	1/1	Member	N/A	N/A	N/A	Member	4/4	Chairman	4/4
Mr. Ray Abeywardena	Member	4/4	Member	5/5	Member	1/1	Member	1/1	Member	4/4	N/A	N/A	Member	2/4
Mr. Jatinder Mukhi	Member	4/4	Member	4/5	N/A	N/A	N/A	N/A	Chairman	4/4	Member	4/4	Member	4/4
Mr. Johannes Richters	Member	2/4	Member	3/5	N/A	N/A	N/A	N/A	Member	2/4	Member	2/4	Member	2/4
Executive Director														
Mr. Ifthikar Ahamed- Managing Director	Member	4/4	N/A	N/A	N/A	N/A	N/A	N/A	Member	4/4	Member	4/4	N/A	N/A

Note: Mr. Ifthikar Ahamed attends Audit Committee, HR and Remuneration Committee, and Related Party Transactions Review Committee meetings by invitation. Therefore only the attendance in the committees in which Mr. Ifthikar Ahamed holds membership is disclosed.

D.2 Key focus of the Board-2017

STRATEGY	FINANCE	OPERATIONAL PERFORMANCE
<ul style="list-style-type: none"> 2018 corporate budget and strategy has been approved. Frequent updates on new product initiatives, strategic decisions and market gaps are reviewed. Review of Competitor Analysis. 	<ul style="list-style-type: none"> Board Information reviewed by the Board which includes performance review on sales and operations, Management Information Systems Report, Sales Review Report, Claims Report, Investment Portfolio Report, Statutory Accounts, Financial Performance Report, Legal Review Report, Compliance Review Report, and HR Review Report. All the interim financial statements and the annual report of the Company were reviewed and authorised to be released. Financial performance of the Company was regularly monitored and discussed at the Board. 	<ul style="list-style-type: none"> Discussion on the frequent updates by the COO and AGM-Alternate Channel on the new and current initiatives by the Company as well as the competitive positioning of the Company in the market. Board is provided with reports on the key operational performance metrics under key departments and discussions are carried out as to how improvements can be made. Discussion of the Operations Department Key Performance Indicators ("KPIs") and the actuals achieved as well as monitoring the progress of the new initiatives.
HR	IT AND LEGAL COMPLIANCE	
<ul style="list-style-type: none"> Discussion on the succession plans, talent acquisition targets and strategies as well as other key HR metrics. Review the updates on the new initiatives taken by the HR department that have been taken with respect to talent acquisition, retaining staff as well as learning and development aspects. Review of progress on the initiatives that have been implemented with respect to the feedback received from the Great Place to Work survey 2017. 	<ul style="list-style-type: none"> Review of the proposed new IT initiatives and their progress. Review regular compliance reports and legal reports. 	

D.3 Ensuring the effectiveness of Board meetings

PRIOR TO BOARD MEETINGS	DURING BOARD MEETINGS
<ul style="list-style-type: none"> All Board Meetings are informed to the Board at the beginning of each year while all the Directors are given an opportunity to include matters in the agenda. The Chairman draws up the agenda in consultation with the MD and the Company Secretary. All Board and Board committee meetings are scheduled in consultation with the directors. Notice of meetings, agenda and Board Papers related to each Board Meeting are uploaded to the Ipads of Directors at least 7 days in advance of the Board meeting. Directors have independent access to the Company Secretary and the discretion to obtain external advise. Directors can also participate by telephone or video conference. 	<ul style="list-style-type: none"> The Chairman facilitates constructive dialogue between all Directors at Board Meetings. Board Sub-committee Chairpersons provide updates on matters discussed at committee meetings. The Managing Director gives a complete and comprehensive update on the operations and financial performance of the Company as well as on industry trends and developments. Directors have access to Key Management Personnel who regularly present to the Board and are also called in by the Board to explain matters relating to their respective areas. The Company Secretary attends Board Meetings and ensures that applicable rules and regulations are complied with. A Director who has a conflict of interest in a matter to be considered, abstains from voting and is also not counted in the quorum.

E. Board Competency Review and Reward

E.1 Board Performance Evaluation

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 recognised 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 in accordance with the corporate governance charter, 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 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.

E.2 Board Audit Committee Performance Evaluation

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.

The Company continue this process of evaluating the Audit Committee to a 360-degree appraisal in 2017, involving both Internal and External Auditors as well.

E.3 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 remuneration committee has been delegated the 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 are as follows:

- Pay Positioning – In comparison to the external environment.
- Pay Parity – The stance taken among internal equity.
- Pay approach – Compensation matching role definition.

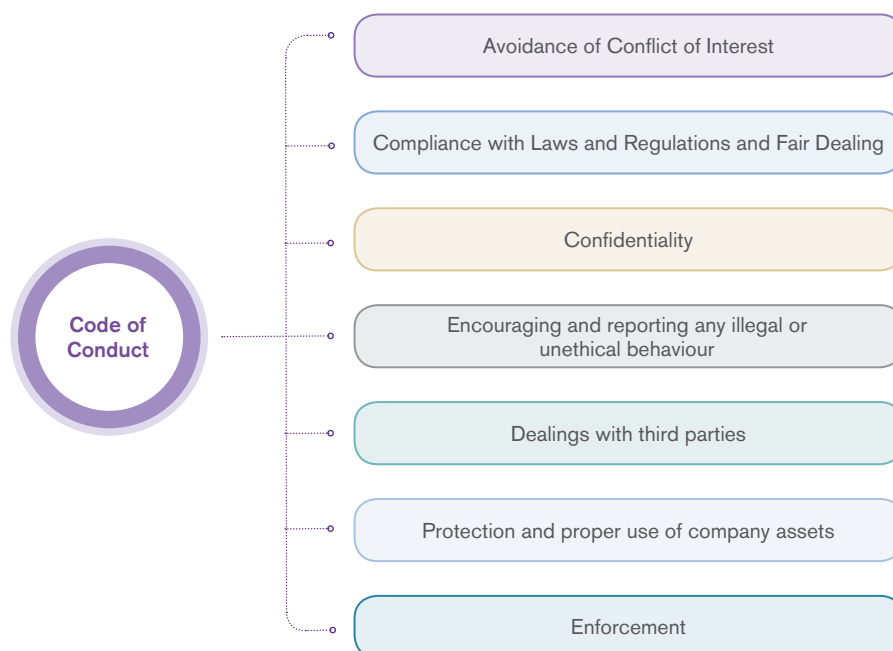
Disclosure of remuneration

The breakdown of remuneration paid to Non-Executive Directors is disclosed among the other disclosures regarding remuneration on page 307 in the Annual Report.

F. A Brief Description on the Code of Conduct and Ethics of the Company

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.

Figure: Company's Code of Conduct and Ethics



“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”

Avoidance of 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.

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 authorised 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 authorised 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.

1.2 EXECUTIVE MANAGEMENT

A. MD/CEO

A.1 Role and Responsibilities of the MD

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 Corporate Management Committee.

A.2 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 2017 were:

- Market Share
- Grow 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.

A.3 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 and the remuneration of the MD consists of a fixed component as well as a variable component.

B. 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 Managing Director.

“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”

Table: Management Committee Dynamics

Description	IT Steering Committee	Supplies Committee	Actuarial Committee	Product Development Committee	Sustainability Committee	Asset and Liability Management Committee
Objective	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.	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.	Communicate 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.	To align the Company's Investment Strategy with its Business and Financial Objectives. It also defines the methodologies to assess, monitor and mitigate; Interest Rate Risk, Reinvestment Risk, Maturity Mismatch Risk, Cashflow Risk and Liquidity Risk.
Members	MD, COO, GM IT, CSO	COO, CSO, CCSO, AGM- Finance	MD, Consultant Actuary, GM- Life Operations, COO, CSO, DGM - Actuarial, AGM - Finance	DGM - Actuarial, GM-Life Operations, CSO, AGM - Finance, Head of HR, AGM - Marketing, Deputy Head of Legal & Compliance Officer	MD, COO, AGM - Finance, Head of HR, GM- Life Operations, AGM - Marketing	MD, COO, GM-Life Operations, DGM Actuarial, AGM - Treasury, SM Risk, CSO, AGM - Finance
Frequency of meetings planned and held	Quarterly	Bi Annually	Bi Annually	Quarterly	Quarterly	Quarterly

2. CONTROL FRAMEWORK AND ITS ASSURANCE



2.1 CONTROL FRAMEWORK

A. Actuarial Governance

Actuarial Governance principles

Actuarial function will play a vital role in the life Insurance companies. Therefore, Softlogic Life Insurance PLC has mainly focused on following actuarial aspects throughout the year which will help to strengthen the overall governance of the Company.

Life Fund Valuation

2017 Update:

Quarterly valuation was certified by Willis Towers Watson, a global Actuarial firm.

Dynamic Solvency Testing

2017 Update:

A capital projection framework has been developed for the first time in the Company history.

Experience Analysis

2017 Update:

Expense allocation framework has been developed and certified by Willis Towers Watson, a global Actuarial firm.

Precise Bonus Allocation to Policyholders

2017 Update:

Development of initial asset share for participating business and certified by Willis Towers Watson, a global Actuarial firm.

Profitability Analysis

2017 Update:

The Company has decided to change the re-insurance panel in 2018 which will contribute to its sustainable growth.

Product Designing and Pricing

2017 Update:

Continuous evaluation has been performed and relevant changes are effected.

Valuation of Insurance Contract Liabilities

Valuation of Insurance contract liabilities is performed to assess the future benefits to be paid to policyholders. Softlogic Life Insurance PLC performed the actuarial valuation on quarterly basis in 2017. Actuarial Valuation is carried out by the actuarial division and reviewed and certified by the appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Willis Towers Watson (WTW).

The quarterly and annual certification has been done on following dates by Mr. Kunj Behari Maheshwari, Messrs. Willis Towers Watson (WTW).

Table: Actuarial valuation and certification dates

Quarter	Certified date
Q1.2017 (31. Mar. 2017)	4th May 2017
Q2.2017 (30. Jun. 2017)	21st July 2017
Q3.2017 (30. Sep. 2017)	13th November 2017
2017 year end valuation (31. Dec. 2017)	3rd February 2018

The comprehensive disclosure of Insurance contract liabilities is disclosed in pages 342 to 349 and year end actuarial valuation report is provided on page 268.

Dynamic Solvency Testing

Actuarial division is continuously monitoring the regulatory solvency requirement of the Company. As per the present regulatory requirement Capital Adequacy Ratio ("CAR") is used to assess the capital adequacy of the Company at a given time.

A capital projection framework has been developed during 2017 for the first time in the history in order to understand the long term view of the Company's solvency position. The Company engaged Messrs. Willis Towers Watson (WTW) to conclude the capital projection framework.

The Company is planning to continuously improve the process in following manner.

- Perform experience analysis regularly to validate improve the projection of "CAR".

- Stress and scenario testing will be performed to understand the critical factors affecting the projections in the long term.

Experience Analysis

Actuarial division is performing several experience analyses to update the assumptions on regular basis. These experience analysis includes mortality and morbidity study, expense study, persistency study etc. Since these assumptions have a direct impact on valuing insurance contract liabilities, these studies play a vital role to reflect that the Company has used most appropriate assumption in the liability valuation process.

In 2017, the Company has developed an expense allocation framework and applied the results on consistence basis throughout the year. The expense allocation framework provides guidance on the allocation of expense between participating and non-participating segments and acquisition and maintenance categories.

Precise bonus allocation to policyholders

The Company has implemented proper guidelines on allocating bonuses for participating policy holder and relevant protocols have been placed in order to ensure the participating policyholders are receiving maximum benefit on their policies.

The Company took an extra step to ensure the transparency of this process by development of an initial asset share for participating business by engaging Willis Towers Watson and the study proves that the Company is allocating the bonuses to the participating policy holders on a fair basis.

Profitability Analysis

Analysing profitability of distribution channels and different insurance products has been set out as a core function of the actuarial division. This analysis is carried out on various ways by collecting data from different functions and analysing such data.

Further these analyses were used to prepare the 2018 corporate plan and relevant KPIs (Key Performance Indicators) has been set out to increase the effectiveness and transparency of such areas.

Based on the analysis carried out, the Company has decided to alter its re-insurance panel in 2018 to maximise the value of both policyholders and shareholders.

Product designing and pricing

The Actuarial division will be responsible for performing product pricing of all new products and any pricing revision required for the existing products. The final decision of the product and its pricing is approved by the product development committee.

This process will ensure balance between protecting shareholders and policyholders. Shareholder protection by ensuring the profitability of the product and policyholder protection by ensuring sufficient benefits are built in the product.

B. 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 emphasises 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 principles and its application at Softlogic Life

Investment Governance principle	Application at Softlogic Life
Existence of critical decision making bodies in order to ensure right direction of investment decision.	All critical investment decisions are approved at Board Investment Committee and Board Meetings.
Maintaining operational efficiency to maximise the investment performance.	Operational level investment strategies, policies and procedures are designed by Management Investment Committee and presented to the Board Investment Committee for approval.
Segregation of duties.	Clear segregation between front office, middle office and back office with regard to investment activities.
Competent personnel are involved in investment process.	Qualified and experienced staff are employed in front office, middle office and back office.
Review of Investment performance on a regular basis.	Performance of investments and review of the Investment strategy is done by the Investment Committee at least on a quarterly basis.

C. Risk Governance

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 all job descriptions, informing 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. The process of internal audit provides the Board the assurance 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.

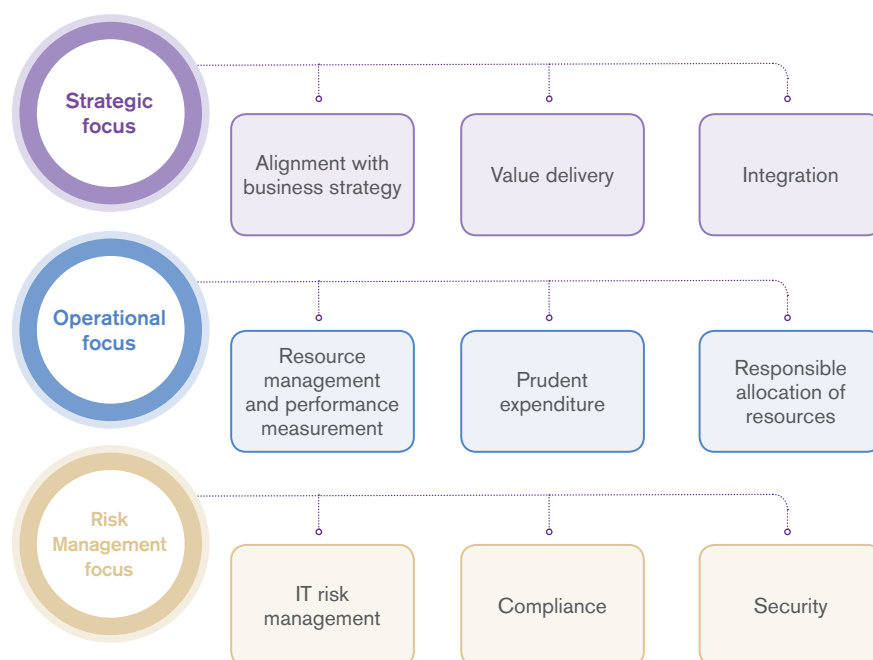
The details of the strategies adopted to manage and mitigate risk exposed by the Company are disclosed in the Integrated Risk Management report on pages 241 to 250 and relevant financial disclosures are stated in Note 46 on pages 358 to 374.

D. 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 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. IT Governance in effect also plays a key role in assuring the confidentiality, integrity, connectivity and the continuity of information management within Softlogic Life.

The key principles of IT Governance process in the Company and its execution is mentioned below.

Figure: IT Governance principle



IT Governance principle and its execution at Softlogic Life Insurance PLC

Focus Area	Governance Principal	Execution at Softlogic Life Insurance PLC
Strategic focus	Alignment with business strategy	Company IT strategy and operations are continuously in alignment with the corporate strategy and business requirements to ensure that the IT department plays a pivotal role in the success of the organization.
	Value delivery	IT solutions are always based and aligned with the business requirements. The entire IT function inclusive of specially the critical resources and people are well managed through robust policies and procedures.
	Integration	Corporate management is always involved in the related IT decision making process. All the IT operations are integrated with the business operations to the extent required by the management which ensures a well-controlled flow of information across departments that allows a smooth running of the business.
Operational focus	Resource management and performance measurement	IT related strategic implementations are continuously monitored by the IT Department. Appropriate deadlines and standards are maintained in delivering the services to enhance the quality. An operational IT Disaster Recovery plan and a Disaster Recovery site is in place and results of the IT Disaster Recovery and Business Continuity plan simulations are evaluated and presented to the management. Information Security related events are continually tracked and monitored on a real-time basis.
	Prudent expenditure	All the IT expenditures are done within the approved budget and also in line with the strategic objectives of the business requirements.
	Responsible allocation of resources	IT resources are allocated to the projects in a responsible manner which would not lead to any obstruction of the other IT services. Allocation of resources is discussed with the management committee as and when required in an effective manner.
Risk Management focus	IT risk management	An IT operational risk management function is in place in coordination with the corporate risk management department. IT Risk Management involves understanding IT related risks and quantifying the risks so that the risks could be put in a risk grid and actions could be taken accordingly. Risk management responsibilities are also embedded in to the organization.
	Compliance	Regulatory requirements where system controls can be embedded to the system are communicated to the IT department by the Risk, Legal and Audit departments so that such can be embedded in the system.
	Security	“Security in Mind” concept is adhered to in all the IT operations with required security reviews being performed by the IT Department as and when necessary. A separate IT Security function is also in place at Softlogic Life.

These IT Governance principles ensure the effectiveness of the IT department in contributing towards the success and the sustainability of the organization. IT standards within Softlogic Life are continuously improved with regular reviews by both the Corporate Management

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 Governance practices implemented at the operational level

- All the IT Policies, Standards, Procedures & Guidelines are developed as per the ISO 27001:2013 standard.
- Group IT Risk team independently involves in evaluating applicable security threats and possible mitigating strategies periodically.
- The IT steering committee is delegated with the authority to ensure the implementation of the IT governance framework.
- Risk department, Group IT risk team and the internal IT department are assigned with the design, implementation and execution of the IT governance framework.
- Head of ICT provides regular updates to the Risk Committee and the Board on the status of material IT projects, as well as other governance-related matters.
- Risk Committee in turn ensures that risk monitoring and assurance procedures are able to address the risks adequately.

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 unauthorised 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 customised 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. "Softlogic Life Insurance PLC Software Development Policy" contains the procedures to be followed during software developments, software change management, software testing and live deployment.

Cyber security

Life insurance companies generally deal with vast amounts of confidential data belonging to policyholders such as their health related information, financial information and many more. In recent times information security has been challenged by data hacks that have occurred around the world in many countries. At Softlogic Life, the board and the corporate management recognise the importance of ensuring the security of policyholder information as well as other information. The leadership in the Company has therefore embedded controls in the processes to ensure the privacy of information and also have been able to embed such values in the corporate culture of the organization. The Company therefore, has taken this aspect very seriously and has initiated numerous initiatives to counter such threats that could not only harm the competitive position of the Company but also the lives of policyholders.

Ensuring an effective Cyber Security governance,

1. A Core Firewall is in place at the Group Data Center to control all the incoming and outgoing network traffic. This controls who can access the internet and who can access our network from outside.
2. Spam filtering features are enabled in the Group Firewall and also in Office 365 Email service.

3. Removable devices i.e. USB, CD/DVD facilities are given only on a need-to-have basis upon department head and/or MD's approval.
4. Anti-virus software is installed in all the computers and servers in the network which are updated daily and as and when an update is available.
5. All the Softlogic Life IT Security policies, standards, procedures & guidelines are published in the Company intranet and users have been informed to read and comply.
6. Server scans are being performed by the IT Department normally on a monthly basis and as and when required. Remedial actions are taken by the IT Security and Technical units.
7. Two third party independent consultancy firms perform security scans in Softlogic Life servers on an annual schedule Both parties provide reports to the IT Department and remedial actions are taken by the IT Security and Technical units.

E. Human Resource 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

- Minimise 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.

Figure: HR Governance System



The best corporate governance practices are adopted into business processes when employees are actively involved in planning and implementing such good corporate governance, which is setup 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
- 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

Whistle Blowing

Whistle Blowing Policy at Softlogic Life Insurance PLC encourages and enables stakeholders to raise serious concerns directly with those who are charged with Governance. The aim of the policy is to enable the Stakeholders of Softlogic Life Insurance PLC to feel confident and comfortable to voice their concerns or raise questions whilst providing reassurance that they will be protected from possible reprisals or victimization. Some of the key aspects addressed by the whistle blowing policy are frauds, unfair discrimination and harassment, abuse of power, breach of law, breach of company policy, and misuse of data etc.

The whistle-blower could bring up their concerns to any officer indicated below

- Chairman of the Board Audit Committee
- Member of the Management Committee
- Head of Internal Audit
- Compliance Officer

All the complaints received by those assigned in this policy, apart from complaints received by the Board Audit Committee Chairman, are examined, evaluated and investigated independently by the Head of Internal audit and the final report on such investigation will be submitted to the Corporate Management Committee to decide the actions which need to be taken. If an investigation leads to conclude that an improper or unethical act has been committed, the Management Committee takes disciplinary or corrective action in line with the disciplinary policy of the Company. The Head of Internal audit further submits a report of all the complaints dealt by him on a quarterly basis to the Board Audit Committee ensuring transparency of the activities fallen within the scope of the Whistle blowing policy.

The Chairman of the Board Audit Committee proceeds 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 himself where the Chairman of the Board Audit Committee decides 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.



Head of Internal audit assumes the ownership of the Whistle blowing policy whilst ensuring appropriate means are available for the stakeholders of the Company to blow the whistle discreetly and confidentially. A dedicated whistle blower channel has been established in late 2016 allowing any member of the organization or an interested third party to raise a concern via a telephone call, an SMS or other widely used digital communication platforms such as WhatsApp and Viber.

The management of SLI PLC understands awareness is Key in establishing trust in stakeholders to use these whistleblower mechanisms. The following initiatives were taken by the management to improve awareness of stakeholders of the Company in 2017.

- Invested in 05 training sessions to employees of SLI PLC covering different geographical locations and different hierarchies in the Company. The trainings were conducted by an external expert contracted by the Company to exploit their know-how and experience to ensure the awareness session is not merely a technical briefing.
- The internal audit team visited 30 branches during the year of 2017, distributing handouts and putting up awareness posters containing the summarised and simplified contents of the whistleblowing policy both in English and Sinhala languages.
- Internal audit team briefed at least a single employee of each of those 30 branches visited on the importance of whistle blowing and detecting misappropriations.
- A monthly poster was circulated to all staff members explaining various aspects of fraud and other misconducts and ways to detect the same.
- The screen saver of each Personnel computer was changed on every last Friday of each month to display key aspects of the whistle blowing policy which is an initiative that was

recommended by the Board Audit Committee.

There were 05 instances of whistle blowing incidents reported during the year of 2017.

F. 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 on pages 60 - 172.

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." – Ifthikar 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 recognise 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 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 191 and Page 192.

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 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".

Sustainability and CSR Committee

The Sustainability and CSR Committee is formed to integrate corporate responsibility into our everyday business operations.

The key focus areas of the committee are as follows:

- Establish an appropriate governance structure for managing corporate responsibility priorities.
- Guiding and educating the employees to be held accountable for performance on Softlogic Life's corporate responsibility priorities.
- Integration with key business objectives with corporate responsibility priorities.

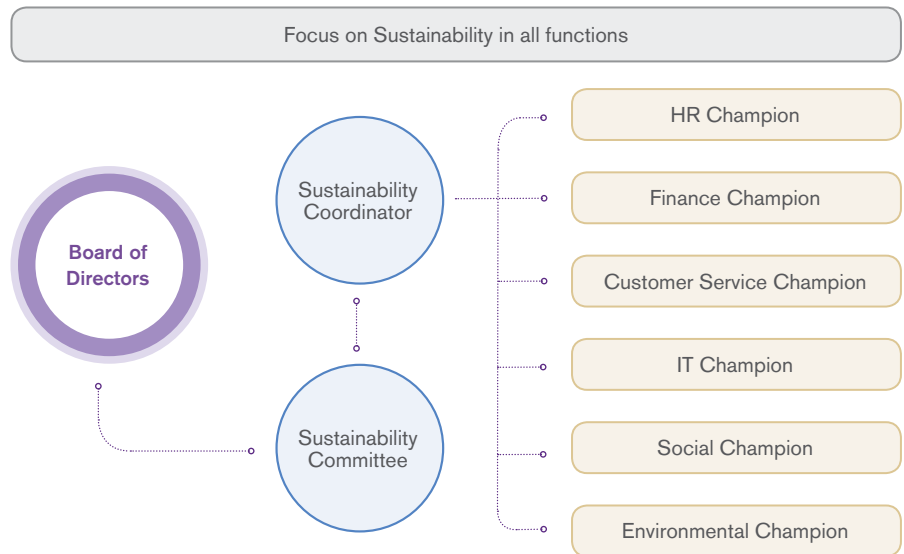
As a result of these initiatives, the sustainability committee continued, creating a platform bridging the efforts on the ground level with the levels of oversight of the Company, assisting the continuation of integration of corporate responsibility objectives into everything we do.

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 Management 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:

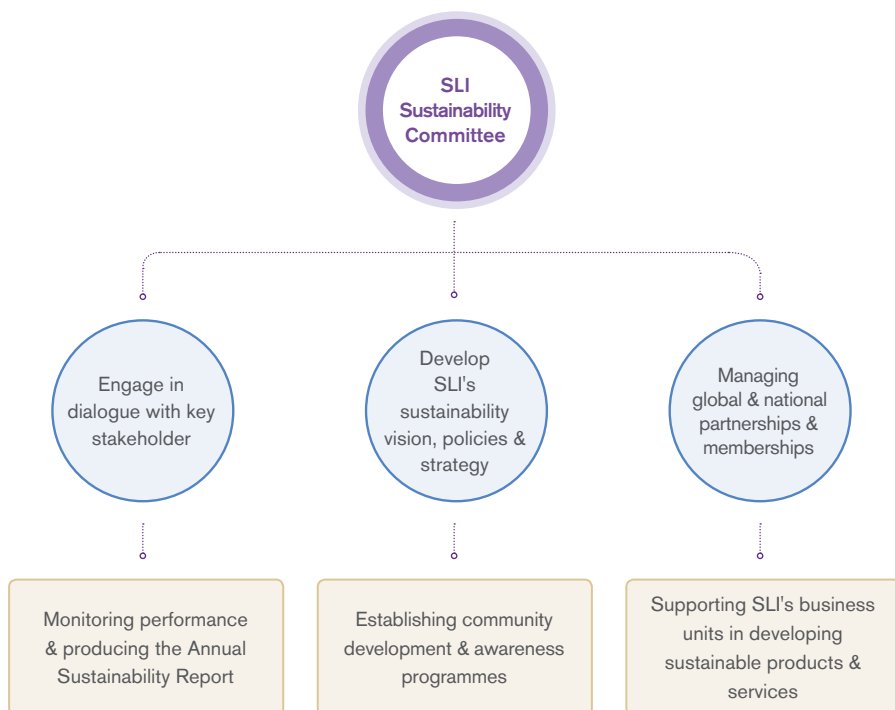
Figure: Structure of CSR and Sustainability Committee



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,

Figure: Sustainability Incorporation at Softlogic Life



Sustainability framework of the Company defines 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.

2.2 ASSURANCE

A. Internal Assurance (Internal Audit)

Internal controls 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 risks.

Internal audit contributes to the effectiveness of internal controls framework by adopting a risk based internal audit approach in line with the Internal Auditing Framework of Institute of Internal Auditors (IIA). The risk-based internal auditing provides assurance to the Audit Committee



Sustainability Champions of Softlogic Life

that the risk management processes are designed and implemented whilst operating effectively. In the procedures adapted by the internal audit function, the element of surprise is key.

Internal audit function reports to the Audit Committee on each meeting with the progress of the Internal audit plan and findings based on the work carried out. The critical internal audit findings are discussed with the Audit Committee with the respective management responses where remedial actions on the same are agreed and concluded as appropriate.

Another critical function of the Internal audit function is to ensure that all recommendations by Internal audit, external audit or by any other auditor (i.e. external experts contracted to review the IT systems) are implemented by the respective departments/functions within the agreed timeframe. The Internal audit reports to the Audit Committee on each quarter on the progress of the implementation of audit recommendations independently and any recommendations that are not implemented are discussed at the same meeting. Currently the Company maintains a ratio between 90% to 95% in implementing audit recommendations per quarter.

B. External Assurance (External Audit)

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.

3. REGULATORY AND STATUTORY GOVERNANCE

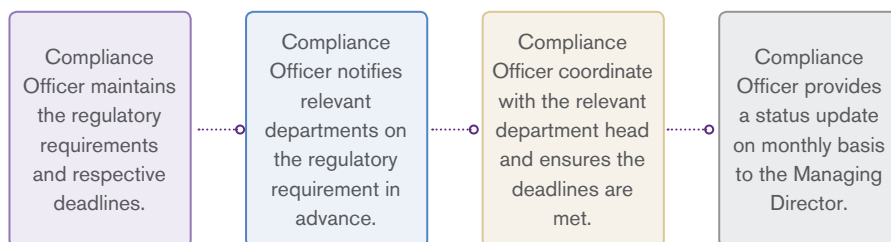


Compliance Process on Regulatory Requirement

An internal process has been implemented in order to assure the compliance with regulatory / statutory requirements by the Company.

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 compliance process has following steps.

Figure: Compliance Process at Softlogic Life



Compliance Certification

A quarterly certification is done by the Chief Executive Officer, Chief Financial Officer and Principal Officer to the Insurance Regulatory Commission (“IRC”) of Sri Lanka in accordance with the determinations issued by “IRC”.

Compliance Certification A

Certifies that Company has;

- Complied with all provisions in the regulation of Insurance Industry Act No.43 of 2000, rules, regulations, determinations, directions issues by “IRC”.
- Complied with all orders made by the Ministry of Finance and Planning under the regulation of Insurance Industry Act, No. 43 of 2000,
- Complied with terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1) of the Regulation of Insurance Industry Act, No. 43 of 2000,
- Complied with conditions pertaining to co-insurance issued by IRCSL and

- Complied with all applicable circulars issued by IRCSL.

Compliance Certification B

Certifies that Company has;

- Complied with all provisions in the Financial Transactions Reporting Act, No. 6 of 2006,
- Complied with rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act No. 6 of 2006,

- Complied with guidelines on Anti Money Laundering Program for Insurers issued by IRCSL.

Compliance related to Investment Governance

Compliance related to minimum investment in government securities

As per Section 25 (1) of the Regulation of Insurance Industry Act and subsequent determinations, the Company has invested minimum 30% in Government Securities of the Long Term Insurance Fund.

Compliance related investment in approved assets

Further the Company has invested the balance asset in the approved asset categories and maintain the determination ratio above the the regulatory minimum of 100%.

Compliance related to Meet Policyholder Obligation

Solvency Margin Rules

As per Solvency Margin (Risk Based Capital) Rules 2015 every insurer should comply with following requirements on solvency margin.

- 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.

The Company complied with the above requirements and relevant ratios disclosed in page 14.

4. STAKEHOLDER ENGAGEMENT



Shareholders

The Board and the Senior Management acknowledges their responsibility to represent the interests of all shareholders and to maximise shareholder value. Therefore, one of the main objectives of the Board is to represent, formulate and realise 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 pages 60 - 64). 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 18th Annual General Meeting (AGM) of the Company held on 31st of March 2017, 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 2016 and the Report of the Auditors thereon.
- To re-elect Mr. Sujeewa Rajapakse who retires by rotation as a Director of the Company in terms of Article 98 of the of the Articles of Association of the Company;


- To re-appoint Messrs KPMG Chartered Accountants as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.

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 421 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:

 +94 11 2671439/+94 11 3040542/
+94 11 2697893/+94 11 2671441

 info@prsslk.com /prsecs@gmail.com

 P. R. Secretarial Services (Pvt) Ltd
59, Gregory's Road,
Colombo 7, Sri Lanka.

PERFORMANCE GOVERNANCE

“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 DIRECTION AND CORPORATE OBJECTIVES

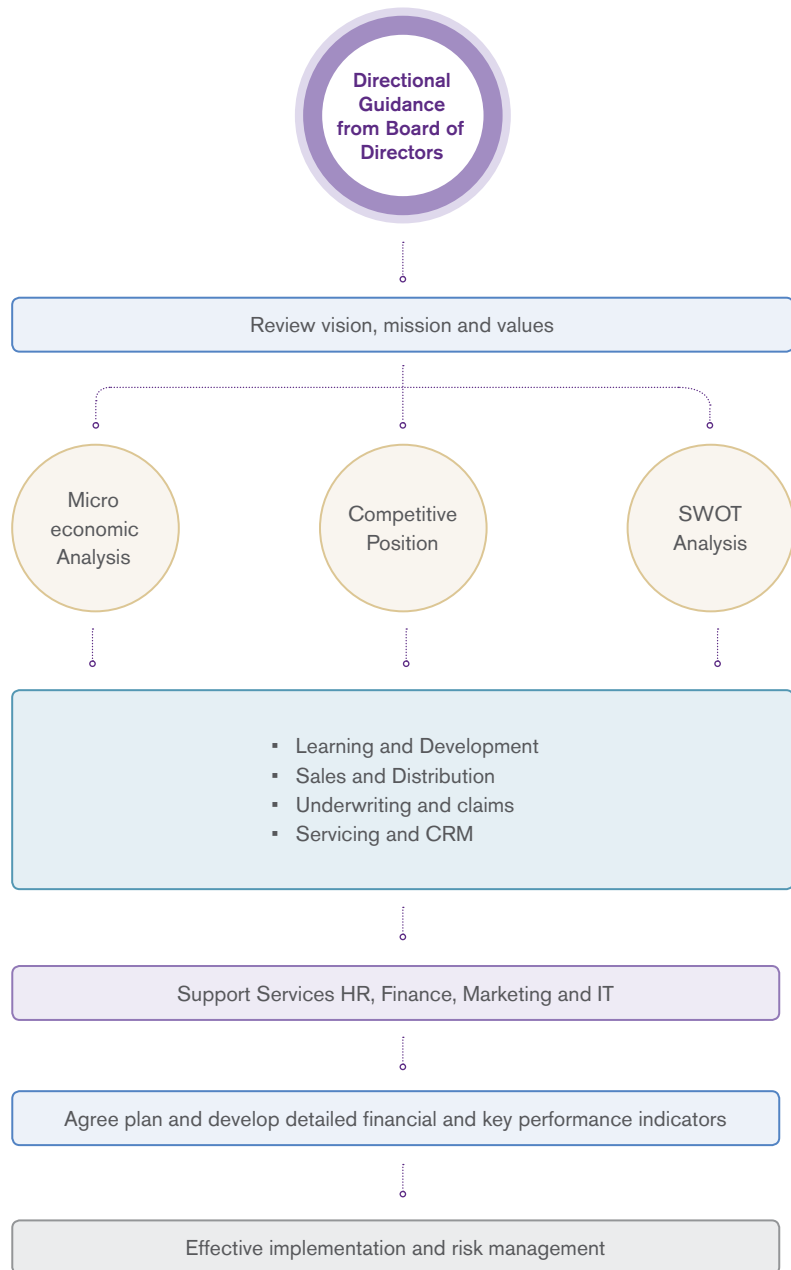
A solid performance governance structure along with the corporate governance Structure underpins all components of our business and seeks to enhance stakeholder confidence in Softlogic Life as an effective tool to monitor performance while managing the risks associated with the business operations.

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 PROCESS

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 Management 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 Management Committee identifies the issues and challenges during the planned period and formulates broad strategies and objectives.

Figure: Strategic Planning Process

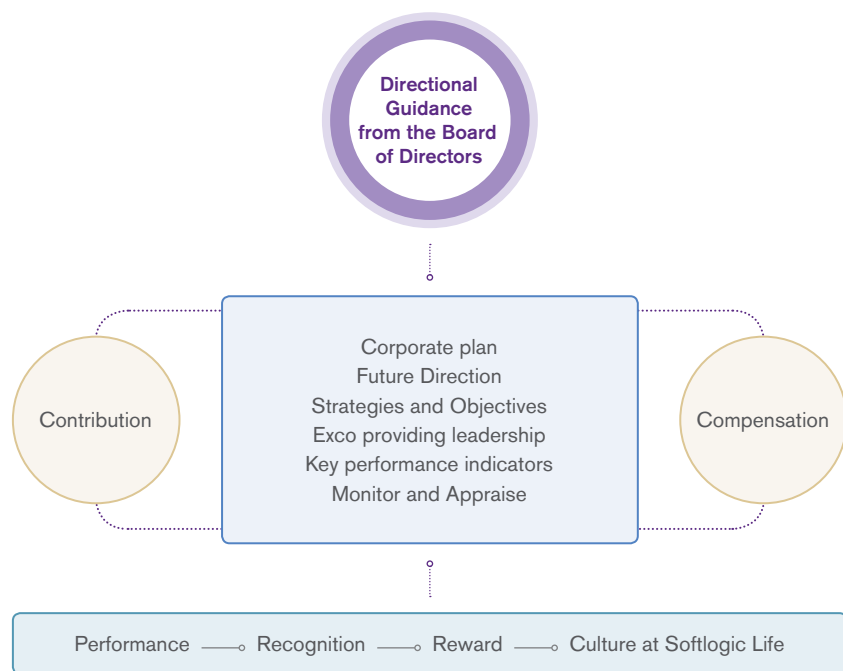


Simultaneously, the Company conducts planning meetings at regional/ distribution channel level. The strategic plans derived from these workshops are synchronised with the objectives determined by the Management Committee at a broader planning forum comprising the Management Committee and key representatives from the functional/ distribution channels.

EFFECTIVE IMPLEMENTATION

The Management 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.

Figure: Performance driven culture at Softlogic Life Insurance PLC



Rewards are strongly linked to performance. Some mechanisms used to evaluate performance are stated below:

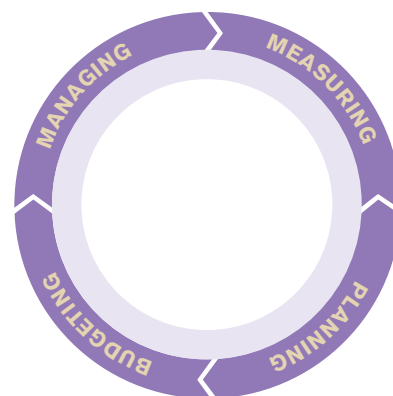
- Discussion of the Company performance at Management Committee meetings based on monthly management information.
- Submission of monthly financial information to the board, including KPI's in comparison with budgets.

- Weekly discussion with management regarding weekly performance and the growth achieved in each week compared to the same week in the previous year.

CONTINUOUS IMPROVEMENT IN PERFORMANCE GOVERNANCE

The Company always focus on the continuous improvement in performance governance process by way of reviewing and any deviations identified is rectified through appropriate actions and aligning them to the governance culture.

Figure: Continuous improvement cycle



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 KPI's are linked to the strategic objectives of the Company are disclosed in pages 57 to 58.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The Company has adopted the 'Code of Best Practice on Corporate Governance' which is issued jointly by The Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka in 2013 and we have disclosed the status of compliance of each requirement of the code and how the Company is complied with each requirement in pages 210 to 221.

The Institute of Chartered Accountants of Sri Lanka has issued 'Code of Best Practice on Corporate Governance 2017' which is effective from 1st January 2018. However most of the sections are complied by the Company and these new requirements and how the Company is complied with each requirement is disclosed in pages 222 to 223.

Table: Code of Best Practice on Corporate Governance

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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	During the year Board met 4 times. For details of the frequency of Board and Board Sub - committee meetings, please refer page 193.
A.1.2	Responsibilities of the Board	Compliant	
	Responsibility 1: Ensure formulation and implementation of a sound business strategy.		2018 – 2020 3-year plan has been approved in 2017 end.
	Responsibility 2: Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy.		CEO/ MD and management team has sufficient knowledge, skills and experience in both insurance industry and outside the industry. Profiles of each member is presented in pages 180 - 182.
	Responsibility 3: Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy.		Succession plans are in place for all key positions of the Company. Please refer page 105 for details of succession planning.
	Responsibility 4: Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management.		The Company has placed a sound internal audit process, Risk management process and ensure IT controls are properly established and reported to Board Audit and Compliance Committee and Board Risk Committee. Please refer to following sections for further details Internal Assurance (Internal Audit) – Pages (205 - 206) Information Technology Governance – Pages (199 -201) Integrated Risk Management report – Pages (241 - 250)
	Responsibility 5: Ensuring compliance with laws, regulations and ethical standards.		The Company has placed a compliance process to comply with all relevant regulations. Please refer page 206 for regulatory and statutory governance.
	Responsibility 6: Ensuring all stakeholder interests are considered in corporate decisions.		The Board considers the views/impact on all Stakeholders when making decision.
	Responsibility 7: Recognising sustainable business development in Corporate Strategy, decisions and activities.		The Corporate strategy is designed for 3 years and discuss the performance regularly at Board Meetings.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.1.2	Responsibility 8: ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.	Compliant	The Audit Committee ensures the compliance with financial regulation. Please refer Audit Committee Report on pages 229 - 232 for detailed information on this objective.
	Responsibility 9: fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.		The Board is capable of providing right direction and the Board comprises of members who has the expertise in different areas. Please refer page 188 for details of expertise of the Board and pages 174 - 175 for the profiles.
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 Legal and Compliance Department, the services of External Consultants are obtained, where necessary.
A.1.4	All Directors should have access to the advice and services of the Company Secretary and the need for the removal of the Company Secretary should be a matter for the Board as a whole.	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 to bear on issues of strategy, performance, resources and standards of business conduct.	Compliant	The Board consists of a high caliber 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. 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. (Please refer page 193 for frequency of meetings).
A. 1.7	Need for every Director to receive appropriate training when first appointed to the Board and subsequently as necessary.	Compliant	All Directors have adequate knowledge and experience in the insurance industry, and management regularly updates Directors of any developments in the insurance industry and new regulations. In addition, Directors engage in continuous professional development in their respective fields. Please refer training of new and existing directors in page 190 for more details.
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. Chairman of the Company is Mr. Ashok Pathirage and MD of the Company is Mr. Iftikar Ahamed.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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> <p>Ensuring that the Board members are given appropriate induction, covering terms of appointment, duties and responsibilities.</p> <p>Leading the Board and managing the business of the Board while taking full account of the issues and concerns of the Board.</p> <p>Approving the agenda for each meeting prepared by the Board Secretary.</p> <p>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.</p> <p>Ensuring regular meetings, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors.</p> <p>Facilitates and encourages discussions amongst all Directors where decisions are needed on matters of risk and strategy.</p> <p>Encouraging effective participation of all Directors in the decision-making process to optimise contribution.</p> <p>Representing the views of the Board to the public.</p> <p>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.</p>
A.4	Financial Acumen		
A.4	The Board should have sufficient financial acumen.	Compliant	<p>Members of the Board possess the necessary financial knowledge to understand and provide guidance on financial matters of the Company.</p> <p>Mr. Sujeewa Rajapakse is Fellow member of Institute of Chartered Accountants of Sri Lanka and represented the Monetary Policy Consultative Committee of Central Bank of Sri Lanka.</p> <p>All the Directors have extensive experience in financial acumen as they possess experience in different industries.</p>

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.5	Board Balance		
	Balance of Executive and Non-Executive Directors		
A.5.1	Need to have at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	Compliant	The Board consists of 7 Directors, of which 6 are Non-Executive Directors. Please refer page 188 and 192 for composition of the Board.
A.5.2	Need for two or one third of Non-Executive Directors appointed to the Board, whichever is higher, to be 'independent'.	Compliant	Five out of the six Non-Executive Directors are deemed as independent directors. Please refer Independence of the Directors section of this report in pages 190 - 191.
A.5.3	Determination of Director to be independent.	Compliant	The Company has determined the independence of Directors based on CSE listing rules. Please refer pages 190 - 191 for the criteria used for independence determination.
A.5.4	Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence.	Compliant	Each Non-Executive Director submits an annual declaration of his/her independence in the specified form.
A.5.5	Board should make a determination annually as to the independence or non-independence of each Non-Executive Director and disclosure in the Annual Report.	Compliant	The Board considers the status of independence annually. Please refer page 190 for independence determination of each director.
A.5.6	Appointment of Alternate Director by a Non-Executive Director and appointment of Alternate Director by an independent Director should satisfy similar 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	The Role of Chairman and CEO is segregated. Therefore, A5.8 is 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. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	Compliant	The management provides the Board with monthly financial and management information. The Board Sub-committees are provided with all necessary information on the frequency in which meetings are held. In addition, information is provided whenever requested by the Board/ Board Sub-committees.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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.
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 236 of this report.
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 and to the provisions in the Companies Act relating to the removal.	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. Please refer page 189 for appointment and re-election of Board members.
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 in the discharge of its key responsibilities.	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 195 for details of the performance evaluation of the Board and its Sub-Committees.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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 the Director's capacity on such; ▪ 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 pages 174 - 175</p> <p>Please refer pages 174 - 175 and 188</p> <p>Please refer page 190</p> <p>Please refer page 192</p> <p>Please refer page 193</p> <p>Please refer pages 260 - 261</p> <p>Please refer pages 260 - 261</p> <p>Please refer pages 260 - 261</p> <p>Please refer page 193</p> <p>Please refer pages 193</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	<p>The Board in consultation with the MD set financial and non-financial targets in line with the objectives of the Company.</p> <p>Please refer page 196 for details of setting annual targets and the performance evaluation of the MD.</p>
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	Application by Softlogic Life
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 233.</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 members are disclosed in pages 233 - 234.
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 any performance related incentive.
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors 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 pages 233 - 234.</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		
B.2.1	The Remuneration Committee should provide the packages needed to attract and retain Executive Directors of the quality required.	Compliant	<p>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.</p> <p>For details of the Remuneration policy of the Company, please refer the Remuneration Committee Report on pages 233 - 234.</p>

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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 and main Stakeholders.	Compliant	The remuneration package of the MD is structured to link rewards to corporate and individual performance.
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	Schedule E to this code considers the bonus paid to Executive Director, long term incentive schemes, performance-based remuneration schemes of Non-Executive Directors etc.
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	Please refer to Remuneration Committee Report on pages 233 - 234 for details of B 2.6 to B 2.9
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		
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 pages 233 - 234. Remuneration paid to the Board of Directors is disclosed (in aggregate) in Note 17 in the Financial Statements on page 307.
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 Chairman of the Audit, Remuneration and Nomination Committees should be available to answer questions at the AGM.	Compliant	These Sub-Committee Chairmen are present at AGM's and are available to answer any questions posed by shareholders.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
C.1.4	Notice of the AGM and related papers should be sent to shareholders as determined by statute, before the meeting.	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 207 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 405 and 60.
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 9 in Inquiries by Shareholders for more information.
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 207.
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.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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 255.
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 265, 272 and 227 respectively.
D.1.4	The Annual Report should contain a "Management Discussion & Analysis".	Compliant	Please refer the Management Discussion and Analysis on pages 34 to 172.
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 262.
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	Not Applicable.
D.1.7	The Board should adequately disclose related party transactions in the Annual Report.	Compliant	Please refer to Note 48 - Related Party Disclosures in Notes to the Financial Statements on page 379.
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 a sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis. Through such an 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 authorised unauthorised 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.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
D.2.4	Responsibility of Directors in maintaining a system of internal controls & the content of statement of controls.	Compliant	Please refer Directors' Statement on Internal Controls on page 227.
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 of a minimum of two independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent.	Compliant	All members of the Audit Committee are Non-Executive Directors. Please refer page 229 for more detail.
D.3.2	The duties of the Audit Committee to review the objectivity of the External Auditor	Compliant	For details of the Duties of the Audit Committee and its Terms of Reference please refer the Audit Committee Report on pages 229 to 232.
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 229.
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 195 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 183.
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 173.
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 the 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 Communication with shareholders section in page 207.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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.
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.
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.
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	Please refer Financial Capital report in pages 70 to 97.
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 Natural Capital report in pages 154 to 161.
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 Human Capital report in pages 98 to 113.
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 Social and Relationship Capital report in pages 114 to 145.
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	Please refer Social and Relationship Capital report in pages 114 to 145.
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 pages 60 to 64.
G.1.7	Principle 7 – Sustainable Reporting	Compliant	Please refer to Sustainability Approach of the Company on page 203.

Code of Best Practice on Corporate Governance - New sections added, which is effective from 01 January 2018.

Principle	Requirement	Status of Compliance	Comments
A. 1.7	One third of Directors can call for a resolution to be presented to the Board.	Compliant	The Procedures relating to Directors matters is governed by the Articles of Association of the Company.
A.8.3	Resignation In the event of a resignation of Director prior to completion of his appointed term, provide the reason via written communication to the Board.	Compliant	The Procedures relating to Directors matters is governed by the Articles of Association of the Company.
A.9.3	The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election.	Compliant	The Procedures relating to Directors matters is governed by the Articles of Association of the Company.
B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the Company.	Compliant	The Procedures relating to Directors matters is governed by the Articles of Association of the Company.
C.1.3	The Company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted.	Compliant	Receipt of proxies are closed 24 hours prior to the shareholder meeting in order to ensure proper counting and recording of proxies for the meeting.
C.3.2	Public Listed Companies should comply with the disclosure requirement and shareholder approval by special resolution as required.	Compliant	Disclosures are made in-line with the requirements of the Listing Rules of the CSE. Shareholder approval under special resolution is sort in terms of the Articles of Association of the Company.
D.1.1	The Board should present an Annual Report including financial statements that is true and fair, balanced and understandable and prepared as per relevant laws and regulations.	Compliant	The Board prepares the Annual Report in terms of the relevant law and regulations and which presents a true and fair view of the Company.
D.1.3	The Board should obtain declaration from its CEO and CFO in order to get their opinion about the financial records of the entity have been properly maintained.	Compliant	The CEO/MD and CFO certifies the financial statements as giving true and fair view of the Company's affairs and financial status.
D.2.1	The Board should monitor the Company's risk management and internal control systems at least annually.	Compliant	Refer; IRM section (pages 241-250), Board Risk Committee report (pages 237-238), Board Audit Committee report (pages 229-232).
D.2.2	The Directors should confirm in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company.	Compliant	Refer; Board Risk Committee report (page 237-238), IRM section (pages 241-250).
D.3.3	Disclosures		
	A separate section of the Annual Report should describe the work of the Committee in discharging its responsibilities.	Compliant	Refer to the Board Audit Committee report on pages 229-232.
D.4	Related Party Transactions Review Committee		
	The Board should establish a procedure to ensure that the Company does not engage in transaction with "related parties"		
D.4.1	The related party and its transaction will be as defined in the Code.	Compliant	Refer to the Related Party Transactions Review Committee Report on pages 239-240.
D.4.2	The Board should establish a Related Party Transaction Review Committee consisting exclusive Non-Executive Director whom the majority should be independent.	Compliant	Refer to the Related Party Transactions Review Committee Report on pages 239-240.
D.4.3	RPT Review Committee should have written terms of reference of dealing with its authority and duties which should be approved by Board of Directors.	Compliant	Refer to the Related Party Transactions Review Committee Report on pages 239-240.
D.5.2	The Company should have a process to identify and report material and price sensitive information.	To be Complied	The Company will take initiatives to comply with the requirement during 2018.

Principle	Requirement	Status of Compliance	Comments
D.5.3	The Company should establish a policy process for monitoring, and disclosure of shares purchased by any director, key management personnel or any other employee.	To be Complied	The Company will take initiatives to comply with the requirement during 2018.
G	INTERNET OF THINGS AND CYBERSECURITY		
G.1	The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network.	Compliant	The Board has the confirmation that the IT Department has the required level of management and technical controls in place for the connectivity of devices. Any device to be connected to the corporate network needs to be approved and configured by the IT Department.
G.2	The Board should appoint a Chief Information Security Officer (CISO).	Compliant	The General Manager ICT is responsible for the information security of the Company.
G.3	The Board should allocate regular and adequate time on the board meeting agenda for discussion about Cyber security Management.	Compliant	Cyber security related concerns are discussed and verification of the required controls is done during the Board Meetings.
G.4	Independent periodic review and assurance about Cyber security Risk.	Compliant	Third party consultants perform periodic reviews relating to Cyber security as per an agreed schedule.
G.5	The process to identify and manage Cyber security Risk disclose in the Annual Report.	Compliant	Required technical controls are in place to detect and mitigate Cyber security related threats. The Corporate incident management procedure is in place to be followed in the event of such an incident
H	ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)		
H.1	ESG Reporting		
	The Annual Report should contain sufficient information on how ESG risks and opportunities are recognised, managed, measured and reported.	To be Complied	The Company has taken measures in advance to reflect and integrate in this annual report of the key areas of the new Environmental, Social and Governance requirements of the Code which was issued during the latter part of year 2017.
H.1.1	Company should provide information in relation to the relevance of environmental, social and governance factors to their business model and strategy, how ESG issues may affect and how risks and opportunities pertaining to ESG are recognised, managed, measured and reported.	To be Complied	
H.1.2	Environmental Factors		
H.1.2.1	Adopt an integrated approach that consider the direct and indirect economic, social, health and environmental implications.	To be Complied	
H.1.3	Social Factors		
H.1.3.1	Social governance of an organization should include its relationship with any party that can influence or be influenced by organization's business model.	To be Complied	
H.1.4	Governance		
H.1.4.1	Companies should establish a governance structure to support its ability to create value and manage risk.	To be Complied	
H.1.5	Board's role on ESG factors		
H.1.5.1	ESG reporting is a Board's responsibility to take place on regular basis and it should link sustainable issues more closely with strategy.	To be Complied	

Mandatory Compliance Requirements

The Company has disclosed the status of compliance of following mandatory rules issued by Colombo Stock Exchange (“CSE”) and relevant provisions of Companies Act. No. 07 of 2007.

- 1) Content of the Annual Report as per rule 7.6 of the listing rules of CSE in page 410.
- 2) Requirements mentioned in Section 168 of the Companies Act No. 07 of 2007 in pages 255 to 256.
- 3) Requirements on corporate governance as per rule 7.10 of the listing rules of CSE in pages 224 to 226.
- 4) Requirements on Related Party Transactions as per rule 9 of the listing rules of CSE in page 226.

Continuing Listing Requirement – Rule 7.10, Corporate Governance

Principle	Requirement	Status of Compliance	Comments
7.10.1	Non – Executive Directors		
7.10.1 (a)	Two or one third of Non- Executive Directors, whichever is higher, should be independent.	Compliant	The Board consists of 7 directors, of which 6 are Non- Executive Directors.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding AGM.	Compliant	No change to the number of Directors since the last AGM.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Compliant	No change to the ratio.
7.10.2	Independent Directors		
7.10.2(a)	One-third of the Non-Executive Directors.	Compliant	5 out of the 6 Non-Executive Directors are deemed as independent directors. Please refer page 192.
7.10.2(b)	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		
7.10.3 (a)	The names of Non-Executive Directors determined to be 'independent'.	Compliant	Please refer page 192.
7.10.3 (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 190.
7.10.3 (c)	A brief resume of each Director including information on the nature of his/ her expertise in relevant functional areas.	Compliant	Please refer pages 174 to 175.
7.10.3 (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.
7.10.4	Criteria for defining independence		
7.10.4 (a to h)	Requirements for meeting the criteria to be an Independent Director.	Compliant	Please refer page 190.

Principle	Requirement	Status of Compliance	Comments
7.10.5	Remuneration Committee		
7.10.5(a)	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)	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 pages 233 to 234.
7.10.5(c)	Disclosures in the Annual Report Names of Directors comprising the Remuneration Committee Statement of the remuneration policy The aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer the Remuneration Committee Report on pages 233 to 234. Please refer Annual Report of the Board of Directors on the Affairs of the Company on page 262.
7.10.6	Audit Committee		
7.10.6 (a)	Non-Executive Directors, a majority of whom shall be independent. Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend Audit Committee Meetings. The Chairman or one member of the Committee should be a Member of a recognised professional accounting body.	Compliant	The Audit Committee comprises of four independent Non-Executive Directors and Mr. Sujeewa Rajapakse acts as the Chairman. The MD and CFO attend meetings of the Committee by invitation. 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.
7.10.6 (b)	Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards; Oversee compliance with financial reporting requirements, information requirements as per related regulations and requirements; Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; Assessment of the independence and performance of the external auditors; Make recommendations to the Board on appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement.	Compliant	Please refer the Audit Committee Report on pages 229 to 232.

Principle	Requirement	Status of Compliance	Comments
7.10.6 (c)	Disclosure in the Annual Report on Audit Committee		
	<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>	Compliant	Please refer the Audit Committee Report on pages 229 to 232.
9	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE		
9.2.1	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.	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 239 to 240.
9.2.2	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.	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 239 to 240.
9.3.2.	Disclosures in the Annual Report		
9.3.2 (a) 9.3.2 (b)	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.	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 239 to 240.
9.3.2 (c)	Report by the Committee.	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 239 to 240.
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 262.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

The following statement fulfills 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 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:

- Board Sub Committees are established by the Board to assist in ensuring;
 - the effectiveness of the Company's daily operations.
 - the company's operations are in accordance with the business direction/strategies.
 - the company's operations are in line with the 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 function with particular emphasis on the scope of audits and quality of the same. 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 229 to 232.
- Regular IT system audits are conducted by contracted external experts to ensure the integrity of financial information, data security and adequate access controls are in place with regard to processing of data. Further contemplating robust security measures and risk management, the Company has appointed an independent IT security officer that liaises with the internal audit, external audit and other external experts contracted by the Company. In addition to the above, engage the external auditors to review the critical components of the IT environment as part of the statutory audit.
- The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement them. Further Improvements in line with industry and/or non-industry best practices are also implemented on an on-going basis.
- The Board Risk management committee assists 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 and

there is an ongoing, bottom up process 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 and the implementation of the proposed new controls is followed up by the risk and internal audit department. The report of the Risk Committee is provided on page 237 to page 238 of the Annual Report.

- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core areas of business operations. These committees include the Assets and Liability Committee, Internal Investment Committee, the Information Technology Steering Committee, Internal Risk Management Committee and the product development committee.

In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Bank. These in turn were observed and checked by the internal audit department for suitability of design and effectiveness on an on going basis. Since adoption of new Sri Lanka Accounting Standards (SLFRSs and LKASs), progressive improvements on processes to comply with the new requirements of recognition, measurement, classification and disclosure are being made.

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 PATHIRAGE
Chairman

(Sgd.)

IFTIKAR AHAMED
Managing Director

(Sgd.)

SUJEEWA RAJAPAKSE
Chairman – Audit Committee

Colombo, Sri Lanka
29th March 2018



Mr. Sujeewa Rajapakse, A Fellow of the Institute of Chartered Accountants of Sri Lanka and the Society of Certified Management Accountants of Sri Lanka. He is the Managing Partner of BDO Partners a Firm of Chartered Accountants and 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).

Mr. Sujeewa Rajapakse
Chairman – Audit Committee

MEMBERS OF THE COMMITTEE

Name	Position
Mr. Sujeewa Rajapakse (Chairman)	Independent Non - Executive Director
Mr. Ray Abeywardena	Independent Non - Executive Director
Mr. Jatinder Mukhi	Independent Non - Executive Director
Mr. Johannes W.H. Richters	Independent Non - Executive Director

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 comprises of four (4) Independent Non-Executive Directors.

The Chairman of the Audit committee is a fellow member and past president 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 Managing Director, Chief Financial officer / 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 five (5) meetings during the year. Attendance by the Committee members at each of these

meetings is given in the table on page 193 of the Annual Report.

The Corporate Management team, Compliance Officer, the External Auditors, the Chief Manager- Internal Audit 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 2017 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. More information on experience of and brief profiles of the members are given on pages 174 to 175 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 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 ability to continue as a going concern into the foreseeable future.
- IX. Ensure impact of new Accounting standards are discussed and disclosure to shareholders.

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 authorised 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 judgemental 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 (SLFRS's & LKAS's).

- 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 the all four (4) Quarterly financial statements and the Annual Financial Statements for the year 2017 of the Company prior to its publication,
- Review impact of new Accounting standards.
- Review of new audit report format and implications to the Company.

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 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 3 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 met the external auditors without the presence of the Executive Director / 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. In addition to above following factors were discussed at the audit committee during 2017;

- Discussing the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors prior to commencement of the annual audit.
- 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 (SLFRS's & LKAS's) and also
- Reviewing the External Auditors' Management Letter and the management's responses thereto.

- the Management Letters issued by the external auditor together with the management responses thereto.
- Discussing all relevant matters arising from the interim and final audits, and any matters the Auditor may wish to discuss, including matters that may need to be discussed in the absence of Key Management Personnel.

At the conclusion of the audit, the Committee also met the Auditors to receive the Auditors' Management Letter before it was submitted to the Board and Insurance Regulatory Commission of Sri Lanka.

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 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 for 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 2017 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 Regulatory Commission 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 237 and 238.

ETHICS AND GOOD GOVERNANCE

The Committee continuously emphasised 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 (SLFRS's & LKAS's) 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.

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 its 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
29th March 2018

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

Name	Position
Mr. Ashok Pathirage (Chairman)	Non-Independent Non-Executive Director
Mr. Sujeewa Rajapakse	Independent Non-Executive Director
Mr. Paul Ratnayake	Independent Non-Executive Director
Mr. Ray Abeywardena	Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

The Head of Human Resource functions as the Secretary to the Committee.

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.

Brief profiles of the Directors are given on pages 174 to 175 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.

COMMITTEE ATTENDANCE

The Committee met once during the year 2017. Other Board members may attend meetings on invitation. Attendance at the meetings is given in page 193 of the Annual Report.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

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 faces.

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

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 17 on page 306 to 307 in 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 408.

PERSONAL LOANS FOR DIRECTORS

No Director is entitled to Company loans.

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 and Remuneration Committee

Colombo, Sri Lanka

29th March 2018

MEMBERS OF THE COMMITTEE

Name	Position
Mr. Ashok Pathirage (Chairman)	Non-Independent Non-Executive Director
Mr. Iftikar Ahamed	Non-Independent Executive Director
Mr. Sujeewa Rajapakse	Independent Non-Executive Director
Mr. Jatinder Mukhi	Independent Non-Executive Director
Mr. Johannes W.H. Richters	Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

PR Secretarial Services (Pvt) Ltd functions as the Secretary to the Committee.

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.

EXPERTISE OF THE COMMITTEE

Each member of the Committee has expertise in risk management. More information and profiles of the members are given on pages 174 to 175 of the Annual Report.

NUMBER OF COMMITTEE MEETINGS

During the year under review, the Committee formally met four times. All members were present for 3 meetings. Mr. Jatinder Mukhi was excused from the meeting held on 15th November 2017, and as a result only 4 members were present.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

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.

OBJECTIVES

- Maximise net rate of return
- Maximise safety of investments
- Meet liabilities
- Meet regulatory requirements
- Meet working capital requirements
- Asset and Liability Management

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

- The Committee received and reviewed data on the current economic conditions, outlook for the economy, industry growth sectors, inflation and interest rates.
- The Committee received and reviewed 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 was responsible for managing both existing projects and new initiatives of the Company.

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
29th March 2018

MEMBERS OF THE COMMITTEE

Name	Position
Mr. Ashok Pathirage (Chairman)	Non-Independent Non-Executive Director
Mr. Paul Ratnayake	Independent Non-Executive Director
Mr. Ray Abeywardena	Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

PR Secretarial Services (Pvt) Ltd functions as the Secretary to the Committee.

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 Quorum of the Nominations Committee is two members.

Brief profiles of the members of the Committee are given on pages 174 to 175 of the Annual Report.

COMMITTEE ATTENDANCE

Attendance by the Committee members at the meetings is given in the table on page 193 of the Annual Report. The MD/ CEO also attended meetings by invitation.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

TERMS OF REFERENCE OF THE COMMITTEE

The Nomination Committee was established consider and make recommendation to the Board of the suitability of a Director's appointment and/or re-election as a Director to the Board of Directors. The recommendation of the Committee on new appointments will cover the areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-a-vis the business of the Company etc. The Committee has the authority to discuss the issues under its purview by seeking appropriate professional advice unless otherwise required and

report to the Board of Directors with their recommendations, enabling the Board to take a decision on the matter.

OBJECTIVES OF THE COMMITTEE

The Committee focuses on the following objectives in discharging its responsibilities;

- To ensure that the Directors are fit and proper persons to hold office
- To provide advice and/or recommendations to the Board or the Chairman on new appointments to the Board.
- To consider and recommend the re-election of the Director/s eligible for re-election by taking into account the performance and the contribution made by them towards the overall discharge of their responsibilities in the Board and Board appointed committees.
- Review the structure, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.
- A member of the Nominations Committee shall opt out in decisions relating to his own appointment.

RE-ELECTION OF DIRECTOR AT THE 19TH ANNUAL GENERAL MEETING (AGM)

In terms of Article 98 of the Articles of Association Mr. M. R. Abeywardena will be coming up for re-election at the 19th AGM to be held on April 2018, and the Committee has recommended the said re-election followed by the approval of the Board.

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 2017, which was conducted by the Committee members and the review concluded that the Committee continues to operate effectively.

(Sgd.)

ASHOK PATHIRAGE

Chairman – Nomination Committee

Colombo, Sri Lanka
29th March 2018

RISK COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

Name	Position
Mr. Jatinder Mukhi (Chairman)	Independent Non-Executive Director
Mr. Iftikar Ahamed	Non Independent Executive Director
Mr. Johannes W.H. Richters	Independent Non-Executive Director
Mr. Ray Abeywardena	Independent Non-Executive Director

SECRETARY TO COMMITTEE

PR Secretarial Services (Pvt) Ltd functions as the secretary to the Committee.

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 regards to the Company's risk strategy, risk management policies and procedures and its risk appetite.

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, Senior Management, and be provided with any information it requests with regards to its responsibilities. The Committee has the authority to engage independent professional advisors on matters within its purview.

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 the total number of members. Other Board Members may also attend meetings on invitation.

EXPERTISE OF THE COMMITTEE

Members of the Committee possess in depth expertise in Risk Management and the

Insurance Industry. Additional information on the committee members may be sourced through the profile descriptions on pages 174 to 175 of this report.

ATTENDANCE

The Committee met four (4) times during the year. Attendance by members at the meetings are given on page 193 of this report.

TERMS OF REFERENCE OF THE COMMITTEE

The Committee shall have supervisory functions over the Risk Management Framework, risk strategy and risk policies and procedures of the Company, and any other risk related matters as determined by the Board of Directors. The main functions of the Committee shall be to;

- Assist in the oversight of the review and approval of the Company's Risk Management Policy Including the risk appetite and risk strategy.
- Review the adequacy and effectiveness of risk management controls.
- Oversee the processes in place for the identification of significant risks across the Company and the adequacy of identification, prevention and reporting mechanisms.
- Review the Company's compliance with applicable laws and regulatory requirements
- 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 of Directors on its impact on Business Operations.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

- Approval of the Company's Risk Management Strategy, Risk policy and risk appetite
- Reviewed and approved the Company's Treasury Middle Office Policy, Business Continuity Plan, Environmental and Social Responsibility Policy and all other policies under the purview of the Committee.
- Reviewed the adequacy and effectiveness of the Company's existing risk management controls.
- Reviewed the adequacy and effectiveness of existing controls on Market Risk and Asset and Liability Management and disseminated advice on how to strengthen the management of these risks.
- Reviewed and provided feedback on the identified significant risks across the Company and the adequacy of identification, prevention and reporting mechanisms.
- Reviewed and provided feedback on processes implemented with regards to Product Development
- Reviewed and approved reinsurance treaties and disseminated advice on applicable strategies.
- Reviewed changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile.

METHODOLOGY OF THE COMMITTEE

- The Committees' Chairman will report formally to the Board of Directors on its proceedings whenever there are major decisions taken

- The Committee shall deliver a report with recommendations to the Board of Directors upon conclusion of the review of the reinsurance treaties annually
- The Committee shall make recommendations, to the Board of Directors, on any area that requires action or improvement, and is within its terms of reference

THE YEAR AHEAD

The Committee will continue to review identified risks, identification processes and mitigation strategies and make recommendations on the above mentioned in order to ensure the Company is in compliance with its stipulated framework and is within its defined risk appetite.

(Sgd.)

JATINDER MUKHI

Chairman – Risk Committee

Colombo, Sri Lanka
29th March 2018

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

MEMBERS OF THE COMMITTEE

Name	Position
Mr. Sujeewa Rajapakse (Chairman)	Independent Non-Executive Director
Mr. Johannes W.H. Richters	Independent Non-Executive Director
Mr. Jatinder Mukhi	Independent Non-Executive Director
Mr. Mohan Ray Abeywardene	Independent Non-Executive Director

SECRETARY TO THE COMMITTEE

PR Secretarial Services (Pvt) Ltd functions as the Secretary to the Related Party Transactions Review Committee.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company. As at 31st December 2017 it comprised of the above independent Non-Executive Directors.

On the invitation of the Committee, the Managing Director attends meetings.

COMMITTEE ATTENDANCE

The Committee met four (04) times during the year under review, and the attendance of committee members at meetings is stated in the table on page 193 of the Annual Report.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.

PROFESSIONAL ADVICE

The Committee has assessed and/or ensured that they have the required knowledge or expertise to assess all aspects of Related Party Transaction and access to internal and external resources, and may seek the advice of the External Auditors of the Company, Counsel or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee with respect to any Related Party Transaction and obtain such advice as and when necessary.

COMMITTEE CHARTER

The Related Party Transactions Review Committee conducts its activities as per the Related Party Transaction Review Committee Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

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.

TERMS OF REFERENCE OF THE COMMITTEE

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 rules.

RESPONSIBILITIES/OBJECTIVES OF THE COMMITTEE

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

1. Reviewing Related Party Transactions of the Company except those explicitly exempted under the Listing Rules;
2. Adopting policies and procedures to review Related Party Transactions of the Company;
3. Assessing whether the Related Party Transactions are in the best interests of the Company and its Shareholders as a whole;
4. 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;
5. To set out guidelines and methods for the capturing and reviewing of Related Party Transactions based on the nature of such transactions in line with the business of the Company as Recurrent Related Party Transactions & Non - Recurrent Related Party Transactions for senior management.

GUIDING PRINCIPLES OF THE COMMITTEE

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, issues 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.

In accordance with the Guiding Principles, self-declarations are obtained from each Director and Key Management Personnel (KMP) of the Company for the purpose of identifying parties related to the Directors

& KMPs. 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.

The Committee is supported with its task of reviewing related party transactions by way of the confirmation reports of the Management on related party transactions that took place during each quarter. These reports primarily confirms to the Committee if a related party transaction occurred based on at arms-length basis or not and the reasons for conducting such transactions with a related party.

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 this Committee, the conflicted member informs the Committee immediately and exclude himself at the meeting and such member is not present while the matter is being considered at the meeting and abstains from voting on the matter.

RELATED PARTY TRANSACTIONS DURING 2017

During the year 2017, 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 48 to the financial statements.

(Sgd.)

SUJEEWA RAJAPAKSE

Chairman - Related Party Transactions Review Committee

Colombo, Sri Lanka
29th March 2018

“THE BOARD IS COMMITTED TO INCREASING POLICYHOLDERS AND SHAREHOLDER VALUE THROUGH THE PRUDENT MANAGEMENT OF RISKS, MINDFUL OF THE INTERESTS OF ALL STAKEHOLDERS”

INTRODUCTION AND OVERVIEW

Risk is defined as the combination of a likelihood of an occurrence of an event and the impact that is caused by the event concerned. The occurrence of such events could hamper business objectives of the Company or have a positive impact as a result of maximising opportunities presented. Risk Management, deals with mitigating negative impacts whilst ensuring opportunities are maximised.

Softlogic Life Insurance PLC adopts an Enterprise Risk Management (ERM) approach which allows the Company, to proactively identify particular events or circumstances relevant to the organization’s objectives (risks and opportunities), and assess them in terms of likelihood and magnitude of impact, thereby determining a response strategy, and monitoring its progress, so that it may protect and create value for the Company’s stakeholders, including owners, employees, customers, regulators, and society.

Risk management plays a pivotal role, in Life Insurance companies, as it must be equipped with adequate reinsurance on exposures assumed and manage its assets and liabilities efficiently in order to maximise financial return and adequate capital. As such, a dedicated Risk Unit was implemented in 2014 at Softlogic Life and since a risk culture was inculcated and is driven across the organization through the Risk Governance Structure as detailed on page 244.

Given the importance of Risk Management, the Company’s strategic plans are also subject to the trade-off between risk and

reward; and as such takes into account the risk appetite and risk targets of the approved by the Board Risk Committee on an annual basis.

The Company has identified; Strategic Risk, Insurance Risk, Market Risk, Operational Risk and Reputational Risk as the risks most applicable to the Company’s Business Operations. and their sub risks are as defined in the Company’s risk landscape on page 360. Detailed information in respect of the management of each risk category and their sub risks follow in the sections below.

For a comprehensive understanding on risk management at Softlogic Life, the reader is also requested to refer details on pages 359 to 374 provided in the financial section (which includes a discussion on Financial and Insurance risk).

RISK STRATEGY

The Company’s approach to risk management is such that it considers risk management to be a focal point in its business activities and thus enables the business to make informed decisions based on the defined risk appetite and manage expected returns.

Risk Strategy Component	Link to Business Strategy
<ul style="list-style-type: none"> The Company’s risk philosophy is to ensure sustainable growth of its business, by encouraging profitable risk-taking whilst operating within the defined risk appetite. 	<ul style="list-style-type: none"> The Company’s strategic plan, “Strategy 2020”, is based on six strategic objectives and an ambitious financial target. “Strategy 2020” has sustainable growth at its core, and is pursued by profitable opportunities that are within the defined risk appetite. The six strategic objectives are defined and its detailed strategies are constructed around each objective, in order to provide clear direction to the Management , Risk preferences are considered in the formulation of these strategies, and in any supporting operational capabilities that are built. Impacts of the decisions taken during the formulation of, and in the execution of, these detailed strategies are considered against the planned risk profile, and form part of the broader the decision-making process. The Company’s funds are deployed amongst assets in diversified asset categories and sectors as per the Company’s Market Risk appetite, to earn superior risk adjusted returns.
<p>Softlogic Life’s risk preferences are classified according to:</p> <ul style="list-style-type: none"> Risks that are inherent to the Company and actively seeks to manage as a result of being in the Insurance Business (i.e. Insurance Risks, Market Risks and Regulatory Risks) and Risks that are not actively sought but arise as a consequence of being in the business and will be managed to an acceptable level to protect value (Operational Risk, Strategic Risk and Reputational Risk) 	
<ul style="list-style-type: none"> The Company’s planned risk profile includes all business units’ annual financial, risk and capital forecasts as well as those arising at the corporate center. 	

RISK MANAGEMENT OBJECTIVES

The Company’s risk management objectives to ensure the efficient management of risks are as follows;

- Identifying the key principles of Risk Management for Softlogic Life.
- Setting the framework, strategy and policy and procedures for Risk Management based on the identified principles as above.

- 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.
- Establishing the Company’s risk appetite and risk limits annually and aligning these limits with the Company’s Business Plan and strategy.

- 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 .
- Strengthening systems, policies, processes, and measurement tools as needed to provide robust Risk Mitigation and support the decision making process of the Company with reliable risk analysis.
- Modify mitigation strategies according to changes in internal and external environment.
- Ensuring that the Board Risk Management Committee (BRMC) is equipped with the required information to enable so that it can efficiently exercise its governance function.
- Disseminating information on risk to all other stakeholders of the Company.

RISK MANAGEMENT HIGHLIGHTS IN 2017

STRENGTHENING OF INSURANCE RISKS

- Strengthening underwriting processes and identifying customer profiles to minimise threats of money laundering and associated risks.
- Strengthening existing measures of persistency and aligning it with Strategic Business Objectives.

STRENGTHENING OF IT RISK MANAGEMENT

- The capacity of Softlogic Life Insurance's IT Disaster Recovery site was enhanced to meet business requirements and minimise data loss as directed by the Risk Unit.
- Extensive Disaster Recovery Simulations were conducted on all Critical Business Systems as identified in the Company's Business Continuity Plan and IT Disaster Recovery Plan so as to ensure that documented Recovery Time Objectives could be met in the event of a disaster.
- Innovation is one of Softlogic Life's key values and principles. With such innovation comes the need to protect the Company's innovations and ideas. Steps were taken to identify the value of internally developed products and systems and protect these properties.
- 2017, also saw extensive measures to ensure the integrity and confidentiality of data owned by Softlogic Life Insurance PLC.

STRENGTHENING OF MARKET RISK MANAGEMENT

- A Management Investment Committee was formed to further strengthen Investment Processes and link the Company's overall business objectives and the Investment strategy of the Company.
- The Treasury Middle Office continued to, value the investment portfolio, and identify and manage all investment related risks on a daily basis.
- The Treasury Middle Office Policy was reviewed and strengthened based on historical risks and learnings.
- An Asset and Liability Policy was drafted and aligned with the financial objectives and risk appetite of the Company.

STRENGTHENING OF OPERATIONAL RISK MANAGEMENT

- Advanced Physical Simulations of critical business activities were carried out within the year to ensure meeting documented recovery time objectives and creating awareness and minimizing recovery times in the event of a disaster.
- Awareness Campaigns were also conducted for all staff, on Occupational Health and Safety mechanisms and evacuation procedures. Evacuation drills were conducted at all buildings which housed critical functions as identified in the Company's Business Continuity Plan.
- The Risk Unit also conducted an analysis of probable geographical risks of its branch network. The matrix and appetite statement developed is used when a new branch location is considered.

Risk Management principles at Softlogic Life Insurance PLC

In order to achieve the Company's Risk Management Objectives as mentioned above, it has defined a set of risk management principles and aligned its risk management practices as below;

Figure: Softlogic Life Insurance PLC's standard risk management and control principles:

<p>An Independent Risk Function</p>	<p>Driving and ingraining a Risk Culture at Softlogic Life</p>
<p>The independence of the risk function ensures adequate separation between the risk generating units and those responsible for its control and supervision. It also ensures having sufficient authority for setting, managing and supervising of the risk strategy and policy of the Company.</p>	<p>A risk culture is promoted throughout the organisation. It embraces a series of attitudes, values, skills and ways of acting toward risks that are integrated into all processes, including taking decisions on change management and strategic and business planning. It is developed by strongly involving the Senior Management and driving the culture down to all Business Units and conducting awareness and training across the organization.</p>
<p>A Comprehensive approach to all risks</p>	<p>Linking Risk Appetite to Strategy</p>
<p>It is vital to have the capacity to draw up and adhere to, a plan for the management and control of all risks, originating both directly and indirectly.</p> <p>It is also important to be equipped with a comprehensive view of the risks assumed, understand the relations between them and facilitate their overall assessment, whilst fully understanding the differences in the nature, degree of evolution and the different ways in which each type of risk can be managed and controlled.</p>	<p>The risk appetite statement determines the amount and type and amount of risk/s considered reasonable to assume, in the execution and development of the Company's business strategy.</p> <p>The risk appetite is used as a benchmark when monitoring identified risks and is identified as a common risk language throughout the organization and is integrated into day to day operations.</p> <p>The use of scenario analysis using advanced models and metrics establishes a grading framework which enables risks to be identified and managed from different perspectives.</p>
<p>Regular review and monitoring</p>	<p>Regular reporting and adapting best practices</p>
<p>Reviewing the risk profile and comparing it with the limits set in the risk appetite is quarterly exercise in the Company.</p> <p>Adequate mechanisms are established for monitoring and control so as to ensure the overall risk is maintained within the levels set and corrective and mitigating measures are applied in advance if necessary.</p>	<p>Frequent (at least quarterly) reporting to the Board Risk Committee is considered an important aspect of the Risk Management process at Softlogic Life.</p> <p>The Risk Unit is also constantly evaluating gaps in the existing risk processes adopted in comparison to international best practices and leading international insurers, and looks to improve its process. It also stays abreast of trends in the global insurance industry and regulations in the Banking, Finance and Insurance sector, so that it is better prepared to cope with the ever changing industry and regulatory landscape.</p>

Risk Governance Structure

In order to achieve its objectives and principles laid out, the Company relies on its risk governance structure. The interplay of the individual functions and bodies within the overall system is vital to an efficient risk management system. The roles and responsibilities are clearly defined and ensure smooth interaction. Please see below, the Risk governance structure of Softlogic Life Insurance PLC (SLI) followed by the architecture of the Risk Management Unit.

Figure: Risk Governance Structure

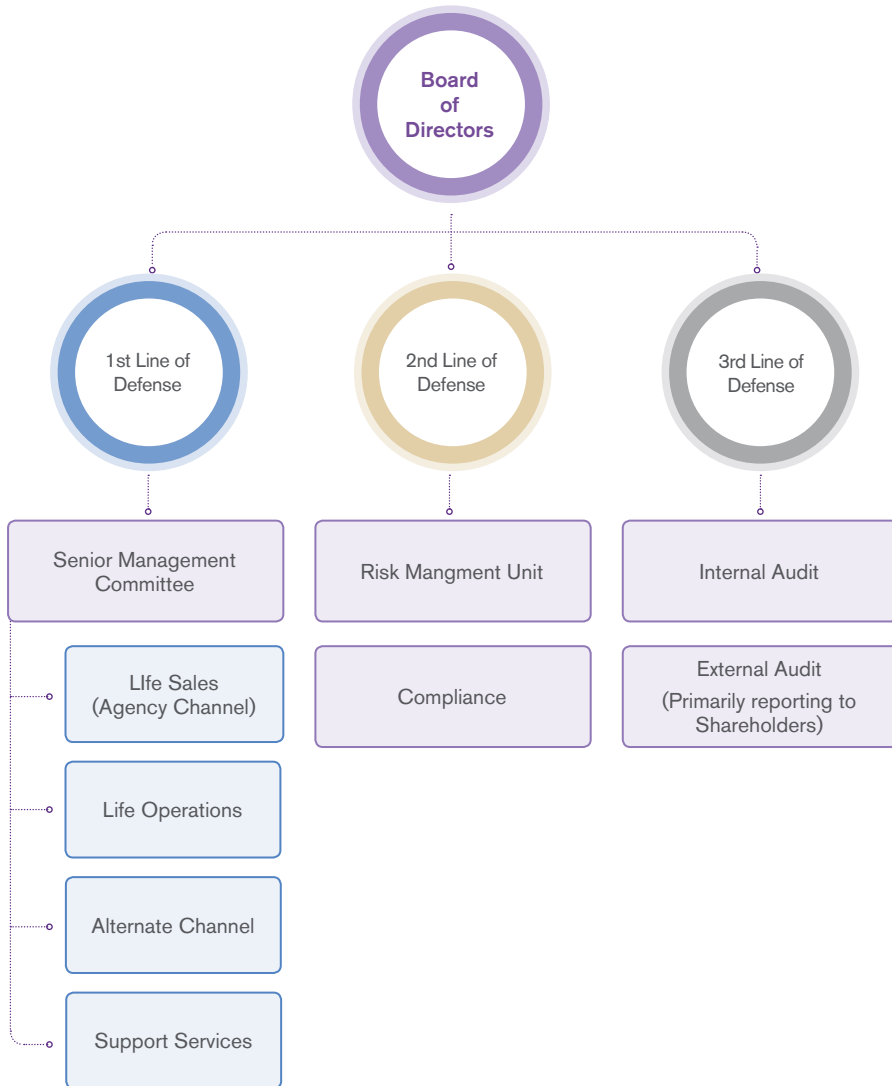
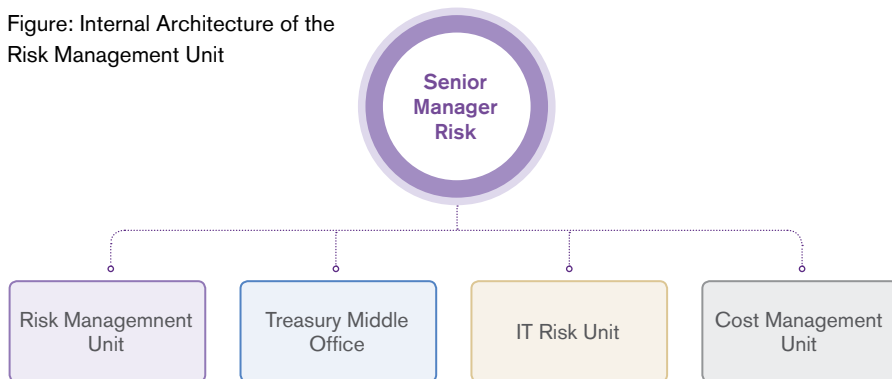


Figure: Internal Architecture of the Risk Management Unit



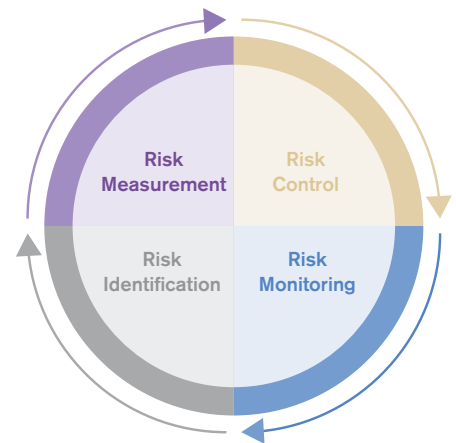
RISK MANAGEMENT POLICY

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 is 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 MANAGEMENT PROCESS OF THE COMPANY

Risk management process of the Company comprises with 4 main processes depict in following diagram.

Figure: Risk Management Process



RISK IDENTIFICATION

Identification of risks may occur in one or more ways listed below;

- a) Direct Observations
- b) Incident Analysis
- c) Scenario Analysis
- d) Fault Tree Analysis
- e) Structured What – If Analysis

Risks can be identified by individual risk owners or the Risk Unit. The risks identified can be specific to a particular department or be applicable to the Company as a whole and also allows the Risk Unit to identify the area/s that need attention so as to mitigate any future losses and/ or maximise the opportunities present. These risks can be scored and analysed to achieve optimal decision making.

The identified risks are reviewed by the Internal Risk Committee after which, they are submitted to the Board Risk Committee for review.

RISK MEASUREMENT/ SCORING

All identified risks are rated according to its likelihood of occurrence and the potential impact on the Business as defined in a

pre-defined risk Matrix for the Company. 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;

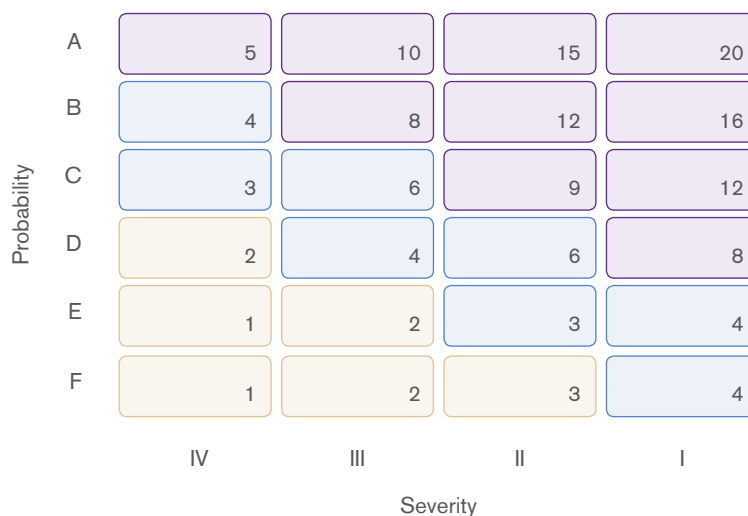
	Risks that affect Business Continuity			
	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
Life Operations	x < 1 Hour	1 Hours < x < 5 Hours	5 Hours < x < 1 Day	x > 1 Day
Call Centre	x < 5 Minutes	5 Minutes < x < 15 Minutes	15 Minutes < x < 30 Minutes	x > 30 Minutes
Critical Systems	As defined in the Business Continuity and IT Disaster Recovery Plan			

	Other Risks			
	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
Profit	x < Rs. 5 Mn	Rs.5 Mn < x < Rs. 100 Mn	Rs. 100 Mn < x < Rs. 500 Mn	x > Rs.500 Mn
Loss of Business Portfolio	x < 2.5%	2.5% < x < 10%	10% < x < 25%	x > 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.



RISK CONTROL

Risk Register

The risk register comprises of all identified risks that if 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.

The ownership of the identified risks lies 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.

RISK MONITORING

Risk Appetite and Tolerance

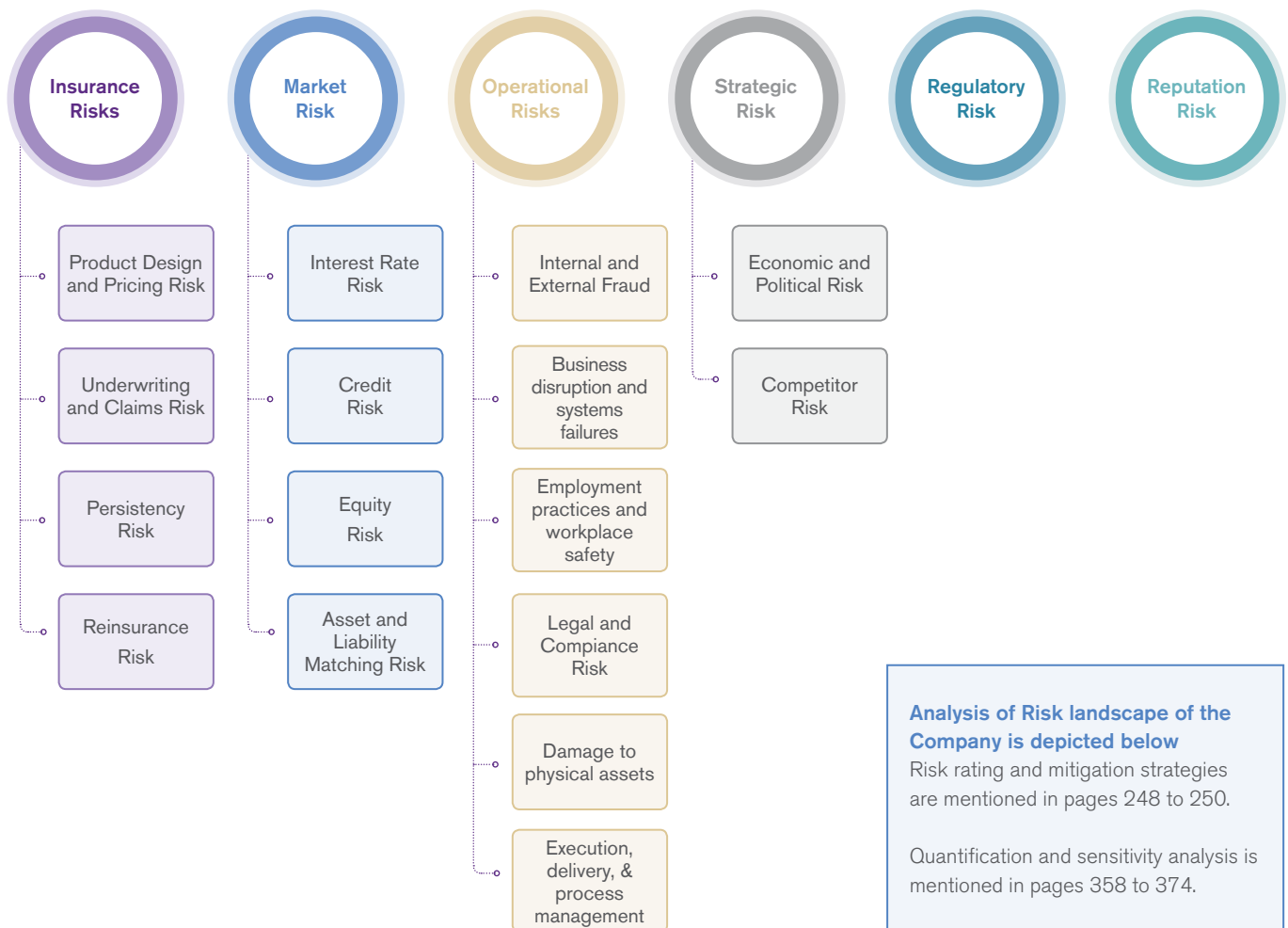
The Company's risk appetite and tolerance levels are discussed and set by the Internal Risk Committee and approved by the Board Risk Committee. The Board Risk Committee reviews these levels annually whilst, the

Internal Risk Management Committee is responsible for the 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.

CURRENT RISK LANDSCAPE OF THE COMPANY

The risk landscape of the Company is provided below;



“THE COMPANY HAS IDENTIFIED SIX MAIN RISK CATEGORIES THAT THE RISK LANDSCAPE OF THE COMPANY COMPRISES. THESE INCLUDE INSURANCE RISK, MARKET RISK, OPERATIONAL RISK, STRATEGIC RISK, REGULATORY RISK, AND REPUTATIONAL RISK”

A Brief Description of the Risks within the risk landscape of the Company is as below;

INSURANCE RISK

Product Design and Pricing Risk

The risk of a product that fails to generate the expected return due to the product failing to meet expected demand, it being priced inaccurately and being targeted at the incorrect customer segment etc.

Underwriting and Claims Risk

Underwriting risk refers to the potential loss to an insurer emanating from faulty underwriting and higher than expected claims being experienced as a result.

Lapse Risk

Losses arising from customers closing out their policy sooner than expected.

Reinsurance Risk

Reinsurance risk refers to the inability of the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost and/ or the possibility of not being able to obtain dues from the reinsurer.

MARKET RISK

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rates.

Credit Risk

This refers to the possibility that an investment issuer will not be able to make expected interest rate payments and/or principal repayment.

Equity Risk

Equity risk is, the potential loss that could arise due to changes in the price of equity held. The measure of risk used in the equity markets is typically the standard deviation of a security's price over a number of periods.

Asset and Liability Management Risk

The risk of losses that arise owing to holding an unmatched portfolio of assets and liabilities.

OPERATIONAL RISK

Internal and External Fraud

Losses resulting from acts of fraud committed internally in an organization that go against its interest or losses resulting from acts of fraud committed externally by third parties.

Business disruption and systems failures

Losses as a result of business interruptions due to System failures (hardware or software), disruption in telecommunication, power failure and supply chain disruptions.

Employment practices and workplace safety

Losses arising as a result of Non-compliance with employment or health-and-safety laws and regulations.

Damage to physical assets

These are losses incurred by damages caused to physical assets due to natural disasters or other events like terrorism and vandalism.

Execution, delivery, & process management

Failure in delivery, transaction or process management is an operational risk that has the potential to bring loss to a business. (Ex : Errors in data entry, miscommunication, deadline misses, accounting errors, inaccurate reports, incorrect client records etc.).

STRATEGIC RISK

Economic and political Risk

Economic risk is the chance that macroeconomic conditions and/ or political stability will affect a firms earnings.

Competitor Risk

Competitor risk is the probability that competitive forces will prevent a Company from achieving its goal. It is often associated with the risk of declining business revenue or margins due to the actions of a competitor.

REGULATORY RISK

Regulatory risk is the risk that a change in laws and regulations will materially impact a security, business, sector or market.













REPUTATION RISK

Reputational risk, is a loss resulting from damages to a firm's reputation, owing to a loss of consumer faith, loss of revenue, potential litigation etc.

MITIGATION STRATEGIES ADOPTED AT SOFTLOGIC LIFE INSURANCE PLC TO ADDRESS ITS RISK LANDSCAPE

The Company identified the following significant risks during the year. The risk rating for 2017 and 2016 and the mitigation strategies adopted have been provided to depict how Softlogic Life responds to such risks.

Key Risk	Risk Rating 2017	Risk Rating 2016	Mitigation strategies
STRATEGIC RISKS			
Economic and Political Risk	●	●	<ul style="list-style-type: none"> The Risk Unit performs a detailed economic analysis on a quarterly basis which details economic performance and expected economic performance and values of key economic indicators. A close watch is also kept on global industry trends. This study is presented to the Board Risk Committee as well as the Board Investment Committee in order to aid in key business decisions.
Competitor Risk	●	●	<ul style="list-style-type: none"> Constant monitoring and comparison of Company's Performance against peers. Implementation of a market intelligence force to ensure timely gathering of competitor activity. Product Implementation committee to ensure that the Company's product portfolio remains competitive based on the above information.
Co-operation and awareness of common direction	●	●	<ul style="list-style-type: none"> Clear Communication of the Company's strategy and Business Objectives, to all staff through interactive town hall sessions.
REGULATORY RISK			
Minimum Capital Adequacy Ratio	●	●	<ul style="list-style-type: none"> Forecasted internal capital model to ensure capital adequacy are above regulatory requirements. Continuous analysis to understand how capital position can be increased.
Increased Regulatory / Compliance Requirements	●	●	<ul style="list-style-type: none"> Regulatory and compliance requirements in the Banking and Finance sector increased during the year and is expected to increase further in the following year. Increasing requirements can also have a knock on effect on the Company's competitive position which could result in a higher possibility of mergers and acquisitions.
Compliance with statutory requirements and laws and regulations	●	●	<ul style="list-style-type: none"> The Compliance Unit has in place a process to flag due dates in advance and inform the required information/formats to the relevant departments. Additionally, forecasts are prepared by the Finance and Actuarial Departments on all regulatory financial ratios in order to understand future positions and mitigation strategies needed, if any.
OPERATIONAL RISK			
Business Continuity	●	●	<ul style="list-style-type: none"> The Company is equipped with a formal Business Continuity Plan, that details all services and systems that are considered critical for business continuity as well as their recovery time objectives. Knowledge sharing sessions and advanced testing of the procedures to be followed are also carried out annually for teams identified as critical and to ensure that Recovery Time Objectives can be fulfilled in the event of a disaster. The Company is equipped with an independent Disaster Recovery Site for its servers and conducts Disaster Recovery Simulation exercises for all systems considered critical. Testing was carried out successfully through 2017 and revealed that systems were recoverable well within the stipulated recovery time objectives.
Business Continuity of Critical Systems	●	●	

Key Risk	Risk Rating 2017	Risk Rating 2016	Mitigation strategies
Occupational Health and Safety			<ul style="list-style-type: none"> Awareness flyers have been circulated to all staff throughout the year on Safety procedures to be followed in the event of a Fire. Fire Wardens have been also briefed on procedures to be carried out in such an event. Evacuation drills have been carried out at all critical business locations and results are circulated to the Management and Staff. A geographical risk analysis of the branch network was also created to understand the current risk landscape of the network. The risk grid will also be used to assess locations of new branches going forward and will be updated on a quarterly basis starting 2018.
Internal Controls			<ul style="list-style-type: none"> The Company's Internal Control environment is reviewed on a continuous basis according to the Internal Audit plan which is approved by the Audit Committee annually. Findings are reported to the Audit Committee as well as the Senior Management on a monthly basis. The unit has also established the following in order to strengthen fraud detection and other preventive mechanisms <ul style="list-style-type: none"> Claims Monitoring Unit A Fraud Detection Unit
Staff Turnover			<ul style="list-style-type: none"> Recruiting Branch staff with prior exposure to customer service and those that possess a higher set of skills. Utilizing the Town Hall Sessions conducted as a tool to identify issues faced by the staff and to provide the relevant solutions. Reviewing the exit interview process to assess the possibility of conducting the interview via telephone to improve participation.
REPUTATION RISK			
Reputation Risk			<ul style="list-style-type: none"> Social Media continues to threaten the possibility of wide spread reputation risk as much as being utilised as a marketing and communication platform. As such, the Company's social media page is monitored closely and all customer complaints directed through social media are handled and directed to Customer Relationship Management Unit. All customer complaints are handled in line with the guidelines issued by IRCSL on complaint management.
INSURANCE RISKS			
Expense Ratio			<ul style="list-style-type: none"> Refer Financial Notes on page 361.
Quality of Agents			<ul style="list-style-type: none"> A unique career and recognition structure is in place that help reduce turnover amongst sales staff. Structured training programs are conducted continuously for Sales staff on motivation and leadership.

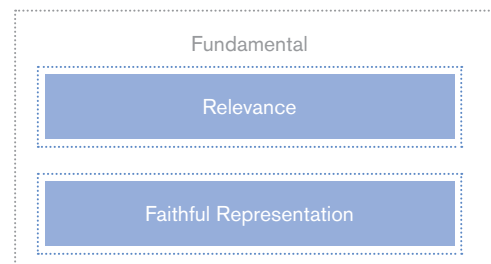
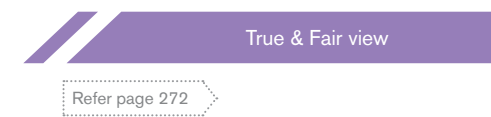
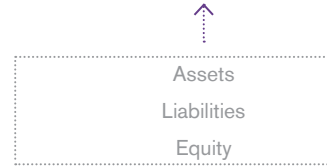
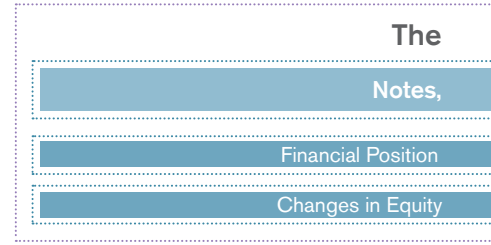
Key Risk	Risk Rating 2017	Risk Rating 2016	Mitigation strategies
Unproductive Staff	●	●	<ul style="list-style-type: none"> Productivity of Sales staff are monitored on a continuous basis through a special central monitoring unit which is independent of the distribution network, which allows for an early indication / warning when an individual's performance is below standard. 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. The rate of Claims servicing and acceptance of policies completed within a day have been maintained above 80% for 2017.
Premium Persistency	●	●	<ul style="list-style-type: none"> Refer Financial Notes on page 361.
Morbidity Risk	●	●	<ul style="list-style-type: none"> Refer Financial Notes on page 361.
Mortality Risk	●	●	<ul style="list-style-type: none"> Refer Financial Notes on page 361.
MARKET RISKS			
Interest Rate Risk	●	●	<ul style="list-style-type: none"> Interest sensitive investments account for 62% of the portfolio as at the above date. Duration of the asset portfolio is measured on a monthly basis by the Treasury Middle Office Unit and is circulated to the Asset and Liability Management Committee. The Company has a mismatched portfolio as at the above date on a cashflow basis as well as interest rate sensitivity. As an initial step towards improving and strengthening SLI PLC's Asset and Liability Management strategy, financials are maintained based on Par, Non – Par and Shareholder Fund and assets have been allocated accordingly. Additionally, an Asset and Liability Management Policy detailing the Asset and Liability Management strategy and risk appetite of the Company was drafted during the year.
Equity Risk	●	●	<ul style="list-style-type: none"> The Treasury Middle Office continues to identify, measure and manage all Investment and Market Specific Risks on a day to day basis.
Investment Concentration Risk	●	●	<ul style="list-style-type: none"> The Treasury Middle Office has established market risk limits in line with the overall risk appetite of the Company and values the investment portfolio on a daily basis and carries out daily monitoring and reporting of the portfolio and all loss limits. The Company uses the historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. Market risk exposures for the Company's equity portfolio are monitored using VaR methodology and uses a 1 day, 95% VaR for equity positions to reflect the 95% probability that the daily loss will not exceed the reported VaR.
Asset Quality of Corporate Debt	●	●	<ul style="list-style-type: none"> The treasury Middle Office Policy dictates the maximum exposures allowed as per issuer and issue ratings. The Treasury Middle Office also performs an independent financial analysis on all issuers rated BBB+ and below.

● Low Risk ● Medium Risk

STEADFAST

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Components of Our Financial Statements

Accounting Policies and Other Explanatory Notes

Profit or loss and
Other Comprehensive Income

Income
Expenses

Refer pages 274 to 386

The Elements of Financial Statements

Refer pages 286 to 291



Rectification

Oracle Trial Balance

Appropriate Systems, Tools and Techniques

Refer pages 201, 227 to 232



Risk Assessment & Review

Refer pages 227 to 228

Risk Management Framework and Strategy

Refer pages 241 to 250



Enhancing

Comparability

Verifiability

Timeliness

Understandability

Refer pages 274 to 386

Code of Best Practices of Corporate Governance

Refer pages 183 to 226 & 274 to 386

(The Accounting Body), Insurance Regulatory Commission (Regulatory Body)

Conceptual Framework

Financial Calendar	Target date in 2018/19	Achievement in 2017
Submission of the Interim Financial Statements in Terms of the Rule 7.4 of the Colombo Stock Exchange		
1st Quarter (Audited)	May 2018	May 2017
2nd Quarter (Audited)	August 2018	August 2017
3rd Quarter (Audited)	November 2018	November 2017
4th Quarter (Un-audited)	February 2019	February 2018
Annual Report and Financial Statement to Shareholders		
2016		March 2017
2017	April 2018*	
Annual General Meeting		
19th Annual General Meeting to be Held		27th April 2018*
20th Annual General Meeting to be Held	March 2019	

*Original target date of 19th AGM was rescheduled to 27th April 2018 due to the pending approval of One-off Surplus by Insurance Regulatory Commission of Sri Lanka (IRCSL) - (Regulatory Body of Insurance Industry).



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 have pleasure in presenting to the shareholders the Annual Report of Softlogic Life Insurance PLC (The Company) together with Chairman's Message, Managing Director's Message, Corporate Governance Commentary, Capital Management, the Audited Financial Statements for the year ended 31st December 2017 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 29th March 2018. The appropriate number of copies of the Annual Report have been submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

Softlogic Life Insurance PLC is a Licensed Insurance Company registered under the Insurance Industry Act No. 43 of 2000 and was incorporated 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 6th July 2007, under the Registration No. PQ 31. The registered office of the Company is situated 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 39% as at 31st December 2017.

As required under 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 2017;

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 and Necessary Disclosure
(i) The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer Section 1.3 on 'Principal Business Activities, Nature of Operations of the Company and Ownership' on page 280.
(ii) Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	Section 168 (1) (b)	The Financial Statements of the Company for the year ended 31st December 2017 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) and comply with the requirements of the Companies Act No. 07 of 2007 and Insurance Industry Act No. 43 of 2000 and which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the Financial Statements) and were approved by two members of the Board as appearing on pages 274 to 386 form an integral part of this Report.
(iii) Auditors' Report on the Financial Statements of the Company	Section 168 (1) (c)	Refer page 272 for the "Independent Auditors' Report"
(iv) 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 280 to 380. There were no changes to the Accounting Policies used by the Company during the year.
(v) Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Note 17.1 and 48.2 to the Financial Statements on pages 307 and 379. Also refer the 'Board Human Resources and Remuneration Committee Report' on pages 233 and 234.

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 and Necessary Disclosure
(vi) Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Note 17 to the Financial Statements on pages 306 and 307.
(vii) Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer Items 16.1 on page 258.
(viii) 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 17 to the Financial Statements on pages 306 and 307.
(ix) 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 Item 36 on page 263.
(x) Acknowledgement of the contents of this Report/ Signatures on behalf of the Board	Section 168 (1) (k)	Refer Item 50 on page 264.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission Statements are exhibited on page 02 of the Annual Report.

The business activities of the Company are conducted 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 as per the requirement of Section 168 (1) (a) of the Companies at No. 7 of 2007.

2.3 Review of Operations of the Company

The Company recorded yet another impressive performance in the year under consideration, delivering an increase of 34% growth in earnings over the previous financial year to reach Rs. 7.5 billion in revenue for 2017. The Company outclassed the industry for the sixth consecutive year by growing at the double the rate of the industry in the

same period. The Company's success was driven by exceptional performance across all key performance indicators such as new business growth, client retention, market positioning, product mix management, productivity, operational efficiency, expense management and investment management. Mobile based insurance solutions are a rapidly growing trend and we are committed to expanding Company business model to make place for dynamic mobile based insurance services which are already generating topline growth. The Company sustained the essence of its core business model which is based on protection. While the agency based channel was strengthened during the period, yet another a notable achievement was the strong performance of two alternate channels which focus on corporate and bancassurance. The relatively new channels succeeded in achieving a topline of Rs. 1.2 billion. The Company continued to create value for customers, especially through claims settlement process. The detailed explanations are given on Chief Operating Officer's message on pages 30 to 32.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements

of the Company, which reflect 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 280 to 386 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 265 and 266 forms an integral part of this Report.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of Financial Statements are given on pages 280 to 386 comply with section 168 (1) (d) of the Companies Act. The Company has consistently applied Accounting Policies in 2017 and there were no changes.

4. FUTURE DEVELOPMENTS

The Company having realised both financial and non-financial benefits of Online and Mobile App facilities, it will continue to capitalise the potential in this area enabling customers' easy access to most services 24/7. The Company will continue to develop its customer-centric model for doing business with the objective of delighting its customers while strengthening our risk and compliance framework. Please refer Sections on Chairman's Statement is on pages 22 to 25, the Managing Director's Review is on pages 26 to 29 and Management Discussion and Analysis is on pages 34 to 172 as per the requirement of Section 168 (1) (a) of the Companies Act No. 7 of 2007.

5. GROSS INCOME (GROSS WRITTEN PREMIUM)

The gross written premium (GWP) of the Company for 2017 was Rs. 7,531 million. (Rs. 5,636 million in 2016)

A Detailed Analysis of the total GWP recorded by the Company is given in Note 07 to the Financial Statements on pages 296 to 297.

6. RESULTS AND APPROPRIATIONS

6.1 Performance of the Company

The net profit before tax of the Company amounted to Rs. 1,905 million. (Rs. 967 million in 2016) and this was an increase of 97% ((3)% in 2016). Further, the net profit after tax of the Company amounted to Rs. 2,325 million in 2017 (Rs. 967 million in 2016) and this was an increase of 140% in 2017. The Company's total comprehensive income net of tax was Rs. 2,734 million. (2016 Rs. 100 million)

A synopsis of the Company's performance is presented below.

Financial Results	COMPANY	
	2017 Rs. '000	2016 Rs. '000
Profit After Taxation	2,324,521	966,843
Profit Brought from Previous Years	2,223,276	1,469,737
Un-appropriated Profit Brought Forward	4,547,797	2,436,580
Appropriations		
Re-measurement of Defined Benefit (Liability) /Asset (Net of tax)	2,452	(13,304)
Dividend Paid	(810,000)	(200,000)
Un-appropriated Profit Carried Forward	3,740,249	2,223,276

6.2 Dividends on Ordinary Shares

Details of Information on dividends are given in Note 19.3 to the Financial Statements on page 312. The second interim dividends of 2016 of Rs. 2.16 per share was paid out in 2017, hence, were subjected to a 10% withholding tax.

During the year 2017 the Company has not declared dividends.

The Board of Directors provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of second Interim dividend of 2016 paid in 2017 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 second interim dividend of 2016.

6.3 Reserves

A summary of the Company's reserves is given below:

	2017 Rs. '000	2016 Rs. '000
Stated Capital	1,062,500	1,062,500
Revaluation Reserve	48,436	24,903
Available-for-Sale Reserve	(965,056)	(1,348,513)
Restricted Regulatory Reserve	798,004	-
Retained Earnings	2,942,245	2,223,276
Total	3,886,129	1,962,166

Information on the movement of reserves is given in the Statement of Changes in Equity on page 277 and Notes 30 to 33 to the Financial Statements on pages 341 to 342.

7. CORPORATE SOCIAL RESPONSIBILITY

The CSR initiatives of the Company are detailed under 'Management Discussion and Analysis' under social and regulatory capital in the Annual Report on pages 114 to 145.

8. PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSETS

Capital Expenditure

Information on Property, Plant & Equipment and Intangible assets of the Company are given in Notes 20 and 21 to the Financial Statements on pages 313 to 320 respectively.

Valuation of Land and Building

All land and building owned by the Company was revalued. Specific information on extent, location, valuations of the land and buildings held by the Company are given in Notes 21.13 to the Financial Statements on page 319.

9. MARKET VALUE OF PROPERTIES

The Company carried out a revaluation of all its freehold land and buildings as at 31st December 2017 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 2019.

The details of the revaluation and relevant accounting policies are provided in Note 21 to the financial statements respectively.

10. STATED CAPITAL

The Stated Capital of the Company as at 31st December 2017 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary shares. The details are provided in Note 29 to the financial statements on page 341. There were no change in the Stated Capital during the year.

11. ISSUE OF SHARES

During the year Company has not issued any shares to raise new capital.

12. MINIMUM CAPITAL REQUIREMENTS

Insurance regulatory commission of Sri Lanka (IRCSL) 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.

The Company has an issued and fully paid stated capital of Rs. 1,062.5 million (2016 - Rs. 1,062.5 million) and therefore fulfilled this statutory requirement.

13. TOTAL AVAILABLE CAPITAL (TAC)

In addition to the above insurance Companies are required to maintain minimum of Rs. 500 million as Total Available Capital (TAC) as per solvency margin (Risk Based Capital) rules 2015 with effect from 01st January 2016. The Company maintains Rs. 6,084 million as at 31st December 2017 which is well above the minimum requirement. Details of the TAC is given on page 374 and in Note 46.4 to the Financial Statements.

14. SHARE INFORMATION

14.1 Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages are given in the Section on 'Investor Relations' on pages 407 to 408.

14.2 Information on Earnings, Dividend, Net Assets and Market Value

Information relating to earnings, dividend, net assets and market value per share is given in page 406. 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 'Investor Relations' on page 406.

14.3 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 'Investor Relations on pages 408 and 409.

15. EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all shareholders are treated equitably.

16. INFORMATION ON THE DIRECTORS OF THE COMPANY

16.1 Information on Directors as at 31st December 2017

The Board of Directors of the Company as at 31st December 2017 consisted of Seven Directors (seven Directors as at 31st December 2016) with wide financial and Commercial knowledge and experience as detailed in the 'Board of Directors Profiles' on pages 174 to 175.

The Names of the Directors of the Company who held the office during the year and as at the end of 2017, 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
New Appointment / Cessations during the year 2017		
None	None	None

16.2 Retirement and Re-election

The Directors to retire by rotation at an AGM shall be those who, have served the longest in office, since their last election or appointment as a director to the Board of Directors of the Company in terms of articles 98 of the AOA of the Company.

The Board Appointed Nomination Committee recommended the re-election of the following Directors, after considering the Declarations submitted.

- Directors to retire by rotation:
Mr. M. R. Abeywardena
- Directors who served on the Board for over 9 years :
Mr. J. H. P. Rathnayake

No existing Director has reached the age of 70 years and therefore Section 210 and 211 of the Companies Act do not apply.

16.3 Directors' Meetings

Details of the meetings of the Board of Directors are presented on pages 192 to 193.

16.4 Review of Performance of Board

The performance of the Board is evaluated through a formalised process and details are discussed in page 214.

17. BOARD SUB-COMMITTEES

The Board of Directors of the Company formed Board Subcommittees namely, Human Resources and Remuneration Committee, Audit Committee, Related Party Transactions Review Committee, Investment Committee, Risk Management Committee and Nomination Committee as required by CSE Listing Rules.

Accordingly, the following Board sub-committees have been constituted.

Board Sub-Committees	Committee Report Reference
Audit Committee	229
Human Resources and Remuneration committee	233
Related Party Transaction Review Committee	239
Nomination Committee	236
Investment Committee	235
Risk Management Committee	237

The above 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 pages 191 to 192 which is a part of the Annual Report of the Board.

18. 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 2017	As at 31st December 2016
Ashok Pathirage	Nil	Nil
Paul Ratnayake	Nil	Nil
Iftikar Ahamed	Nil	Nil
Sujeewa Rajapakse	Nil	Nil
Mohan Ray Abeywardena	Nil	Nil
Johannes W. H. Richters	Nil	Nil
Jatinder Mukhi	Nil	Nil

The Managing Director/CEO of the company does not hold shares of the Company as at reporting date.

19. DIRECTORS INTEREST REGISTER

In terms of the Companies Act No 07 of 2007 an Interest Register was maintained during the accounting period under review. The 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.

20. DIRECTORS INTEREST IN CONTRACTS OR PROPOSED CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed as follows as per the requirement of Section 168 (e) of the Companies Act No 07 of 2007. All Directors of the Company have disclosed their interest in other companies to the Board and such interest are recorded in the Directors interest register confirming to Section 192 (1) and 192 (2) of the Companies Act No 07 of 2007.

Name of Director	Position	Company	Relationship
Ashok Pathirage	Chairman	Softlogic Finance PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Chairman	NDB Capital Holdings Limited	Director Related Entity
	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	Odel PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Supermarkets (Private) Limited	Group Company of Softlogic Holdings PLC
	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	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
	Deputy Chairman	National Development Bank PLC	Director Related Entity
	Director	Odel Properties One (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Asiri A O I Cancer Centre (Private) Limited	Group Company of Softlogic Holdings PLC
	Director	Suzuki Motors Lanka Ltd	Group Company of Softlogic Holdings PLC
J.H.P Ratnayeke	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
	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

Name of Director	Position	Company	Relationship
	Chairman	Fairway City Hotels (Private) Limited	Director Related Entity
	Chairman	Asia Leisure Holdings (Private) Limited	Director Related Entity
	Chairman	P.R Corporate Services (Private) Limited	Director Related Entity
	Director	Nuwara Eliya Hotels Limited	Director Related Entity
	Director	Sierra Cables PLC	Director Related Entity
	Director	Fort Millennium Heritage Development (Private) Limited	Director Related Entity
	Senior Partner	Paul Ratnayeke Associates	Director Related Entity
	Shareholder	Domain Design (Private) Limited	Shareholder Related Entity
	Shareholder	Brooklyn Tea Services (Private) Limited	Shareholder Related Entity
	Shareholder	Richard Pieris & Company PLC	Shareholder Related Entity
	Shareholder	HVA Foods PLC	Shareholder Related Entity
Sujeewa Rajapakse	Director	Lanka Holdings (Private) Limited	Director Related Entity
	Director	Haycarb PLC	Director Related Entity
	Director	Dipped Products PLC	Director Related Entity
	Director	Hayleys Agriculture Holding Limited	Director Related Entity
	Director	Hayleys Global Beverages (Private) Limited	Director Related Entity
	Shareholder	Cornucopia Lanka (Private) Limited	Director Related Entity
T.M. Iftikar Ahamed	Executive Director	Softlogic Stockbrokers (Private) Limited	Group Company of Softlogic Holdings PLC
	Managing Director	Softlogic Capital PLC	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	Group Company of Softlogic Holdings PLC
Mohan Ray Abeywardena	Chairman	Colombo Stock Exchange	Director Related Entity
	Chairman	Acuty Stockbrokers (Private) Limited	Director Related Entity
	Chairman	Acuty Securities Limited	Director Related Entity
	Chairman	Guardian Acuity Asset Management Limited	Director Related Entity
	Chairman	Central Depository System (Private) Limited	Director Related Entity
	Director	Lanka Ventures PLC	Director Related Entity
	Director	LVL Energy Fund Limited	Director Related Entity
	Director	Associated News Papers of Ceylon Limited	Director Related Entity
	Managing Director	Acuity Partners (Private) Limited	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 48 to the Financial Statements on page 379 for those transactions disclosed by the Directors.

As a practice of good governance, Directors have refrained from voting on matters in which they were materially interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

21. DIRECTORS FEES AND REMUNERATION INCLUDING POST EMPLOYMENT BENEFITS

The amount of the Directors fees and Remuneration paid during the year is Rs. 22.5 million.

Directors are not entitled to obtain loans of any kind from the Company. Further details are provided on page 234 of the Financial Statements as per the requirement of Section 168 (1) (f) of the Companies Act No 07 of 2007.

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 (only Executive 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 Board sub-committee meetings.

22. DIRECTORS' INSURANCE

The Company has paid an insurance premium in respect of an insurance policy for the benefit of the Directors as defined in the insurance policy during the financial year. 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.

23. 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

24. 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.

25. 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 42 to the Financial Statements on page 357.

26. 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 (LKAS 24), Related Party Disclosures in Note 48 on page 379 which is adopted in the preparation of these Financial Statements.

27. 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 2017 amounted to Rs. 9,984 million (2016 - Rs. 8,218 million). A detailed description of the financial investments is enclosed in Note 22 to the Financial Statements on pages 320 to 331.

28. INTANGIBLE ASSETS

The carrying value of intangible assets as at the Reporting Date amounted to Rs. 7.1 million (2016 - Rs. 13.2 million). Movement of intangible assets from the balance as at 01st of January 2017 to the balance as at 31st of December 2017, additions and disposals made, together with the amortisation charge for the year, are set out in Note 20 to the Financial Statements on page 314.

Following their initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

29. DONATIONS

There were no donations made by the Company during the Year.

30. CAPITAL COMMITMENTS

There were no Capital Expenditure Commitments as at 31st December 2017.

31. GOING CONCERN

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, such as restrictions or plans to curtail operations.

32. LIABILITIES AND PROVISIONS

The Board of Directors have arranged external actuaries to value the Life Fund and the Gratuity Liability.

The basis adopted for provisioning is disclosed in Accounting Policy No 38 on pages 352 to 353 to the Financial Statements.

As at the date of the Report, the Directors are not aware of any circumstances, which would render inadequate the amounts provided for in the Financial Statements.

33. RESERVES

The reserves consist of Available for Sale Reserve, Revaluation Reserve, Restricted Regulatory Reserve and Retained Reserves. The details and movements of reserves are disclosed in Notes 30 to 33 to the Financial Statements on pages 341 to 342 and in the Statement of Changes in Equity on page 277 to the Financial Statements.

34. 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% (2016 - 28%). The Company will be liable for surplus basis taxation w.e.f. 01st April 2018 as per new Inland Revenue Act accordingly. The Company liable to pay crop insurance levy to the national insurance trust fund at 1%.

The Company has recognised deferred tax asset extent to which future taxable profits will be available to utilise the available tax losses in foreseeable future.

35. 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 2017 to carry out the audit of the Company for the year ended 31st December 2017.

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 27th April 2018.

Expenses incurred in respect of Audit Fees and Fees for other services rendered during the accounting period are given in Note 17 to the Financial Statements on pages 306 and 307.

36. 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 2017 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.

Board Audit Committee has assessed each Non Audit Service provided by KPMG with regard to auditor independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs KPMG.

37. COMPLIANCE WITH RULES AND REGULATIONS

The Company has complied with the regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) 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 229.

38. 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 'Investor Relations' on pages 405 to 410.

39. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. The Directors continuously review this process through the Board Risk Management Committee. Specific steps taken by the Company in managing risks are detailed in the Section on pages 241 to 250, in the 'Risk Committee Report' on page 237 and in Note 46 to the Financial Statements on pages 358 to 374.

An effective and comprehensive system of internal controls is in place in the Company comprising of internal checks, internal audit and financial and other controls required to carry out the business in an orderly manner and to safeguard the assets. The Directors' Statement on Internal Control and the Auditors' Report thereon are given on pages 227 and 272.

40. CORPORATE GOVERNANCE

Directors' Declarations

The Directors declare that –

- a) the Directors have declared all material interests in contracts involving the

Company and refrained from voting on matters in which they were materially interested.

- b) the Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the Board Risk Management Committee.
- c) all endeavours have been made to ensure that shareholders in each category have been treated equitably in accordance with the original Terms of Issue.
- d) the business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Company's Corporate/Business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the Going Concern assumption.
- e) they have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.

The measures taken and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance issued by The CA Sri Lanka and the SEC, the CSE are given in on pages 183 to 226.

41. OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations.

42. ENVIRONMENTAL PROTECTION

The Company has not, to the best of their knowledge, engaged in any activity, which was detrimental to the environment. Specific measures taken to protect the environment are given on pages 154 to 161.

43. HUMAN RESOURCES

A brief description of the Company's HR Policy and the Remuneration Methodology given in the Remuneration Committee Report on pages 98 to 113.

44. 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 2017 was 736. (2016 - 535). Medical and Life insurance, under group cover is 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.

45. 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.

The Directors and the Key Management Personnel had declared compliance with the relevant Code of Conduct and Ethics.

46. 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.

47. 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.

48. 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.

49. 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 27th April 2018 at 10.00 a.m. The notice of Annual General Meeting is given on page 418.

50. 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

(Sgd.)
Iftikar Ahamed
Managing Director

Colombo
29th March 2018

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 272.

In terms of Sections 150 (1) and 151 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 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 2017, 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 the:

- Financial position of the Company as at 31st December 2017; and
- The financial performance of the Company for the financial year then ended.

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 280 to 386 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 2017, 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 Regulatory commission of Sri Lanka (IRCSL)
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).

- c. These Financial Statements comply with the prescribed format issued by the Insurance Regulatory commission of Sri Lanka for the preparation of Annual Financial Statements of Insurance Companies.

- d. They 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 page 229. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.

- e. Proper accounting records which correctly record and explain the Company's transactions have been maintained as required by the Section 148 (1) of the Companies Act to determine at any point of time the Company's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements;

- f. They accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

- g. They 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 pages 227 and 228 of this Annual Report.

- h. As required by the Section 56 (2) of the Companies Act No. 07 of 2007, they 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.

- i. 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.

- j. That all shareholders in each category have been treated equitably in accordance with the original terms of issue.
- k. 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.
- l. 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 CASL 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.
- m. That after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code of Best Practice on Corporate Governance' issued jointly by the CA Sri Lanka and the SEC, the Board of 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.

- n. 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 Sections 150 (1) of the Companies Act No. 07 of 2007 and also have been signed by two Directors of the company on 276 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements;
- o. The Company's External Auditors, Messrs. KPMG who were appointed in terms of the Section 158 of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on page 272.
- p. The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiary, 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.

Accordingly The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

On behalf of the Board;

(Sgd.)
Ashok Pathirage
Chairmen

(Sgd.)
Iftikar Ahamed
Managing Director

Colombo
29th March 2018

The Financial Statements of the Softlogic Life Insurance PLC (the Company) as at 31st December 2017 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 Regulatory Commission of Sri Lanka (IRCSL) ;
- 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 in the SORP issued by IRCSL. 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. 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.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the company. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the entity are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the entity for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves management or other employees. The company's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their Report is given on page 272. 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 Board Audit Committee (BAC), inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory Requirements, the details of which are given in the 'Board Audit Committee Report' appearing on pages 229 to 232.

The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should

be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the entity have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

- a) The company has complied with all applicable laws and regulations and guidelines and there is no material litigation against the company other than those disclosed in Note 41.3 on page 357 of the Financial Statements.
- b) All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at 31st December 2017 have been paid, or where relevant provided for.
- c) The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry act.
- d) The Company has arranged treaty reinsurance with approved reinsurers as per IRCSL guidelines, for all risk commitments exceeding retention limits.
- e) Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets.
- f) The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.
- g) The Company has implemented the necessary processes to implement the premium warranty clause.
- h) The Company has implemented the necessary steps to implement segregation of insurance funds. There were no transfer of assets between funds during the year.

(Sgd.)

T.M. Iftikar Ahamed

Managing Director / Chief Executive Officer

(Sgd.)

Nuwan Puspakumara

Chief Financial Officer

Colombo

29th March 2018

Willis Towers Watson 

24th February 2018

Directors of Softlogic Life Insurance Plc
283, R. A De Mel Mawatha,
Colombo 3,
Sri Lanka

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 31 December 2017.

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

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
Willis Towers Watson
Unitech Business Park 2nd Floor,
Tower-B, South City, Sector 41
Gurgaon – 122002, India
Telephone : +91 124 4322 2800
Email: kunj.maheshwari@willistowerswatson.com



Signature:

Place: Gurgaon, India

Date: 24th February 2018

Towers Watson India 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
W willistowerswatson.com
CIN - U67190HR1996PTC051336

Willis Towers Watson 

24th February 2018

Directors of Softlogic Life Insurance Plc
283, R. A De Mel Mawatha,
Colombo 3,
Sri Lanka

Liability Adequacy Test

- 1.1. The Sri Lanka Accounting Standard 'SLFRS 4, Insurance Contracts' prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash-flows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of 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 31 December 2017.
- 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 31 December 2017 is in excess of the liabilities computed in the above mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
Willis Towers Wats

Signature:



Place: Gurgaon, India

Date: 24th February 2018

Towers Watson India 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
W willistowerswatson.com
CIN - U67190HR1996PTC051336

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KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawaitha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
Internet : www.kpmg.com/lk

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 2017, and the income statement, statements of profit or loss and other comprehensive income, changes in equity and, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 274 to 386.

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 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 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 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

Chartered Accountants

29th March 2018
Colombo

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

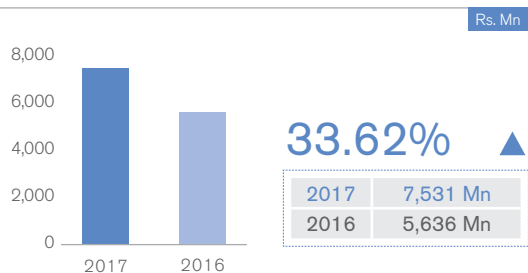
M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

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

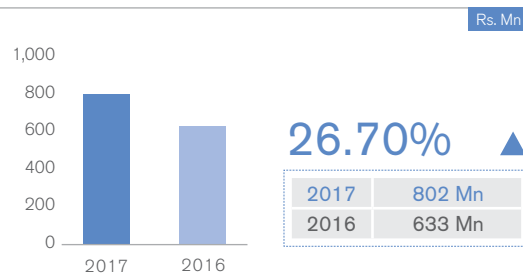
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA

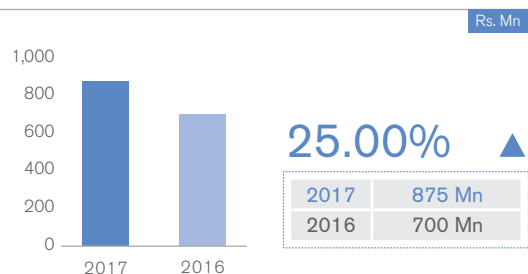
GROSS WRITTEN PREMIUM



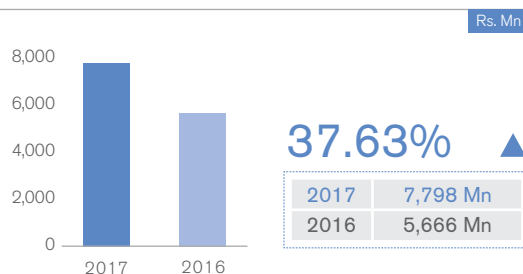
PREMIUM CEDED TO REINSURERS



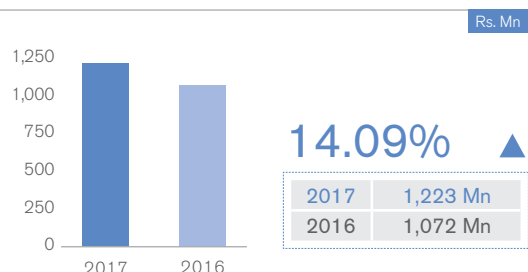
INCOME FROM FINANCIAL INVESTMENTS



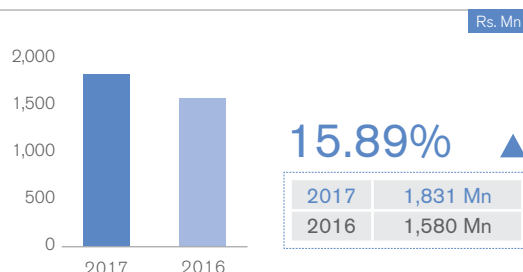
TOTAL NET REVENUE



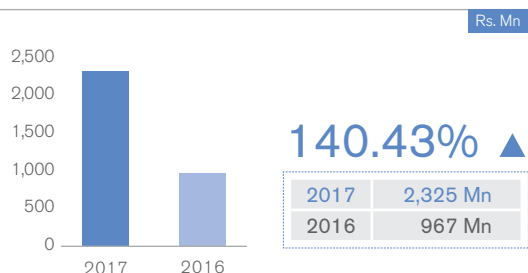
NET INSURANCE BENEFITS AND CLAIMS PAID



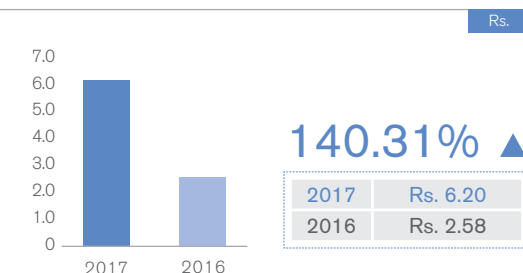
UNDERWRITING AND NET ACQUISITION COST



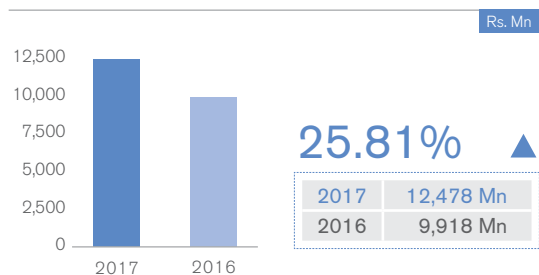
PROFIT AFTER TAX



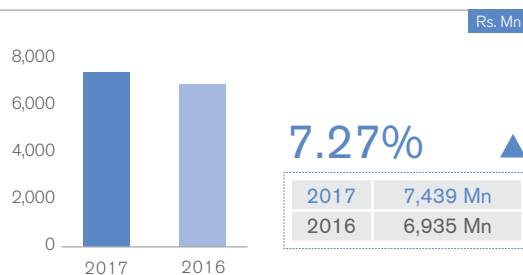
EARNING PER SHARE



TOTAL ASSETS



INSURANCE CONTRACT LIABILITIES



STEADFAST
INCOME STATEMENT

For the Year ended 31st December			COMPANY		GROUP	CHANGE
	Note	Page	2017 Rs. '000	2016 Rs. '000	2016 Rs. '000	%
Continuing Operations						
Gross Written Premium	7	296	7,530,935	5,635,701	5,635,701	34
Premiums Ceded to Reinsurers	8	298	(802,462)	(632,953)	(632,953)	27
Net Earned Premium	8.2	298	6,728,473	5,002,748	5,002,748	34
Other Revenue						
Net Finance Income	9	299	874,997	700,170	700,170	25
Net Realised Gains	10	301	51,181	54,299	54,299	(6)
Net Fair value Gains/(Losses)	11	302	95,978	(95,888)	(95,888)	200
Other Operating Income	12	303	47,023	5,024	5,024	836
			1,069,179	663,605	663,605	61
Total Net Revenue			7,797,652	5,666,353	5,666,353	38
Net Benefits, Claims and Expenses						
Net Insurance Benefits and Claims Paid	13	303	(1,245,257)	(1,073,493)	(1,073,493)	16
Net Change in Insurance Claim Outstanding	14	304	22,756	1,327	1,327	1,615
Change in Insurance Contracts Liabilities Life Funds	15	305	(1,315,369)	(287,685)	(287,685)	357
Change in Contract Liability due to Transfer of One-off Surplus	34.1	343	798,004	-	-	100
Underwriting and Net Acquisition Cost	16	305	(1,830,773)	(1,580,473)	(1,580,473)	16
Other Operating and Administration Expenses	17	306	(2,299,406)	(1,780,776)	(1,780,776)	29
Finance Cost			(23,086)	(67,810)	(67,810)	(66)
Total Benefits, Claims and Expenses			(5,893,131)	(4,788,910)	(4,788,910)	23
Profit for the Year from Continuing Operations Before Tax			1,904,521	877,443	877,443	117
Discontinued Operations						
Profit Before Tax for the Period from Discontinued Operations	39.1	354	-	-	(306,011)	
Realised Gain from Disposal of Subsidiary	39.4	355	-	89,400	469,060	
Profit Before Tax			1,904,521	966,843	1,040,492	97
Income Tax Expenses	18	308	420,000	-	(4,329)	
Total Profit for the Year			2,324,521	966,843	1,036,163	140
Profit from Continuing Operations Attributable To;						
Owners of the Parent			2,324,521	877,443	877,443	165
Non Controlling Interest			-	-	-	
			2,324,521	877,443	877,443	165
Profit from Discontinued Operations Attributable To;						
Owners of the Parent			-	89,400	158,720	
Non Controlling Interest			-	-	-	
			-	89,400	158,720	
Basic / Diluted Earning Per Share (Rs.)						
Continuing Operations	19	312	6.20	2.34	2.34	
Continuing Operations - Excluding One-off Surplus	19	312	4.07	2.34	2.34	
Discontinued Operations	19	312	-	0.24	0.42	
The Notes appearing on pages 280 to 380 form an integral part of these Financial Statements.						

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st December			COMPANY		GROUP
	Note	Page	2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
Profit for the Year from Continuing Operations			2,324,521	877,443	877,443
Profit for the Period from Discontinued Operations			-	89,400	158,720
			2,324,521	966,843	1,036,163
Other Comprehensive Income					
Items that will not be Reclassified to Income Statement					
Remeasurement of Defined Benefit Liability	35.2.e	351	2,452	(13,304)	(13,304)
Revaluation of Land and Buildings	31	341	23,533	-	-
			25,985	(13,304)	(13,304)
Items that are or may be Reclassified Subsequently to Profit or Loss					
Available for Sale Financial Asset - Net Change in Fair Value	30	341	(122,510)	(160,310)	(160,310)
Available for Sale Financial Asset - Net Change in Fair Value - Life Fund	30	341	499,354	(675,953)	(675,953)
Available for Sale Financial Asset Reclassified to Income Statement	30	341	6,613	(17,127)	(17,127)
			383,457	(853,390)	(853,390)
Total Other Comprehensive Income/(Loss) from Continuing Operations			409,442	(866,694)	(866,694)
Other Comprehensive Income from Discontinued Operations, Net of Tax	39.2	354	-	-	145,317
Total Comprehensive Income for the year			2,733,963	100,149	314,786
Total Comprehensive Income Attributable to:					
Owners of the Company			2,733,963	100,149	314,786
Non - Controlling Interests			-	-	-
			2,733,963	100,149	314,786
The Notes appearing on pages 280 to 380 form an integral part of these Financial Statements.					

As at 31st December	Note	Page	COMPANY	
			2017 Rs. '000	2016 Rs. '000
Assets				
Intangible Assets	20	313	7,145	13,236
Property, Plant and Equipment	21	315	577,705	485,014
Financial Investments	22	320	9,994,488	8,218,287
Loans to Life Policy Holders	24	337	140,385	158,306
Reinsurance Receivables	25	337	149,548	85,940
Premium Receivables	26	339	290,821	92,318
Receivables and Other Assets	27	339	579,409	631,952
Deferred Tax Assets	18.3	310	420,000	-
Cash and Cash Equivalents	28	340	318,945	232,554
Total Assets			12,478,446	9,917,607
Equity and Liabilities				
Equity				
Stated Capital	29	341	1,062,500	1,062,500
Available for Sale Reserve	30	341	(965,056)	(1,348,513)
Revaluation Reserve	31	341	48,436	24,903
Restricted Regulatory Reserve	32	342	798,004	-
Retained Earnings	33	342	2,942,245	2,223,276
Total Equity			3,886,129	1,962,166
Liabilities				
Insurance Contract Liabilities	34	342	7,438,592	6,935,047
Employee Benefits	35	349	86,693	73,436
Reinsurance Payable	36	352	236,265	139,262
Amounts due to Related Companies	37	352	4,615	27,621
Other Liabilities	38	352	749,412	648,609
Bank Overdraft	28	340	76,740	131,466
Total Liabilities			8,592,317	7,955,441
Total Equity and Liabilities			12,478,446	9,917,607
Net Asset per Share (Rs.)			10.36	5.23
Net Asset per Share (Rs.) - Excluding One-off Surplus			8.24	5.23
The Notes appearing on pages 280 to 380 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.)				
Nuwan Pushpakumara				
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		(Sgd.)		
Chairman		Iftikar Ahamed		
		Managing Director		
Colombo				
29th March 2018				

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December	Stated Capital	Available for Sale Reserve	Revaluation Reserves	Restricted * Regulatory Reserve	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2016	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
Balance as at 01st January 2017	1,062,500	(1,348,513)	24,903	-	2,223,276	1,962,166
Profit for the Year	-	-	-	798,004	1,526,517	2,324,521
Other Comprehensive Income for the Year						
Available For Sale Financial Asset - Net Change in Fair Value	-	(122,510)	-	-	-	(122,510)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	499,354	-	-	-	499,354
Available For Sale Financial Assets Reclassified to Income Statement	-	6,613	-	-	-	6,613
Remeasurement of Defined Benefit (Liability) / Asset	-	-	-	-	2,452	2,452
Revaluation of Land and Buildings	-	-	23,533	-	-	23,533
Total Other Comprehensive Income Net of Tax	-	383,457	23,533	-	2,452	409,442
Total Comprehensive Income for the Year	-	383,457	23,533	798,004	1,528,969	2,733,963
Transaction with the Owners of the Company, Distributions						
Second Interim Dividend paid for 2016	-	-	-	-	(810,000)	(810,000)
Balance as at 31st December 2017	1,062,500	(965,056)	48,436	798,004	2,942,245	3,886,129

The Notes appearing on pages 280 to 380 form an integral part of these Financial Statements.

*Refer Note 32.

STATEMENT OF CASH FLOWS

For the Year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Continuing Operation			
Cash Flows from Operating Activities			
Profit before Taxation	1,904,521	877,443	877,443
Adjustments for :			
Depreciation of Property, Plant and Equipment	91,493	78,858	78,858
Amortization of Intangible Assets	6,282	8,746	8,746
Provision for Employee Benefits	20,651	14,934	14,934
Net Realized Gains	(51,181)	(54,284)	(54,284)
Net Fair value (Gains)/Losses	(95,978)	95,888	95,888
Net Amortization of Financial Investments	(21,185)	(57,290)	(57,290)
Gain on Sale of Property, Plant and Equipments	-	(4,936)	(4,936)
Additional Consideration on Disposal of AAGI	(34,904)	-	-
	1,819,699	959,360	959,359
Change in Operating Assets	Note A (272,647)	(126,223)	(126,223)
Change in Operating Liabilities	Note B 678,345	674,696	674,696
Cashflows from Operating Activities	2,225,397	1,507,833	1,507,832
Gratuity paid	(4,942)	(599)	(599)
Income Tax Paid	-	-	-
Net Cash Generated from Operating Activities	2,220,455	1,507,233	1,507,233
Cash Flows from Investing Activities			
Investment in Subsidiary	-	(600,000)	(600,000)
Consideration Received from Disposal of Subsidiary	34,904	1,276,089	1,276,089
Acquisition of Financial Securities	(11,955,013)	(4,018,585)	(4,018,585)
Consideration Received from Disposal of Investments	10,730,613	2,706,614	2,706,614
Net Acquisition of Property, Plant and Equipment	(160,651)	(136,353)	(136,353)
Proceeds from Sale of Property, Plant and Equipment	-	4,936	4,936
Net Acquisition of intangible assets	(191)	-	-
Net Cash used in Investing Activities	(1,350,337)	(767,300)	(767,299)
Cash Flows from Financing Activities			
Dividend Paid	(729,000)	(200,000)	(200,000)
Net Short Term Borrowings	-	(269,700)	(269,700)
Net Cash used in Financing Activities	(729,000)	(469,700)	(469,700)
Net Increase in Cash and Cash Equivalents	141,117	270,234	270,234
Net Cash and Cash Equivalents as at the Beginning of the year	101,088	(169,146)	(169,146)
Net Cash and Cash Equivalents as at the End of the Year - Continued Operation	242,205	101,088	101,088
Net Cashflows from Discontinued Operations	Note 39.3 -	-	18,520
Notes to the Cashflow Statement			
A. Change in Operating Assets			
(Increase) / Decrease in Loans to Life Policyholders	17,921	(18,808)	(18,808)
(Increase) / Decrease in Reinsurance Receivables	(63,608)	(23,297)	(23,297)
(Increase) / Decrease in Premium Receivables	(198,503)	(25,044)	(25,044)
(Increase) / Decrease in Receivable and Other Assets	(28,457)	(59,074)	(59,074)
	(272,647)	(126,223)	(126,223)
B. Change in Operating Liabilities			
Increase / (Decrease) in Insurance Contract Liabilities	503,545	366,515	366,515
Increase / (Decrease) in Reinsurance Payables	97,003	46,290	46,290
Increase / (Decrease) in Other Liabilities	77,797	261,891	261,891
	678,345	674,696	674,696
C. Increase in Cash and Cash Equivalents			
Cash and Cash Equivalents	318,945	232,554	232,554
Bank Overdrafts	(76,740)	(131,466)	(131,466)
Net Cash and Cash Equivalents as at 31st December	242,205	101,088	101,088
Net Cash and Cash Equivalents as at the Beginning of the period	101,088	(169,146)	(169,146)
Increase in Cash and Cash Equivalents	141,117	270,234	270,234

The Notes appearing on pages 280 to 380 form an integral part of these Financial Statements.

INSURANCE REVENUE ACCOUNT

As at 31st December	2017	2016
	Rs. '000	Rs. '000
Life Insurance		
Gross Written Premium	7,530,935	5,635,701
Premiums Ceded to Reinsurers	(802,462)	(632,953)
Net Written Premium	6,728,473	5,002,748
Finance and Other Income	969,444	665,571
Net Benefits and Claims	(1,222,501)	(1,072,166)
Change in Insurance Contract Liabilities	(1,315,369)	(287,685)
Change in Contract Liability due to Transfer of One-off Surplus	798,004	-
Underwriting and Net Acquisition Costs (Including Reinsurance)	(1,830,773)	(1,580,473)
Expenses	(2,312,274)	(1,837,995)
Surplus from Life Insurance Fund	1,815,004	890,000
Finance and Other Income not Attributable to Policyholders	99,735	76,843
Expenses not Attributable to Policyholders	(10,218)	-
Profit Before Tax	1,904,521	966,843
Income Tax not attributable to Policyholders	420,000	-
Profit for the year Company	2,324,521	966,843

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. 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. The ordinary shares of the Company have a primary listing on the CSE.

As described in Note 39 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 Number of Employees

The staff strength of the Company as at 31st December 2017 was 736 (2016 was 535).

Corporate information is given in page 417 of this Annual Report.

1.3 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.

1.4 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 Regulatory Commission 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 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. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs and LKASs).

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 255, 265 and 276, respectively.

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 276);

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 274 and 275);

Statement of Changes in Equity

Depicting all changes in shareholders’ Equity during the year under review of the Company (Refer page 277);

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 278); and

Notes to the Financial Statements comprising accounting policies and other explanatory information (Refer pages 280 to 380).

2.3 Changes in Accounting Policies

The Company has consistently applied the accounting policies to all periods presented in these Financial Statements.

Details of the Company's Significant Accounting Policies followed during the year are given in pages 284 to 380.

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:

	Item	Basis of measurement	Note	Page reference
Assets	Non-derivative financial instruments at fair value through profit or loss	At fair value	22.4	328
	Available for Sale Financial Assets	At fair value	22.3	324
	Land and Building	At fair value	21	315
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	349
	Policyholders' liabilities	Actuary-determined values based on the guidelines issued by Insurance Regulatory Commission of Sri Lanka (IRCSL)	34	342

2.5 Going Concern Basis of Accounting

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 Regulatory Commission of Sri Lanka.

Income Statement, Statement of Profit or Loss and Other Comprehensive Income,

and Statement of Cash Flows of the Group for the year ended 31st December 2016 represent full year performance of the Company and Nine months of the Subsidiary, Asian Alliance General Insurance Limited. As described in Note 39 to these Financial Statements Investment in the Subsidiary was disposed during the year 2016.

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 2017 (including comparatives for 2016), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 29th March 2018.

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 382 to 386 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 dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from 01st January 2016.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.12 Financial Period

The Financial Statements are prepared to a financial year ended 31st December.

2.13 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where

relevant for better presentation and to be comparable with those of the current year.

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:

A. Judgement

Information about judgments made in applying Accounting Policies that have the most significant effects on the amounts recognised in these Financial Statements is included in the following notes.

3.1 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 4.6.3.1.2 on page 287.

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 22.1 on page 321.

B. Assumptions and Estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments for the year ended 31st December 2017 are included in the following Notes.

3.2 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 2017 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited based on the assumptions set out in Note 34.3 to the Financial Statements on page 345.

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. Towers Watson India Private Limited. For further details please refer to the Note 34.7 to the Financial Statements on page 346.

3.3 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 23 on page 331.

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.

Refer Note 22.3.e on page 328 for details.

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.

Refer Note 4.9.h on page 290 for details.

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 21.13 to on page 319.

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 Defined Benefit Obligation

The cost of defined benefit plans 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 on page 350.

3.9 Deferred Tax Assets and Liabilities

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Refer Note 18.3 on page 310 for details.

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 / Judgement	Disclosure Reference	
	Note	Page
Going Concern	2.5	281
Impairment Test	4.13	289
Insurance Contract Liabilities and Key Actuarial Assumptions	3.2/34.3	282/345
Liability Adequacy Test (LAT)	34.7	346
Deferred Tax Assets and Liabilities	3.9/18.3	283/310
Valuation of Employee Benefit Obligation - Gratuity	3.8/35.2.a	283/350
Assessment of Impairment	3.4/3.5/4.13	283/289
Determination of the Fair Value of Financial Instruments	3.3/23	283/331
Provisions for Liabilities and Contingencies	3.10/38	284/352
Valuation of Land and Buildings	21	315

4. SIGNIFICANT ACCOUNTING POLICIES

The Significant Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

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
Significant Accounting Policies - Common		
Basis of Consolidation and Subsidiaries	4.1	286
Non Controlling Interest	4.2	286
Loss of Control	4.3	286
Intra-Group Transactions & Accounting for Investment in Subsidiaries	4.4	286
Foreign Currency Transactions	4.5	286
Significant Accounting Policies - Recognition of Assets and Liabilities		
Financial Instruments – Initial Recognition, Classification and Subsequent Measurement	4.6	286
Classification and Subsequent Measurement of Financial Liabilities	4.7	288
Reclassification of Financial Assets and Liabilities	4.8	288
Derecognition of Financial Assets and Financial Liabilities	4.9	289
Offsetting of Financial Instruments	4.10	289
Amortised cost measurement	4.11	289
Fair Value of Financial Instruments	4.12	289
Identification and measurement of impairment	4.13	289
Impairment of Non - Financial Assets	4.13.h	290

Significant Accounting Policies	Reference to the Note	Page Reference
Non-current Assets Held for Sale and Disposal Groups	4.14	291
Intangible assets	4.15	291
Property Plant and Equipment	4.16	291
Leased Assets-Lessee	21	317
Inventories	4.17	291
Equity Movement	4.18	291
Insurance and Investment Contracts	7.1	296
Insurance Contract Liabilities	34	342
Actuarial Valuation of Life Fund	34.2	344
Employee Benefits	35	349
Provisions (other than insurance provisions)	38	352
Capital Commitments	40	356
Contingencies	41	356
Events after the Reporting Date	42	357
Non Current Assets held for sale and Disposal Groups	4.14/39	291/353
Significant Accounting Policies - Recognition of Income and Expenses		
Gross Written Premium (GWP)	7	296
Premium Ceded to Reinsurers	8	298
Net Finance Income	9	299
Net Realized Gains	10	301
Net Fair value Gains and Losses	11	302
Other Operating Income	12	303
Reinsurance Commission Income	4.23	291
Benefits, Claims and Expenses	13	303
Reinsurance Claims	13	303
Expenditure Recognition	16/17	305/306
Finance Cost	4.25	291
Income Tax Expense	18	308
Significant Accounting Policies - Share Holder Related		
Earning Per Share (EPS)	19	312
Dividend Per Share (DPS)	19.3	312
Significant Accounting Policies - Statement of Cash Flows		
Cash Flow Statements	4.29	292
New Accounting Standards Not Effective at the Reporting Date	5	292
Specific Accounting Policies Relating To General Insurance (Discontinued)	6	293
Operating Segments	47	374

4. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies - Common

4.1 Basis of Consolidation and Subsidiaries

The Comparative period of 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.

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.

Significant Accounting Policies - Recognition and Measurement of Assets and Liabilities

4.6 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

4.6.1 Date of Recognition

The Company initially recognises all 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.

4.6.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the Management's intention in acquiring them. (Please refer Notes 4.6.3 and 4.6.4 for further details on classification of financial instruments).

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities at fair value through profit or loss as per the Sri Lanka Accounting Standard – LKAS 39 on Financial Instruments: Recognition and Measurement'.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

4.6.3 Classification and Subsequent Measurement of Financial Assets

Company classifies financial assets into one of the following categories:

- Financial assets at fair value through profit or loss, and within this category as -
 - held-for-trading; or
 - designated at fair value through profit or loss;
- Loans and receivables (L&R);
- Held to maturity investments (HTM); and
- Available-for-sale (AFS) financial assets, as appropriate.

The subsequent measurement of financial assets depends on their classification.

Please refer Note 22 on pages 320 to 331 for details on different types of financial assets recognised on the Statement of Financial Position.

The Company's existing non derivative financial assets and their classifications are summarised in the table below.

Financial Asset	Category			
	FVTPL	L &R	HTM	AFS
Treasury Bonds	✓		✓	✓
Reverse repurchase agreements		✓		
Quoted Shares	✓			✓
Unquoted Shares				✓
Corporate Debts*		✓		
Commercial Papers		✓		
Policy loans		✓		
Staff and Advisor Loans		✓		
Term Deposits		✓		
Cash and Cash Equivalents		✓		
Reinsurance Receivables		✓		
Premium Receivables		✓		
Unit Trusts	✓			
Other Receivables		✓		

*Corporate Debt - The Company classifies quoted Corporate Debt under this category since there is no active market for these instruments even though such instruments are listed.

4.6.3.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held-for trading and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in Notes 4.6.3.1.1 and 4.6.3.1.2 below:

4.6.3.1.1 Financial Assets – Held-for-Trading

Details of 'Financial assets – Held-for trading are given in Note 22.4 on pages 328 to 330.

4.6.3.1.2 Financial Assets Designated at Fair Value through Profit or Loss

The Company designates financial assets at fair value through profit or loss in the following circumstances:

- the assets are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- the asset contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'Interest Income', using the EIR, while dividend income

is recorded in Dividend when the right to receive the payment has been established.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

4.6.3.2 Loans and Receivables

Details of Financial assets classified under Loans and Receivables are given in Note 22.2 on pages 322 to 324.

4.6.3.2.1 Securities Purchased Under Resale Agreements (Reverse Repos)

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (Reverse Repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Company. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest receivable being recognised as interest income in profit or loss.

Details of 'Securities purchased under resale agreements' are given in the Statement of Financial Position on page 322.

4.6.3.2.2 Other Financial Investments Classified as Loans and Receivables

Details of 'Financial investments - Loans and receivables' are given in Note 22.2 on pages 322 to 324.

4.6.3.3 Financial Investments – Held-to-Maturity

Details of 'Financial investments – Held-to-maturity' are given in Note 22.1 on pages 321 to 322.

4.6.3.4 Financial Investments – Available-for-Sale

Details of 'Financial investments – Available-for-sale' are given in Note 22.3 on pages 324 to 328.

4.7 Classification and Subsequent Measurement of Financial Liabilities

Company classifies financial liabilities into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as –
 - held-for-trading; or
 - designated at fair value through profit or loss;
- Other Financial Liabilities;

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 Reclassification of Financial Assets and Liabilities

Financial assets are not re classified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The Company reclassifies financial assets and liabilities into and out of the different categories of financial instruments as permitted by the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

4.8.1 Reclassification of Financial Instruments at 'Fair value through profit or loss'

The Company does not reclassify financial instruments out of the fair value through profit or loss category while it is held or

issued. Non-derivative financial assets and liabilities designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

The Company may in rare circumstances, reclassify financial instruments out fair value through profit or loss category, if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired for the purpose of selling or repurchasing in the near term.

Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of 'loans and receivable' as at that date is reclassified out of the fair value through profit or loss category only if the Company has the intention or ability to hold such asset for the foreseeable future or until maturity.

Fair value of financial instrument at the date of reclassification becomes the new cost or new amortised cost of the financial instrument. Any gain or loss already recognised in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Income Statement.

The Company does not reclassify any financial instrument into the 'Fair value through profit or loss' category after initial recognition.

4.8.2 Reclassification of Financial investments – Available-for-Sale

The Company may reclassify financial investments out of available-for-sale category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

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 of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to profit or loss.

4.8.3 Reclassification of Financial Investments – Held-to-Maturity

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as held-to-maturity, Company may reclassify such financial asset as available-for-sale and remeasured at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognised in equity through other comprehensive income (OCI).

However, if the Company were to sell or reclassify more than an insignificant amount of held-to-maturity financial 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. Furthermore, the Company would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

The above reclassifications at the election of the Management and is determined on an instrument-by-instrument basis.

4.9 Derecognition of Financial Assets and Financial Liabilities

4.9.1 Financial Assets

The Company derecognises a financial asset (or where applicable a part of thereof) 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.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are sale and repurchase transactions.

4.9.2 Financial Liabilities

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

4.10 Offsetting of Financial Instruments

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.

4.11 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.

4.12 Fair Value of Financial Instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Notes 23 and 23.1 on pages 331 to 336.

4.13 Identification and Measurement of Impairment

At each Reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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 profit or loss. 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 is also recorded within 'Interest income'.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative impairment loss on that investment previously recognised in Equity through the OCI is removed from Equity and charged to profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an available-for-sale equity instrument is always recognised in OCI.

The Company writes-off certain financial investments – available-for-sale, either partially or in full and any related provision for impairment losses, when the Company determines that there is no realistic prospect of recovery.

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.

h. 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 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.

4.14 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 recognizes 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 recognized previously. As a result once classified, the company neither amortises nor depreciates the assets classified as held for sale.

4.15 Intangible Assets

Details of 'Intangible assets' are given in Note 20 on pages 313 to 314. Amortisation recognised during the year in respect of intangible assets is

included under the item of 'Amortisation of intangible assets' under 'amortisation' in profit or loss.

4.16 Property, Plant & Equipment

Details of 'Property, Plant & Equipment' are given in Note 21 on pages 315 to 320.

4.17 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.

4.18 Equity Movement

4.18.1 Ordinary Shares

The Company has issued ordinary shares that are classified as equity instruments.

4.18.2 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.

Significant Accounting Policies - Recognition of Income and Expenses

4.19 Gross Written Premium (GWP)

Details of 'Gross Written Premium' are given in Note 07 on pages 296 to 297.

4.20 Reinsurance Premiums

Details of 'Reinsurance premiums' are given in Note 08 on page 298.

4.21 Finance Income, Realised and Fair Value Gains/Losses

Details of 'Finance Income, Realised and Fair Value Gains/Losses' are given in Notes 09,10 and 11 on pages 299 to 302.

4.22 Other Income

Other income is recognised on an accrual basis. Details of 'Other Income' are given in Note 12 on page 303.

4.23 Reinsurance Commission Income

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

4.24 Benefits, Claims and Expenses

Details of 'Benefits, Claims and Expenses' are given in Note 13 on pages 303 to 304.

4.25 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.

4.26 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.

4.27 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 19.3 in page 312)

4.28 Income Tax Expense

4.28.1 Current Tax

Details of 'Income Tax Expense' are given in Note 18 on pages 308 to 309.

4.28.2 Deferred Tax

Details of 'Deferred Tax' are given in Note 18.3 on pages 310 to 311.

**Significant Accounting Policies –
Statement of Cash Flows**

4.29 Statement of Cash Flows

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 28 on page 340.

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.

Temporary Exception from SLFRS 09

SLFRS 9 is effective for annual periods beginning on or after 01st January 2018. However the Institute of Chartered Accountants of Sri Lanka on their letter dated 24th November 2016 has decided to adopt the amendments to SLFRS 4 which describes, for an insurer that meets the criteria specified below, this SLFRS provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2021.

Accordingly, An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- (a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss and
- (b) its activities are predominantly connected with insurance, as described below, at its annual reporting date that immediately precedes 01st April 2016, or at a subsequent annual reporting date.

In accordance with the amendments to SLFRS 4 - Insurance Contract, An insurer's activities are predominantly connected with insurance if, and only if:

- (a) the carrying amount of its liabilities arising from contracts within the scope of this SLFRS, which includes any deposit components or embedded derivatives unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and
- (b) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is:
 - (i) greater than 90 per cent; or
 - (ii) less than or equal to 90 per cent but greater than 80 per cent, and the insurer does not engage in a significant activity unconnected with insurance.

Management had decided to take temporary exception as the Company's activities are predominantly connected with insurance activities and company had not previously applied any version of SLFRS 9.

The temporary exemption from SLFRS 9 will be reassessed whether its activities are predominantly connected with insurance at

a subsequent annual reporting date if, and only if, there was a change in the entity's activities, during the annual period that ended on that date.

The Company will decide the appropriate classification of its investments and impact under SLFRS 9 at the time of adopting the standard. However it is anticipated that the impact will not significantly change the Company's total equity.

The detail analysis of this new SLFRS is available in page 393 as part of the supplementary section.

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.

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).

Significant Accounting Policies - Recognition of Assets and Liabilities

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 Regulatory Commission of Sri Lanka (IRCSL), 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.

Significant Accounting Policies - Recognition of Income and Expenses

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 01st April 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. 09 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.

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.

7.1 Insurance and Investment Contracts

7.1.1 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.

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

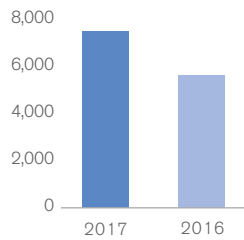
Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the Income Statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and/or investment contract with DPF is measured at fair value through the Income Statement.

There were no insurance or investment contracts with embedded derivatives with DPF during the year under review or as at reporting date.

IRCSL 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.

GROSS WRITTEN PREMIUM (GWP)

Rs. Mn



33.62% ▲

2017	7,531 Mn
2016	5,636 Mn

GWP MIX

%



The Premium Income for the year by major classes of business is as follows;

7.3 Life Insurance Gross Written Premium

For the Year ended 31st December	COMPANY		GROUP
	2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
First Year Premium	2,035,805	1,727,729	1,727,729
Renewal Premium	4,308,774	3,374,614	3,374,614
Group Life Premium	359,514	188,607	188,607
Single Premium	826,842	344,751	344,751
Total for Life Insurance GWP	7,530,935	5,635,701	5,635,701

8. PREMIUMS CEDED TO REINSURERS

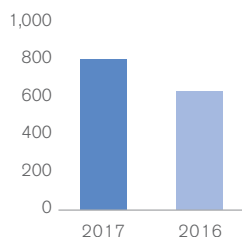
Premium ceded to reinsurers represents the premium paid by the company to its reinsurers in order to manage its underwriting risks.

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.

PREMIUM CEDED TO REINSURERS

Rs. Mn



26.70% ▲

2017	802 Mn
2016	633 Mn

8.1 Reinsurance Premium

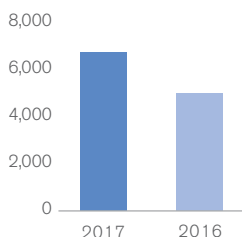
For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Life Insurance	802,462	632,953	632,953
	802,462	632,953	632,953

8.2 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



34.48% ▲

2017	6,728 Mn
2016	5,003 Mn

For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Net Earned Premium	6,728,473	5,002,748	5,002,748
	6,728,473	5,002,748	5,002,748

9. NET FINANCE INCOME

Net Finance Income consist of investment income generated by the Company from its various financial assets held throughout the reporting period.

Accounting Policy

Interest Income

Interest income is 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 INVESTMENTS

Rs. Mn



INVESTMENT INCOME ANALYSIS (BASED ON CLASSIFICATION OF INVESTMENTS)

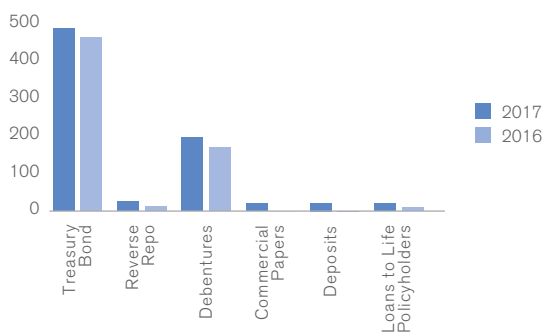
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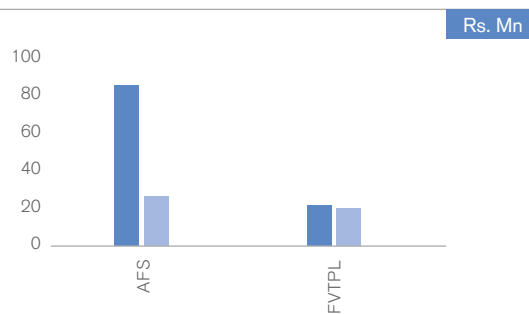
9. NET FINANCE INCOME (CONTD.)

For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
Income from Financial Assets Classified at Fair Value through Profit or Loss	Note 9.1	47,551	20,636	20,636
Income from Financial Assets Classified at Held to Maturity	Note 9.2	23,625	23,128	23,128
Income from Financial Assets Classified at Available-For-Sale	Note 9.3	632,224	633,788	633,788
Income from Financial Assets Classified at Loans and Receivables	Note 9.4	171,597	22,618	22,618
Total Finance Income		874,997	700,170	700,170

INVESTMENT INCOME ANALYSIS BASED ON NATURE OF FINANCIAL INSTRUMENT



DIVIDEND INCOME ANALYSIS BASED ON INVESTMENT CLASSIFICATION



For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
9.1 Income from Financial Assets Classified as Fair Value through Profit or Loss				
Interest Income - Treasury Bonds		25,846	456	456
Dividend Income - Equity Shares		21,705	20,180	20,180
		47,551	20,636	20,636

For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
9.2 Income from Financial Assets Classified as Held to Maturity Financial Assets				
Interest Income - Treasury Bonds		23,625	23,128	23,128
		23,625	23,128	23,128

For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
9.3 Income from Financial Assets Classified as Available-For-Sale				
Interest Income	Note 9.3.a	546,597	607,326	607,326
Dividend Income	Note 9.3.b	85,627	26,462	26,462
		632,224	633,788	633,788

For the year ended 31st December	COMPANY		GROUP
	2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
9.3.a Interest Income			
Treasury Bonds	437,015	438,371	438,371
Debentures	109,582	168,955	168,955
	546,597	607,326	607,326
9.3.b Dividend Income			
Equity Shares	85,627	26,462	26,462
	85,627	26,462	26,462
9.4 Income from Financial Assets Classified as Loans and Receivables			
Interest Income			
Interest Income from Reverse Repo Agreements	25,616	13,154	13,154
Term Deposits	21,316	68	68
Debentures	85,195	-	-
Commercial Papers	19,188	-	-
Loans to Life Policyholders	20,282	9,396	9,396
	171,597	22,618	22,618

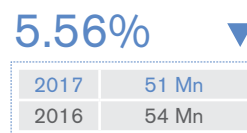
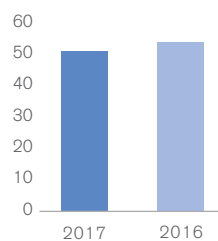
10. NET REALISED GAINS

Accounting Policy

Realised gains and losses recorded in the Income Statement on investments include gains and losses through disposal of financial investments. 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.

On derecognition of an investment classified as Available for Sale, the cumulative gain or loss previously recognised in Other Comprehensive Income is recognised in the Income Statement.

NET REALISED GAINS



Rs. Mn

For the year ended 31st December		COMPANY		GROUP
		2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
Net Realised Capital Gain/(Loss) from Available-for-Sale Financial Assets	Note 10.1	9,696	(14,494)	(14,494)
Net Realised Capital Gain on Sale of Shares		35,121	63,240	63,240
Net Realised Capital Gain on Sale of Unit Trust		-	1,045	1,045
Net Realised Capital Gain on Sale of Treasury Bonds		6,364	4,508	4,508
Total Net Realised gains		51,181	54,299	54,299

10. NET REALISED GAINS (CONTD.)

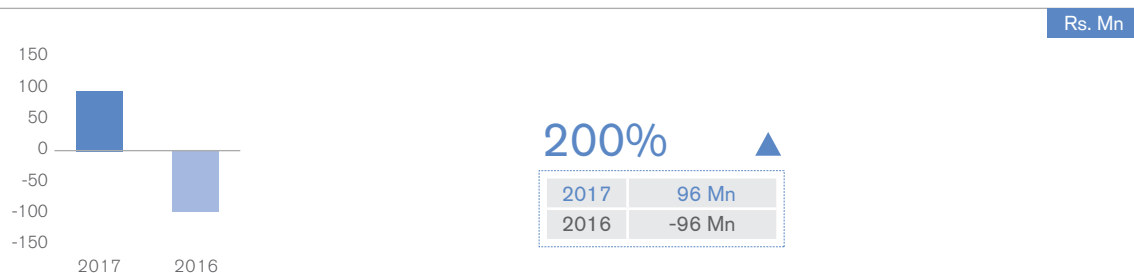
For the year ended 31st December	COMPANY		GROUP
	2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
10.1 Net Gains / (Loss) from Available-for-sale Financial Assets			
Realised gains			
Money Market securities - Treasury Bonds	9,696	8,825	8,825
Realised losses			
Equity securities	-	(23,319)	(23,319)
	9,696	(14,494)	(14,494)

11. NET FAIR VALUE GAINS / (LOSSES)

Accounting Policy

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)



For the year ended 31st December		COMPANY		GROUP
		2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
Financial Investments at Fair Value through Profit or Loss	Note 11.1	57,970	(95,888)	(95,888)
Gain on Derivative Financial Instrument		38,008	-	-
Total Fair Value Gains / (Losses)		95,978	(95,888)	(95,888)

11.1 Financial Investments at Fair Value through Profit or Loss

Unrealised Gains / (Losses)

Equity Securities	(13,069)	(99,096)	(99,096)
Treasury Bonds	44,118	-	-
Unit Trust	26,921	3,208	3,208
	57,970	(95,888)	(95,888)

12. OTHER OPERATING INCOME

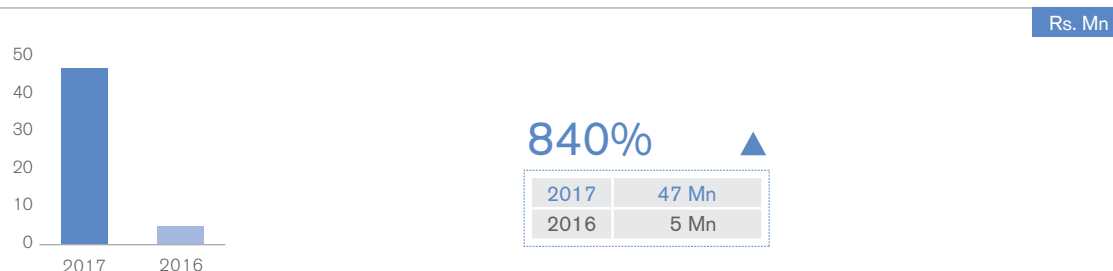
Accounting Policy

Other income comprises fees charged for policy administration services, disposal gains / losses on Property, plant and equipment and miscellaneous income.

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 'Other Income' in the Income Statement. When revalued assets are sold, any related amount included in the revaluation surplus reserves are transferred to Retained Earnings.

OTHER INCOME



For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Net Gain from Property, Plant and Equipment	-	4,936	4,936
Further Consideration Received from Disposal of AAGI	34,904	-	-
Sundry Income	12,119	88	88
	47,023	5,024	5,024

13. NET INSURANCE BENEFITS AND CLAIMS PAID

Accounting Policy

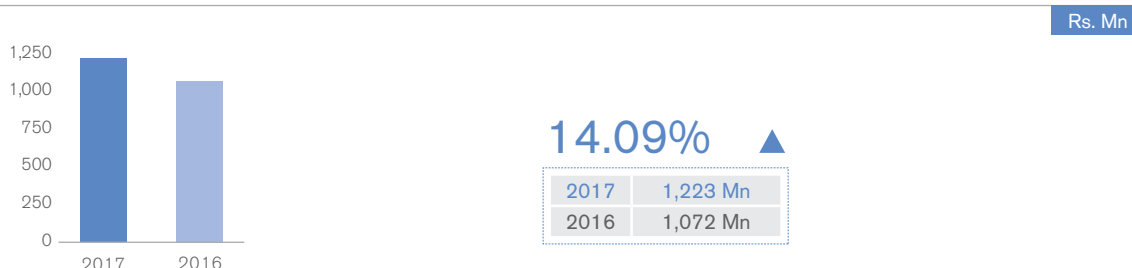
Gross Benefits and Claims

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. Death claims and surrenders are recorded on the basis of notifications received.

Reinsurance Claims

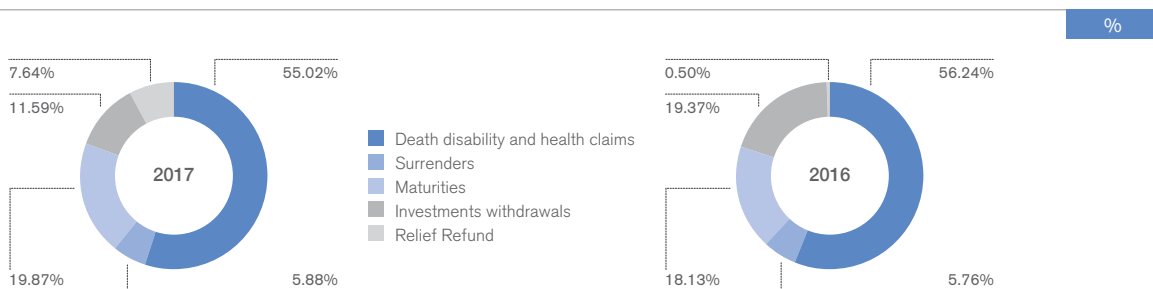
Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

NET INSURANCE BENEFITS AND CLAIMS EXPENSE



13. NET INSURANCE BENEFITS AND CLAIMS PAID (CONTD.)

TOTAL NET LIFE INSURANCE AND CLAIMS EXPENSES



For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Gross Benefits and Claims paid	1,784,764	1,452,290	1,452,290
Claims Ceded to Reinsurers	(539,507)	(378,797)	(378,797)
Total Net Insurance Benefits and Claims paid	1,245,257	1,073,493	1,073,493

14. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

Accounting Policy

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Gross change in Insurance Contract Liabilities	(48,000)	15,167	15,167
Change in Contract Liabilities Ceded to Reinsurers	25,244	(16,494)	(16,494)
Total Insurance Benefit and Claims (Net)	(22,756)	(1,327)	(1,327)

14.1 Net Insurance Benefits and Claim Expense Analysis

	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Net Insurance benefit and claims paid	1,245,257	1,073,493	1,073,493
Net change in insurance claims outstanding	(22,756)	(1,327)	(1,327)
Total Net Insurance Claim Expense	1,222,501	1,072,166	1,072,166

14.1.1 Life Insurance Benefit and Claims Expense (Net)

	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000
Death, disability and hospitalisation claims	955,599	825,277	825,277
Surrenders (Endowment)	102,181	84,472	84,472
Maturities	345,088	266,088	266,088
Investments withdrawals	201,297	284,236	284,236
Relief Refund	132,600	7,384	7,384
Reinsurance recoveries	(514,264)	(395,291)	(395,291)
Net Life Insurance Benefits and Claims	1,222,501	1,072,166	1,072,166

15. CHANGES IN VALUATION OF INSURANCE CONTRACT LIABILITIES - LIFE FUNDS

This represent movement in insurance contract liability valuation based on the Actuarial Valuation.

Accounting Policy

Note 34 to these Financial Statements explain 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 34.1 to these Financial Statements.

Actuarial Valuation of Life Insurance Fund

The Directors agree to the provision relating to long term insurances contract liability of the Company at the year-end on the recommendations of the Appointed 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 Appointed Actuary.

The Appointed Actuaries report is provided in page 268 to this report and further details of the life fund valuation is provided in Note 34.2 to 34.3 these Financial Statements.

For the year ended 31st December	2017			2016		
	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	7,530,935	(802,462)	6,728,473	5,635,701	(632,953)	5,002,748
Insurance benefits and claims incurred	(1,736,765)	514,264	(1,222,501)	(1,467,457)	395,291	(1,072,166)
Underwriting and net acquisition costs (including reinsurance)	(1,997,646)	166,873	(1,830,773)	(1,647,287)	66,814	(1,580,473)
Other operating, selling and administrative expenses attributable to policyholders	(2,312,274)	-	(2,312,274)	(1,837,995)	-	(1,837,995)
Investment and other income attributable to policyholders	969,444	-	969,444	665,571	-	665,571
Income tax (expense) / reversal	-	-	-	-	-	-
Surplus from life insurance fund transferred to Life shareholder's fund	(1,017,000)	-	(1,017,000)	(890,000)	-	(890,000)
Change in contract liabilities - Life Fund	1,436,694	(121,325)	1,315,369	458,533	(170,848)	287,685

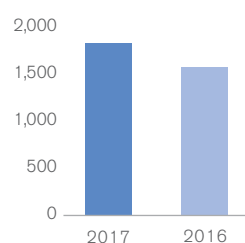
16. UNDERWRITING AND NET ACQUISITION COST

Accounting Policy

All acquisition cost are recognised as an expense when incurred.

Reinsurance commission income on outward insurance contracts are recognised as revenue when receivable.

UNDERWRITING AND NET ACQUISITION COST



Rs. Mn

16. UNDERWRITING AND NET ACQUISITION COST (CONTD.)

For the year ended 31st December	COMPANY		GROUP
	2017 Rs. '000	2016 Rs. '000	2016 Rs. '000
Underwriting and Policy Acquisition Cost	1,997,646	1,647,287	1,647,287
Reinsurance Commission including Profit Commission	(166,873)	(66,814)	(66,814)
Total Net Acquisition Cost	1,830,773	1,580,473	1,580,473

17. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

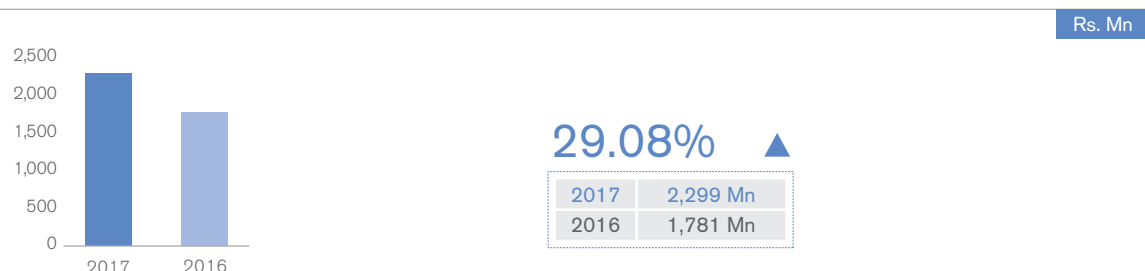
Accounting Policy

Expenditure Recognition

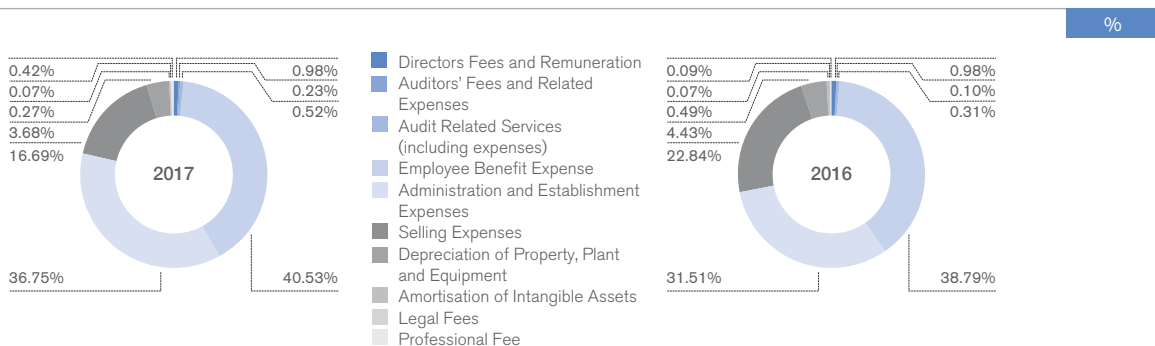
Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged 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 ADMINISTRATION EXPENSES



OTHER OPERATING AND ADMINISTRATIVE EXPENSES



For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
Directors Fees and Remuneration	Note 17.1	22,535	24,840	24,840
Auditors' Fees and Related Expenses		1,800	1,849	1,849
Audit Related Services (including expenses)		5,334	5,466	5,466
Employee Benefit Expense	Note 17.2	931,942	690,290	690,290
Administration and Establishment Expenses		845,044	561,160	561,160
Selling Expenses		383,812	406,743	406,743
Depreciation of Property, Plant and Equipment		91,493	78,859	78,859
Amortisation of Intangible Assets		6,282	8,746	8,746
Legal Fees		1,572	1,246	1,246
Professional Fees		9,592	1,577	1,577
Research Cost		-	-	-
Donations		-	-	-
Total Other Operating and Administrative Expenses		2,299,406	1,780,776	1,780,776

17.1 Directors' Emoluments

Directors emoluments represent the fees paid to both the Executive and Non-Executive Directors of the Company.

17.2 Employee Benefit Expense

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.

For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
Staff Remuneration		475,438	323,120	323,120
Defined Contribution Plan Costs - EPF		57,116	38,733	38,733
Defined Contribution Plan Costs - ETF		14,265	9,660	9,660
Other Staff Costs (Travelling, Overtime, Bonuses etc.)		364,472	303,843	303,843
		911,291	675,356	675,356

Long Term Employee Benefits

For the year ended 31st December		COMPANY		GROUP
		2017	2016	2016
		Rs. '000	Rs. '000	Rs. '000
Defined Benefit Plan Cost		20,651	14,934	14,934
		20,651	14,934	14,934
Total Employee Benefits Expenses		931,942	690,290	690,290

18. INCOME TAX EXPENSES**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.

Tax Exposures

In determining the amount of current and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01st 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Withholding Tax on Dividends Distributed by Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

The major components of income tax expense for the year ended 31st December are as follows;

For the year ended 31st December	COMPANY	
	2017 Rs. '000	2016 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	-	-
Origination of Deferred Tax Assets	Note 18.3 (420,000)	-
Deferred Taxation	(420,000)	-
Income Tax Expense reported in the Income Statement	(420,000)	-

For the year ended 31st December	COMPANY			
		2017		2016
		Rs. '000		Rs. '000
Tax Recognised in Statement of Profit or Loss and Other Comprehensive Income				
Deferred Taxation Charge / (Reversal)		-		-
18.1 Reconciliation of Effective Tax rate				
Profit from Continuing Operations		2,324,521		877,443
Profit from Discontinued Operations		-		89,400
Profit for the Year		2,324,521		966,843
Deferred Taxation		420,000		-
Income Tax Expense		-		-
Profit Before Taxation		1,904,521		966,843
Tax using the Company's domestic Tax rate	28%	533,266	28%	270,716
Aggregate disallowed expenses	-10%	(112,145)	-3%	(26,548)
Aggregate allowable expenses	305%	3,377,812	64%	622,069
Tax exempt Income	-343%	(3,798,933)	-89%	(866,237)
	0%	-	0%	-

For the year ended 31st December 2017 Softlogic Life Insurance PLC is liable to income tax at 28% (2016 - 28%) in terms of Inland Revenue Act No. 10 of 2006 and amendments there to commencing from 01st April 2018 Company will be liable for income tax under the new IRD Act No. 24 of 2017.

18.2 Analysis of Tax Losses

Life Insurance

The carried forward tax loss of the Life Insurance business as at 31st December 2017 is Rs. 10,273 million (2016 - Rs. 7,508 million).

18.2.a Life Insurance Taxation

The Department of Inland Revenue of Sri Lanka has issued new amended version of Inland Revenue act which is known as "Inland Revenue Act No. 24 of 2017" on 24th October 2017 which will be effective from 01st April 2018. Through this new law the Life Insurance Business will be taxed as described follows.

The Business income of the Life Insurance Business shall be ascertained in terms of section 67 of the New Inland Revenue Act No. 24 of 2017. As per this section the gains and profits on which tax is payable is the aggregate of ;

- Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 28% ;
- Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 28% ;
- Surplus distributed to a Life Insurance policy holders at a rate of 14% (Upto 3 years from 2018. Thereafter at 28%).

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

As at 31st December	COMPANY	
	2017 Rs. '000	2016 Rs. '000
Deferred Tax Assets	420,000	-
Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	420,000	-

18.3.a Movement and Composition of Deferred tax Assets and Liabilities

Rs. '000	Balance as at 31st December 2017					
	Net balance as at 01st January	Recognised in profit or loss	Recognised in OCI	Net Balance	Deferred tax assets	Deferred tax liabilities
Carry Forward Tax Losses (1,500,000 x 28%)	-	420,000	-	420,000	420,000	-
Net Tax Asset	-	420,000	-	420,000	420,000	-

Deferred Tax Asset

As explained in note 18.2 (a) according to the new IRA (Inland Revenue Act No. 24 of 2017) company will have taxable income based on the Company's historical experience and future plans, Company had and will declare surplus to its shareholders. As such the Company will be eligible to claim its losses brought forward against its taxable income within a period of 6 years. Accordingly, during the current year Company recognized a deferred tax asset to reflect the future tax benefits in utilizing the available brought forward tax losses.

Carried Forward Tax Losses

Only tax losses prior to year of assessment 2010/11 is considered for the deferred tax asset computation as company had received assessments from Department of Inland Revenue (IRD) from year of assessment 2010/11 to 2014/15 where as per the assessments there will be tax liabilities for the Company (more fully explained in Note 41.2 to these Financial Statements) and years of assessments 2015/16 to 2017/18 are still within the time bar, where company can be assessed by IRD.

Analysis of Tax Losses

The composition of the tax losses as follows;

Description	Rs. Million
Tax losses up to year of assessment 2009/10	1,967
Tax losses subject to tax assessments	1,985
Tax losses within the time bar	6,321
Total brought forward tax losses	10,273

Estimating the Future Taxable Income

Though the Company has 6 years to recover the carried forward tax losses as per the tax consultants of the Company, the future plans approved by the Board reflects that the carried forward tax loss prior to 2010/11 can be recovered within the next financial year.

Deferred tax is an estimate computed based on the assumptions on available information as at the reporting date. Hence these estimates are subject to change if there are further developments to any information, which the assumptions are based, at the time of estimation. (i.e. further clarifications to the new IRD act). Such changes to the estimates will be adjusted during the period the change occurs, as explained in accounting policy number 3.9 and 18.3.

Unrecognised Deferred Tax

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

Accordingly, there was an unrecognised deferred tax asset relating to brought forward tax losses amounted to Rs. 2,456 million as of the reporting date.

Deferred Tax Liability

As explained in note 18.2 (a) Company will compute taxes based on;

- Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 28% ;
- Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 28% ;
- Surplus distributed to a Life Insurance policy holders at a rate of 14% (Upto 3 years from 2018. Thereafter at 28%).

Accordingly the Directors are of the view that there will not be material temporary differences arising which will result in DT liabilities.

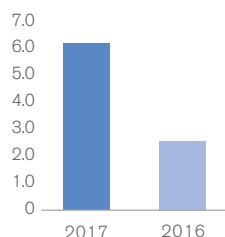
19. EARNING PER SHARE (EPS)

Accounting Policy

The Company presents basic and diluted earning per share (EPS) 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.

EARNING PER SHARE



140.31% ▲

2017	Rs. 6.20
2016	Rs. 2.58

Rs.

For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016
	Rs. '000	Rs. '000	Rs. '000

19.1 Basis Earning Per Share

Profit Attributable to Ordinary Shareholders from Continuing Operation (Rs. 000)	2,324,521	877,443	877,443
Profit Attributable to Ordinary Shareholders from Discontinuing Operation (Rs. 000)	-	89,400	158,720
Weighted Average Number of Ordinary Shares as at 31st December ('000)	375,000	375,000	375,000
Basic/Diluted Earning per Share - Continuing Operation (Rs.)	6.20	2.34	2.34
Basic/Diluted Earning per Share - Continuing Operation (Rs.) - Excluding One-off Surplus	4.07	2.34	2.34
Basic/Diluted Earning per Share - Discontinuing Operation (Rs.)	-	0.24	0.42

19.2 Diluted Earning Per Share

There were no potential Dilutive Ordinary Shares outstanding at any time during the year. Therefore, diluted Earning Per Share is same as Basic Earning Per Share shown in Note 19.1.

19.3 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.

For the year ended 31st December	COMPANY	
	2017	2016
Number of Ordinary Shares ('000)	375,000	375,000
Interim Dividend Declared during the year (Rs.000)	-	200,000
Second Interim Dividend Paid (Rs.000)	-	810,000
Dividend per Share (Rs.)	-	2.69

During the year Company has not declared any dividends.

20. 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 in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

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

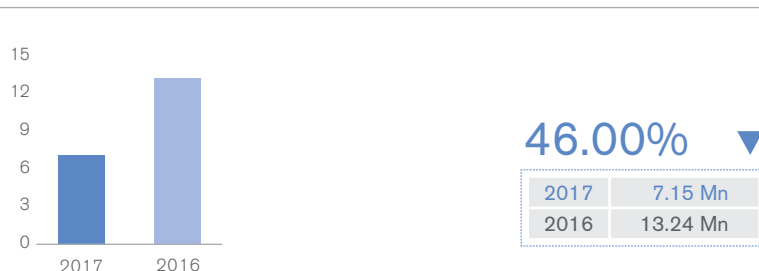
An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such Intangible Assets is included in the Statement of Income Statement come when the item is derecognised.

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



20. INTANGIBLE ASSETS (CONTD.)**Reconciliation of Carrying amounts**

As at 31st December	2017 Rs. '000	2016 Rs. '000
Computer Software		
Cost		
Balance as at 01st January	90,876	90,876
Acquisition	191	-
Balance as at 31st December	91,067	90,876
Accumulated amortization and impairment losses		
Balance as at 01st January	77,640	68,894
Amortisation	6,282	8,746
Balance as at 31st December	83,922	77,640
Carrying Value As at 31st December	7,145	13,236

20.1 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.

20.2 Acquisition of Intangible Assets during the year

During the financial year, the Company acquired Intangible Assets amounting Rs. 0.1 million.

20.3 Fully Amortised Intangible Assets in use

Fully amortised Intangible Assets in use as at reporting date was Rs. 61.3 million.

20.4 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.

20.5 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31st December 2017. 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.

20.6 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Intangible Assets during the year (2016 - Nil).

20.7 Amortization of Intangible Assets

Amortization expense of Rs. 6.3 million (2016: Rs. 8.7 million) has been charged to income statement.

21. 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 31st December 2017. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in Note 21.13.4.1 on page 320.

21. PROPERTY, PLANT AND EQUIPMENT (PPE) (CONTD.)**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	05 Years
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 21.1 on page 318.

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.

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

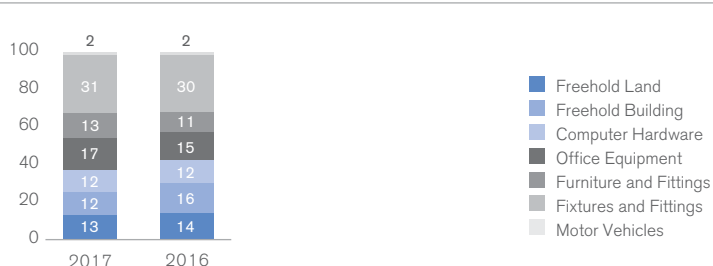
Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments 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.

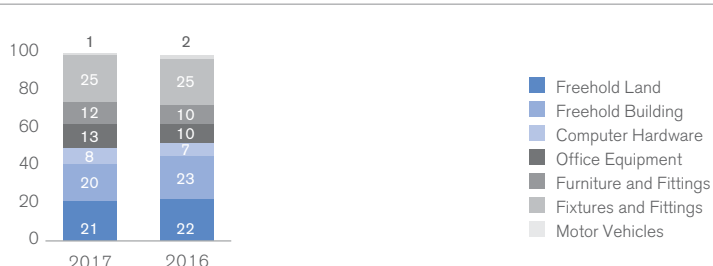
Operating Leases

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.

PROPERTY, PLANT AND EQUIPMENT-COST



PROPERTY, PLANT AND EQUIPMENT-WRITTEN DOWN VALUE



21.1 Reconciliation of Carrying Amount

	Freehold Land	Freehold Building	Computer Hardware	Office Equipment	Furniture and Fittings	Fixtures and Fittings	Motor Vehicles	Total 2017	Total 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost									
Balance as at 01st January 2017	108,000	123,351	94,980	121,037	89,389	234,291	16,698	787,746	653,393
Additions during the year	-	-	22,584	42,058	31,839	64,117	53	160,651	131,734
Capitalised during the year	-	-	-	-	-	-	-	-	4,619
Surplus on revaluation	12,000	11,533	-	-	-	-	-	23,533	-
Transferred to revaluation	-	(18,884)	-	-	-	-	-	(18,884)	-
Disposals during the year	-	-	(211)	-	-	-	-	(211)	(2,000)
Balance as at 31st December 2017	120,000	116,000	117,353	163,095	121,228	298,408	16,751	952,835	787,746
Accumulated Depreciation									
Balance as at 01st January 2017	-	12,163	60,207	70,264	41,507	111,892	6,699	302,732	225,873
Additions during the year	-	6,721	13,050	19,015	8,757	39,786	4,164	91,493	78,859
Transferred to revaluation	-	(18,884)	-	-	-	-	-	(18,884)	-
Disposals during the year	-	-	(211)	-	-	-	-	(211)	(2,000)
Balance as at 31st December 2017	-	-	73,046	89,279	50,264	151,678	10,863	375,130	302,732
Capital Work In Progress									
Balance as at 01st January 2017	-	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-	4,619
Capitalisation during the year	-	-	-	-	-	-	-	-	(4,619)
Balance as at 31st December 2017	-	-	-	-	-	-	-	-	-
Carrying Value as at 31st December 2017	120,000	116,000	44,307	73,816	70,964	146,730	5,888	577,705	-
Carrying Value as at 31st December 2016	108,000	111,188	34,773	50,773	47,882	122,399	9,999	-	485,014

21.2 Leased Motor Vehicle

The Company leases a Motor vehicle under a finance lease. Accordingly lease obligations are applicable. As at 31st December 2017 the net carrying amount of motor vehicle was Rs. 5.8 million.

21.3 Acquisition of PPE During the Year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 160.6 million (2016 - Rs. 131.7 million).

21.4 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	2017 Rs. '000	2016 Rs. '000
Computer Hardware	45,722	41,434
Office Equipment	47,902	39,223
Furniture and Fittings	17,343	14,773
Fixtures and Fittings	67,360	54,750
Motor Vehicle	75	75
	178,402	150,255

21.5 PPE Pledged as Security

None of the PPE have been pledged as securities as at the reporting date.

21.6 Permanent Fall in Value of PPE

There has been no permanent fall in the value of PPE which require an impairment provision in the Financial Statements.

21.7 Title Restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

21.8 Assessment of Impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st December 2017. 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.

21.9 Depreciation of PPE

Depreciation expense of Rs. 91.4 million (2016: Rs. 78.8 million) has been charged in the statement of income.

21.10 Temporarily Idle Property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

21.11 Compensation from Third Parties for Items of Property, plant and equipment

There was no compensation received/ receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

21.12 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of Property Plant and Equipment during the year (2016 - Nil).

21.13 The details of Freehold Land and Buildings which are Stated at Valuation are as Follows;

Company property	Extent (Perches)	Square Feet (Building)	Method of valuation	Date of valuation	Valuer	Revalued amount Land Rs. '000	Revalued amount Building Rs. '000	Carrying value at Cost Rs. '000
Land & building situated at No. 283, R. A De Mel Mawatha, Colombo - 03	8	11,824	Open Market Value and Direct Capital Comparison Method	31st December 2017	Mr. P. B Kalugalagedara Chartered Valuation Surveyor	120,000	116,000	212,467

21.13.1 Net Gain on Revaluation on Land and Building

Rs.'000	Land	Building	Total
Revaluation surplus	12,000	11,533	23,533

21.13.2 If Land and Buildings were Stated at Historical Cost, the Amounts would have been as Follows;

	2017 Rs. '000	2016 Rs. '000
Cost	211,206	211,206
Accumulated depreciation	(16,839)	(10,560)
Carrying value	194,367	200,646

21.13.3 The Effect of Revaluation of Freehold Buildings on the Statement of Income in the Subsequent Period is as Follows;

	2017 Rs. '000	2016 Rs. '000
Depreciation charge per annum after revaluation	6,824	6,211
Depreciation charge per annum prior to revaluation	6,279	6,012
Decrease in profit in subsequent period	545	199

21.13.4 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.

21.13.4.1 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.

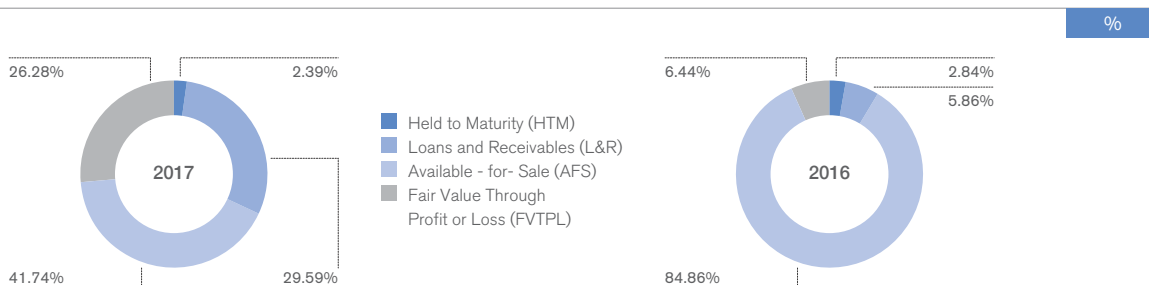
Description	Effective Date of Valuation	Valuation Technique	Significant Unobservable Inputs	Interrelationship between key unobservable inputs and Fair value measurement
Land	31.12.2017	Open market value	Market value per perch	Positive correlated sensitivity
Building	31.12.2017	Direct capital comparison method	Capital expense per Sq.ft	Positive correlated sensitivity

22. FINANCIAL INVESTMENTS

Refer Notes 4.6 for the Accounting Policies on page 286.

The Company's Financial Investments are summarised by Categories as follows:

ANALYSIS BASED ON REPORTING CATEGORY (SLFRS)



ANALYSIS BASED ON FINANCIAL INSTRUMENTS (NATURE OF FINANCIAL INSTRUMENT)



As at 31st December		2017	2016
		Rs. '000	Rs. '000
Held to Maturity (HTM)	Note 22.1	238,803	233,042
Loans and Receivables (L & R)	Note 22.2	2,957,396	482,520
Available - for - Sale (AFS)	Note 22.3	4,171,613	6,973,740
Fair Value Through Profit or Loss (FVTPL)	Note 22.4	2,626,676	528,985
Total Financial Investments		9,994,488	8,218,287

The majority of the Company's investments, i.e 37% (2016 - 50%) are in Government Securities. Corporate debt securities account for further 20% of investments (2016 - 19%) and 23% in equities (2016 - 28%). The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined on Note 46.3 on page 364.

22.a The following table compare the fair values of the Financial Investments to their Carrying Values:

For the year ended 31st December	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity (HTM)	238,803	236,771	233,042	214,642
Loans and Receivables (L & R)	2,957,396	2,938,813	482,520	482,520
Available - for - Sale (AFS)	4,171,613	4,171,613	6,973,740	6,973,740
Fair Value Through Profit or Loss (FVTPL)	2,626,676	2,626,676	528,985	528,985
Total Financial Investments	9,994,488	9,973,873	8,218,287	8,199,887

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.

22.1 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.

22.1 Financial Investments-Held to Maturity (HTM) (Contd.)

As at 31st December				2017		2016	
ISIN	Maturity Date	Interest Rate %	Face Value Rs.	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
LKB01020H017	1-Aug-20	6.20%	250,000,000	238,803	236,771	233,042	214,642
			250,000,000	238,803	236,771	233,042	214,642

22.1.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.

22.1.b Impairment of Financial Investments at HTM

At the reporting date, there were no Held to Maturity assets that were overdue and impaired.

22.2 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.

Loans and Receivables comprise of investments in Reverse Repos, Deposits, Commercial Papers and Debentures.

As at 31st December		2017		2016	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Bank Deposits	Note 22.2.a	514,092	514,092	200,095	200,095
Debentures	Note 22.2.b	1,794,875	1,776,292	-	-
Commercial Papers		169,188	169,188	-	-
Overnight Reverse Repo		479,241	479,241	282,425	282,425
		2,957,396	2,938,813	482,520	482,520

22.2.a Bank Deposits (L & R)

Licensed Commercial Banks	450,299	450,299	200,095	200,095
Licensed Specialised Banks	63,793	63,793	-	-
	514,092	514,092	200,095	200,095

22.2.b Debentures (L & R)

As at 31st December

Issuer	Maturity Date	Interest Rate %	No of Debentures	2017	
				Carrying Value Rs. '000	Fair Value Rs. '000
Sampath Bank PLC	14-Dec-19	8.25%	500,000	44,534	43,489
	10-Jun-21	12.75%	500,000	50,956	49,912
	21-Dec-22	12.50%	2,270,000	227,755	227,755
Seylan Bank PLC	21-Feb-18	15.50%	100,000	11,151	10,717
Lanka Orix Leasing Company	30-May-16	11.90%	450,000	105,417	105,547
People's Leasing & Finance PLC	26-Mar-18	17.00%	500,000	51,345	50,859
	26-Mar-18	17.00%	300,000	33,269	29,054
	16-Nov-21	12.60%	1,000,000	100,077	99,919
Merchant Bank of Sri Lanka & Finance PLC	27-Mar-18	17.50%	469,300	45,887	47,782
	27-Mar-18	17.50%	281,600	29,246	25,928
Singer Finance (Lanka) PLC	6-Apr-19	11.50%	300,000	30,093	29,896
	6-Apr-20	12.00%	300,000	30,057	29,828
Siyapatha Finance PLC	20-Sep-21	13.50%	168,000	16,855	16,785
Senkadagala Finance PLC	27-May-17	17.25%	185,014	81,931	81,797
Nations Trust Bank PLC	8-Nov-21	12.80%	225,900	22,612	22,581
Alliance Finance Company PLC	30-Sep-18	16.50%	250,000	28,617	24,871
Citizens Development Business Finance PLC	18-Dec-18	16.00%	245,800	25,399	23,942
	18-Dec-18	16.00%	692,700	72,284	69,313
	3-Jun-21	12.75%	500,000	50,113	49,898
First Capital Holdings PLC	10-Mar-19	14.00%	262,640	28,281	28,985
Kotagala Plantations PLC	28-May-18	14.25%	463,750	46,651	46,366
	28-May-19	14.50%	463,750	46,494	46,363
	28-May-20	14.75%	463,750	46,444	46,360
	28-May-21	15.00%	463,750	46,420	46,359
Hatton National Bank PLC	14-Dec-24	8.33%	500,000	49,990	49,989
	14-Dec-19	7.75%	500,000	45,349	42,491
	29-Aug-23	8.00%	185,256	12,722	12,662
	28-Mar-21	11.25%	1,000,000	91,554	99,968
	1-Nov-23	13.00%	370,200	36,989	37,007
Commercial Credit and Finance PLC	18-Feb-18	20.00%	500,000	49,248	44,760
First Capital Treasuries PLC	14-Dec-19	9.50%	250,000	24,366	24,253
Commercial Bank of Ceylon PLC	8-Mar-21	10.75%	500,000	41,612	40,685
	27-Oct-21	12.00%	243,100	21,441	21,183
DFCC Bank PLC	9-Nov-23	12.75%	500,000	50,021	49,981
Dunamis Capital PLC	5-Aug-19	12.50%	798,000	79,181	78,509
	5-Aug-19	12.50%	202,000	20,516	20,498
				1,794,875	1,776,292

22.2.c Re-Classification from Available for Sale Assets

The above portfolio of debentures have been re-classified from the portfolio of financial assets classified on Available for Sale, on 01st August 2017. Refer Note 22.3.b.

22.2.d Impairment of L & R Financial Investments

At the reporting date, there were no Loans and Receivables that were overdue and impaired.

22.3 Financial Investments - Available - for - Sale (AFS)**Accounting Policy**

Available-for-sale financial investments include equity and Government Debt Securities. 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		2017		2016	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Debentures	Note 22.3.a & b	-	-	1,554,430	1,554,430
Treasury Bonds	Note 22.3.c	2,503,037	2,503,037	3,621,314	3,621,314
Equity Securities	Note 22.3.d	1,668,576	1,668,576	1,797,996	1,797,996
		4,171,613	4,171,613	6,973,740	6,973,740

22.3.a Debt Securities - Listed (AFS)

As at 31st December				2016	
Issuer	Maturity Date	Interest Rate %	No of Debentures	Carrying Value Rs. '000	Fair Value Rs. '000
Sampath Bank PLC	11-Oct-17	16.50%	144,300	14,732	14,732
	14-Dec-19	8.25%	500,000	43,490	43,490
	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
Lanka Orix Leasing Company PLC	30-May-16	11.90%	450,000	-	-
People's Leasing & Finance PLC	26-Mar-18	17.00%	500,000	53,801	53,801
	26-Mar-18	17.00%	300,000	32,778	32,778
	16-Nov-21	12.60%	1,000,000	101,517	101,517

As at 31st December				2016	
Issuer	Maturity Date	Interest Rate %	No of Debentures	Carrying Value Rs. '000	Fair Value Rs. '000
Merchant Bank of Sri Lanka & Finance PLC	27-Mar-18	17.50%	469,300	54,105	54,105
	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
	10-Dec-18	15.00%	817,653	81,732	81,732
	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	-	-
	27-Aug-16	17.00%	200,000	-	-
	27-Aug-16	17.00%	300,000	-	-
Softlogic Holdings PLC	9-Sep-16	15.75%	1,000,000	-	-
	9-Sep-16	15.75%	300,000	-	-
Alliance Finance Company PLC	30-Sep-18	16.50%	250,000	30,708	30,708
Citizens Development Business Finance PLC	18-Dec-18	16.00%	245,800	23,296	23,296
	18-Dec-18	16.00%	692,700	73,428	73,428
	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
Kotagala Plantations PLC	28-May-18	14.25%	463,750	46,365	46,365
	28-May-19	14.50%	463,750	46,363	46,363
	28-May-20	14.75%	463,750	46,360	46,360
	28-May-21	15.00%	463,750	46,359	46,359
Hatton National Bank PLC	14-Dec-24	8.33%	500,000	49,990	49,990
	14-Dec-19	7.75%	500,000	44,491	44,491
	29-Aug-23	8.00%	185,256	13,408	13,408
	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
First Capital Treasuries PLC	14-Dec-19	9.50%	250,000	24,251	24,251
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
	5-Aug-19	12.50%	202,000	19,793	19,793
				1,554,430	1,554,430

22.3.b Reclassifications of Available-for-Sale Investment Securities to Loans and Receivables

On 01st August 2017, the company reclassified quoted debentures classified as Available-for-Sale investment securities to Loans and Receivables. The company identified financial assets that would have met the definition of Loans and Receivables for which at the date of reclassification it had the intention and ability to hold them for the foreseeable future or until maturity. The availability of an active capital market for trading in debentures was also assessed prior to carrying out the said re-classification.

The reclassifications were made with effect from 01st August 2017 at fair value as at that date. The table below sets out the financial assets reclassified and their carrying and fair values. The carrying value and fair value of the assets re-classified was computed based on a valuation technique using market observable data.

As at 31st August

	2017		
	Amounts Reclassified	Carrying Value	Fair Value
	Rs. '000	Rs. '000	Rs. '000
Quoted debenture classified as Available-for-Sale investment securities reclassified to Loans and Receivable	1,503,369	1,503,369	1,503,369

The table below sets out the amounts actually recognised in Profit or Loss and Other Comprehensive Income in respect of the financial assets reclassified out of Available-for-Sale investment securities.

As at 31st December

	2017	
	Profit or loss	Other comprehensive income
	Rs. '000	Rs. '000
Interest income	211,085	-
Net change in fair value	-	(46,042)
Amount transferred from fair value reserve to Profit or Loss	(16,308)	16,308
	194,777	(29,734)

The table below sets out the amounts that would have been recognised, if the reclassification had not been made.

As at 31st December

	2017		2016	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	188,504	-	168,705	-
Net change in fair value	-	(48,452)	-	(80,505)
	188,504	(48,452)	168,705	(80,505)

As per LKAS 39, reclassification from the Available-for-Sale category to Loans and Receivables takes effect prospectively.

22.3.c Treasury Bonds

As at 31st December

ISIN	Maturity Date	Interest Rate %	Face Value Rs.	2017		2016	
				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	-	-	50,518	50,518
LKB00618F013	1-Jun-18	8.50%	50,000,000	-	-	48,598	48,598
LKB01518G152	15-Jul-18	8.50%	50,000,000	-	-	49,997	49,997
LKB00619G019	1-Jul-19	10.60%	100,000,000	-	-	102,796	102,796
LKB00922G017	1-Jul-22	11.20%	50,000,000	-	-	50,574	50,574
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
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
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
LKB01326B011	1-Feb-26	9.00%	50,000,000	-	-	41,926	41,926
LKB01326B011	1-Feb-26	9.00%	100,000,000	97,459	97,459	-	-
LKB01528E016	1-May-28	9.00%	50,000,000	-	-	39,401	39,401
LKB01628G019	1-Jul-28	9.00%	100,000,000	96,189	96,189	82,011	82,011
LKB01528I017	1-Sep-28	11.50%	100,000,000	-	-	95,812	95,812
LKB01528I017	1-Sep-28	11.50%	200,000,000	222,539	222,539	191,623	191,623
LKB01529A012	1-Jan-29	13.00%	50,000,000	61,744	61,744	53,442	53,442
LKB01529A012	1-Jan-29	13.00%	50,000,000	61,744	61,744	53,442	53,442
LKB01529E014	1-May-29	13.00%	50,000,000	59,561	59,561	51,544	51,544
LKB01529E014	1-May-29	13.00%	50,000,000	59,561	59,561	51,544	51,544
LKB01529E014	1-May-29	13.00%	150,000,000	178,683	178,683	154,631	154,631
LKB01530E152	15-May-30	11.00%	50,000,000	-	-	44,731	44,731
LKB01530E152	15-May-30	11.00%	50,000,000	52,571	52,571	44,731	44,731
LKB01530E152	15-May-30	11.00%	200,000,000	210,284	210,284	178,923	178,923
LKB01530E152	15-May-30	11.00%	50,000,000	-	-	44,730	44,731
LKB02032A016	1-Jan-32	8.00%	100,000,000	86,417	86,417	70,800	70,800
LKB02032J017	1-Oct-32	9.00%	200,000,000	-	-	150,111	150,111
LKB02033F013	1-Jun-33	9.00%	150,000,000	134,604	134,604	109,672	109,672
LKB02033K013	1-Nov-33	9.00%	50,000,000	44,934	44,934	36,645	36,645
LKB02035C155	15-Mar-35	11.50%	100,000,000	110,005	110,005	92,604	92,604
LKB02035C155	15-Mar-35	11.50%	50,000,000	55,003	55,003	46,302	46,302
LKB02035C155	15-Mar-35	11.50%	200,000,000	220,011	220,011	185,208	185,208
LKB03043F011	1-Jun-43	9.00%	50,000,000	42,943	42,943	34,657	34,657
LKB03044A010	1-Jan-44	13.50%	100,000,000	130,613	130,613	107,145	107,145
LKB03044A010	1-Jan-44	13.50%	100,000,000	130,613	130,613	107,145	107,145
LKB03044A010	1-Jan-44	13.50%	100,000,000	130,613	130,613	107,145	107,145
LKB03044A010	1-Jan-44	13.50%	100,000,000	130,613	130,613	107,145	107,145
LKB03044F019	1-Jun-44	13.50%	150,000,000	186,333	186,333	151,840	151,840
LKB03044F019	1-Jun-44	13.50%	200,000,000	-	-	202,454	202,454
				2,503,037	2,503,037	3,621,314	3,621,314

22.3.d Equity Securities (AFS)

As at 31st December	2017		2016		2016	
	Market Price	Market Price	No of Shares	Fair Value	No of Shares	Fair Value
	Rs. '000	Rs. '000		Rs. '000		Rs. '000
Unlisted						
Banks, Finance and Insurance						
Cargills Agricultural Commercial Bank Limited	-	-	26,600,000	369,700	26,600,000	369,700
Listed						
Banks, Finance and Insurance						
National Development Bank PLC	136.40	156.00	8,538,676	1,164,676	8,224,975	1,283,096
Health Care						
Asiri Hospitals PLC	24.40	26.40	5,500,000	134,200	5,500,000	145,200
Total Investments in Equity Shares				1,668,576		1,797,996

22.3.e Impairment of AFS Financial Investments**CA Sri Lanka Guideline on Impairment of an Investment in a Listed Equity Instrument**

The Institute of Chartered Accountants of Sri Lanka has issued a guideline on impairment of an investment in a listed equity instrument in light with the recent market behaviours of Colombo Stock Exchange (CSE). Based on the guideline it was interpreted that how should 'significant or prolonged' be interpreted in Sri Lankan context.

Based on the interpretation it was concluded that "a significant or prolonged decline in fair value is objective evidence of impairment. LKAS 39 does not provide any further guidance or quantitative thresholds for 'significant' or 'prolonged'. In the absence of further authoritative guidance, applying these criteria is a matter for professional judgement."

"The term 'prolonged' should be assessed based on the period for which fair value has been less than acquisition cost. A general stock market decline over the period of 12 months may not be necessarily considered as 'prolonged' in the Sri Lanka stock market context. A decline of 20% - 30% of the fair value of an investment in an equity instrument below its acquisition cost may be considered as "significant".

Accordingly as at the reporting date no listed AFS Financial Instrument was impaired based on the impairment assessment carried out by the Management.

Further Unlisted shares of Cargills Bank has been assessed for impairment as at reporting date and based on the assessment no impairment indication had been identified in the Financial Statements as at reporting date. During the assessment Company considered the following factors.

- Significant improvement in Banks operational performance.
- Actual value of the net asset of Cargills Bank is higher than weighted average cost.
- Banking sector consolidation multiplier of 1.5 times as recommended by CBSL.

22.4 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.

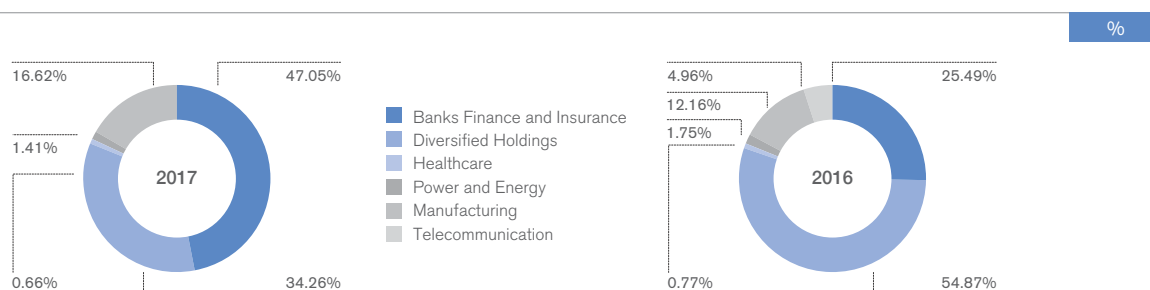
These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in the Income Statement.

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		2017		2016	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Equity Securities	Note 22.4.a	591,027	591,027	528,985	528,985
Unit Trust	Note 22.4.b	1,576,921	1,576,921	-	-
Treasury Bonds	Note 22.4.c	458,728	458,728	-	-
		2,626,676	2,626,676	528,985	528,985

22.4.a Equity Securities (FVTPL)

PORTFOLIO DIVERSIFICATION OF EQUITY INVESTMENTS



As at 31st December	2017		2016		2017		2016	
	Market Price Rs. '000	Market Price Rs. '000	No of Shares	Fair Value Rs. '000	No of Shares	Fair Value Rs. '000	No of Shares	Fair Value Rs. '000
Listed								
Banks, Finance and Insurance								
Commercial Bank of Ceylon PLC	135.80	-	606,786	82,402	-	-	-	-
Hatton National Bank PLC	249.00	225.00	396,753	98,791	108,500	24,413	108,500	24,413
Seylan Bank PLC (Non Voting)	56.00	59.00	310,003	17,360	299,614	17,677	299,614	17,677
Union Bank of Colombo PLC	13.20	15.40	6,023,317	79,508	6,023,317	92,759	6,023,317	92,759
Sector Total				278,061		134,849		134,849
Diversified Holdings								
Expolanka Holdings PLC	-	6.30	-	-	3,300,000	20,790	3,300,000	20,790
Hemas Holdings PLC	-	98.00	-	-	804,950	78,885	804,950	78,885
John Keells Holdings PLC	148.50	145.00	977,193	145,113	902,193	130,818	902,193	130,818
Sofloglogic Holdings PLC	12.50	13.00	4,591,702	57,396	4,591,702	59,692	4,591,702	59,692
Sector Total				202,509		290,185		290,185

22.4 Financial Investments - Fair Value Through Profit or Loss (FVTPL) (Contd.)

As at 31st December	2017		2016		2016	
	Market Price	Market Price	No of Shares	Fair Value	No of Shares	Fair Value
	Rs. '000	Rs. '000		Rs. '000		Rs. '000
Healthcare						
The Lanka Hospital Corporation PLC	62.00	65.00	62,995	3,906	62,995	4,095
Sector Total				3,906		4,095
Power & Energy						
Panasian Power PLC	2.70	3.00	3,090,000	8,343	3,090,000	9,270
Sector Total				8,343		9,270
Telecommunications						
Dialog Axiata PLC	-	10.50	-	-	2,500,000	26,250
Sector Total				-		26,250
Manufacturing						
Kelani Cables PLC	-	130.00	-	-	17,900	2,327
Pirmal Glass Ceylon PLC	-	5.30	-	-	2,511,046	13,308
Tokyo Cement Company (Lanka) PLC	66.00	59.20	1,078,448	71,178	350,000	20,720
Teejay Lanka PLC	34.00	42.80	550,000	18,700	250,000	10,700
Chevron Lubricants Lanka PLC	119.00	157.10	70,000	8,330	110,000	17,281
Sector Total				98,208		64,336
Total Investments in Listed Equity Shares				591,027		528,985

22.4.b Unit Trusts

As at 31st December	2017		2016		2016	
	Market Price	Market Price	Number of Units	Fair Value	Number of Units	Fair Value
	Rs. '000	Rs. '000		Rs. '000		Rs. '000
Un-Listed						
Namal - High Yiel Fund	18.05	-	8,521,130	153,776	-	-
Capital Alliance - Investment Grade Fund	14.03	-	25,338,964	355,417	-	-
Capital Alliance - Income Fund	14.33	-	28,358,783	406,498	-	-
First Capital - Money Market Fund	1,322.53	-	307,199	406,280	-	-
Guardian Acuity - Money Market Fund	15.33	-	16,625,511	254,950	-	-
Total Investment in Unit Trusts				1,576,921		-

22.4.c Treasury Bonds

As at 31st December	Maturity Date	Interest Rate	Face Value	2017		2016	
				Carrying Value	Fair Value	Carrying Value	Fair Value
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
ISIN							
LKB01530E152	15-May-30	11.00%	100,000,000	124,222	124,222	-	-
LKB01530E152	15-May-30	11.00%	100,000,000	124,222	124,222	-	-
LKB03044F019	1-Jun-44	13.50%	100,000,000	105,142	105,142	-	-
LKB03044F019	1-Jun-44	13.50%	100,000,000	105,142	105,142	-	-
				458,728	458,728	-	-

22.5 Carrying Values of Financial Investments

22.5.a Movement of Financial Investments

	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 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	5,315	11,839	39,726	410	57,290
As at 31st December 2016	233,042	482,520	6,973,740	528,985	8,218,287
As at 01st January 2017	233,042	482,520	6,973,740	528,985	8,218,287
Purchases	-	7,785,846	1,353,319	2,815,849	11,955,014
Maturities	-	(14,430)	-	-	(14,430)
Disposals	-	(6,840,649)	(3,011,456)	(812,898)	(10,665,003)
Re - Classification	-	1,503,369	(1,503,369)	-	-
Fair value gains recorded in the Statement of Comprehensive Income	-	-	-	95,978	95,978
Fair value gains recorded in the Other Comprehensive Income	-	-	383,457	-	383,457
Amortisation adjustment	5,761	40,740	(24,078)	(1,238)	21,185
As at 31st December 2017	238,803	2,957,396	4,171,613	2,626,676	9,994,488

22.5.b Methodologies and assumption used to determined fair value of the financial investments are disclosed in Note 23 on page 331 to the Financial Statements.

22.5.c Disclosure of Financial Risk

The Company's exposure to Credit, Currency and Interest rate risks related to investments are disclosed in Note 46.3 on pages 364 to 371 to the Financial Statements.

22.5.d Financial Investments pledged as security

Financial Investments are not pledged as a security as at the reporting date.

23. 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.

23. FINANCIAL INSTRUMENTS - FAIR VALUES MEASUREMENT (CONTD.)**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

Inputs that are 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.

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
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 2*
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 > 1 year	Discounted Cash Flow (DCF) Method	Level 2

*Listed Corporate Debt have been classified under level two in fair value Hierarchy since there is no active market for these instruments even though such instruments are listed.

23.1 Assets Measured at Fair Value and Fair Value Hierarchy

The following table provides an analysis of assets measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

As at 31st December	Note	2017					2016				
		Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-Financial Assets											
Property, plant & equipment											
Land and buildings	21.13	-	-	236,000	236,000	236,000	-	-	219,188	219,188	219,188
Total Non-Financial Assets at Fair Value		-	-	236,000	236,000	236,000	-	-	219,188	219,188	219,188
Financial Assets											
Financial investments – Fair value through profit or loss (FVTPL)											
Equity Shares	22.4.a	591,027	-	-	591,027	591,027	528,985	-	-	528,985	528,985
Treasury Bonds	22.4.c	458,728	-	-	458,728	458,728	-	-	-	-	-
Unit Trusts	22.4.b	-	1,576,921	-	1,576,921	1,576,921	-	-	-	-	-
Total		1,049,755	1,576,921	-	2,626,676	2,626,676	528,985	-	-	528,985	528,985

23.1 Assets Measured at Fair Value and Fair Value Hierarchy (Contd.)

As at 31st December		2017					2016				
	Note	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments – Available for Sale (AFS)											
Treasury Bonds	22.3.c	2,503,037	-	-	2,503,037	2,503,037	3,621,314	-	-	3,621,314	3,621,314
Equity Shares	22.3.d	1,298,876	-	369,700	1,668,576	1,668,576	1,428,296	-	369,700	1,797,996	1,797,996
Corporate Debts	22.3.a	-	-	-	-	-	-	1,554,430	-	1,554,430	1,554,430
Total		3,801,913	-	369,700	4,171,613	4,171,613	5,049,610	1,554,430	369,700	6,973,740	6,973,740
Total Financial Assets at Fair Value											
		4,851,668	1,576,921	369,700	6,798,289	6,798,289	5,578,595	1,554,430	369,700	7,502,725	7,502,725
Total Assets at Fair Value											
		4,851,668	1,576,921	605,700	7,034,289	7,034,289	5,578,595	1,554,430	588,888	7,721,913	7,721,913

23.2 Level 3 Fair Value Measurement**Property, Plant & Equipment (PPE)**

Reconciliation from the opening balance to the ending balance for the Land and Buildings in the Level 3 of the fair value hierarchy is available in Note 21.1 on page 318.

Reconciliation of Revaluation Reserve pertaining to Land and Buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on page 277.

Note 21.13.4 on page 320 provides information on significant unobservable inputs used as at 31st December 2017 in measuring fair value of Land and Buildings categorised as Level 3 in the fair value hierarchy.

Note 21.13.4.1 on page 320 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Equity Securities

Value of Unquoted shares of Rs. 369.7 million as at end of the year 2017 (Rs. 369.7 million as at end 2016) categorised under Financial investments – Available-for-sale whose fair value cannot be reliably measured is stated at cost in the Statement of Financial Position as permitted by the LKAS 39 on 'Financial Instruments: Recognition and Measurement'."

23.3 Financial Instruments not Measured at Fair Value and Fair Value Hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

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.

Sensitivity of Significant Unobservable Inputs used to Measure Fair Value of Fixed Rate Financial Instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which Fair Value Approximates Carrying Value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in Financial Statements and the fair value hierarchy used:

As at 31st December	Note	2017					2016				
		Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets											
Financial investments – Held to Maturity (HTM)											
Treasury Bonds	22.1	236,771	-	-	236,771	238,803	214,642	-	-	214,642	233,042
Financial investments – Loans and Receivables (L&R)											
Corporate Debts	22.2b	-	1,776,292	-	1,776,292	1,794,875	-	-	-	-	-
Term Deposits	22.2a	-	-	-	514,092	514,092	-	-	-	200,095	200,095
Commercial Paper	22.2	-	-	-	169,188	169,188	-	-	-	-	-
Repo	22.2	-	-	-	479,241	479,241	-	-	-	282,425	282,425
Other Financial Assets											
Cash and Cash											
Equivalents	28	-	-	-	318,945	318,945	-	-	-	232,554	232,554
Loans to Life Policyholders	24	-	-	-	140,385	140,385	-	-	-	162,448	162,448
Reinsurance Receivables	25	-	-	-	149,548	149,548	-	-	-	85,940	85,940
Premium Receivables	26	-	-	-	290,821	290,821	-	-	-	92,318	92,318
Receivable and other assets	27	-	-	-	144,663	144,663	-	-	-	225,073	225,073
Total Financial Assets not at Fair Value		236,771	1,776,292	-	4,219,946	4,240,561	214,642	-	-	1,495,495	1,513,895
Financial Liabilities											
Reinsurance Payables	36	-	-	-	236,265	236,265	-	-	-	139,262	139,262
Other Liabilities (Excluding Government Levies and Accruals)											
Accruals	38	-	-	-	724,981	724,981	-	-	-	640,400	640,400
Bank Overdraft	28	-	-	-	76,740	76,740	-	-	-	131,466	131,466
Total Financial Liabilities not at Fair Value		-	-	-	1,037,986	1,037,986	-	-	-	911,128	911,128

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.

23.4 Valuation Techniques and Inputs in Measuring Fair Values

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 - 2	Unit Trusts	Net asset value of fund

23.5 Accounting classifications and fair values

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

23.5.1 Financial Assets

	Note	2017						2016								
		Fair value			Carrying Value			Fair value			Carrying Value					
		Rs. '000	Through Profit or Loss	Rs. '000	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Total Carrying Value	Total Fair Value	Fair Value through Profit or Loss	Rs. '000	Held to Maturity (HTM)	Loans and Receivable (L&R)	Available for Sale (AFS)	Total Carrying Value	Total Fair Value
Financial Investments																
- Measured at fair value	22.3/	262,667	-	238,803	-	140,385	6,798,289	6,798,289	528,985	-	-	-	6,973,740	7,502,725	7,502,725	
- Measured at Amortised Cost	22.1/	-	-	238,803	2,957,396	-	3,196,199	3,175,584	-	-	233,042	482,520	-	715,562	697,162	
Loans to Life Policy Holders and Others																
Reinsurance Receivables	24	-	-	-	140,385	-	140,385	140,385	-	-	-	162,448	-	162,448	162,448	
Premium Receivables	25	-	-	-	149,548	-	149,548	149,548	-	-	-	85,940	-	85,940	85,940	
Receivables and Other Assets	26	-	-	-	290,821	-	290,821	290,821	-	-	-	92,318	-	92,318	92,318	
Cash and Cash Equivalents	27	-	-	-	144,663	-	144,663	144,663	-	-	-	225,073	-	225,073	225,073	
Total Financial Assets		2,626,676	-	238,803	4,001,758	4,171,613	11,038,850	11,018,235	528,985	233,042	1,280,853	6,973,740	9,016,620	8,998,220		

23.5.2 Financial Liabilities

	Note	2017			2016		
		Carrying Value		Fair Value	Carrying Value		Fair Value
		Other Financial Liabilities	Total Carrying Value		Other Financial Liabilities	Total Carrying Value	
Reinsurance Payables	36	236,265	236,265	236,265	139,262	139,262	139,262
Bank Overdraft	28	76,740	76,740	76,740	131,466	131,466	131,466
Other Liabilities	38	724,981	724,981	724,981	640,400	640,400	640,400
Total Financial Liabilities		1,037,986	1,037,986	1,037,986	911,128	911,128	911,128

24. LOANS TO LIFE POLICYHOLDERS

Accounting Policy

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit. Policyholder Loans are reviewed for impairment at each reporting date.

As at 31st December		2017	2016
		Rs. '000	Rs. '000
Loans to Life Policyholders	Note 24.1	140,385	158,306
Total		140,385	158,306

24.1 Loans to Life Policyholders

Balance as at 01st January		158,306	141,778
Loans Granted During the Year		46,225	64,357
Repayments During the Year		(71,097)	(53,556)
Interest Receivable		11,898	5,727
Provision for Impairment		(4,947)	-
Total		140,385	158,306

24.1.a Collateral details

The surrender value of the policy loans granted to Policyholders as at 31st December 2017 amount exceeded its carrying value as at reporting date which is amounting to Rs. 231 million.

24.1.b Disclosure 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 46.

The Company grants policy loans at a rate equivalent to the market rate, hence initial recognition is at Fair Value.

24.2 Impairment of Loans to Life Policyholder

The Board of Directors has assessed potential impairment loss as at 31st December 2017. Based on the assessment, Rs. 4.9 million has been provided for impairment in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholders.

25. 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.

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

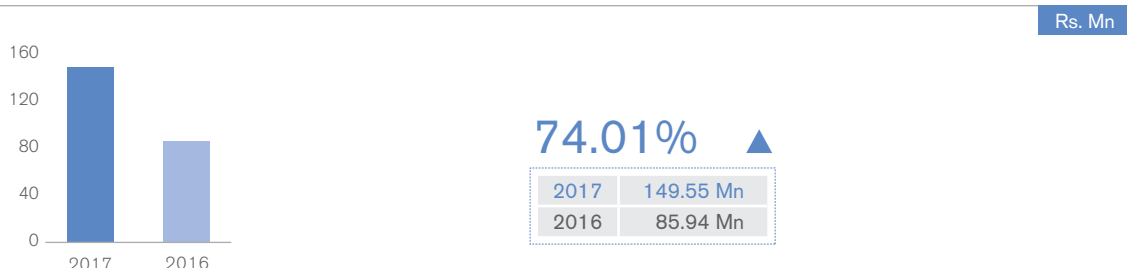
Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that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

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

25. REINSURANCE RECEIVABLES (CONTD.)

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

RE INSURANCE RECEIVABLE



As at 31st December		2017 Rs. '000	2016 Rs. '000
Reinsurance Receivable on Outstanding Claims	Note 25.1	47,883	73,125
Reinsurance Receivable on settled Claims net of dues		101,665	12,815
Total Receivable arising from Reinsurance Contracts		149,548	85,940

25.1 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.

25.2 Collateral details

The Company does not hold collateral as security against potential default by reinsurance counter parties.

25.3 Impairment of Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of Reinsurance Receivables as at 31st December 2017. 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 46.1.(C) for Reinsurer rating analysis.

25.4 The Carrying value of reinsurance receivables approximate the fair value at the reporting date.

25.5 The age analysis of the reinsurance receivable on settled claims

As at 31st December	2017 Rs. '000	2016 Rs. '000
Up to 30 days	101,665	12,815
Over 30 days	-	-
Total	101,665	12,815

26. 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.

As at 31st December	2017 Rs. '000	2016 Rs. '000
Life Insurance	290,821	92,318
	290,821	92,318

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.

26.1 Impairment of Premium Receivables

The Board of Directors has assessed potential impairment loss of Premium Receivables of the Company as at 31st December 2017. Based on the assessment, no any impairment loss was recognised as potential impairment provision as at 31st December 2017 (2016 - Nil) in respect of Premium Receivables.

26.2 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders.

26.3 Fair Value

The Carrying Value disclosed above approximate Fair Value at the Reporting date.

26.4 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 46.3.(B) to the Financial Statements for more information.

27. RECEIVABLES AND OTHER ASSETS

Accounting Policy

This details the other receivables from customers and intermediaries. Other assets (Receivables and dues from Related Parties) are recognised at cost less accumulated impairment losses.

Inventories include all consumable items which are stated at lower of cost and Net Realisable Value.

As at 31st December	2017 Rs. '000	2016 Rs. '000
Financial Assets		
Refundable Deposits	17,535	11,762
Receivable from Fairfirst Insurance Ltd	127,128	213,311
Total Financial Assets	144,663	225,073
Non Financial Assets		
Inventories	7,615	6,245
Tax Recoverable	Note 27.1.a	196,487
Advances and Prepayments	145,124	72,072
Others	85,520	103,875
Total Non Financial Assets	434,746	406,879
Total	579,409	631,952

27. RECEIVABLES AND OTHER ASSETS (CONTD.)

As at 31st December	2017	2016
	Rs. '000	Rs. '000

27.1.a Tax Recoverable

WHT Receivable	57,055	55,466
Notional Tax Recoverable	Note 27.1.b 139,432	169,221
	196,487	224,687

27.1.b Notional tax on Government Securities

Balance as at 01st January	169,221	149,589
Notional Tax Addition During the Year	51,211	47,514
Notional Tax Utilised During the Year	(81,000)	(27,882)
Balance as at 31st December	139,432	169,221

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 46.3.(B).

As per the new Inland Revenue Act the tax credits on notional tax will not be allowed in the future. Management believes that the brought forward tax credits will be allowed to be claimed against future tax liabilities.

27.3 Loans to Directors

No loans have been granted to the Directors of the Company.

28. 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.

As at 31st December	2017	2016
	Rs. '000	Rs. '000
Cash in Hand	4,361	3,527
Cash at Bank	314,584	229,027
	318,945	232,554
Less : Bank Overdraft	76,740	131,466
Net Cash and Cash Equivalents	242,205	101,088

28.1 Fair value

The Carrying amounts disclosed above reasonably approximate fair value at the reporting date.

28.2 Risk management initiative relating to Cash and Cash Equivalents

Please refer Note 46.3.(B) on page 370 to the Financial Statements.

29. STATED CAPITAL

Accounting Policy

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

For the year ended 31st December	2017		2016	
	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

29.1 Rights of Ordinary Shareholders

The shares of Softlogic Life Insurance PLC are quoted in the Colombo Stock Exchange Diri Savi Board. 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.

30. AVAILABLE FOR SALE RESERVE

This reserve includes unrealised fair value change in investments classified as Available for Sale and reserve.

As at 31st December	2017 Rs. '000	2016 Rs. '000
Balance as at 01st January	(1,348,513)	(495,123)
Adjustment from unrealised (loses) / gains on AFS Assets - Net of Tax	376,844	(836,263)
Net changes in AFS Assets transferred to Statement of Comprehensive Income	6,613	(17,127)
Total AFS Reserve	(965,056)	(1,348,513)

30.1 Nature and purpose of reserve

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial assets until the assets are derecognised or impaired.

31. REVALUATION RESERVE

As at 31st December	2017 Rs. '000	2016 Rs. '000
Balance as at 01st January	24,903	24,903
Increased During the Year	23,533	-
Balance as at 31st December	48,436	24,903

31.1 Nature and purpose of reserve

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.

32. RESTRICTED REGULATORY RESERVE

As at 31st December	2017 Rs. '000	2016 Rs. '000
Balance as at 01st January	-	-
Transfer of One-off Surplus from Policy Holder Fund	798,004	-
Balance as at 31st December	798,004	-

32.1 Nature and purpose of reserve

The Insurance Regulatory Commission of Sri Lanka (IRC SL) has issued a Direction No 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guideline Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the direction above. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 34.8.2.a are met. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

33. RETAINED EARNINGS

As at 31st December	2017 Rs. '000	2016 Rs. '000
Balance as at 01st January	2,223,276	1,469,737
Profit for the Year	1,526,517	966,843
Recognition of Defined Benefit Plan Actuarial Gains/(Losses)-Net of Tax	2,452	(13,304)
Dividend Paid	(810,000)	(200,000)
Balance as at 31st December	2,942,245	2,223,276

34. INSURANCE CONTRACT LIABILITIES**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 in 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.

As per RBC rules w.e.f 01st January 2016 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 Regulatory Commission of Sri Lanka (IRC SL). 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 2017.

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
- Expense Assumptions
- Lapse Ratios
- Participating fund yield
- Morbidity Rates
- Expense Inflation
- Dividend Rates
- Bonus Rates

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 in accordance with applicable reinsurance terms as per current reinsurance arrangements.

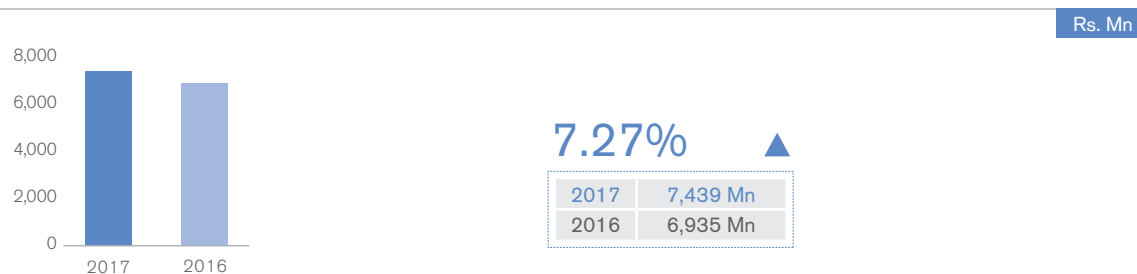
There are No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

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



As at 31st December	2017	2016
	Rs. '000	Rs. '000
Life Insurance Fund	6,090,446	1,814,822
Surplus Created due to Change in Valuation method from NPV to GPV	Note 34.8 1,056,535	4,814,795
Claims Payables	291,611	305,430
	7,438,592	6,935,047

Details of policy liabilities for the Participating and Non-Participating funds are provided as follows.

As at 31st December	2017			2016		
	Participating	Non-Participating	Total	Participating	Non-Participating	Total
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Value of policy liabilities	3,593	1,881	5,474	3,962	(2,799)	1,163
Unallocated surplus	614	3	617	55	597	652
Total	4,207	1,884	6,091	4,017	(2,202)	1,815

34.1 Movement in Life Insurance Fund

	Insurance Contract Liabilities (Gross)	Reinsurance	Net
	Rs. '000	Rs. '000	Rs. '000
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

34.1 Movement in Life Insurance Fund (Contd.)

	Insurance Contract Liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
At 01st January 2017	6,867,279	(237,662)	6,629,617
Change in Contract Liabilities Life Fund			
Premiums received	7,530,935	(802,462)	6,728,473
Liabilities released for payments on Death, Surrender and Other terminations in the year	(1,736,765)	514,264	(1,222,501)
Net Finance and Other Income	969,443	-	969,443
Net Acquisition and Other Expenses	(4,309,920)	166,873	(4,143,047)
Surplus distributed to shareholders	(1,017,000)	-	(1,017,000)
Increase in Life Insurance Fund	1,436,693	(121,325)	1,315,368
Change in Contract Liability due to transfer of One-off Surplus	(798,004)	-	(798,004)
	Note 34.8.2		
Balance as at 31st December 2017	7,505,968	(358,987)	7,146,981

34.2 Valuation of Life Insurance Fund

Long duration contract liabilities included in the Life insurance fund, primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31st December 2017.

34.2.1 Methodology used in determination of Market Value of Liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2017. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

In accordance with the RBC guidelines, negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities with respect to individual contracts with negative policy reserves had not been floored at zero during prior valuations. However, a methodology change has been implemented effective 31st December 2017 as per letter submitted to the IRCSL dated 22nd December 2017, whereby reserves held have been floored to zero at a product level.

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).

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 benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual universal Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Term (Life)	Net Cash Flow	Death benefit Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Hospitalisation Cover	Policy liability has been set equal to UPR.	Not Applicable

34.3 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	The risk free rates have been set based on Sri Lankan Government Bond yields issued by IRCSL for the industry as at 31st December 2017.
Mortality Rates	Based on the Mortality investigation carried out as at 31st December 2017. Individual life - 65% of A67/70 (ultimate) Group term products - 50% of A67/70 (ultimate) Single Premium Mortgage Protection Plan products - 50% of A67/70 (ultimate)
Morbidity Rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the Expense investigation carried out as at 31st December 2017 based on the expenses incurred during 2017. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost centre to determine a reasonable activity based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.
Expense inflation	The best estimate expense inflation has been assumed to be 5% p.a. The expense inflation assumption has remained unchanged since previous valuation. The assumption is also in line with the long term inflation target of Central Bank of Sri Lanka which is in the range of 4 % to 6%.
Persistency Ratio	Discontinuance assumptions have been set on the basis of experience investigation done as at 30th November 2017. The discontinuance assumptions have been set with reference to actual experience and vary by policy duration
Bonus Rate	Bonus rate scale assumed has been arrived based on bonus declared as at 31st December 2017, based on the Company management's views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.

34.4 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note No. 46.2 Insurance Risk.

34.5 Recommendation of Surplus Transfer

The valuation of life insurance fund as at 31st December 2017 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited, who recommended;

- there is no transfer to shareholders from the Participating life fund
- a sum of Rs. 1,017 million to be transferred from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund (2016 - Rs. 890 million);

Subsequent to the transfer the surplus of Rs. 1,017 million, life fund stands as Rs. 7,146 million as at 31st December 2017, including the liability in respect of bonuses and dividends declared up to and including for the year 2017 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV in the participating fund.

34.6 Solvency Margin

In the opinion of the Appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) 208% and Total Available Capital (TAC) of Rs. 6,084 million as at 31st December 2017, 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.

34.7 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, of Messrs. Towers Watson India Private Limited as at 31st December 2017. 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 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 2017.

No additional provision was required against the LAT as at 31st December 2017.

Details of LAT reports is provided in page 269 to this report

34.8 Surplus created due to Change in Valuation Method - One-off Surplus Zeroed at Product Level

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 contract 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.

Basis of Measurement

The Insurance Regulatory Commission of Sri Lanka (IRCSL) 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. Hence up to 31st December 2016 one-off surplus has been presented in the Financial Statements as a separate item within the insurance contract liability.

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 IRCSL through a letter dated 02nd February 2017. The Company has determined the One-off Surplus as the difference between NPV Solvency basis liability and GPV Distribution basis liability for both Participating business and other than Participating business.

Description	Participating	Non-	Total
	Fund	Participating	
	Rs. '000	Fund	Rs. '000
		Rs. '000	
Value of Insurance contract liability based on Independent Actuary - NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 01st January 2016	1,056,535	798,004	1,854,539

34.8.1 Re-Classification of Opening Insurance Contract Liability during Current year

Subsequent to direction received from IRCSL the Company has reclassified its Insurance Contract Liability based on product level zeroed negative liability basis which is disclosed in Note 34.8.1.a during the period ended 31st December 2017, where as comparative figures for the year ended 31st December 2016 recorded on Non Zeroed Based which resulted reduction in One-off Surplus from Rs. 4,814 million to Rs. 1,854 million (One-off surplus in Non Participating fund reduced from Rs. 3,758 million to Rs. 798 million and there is no change in One-off surplus in participating fund). As this surplus was categorised as part of the life fund liability. There was no impact to net asset of the Company.

34.8.1.a Re-Arrangement of Audited Opening Balance

Description	Previous	Re-arrangement	New Presentation
	Presentation		(Zeroed at product
	as per Audited		level)
	Financial		
	Statements (Non		
	Zeroed)		
	Rs. '000	Rs. '000	Rs. '000
Insurance Contract Liabilities as at 31st December 2016	1,814,822	2,960,256	4,775,078
Surplus Created due to Change in Valuation method from NPV to GPV as at 31st December 2016	4,814,795	(2,960,256)	1,854,539
Unclaimed benefits as at 31st December 2016	305,430	-	305,430
	6,935,047	-	6,935,047

34.8.2 Transfer of One-off Surplus from Policy Holder Fund to Share Holder Fund (Non Participating Fund)

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on "Guidelines/ Directions for Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guidelines Life Insurance Companies are directed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate line item in the Income Statement as "Change in contract liability due to transfer of One-off surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with above Direction. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

"Further distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off Surplus in the Share Holder Fund will remain invested in government debt securities and deposits as disclosed in Note 34.8.3 as per the directions of the IRCSL".

The financial ratios have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact.

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Share Holder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000". Please refer Note 34.8.3 for details of assets supporting the restricted regulatory reserve as at 31st December 2017.

Movement of One-off Surplus After Transfer

Description	Participating Fund	Non-Participating Fund	Total
	Rs. '000	Rs. '000	Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 01st January 2016	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve	-	(798,004)	(798,004)
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st December 2017	1,056,535	-	1,056,535

34.8.2.a Distribution of One-off Surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below.

- Expense allocation policy setting out basis of allocation of expenses between the Share Holder Fund and the Policy Holder Fund as well as between different lines of business within the Policy Holder Fund, particularly participating and non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset-liability management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policy Holder Fund to Share Holder Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of One-off Surplus when the RBC rules are revised.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

34.8.3 Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st December 2017

Asset Category	ISIN No	Face Value	Market Value as at 31 December 2017
		Rs.	Rs. 000'
Government Securities			
Treasury Bond	LKB03044A010	100,000,000	130,613
Repos			
Commercial Bank			94,786
First Capital Holding			184,921
Total			410,320
Deposits			
Hatton National Bank		200,000,000	200,119
Sampath Bank		250,000,000	250,152
Total			450,271
Total Assets			860,591

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.

As at 31st December	2017 Rs. '000	2016 Rs. '000
Employees' Provident Fund		
- Employer's Contribution (12%)	57,116	38,733
- Employees' Contribution (8%)	38,077	25,822
Employees' Trust Fund (ETF)	14,265	9,660

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 31st 2017 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 19.3% were used in the actuarial valuation carried out as at December 31st 2017. (2016 – 23.4% 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 12% p.a. (2016 – 11.5% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 10% p.a. (2016 – 12% 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.

As at 31st December	2017 Rs. '000	2016 Rs. '000
Present value of unfunded obligation	86,693	73,436
Defined benefit obligations as at 01st January	73,436	45,797
Expenses recognised in Income Statement	Note 35.2.d 20,651	14,934
Actuarial (gains)/ losses in Other Comprehensive Income	Note 35.2.e (2,452)	13,304
Payments during the year	(4,942)	(599)
	86,693	73,436

35.2.d Expenses recognised in Income Statement

Interest Cost	8,445	4,579
Current service costs	12,206	10,355
	20,651	14,934

35.2.e Actuarial (gains)/ losses in Statement of Profit or Loss and Other Comprehensive Income

Recognised (gain)/loss During the Year	(2,452)	13,304
	(2,452)	13,304

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.

35.2.f Maturity analysis of the payments

As at 31st December	2017 Rs. '000	2016 Rs. '000
Within next 12 Months	16,182	28,039
Between 1 to 2 Years	25,944	15,995
Between 2 to 5 Years	28,006	15,416
Between 5 to 10 Years	12,083	11,195
Beyond 10 Years	4,478	2,791
	86,693	73,436
Weighted Average Duration of Defined Benefit Obligation	3.97 Years	3.29 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	2017		2016	
		Effect on Employee defined benefit Liability	Employee defined benefit liability	Effect on Employee defined benefit Liability	Employee defined benefit liability
1%	-	(2,988)	83,705	(2,112)	71,324
-1%	-	3,213	89,906	2,270	75,706
-	1%	3,605	90,298	2,541	75,977
-	-1%	(3,403)	83,290	(2,407)	71,029

36. REINSURANCE PAYABLE

Refer Notes 4.9.2 for the Accounting Policies.

As at 31st December	2017 Rs. '000	2016 Rs. '000
At 01st January	139,262	92,972
Arising during the year	802,462	632,953
Utilised	(705,459)	(586,663)
Balance as at 31st December	236,265	139,262

37. AMOUNTS DUE TO RELATED COMPANIES

As at 31st December	2017 Rs. '000	2016 Rs. '000
Softlogic Capital PLC	4,615	27,621
	4,615	27,621

38. 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 when relevant. 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.

As at 31st December	2017 Rs. '000	2016 Rs. '000
Financial Liabilities		
Commission Payable	361,744	273,312
Premium Deposit	93,715	85,849
Other Payables	11,290	36,696
Finance Lease Liability	Note 38.1 7,136	10,194
	473,885	406,051

As at 31st December	2017 Rs. '000	2016 Rs. '000
Non Financial Liabilities		
Tax and Other Statutory payables	24,431	8,209
Accruals	251,096	234,349
	275,527	242,558
Total Other Liabilities	749,412	648,609
Current	749,412	648,609
Non Current	-	-

38.1 Finance Lease Liability

Finance lease liability is payable as follows.

For the year ended 31st December	Future minimum lease payment		Interest		Present Value of minimum lease payment	
	2017	2016	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less than one year	2,590	2,369	468	689	3,058	3,058
Between one and five years	3,831	6,421	247	715	4,078	7,136
	6,421	8,790	715	1,404	7,136	10,194

39. 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 Softlogic Holding PLC (Group).

39. DISCONTINUED OPERATIONS (CONTD.)

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 restated. 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 39.1
Cash flows from/(used in) discontinued operations	Note 39.3
Gain on Sale of Discontinued Operation	Note 39.4

39.1 Summarised Income Statement of Discontinued Operation

For,	9 Months ended Sep 2016 Rs. '000
Gross Written Premium	1,784,967
Net Earned Premium	1,362,405
Investment Income and Other Income	(2,398)
Total Net Revenue	1,360,007
Net Insurance Benefits and Claims	(993,806)
Underwriting and net Acquisition Cost	(199,471)
Other Operating, Administration and Finance Expenses	(472,741)
Profit Before Taxation	(306,011)
Income Tax Expenses	(4,329)
Loss from Discontinued Operations	(310,340)

39.2 Other Comprehensive Income Statement of Discontinued Operation

For,	9 Months ended Sep 2016 Rs. '000
Other Comprehensive Income	
Available for sale financial asset - net change in fair value	6,664
Available for sale financial assets reclassified to income statement	148,040
Remeasurement of defined benefit (liability)/asset	-
Tax on Other Comprehensive Income	(9,387)
Total other Comprehensive income net of tax	145,317
Total Comprehensive income for the period	(165,023)

39.3 Summarised Cash flow Statement of Discontinued Operation

For,	9 Months ended Sep 2016 Rs. '000
Net Cash Generated from Operating Activities	112,946
Net Cash (used in) / Generated from Investing Activities	(354,365)
Net Cash (used in) / Generated from Financing Activities	600,000
	358,581
Net cash and cash equivalents as at the Beginning of the year	(340,061)
Net cash and cash equivalents as at the end of the year	18,520

39.4 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 the result of Discontinued Operations and not as a part of operating profit of the Group.

For,	9 Months ended Sep 2016 Rs. '000
Fair Value of Total Purchase Consideration	1,541,836
Net Assets as at 30th September 2016	-
Cost of the Investment as at 30th September 2016	(1,400,000)
Gross Disposal Gain	141,836
Adjustments as per share sale and purchase agreement	(52,436)
Net Disposal Gain	89,400

39.5 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)

39.5 Effect of Disposal on the Financial Position (Contd.)

As at 30th September	2016 General Insurance Rs. '000
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)
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

40. CAPITAL COMMITMENTS

During the year, the Company has no material capital commitments which requires disclosure except for guarantee disclosed below.

Bank Guarantees

Following Bank Guarantees have been provided as at 31st December 2017,

1. For the VAT assessment no 7033944 - 7033955 for the taxable periods 10031 - 10091 - 10093 - 10123 the Company has provided a bank guarantee amounting to Rs. 12.3 million through Nation Trust Bank PLC.
2. In terms of subsection 2 of section 7 of the Tax Appeals Commission Act, No. 23 of 2011 provided a guarantee amounting to Rs. 3 million through Nation Trust Bank PLC.
3. To obtain business mail service the Company has provided a bank guarantee amounting to Rs. 1.5 million through Nation Trust Bank PLC.
4. To obtain investment in LVL Energy Fund Limited - IPO the Company has provided a bank guarantee amounting to Rs. 25 million through Nation Trust Bank PLC.

41. 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.

41.1 Assessment in Respect of Value Added Tax (VAT)

The Contingent Liability of the Company as at 31st December 2017, relates to the followings;

- a) 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. 15.2 million and Rs. 45.9 million respectively. The Company has filed an appeal to the Tax appeals commissions on 03rd July 2015 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The appeal hearing was held at the Tax Appeals Commissions on 22nd August 2017 in respect of the assessment issued, and Company has made a written submission to the tax appeals commissions on 22nd September 2017 as requested at the said appeal hearing. The Company is awaiting the final decision.

41.2 Life Insurance Taxation

- a) The Department of Inland Revenue has raised an assessment on Softlogic Life Insurance PLC for the year of assessment 2010/11, 2011/12 and 2012/13 assessing the Life insurance business to pay an income tax liability of Rs. 46.41 million (Rs. 44 million Tax liability and penalty of Rs. 2 million) and the company has lodged a valid appeal in consultation with Tax Consultants against the said assessment with the Tax Appeals Commission. Further, the Department of Inland Revenue has raised notice of assessment on Softlogic Life Insurance PLC for the year of assessment 2013/14 and 2014/15 assessing the Life insurance business to pay an income tax liability of Rs. 139.08 million (Rs. 106 million Tax liability and penalty of Rs. 33 million) and the company has filed a petition of appeal in consultation with Tax Consultants against the said notice of the assessment with the Commissioner General of Inland Revenue (CGIR). The Company is of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 / 11, 2011/12, 2012 / 13 , 2013 / 14 and 2014 / 15 and therefore, the above assessments have no rationale or basis in law. Hence the Company together with tax consultants are of the strong view that no tax liability will arise and assessment would not be materialised. Accordingly no provision is made in these financial statements.

41.3 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 relates to claims and they 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.

42. 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.

43. COMPARATIVE INFORMATION

The comparative information have been reclassified in order to be in line with the current year presentation. Please refer Note 34.8.1 on Page 347.

44. 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.

45. 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 265 of the Statement of Directors' Responsibility for Financial Reporting.

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46. INSURANCE AND FINANCIAL RISK REVIEW

Introduction

The Company is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Company's activities. Managing these risks is critical for the sustainability of the Company and plays a pivotal role in all activities of the Company. Risk Management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising risk-adjusted returns within the risk appetite of the Company.

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 overall responsibility and oversight of the Risk Management Framework of the Company is vested with the Board of Directors (BOD). The Risk Management Committee, a Subcommittee set up by the Board, in turn is entrusted with the development of the Company's Risk Management Policies and monitoring of due compliance of same through the Risk Management Committee. The committee reports regularly to the Board of Directors on its activities.

The Risk Management Policies spell out the risk appetite of the Company and have incorporated risk exposure limits and controls to monitor adherence to the limits in force. These Policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Company's 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 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.

The Company strives to inculcate a Risk Management Culture through continuous training, work ethics and standards.

Refer 46 (Risk Management Section) on pages 359 to 374 for more information on the Risk Management Framework of the Company.

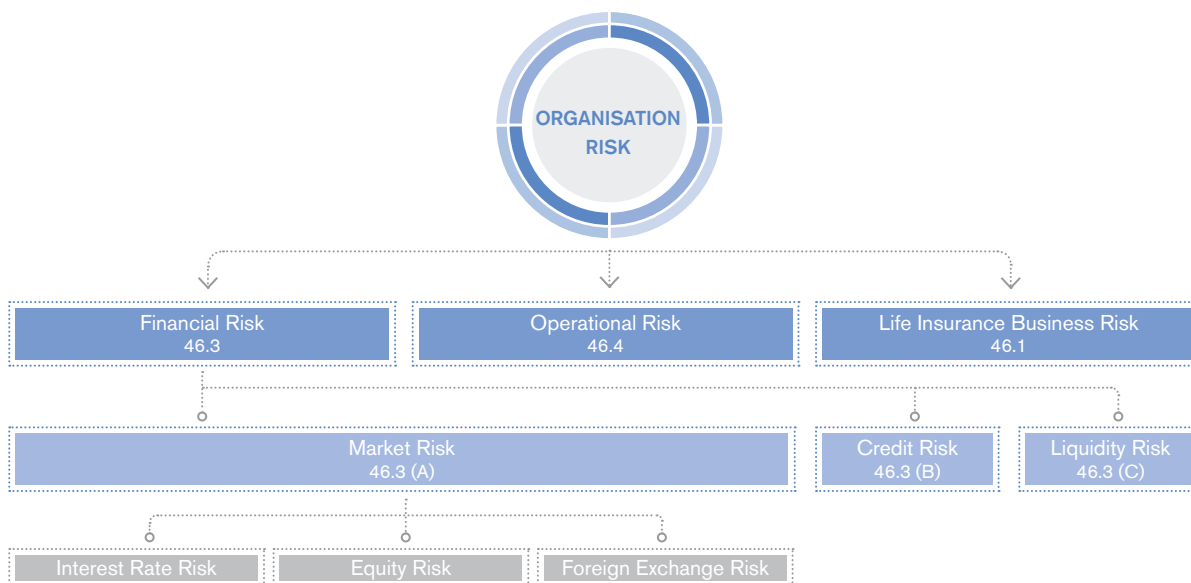
Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

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 in page 237 of this Annual Report 2017.

Risk Landscape of Softlogic Life Insurance PLC

The risk landscape of Softlogic Life encompasses Life Insurance business risks, Market risks, Credit risks, Liquidity risk, Operational risks and Other risks are provided in following:



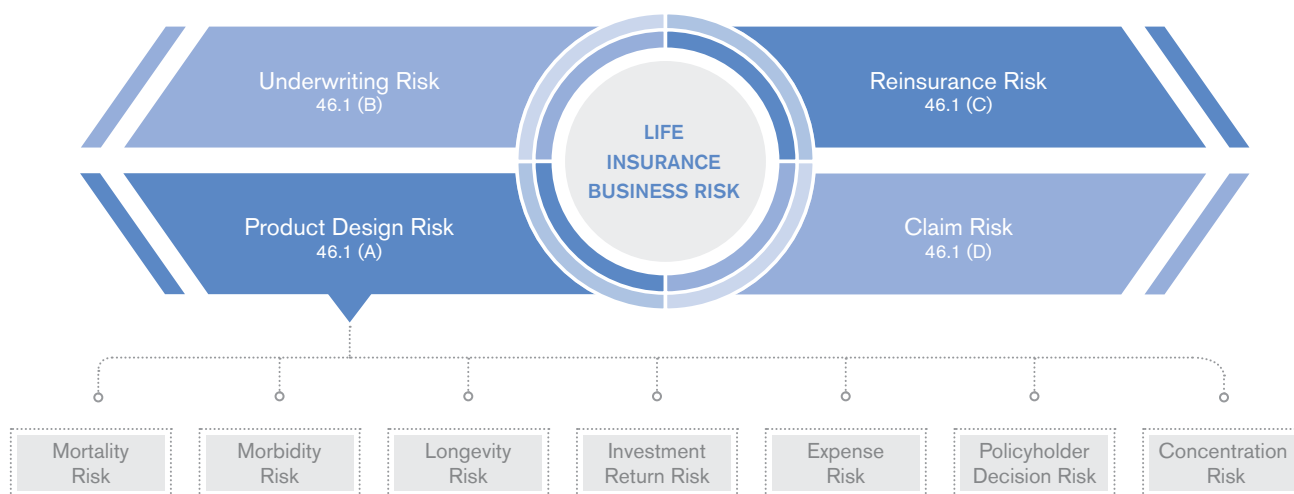
46.1 Life Insurance Business Risk

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.

Life Insurance Business

Life insurance products include protection, endowment plans, Group covers 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.

The main risks exposed in Life Insurance Business are summarised in the following diagram.



46.1.(A) Product Design Risk

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments.

The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected	Use of standard mortality tables which are used by the industry.
Morbidity risk	Risk of loss arising due to policyholders' health experience being different from expected	Assumptions are based on standard industry tables, adjustments made when appropriate to reflect the company's own risk experience
Longevity Risk	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.	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.
Investment return risk	Risk of loss arising from actual returns being different from expected	Investment Decisions are being made to Comply with the IRCSL RBC Framework and Determination Rules.
Expense risk	Risk of loss arising from the expense experience being different from expected	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31st December 2017 based on the expenses incurred during 2017 (with the assistance from Messrs. Towers Watson India Private Limited).
Policyholder decision risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected	Lapses and surrender rates are projected according to the company's past experience. 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.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio.	The 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.

46.1.(B) Underwriting Risk

Underwriting risk arise from an inaccurate assessment of the risks entailed in writing an insurance policy. As a result, the policy may cost the insurer much more than it has earned in premiums.

Risk Response

- 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
- Motivation of underwriting Staff on Insurance Academic Studies by providing Scholarship to staff.

46.1.(C) Reinsurance Risk

Notwithstanding the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;

Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.

Risk Response

- 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 IRCSL rating requirements.
- Ensuring minimum concentration amongst reinsurance parties.

Accordingly the Company's Reinsurers for 2017 are given below.

Name of the Reinsurer	Credit Rating	Name of Rating Agency
Munich Re	AA	Fitch
RGA	AA-	S&P Global
SCOR	A+	A.M. Best
Toa Re	A+	S&P Global

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. 149.5 million (2016 - Rs. 86 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 101.6 million (2016 - Rs. 13 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 48 million as at 31st December 2017. (2016 - Rs. 73 million).

46.1.(D) Claim Risk

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.

Risk Response

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- In-house actuarial department closely monitors claim reserves.

46.2 Determination of the Life Insurance Contract Liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2017. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Consistency, Completeness and Accuracy of Data

Following checks are done to reconcile the summary statistics in respect of policy counts, premiums and sum assured.

- i. Movement analysis
- ii. Reconciled total in-force in valuation data used in actuarial systems against main-frame policy administration systems in terms of policy counts, premiums and sum assured.
- iii. Check summary statistics of the output from the valuation run against output data summary from data conversion system statistics to ensure all inforce policy records are valued in terms of policy counts, premiums, sum assured.
- iv. Independent validation of numbers of deaths, maturities and surrenders from claims department against the valuation extracts.
- v. Independent validation of number of new business policies against the sales department data to verify the new business records in the valuation extracts.
- vi. Independent (high level) validation of the amount of in-force premiums in the valuation extracts are reconciled against premiums receivable as per accounting system to be within reasonable tolerance limits.
- vii. Independent (high level) validation of the amounts of surrenders, maturities implied by exits within the valuation extracts are reconciled against accounting system to be within reasonable tolerance limits.
- viii. Checks are conducted to verify the last policy administered as at the cut-off date to be included in the valuation extract.
- ix. Checks are carried out to confirm whether any new products were launched during the period and whether they are included in the valuation extracts.

The detailed model review by Messrs. Towers Watson India Private Limited provided assurance on the following aspects:

- The Prophet models capture all material product features;
- The calculations in the model are performed in accordance with the intended methodology; and
- All relevant calculations performed in the model are materially accurate, robust and fit-for-purpose.

Mix of the Insurance Contract Liabilities

Type of Contract	31st December 2017		31st December 2016	
	Insurance Contract Liabilities	% Share	Insurance Contract Liabilities	% Share
Description	Rs. '000		Rs. '000	
Participating Fund	5,262,821	73.64%	5,073,641	76.53%
Non-participating Fund	1,884,160	26.36%	1,555,976	23.47%
Total	7,146,981	100%	6,629,617	100%

Sensitivity to the Assumption Change of the Insurance Contract Liabilities

Based on Gross Premium Valuation (GPV)	Change in Assumptions	31st December 2017	31st December 2016
		Impact on Liabilities Rs. '000	Impact on Liabilities Rs. '000
Mortality	+10%	137,208	83,652
	-10%	(371,743)	(84,788)
Morbidity	+10%	379,082	108,512
	-10%	(373,643)	(108,512)
Discount Rate (Risk Free Rate)	+50 basis points	(45,191)	(55,235)
	-50 basis points	51,331	55,808
Expense Ratio	+1%	36,718	(271,300)
	-1%	(36,718)	271,300

46.3 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.

46.3.(A) 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.

Risk Response

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

As at 31st December 2017 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.

Sensitivity Analysis

The following table shows the estimated impact on profitability an equity by fluctuation of interest rates on the fixed rate Available-for-Sale and Fair Value through Profit or Loss Financial assets.

Change in Variables	2017		2016	
	Impact on Profit Before Tax Rs. '000	Impact on Equity Rs. '000	Impact on Profit Before Tax Rs. '000	Impact on Equity Rs. '000
Life segment				
+ 100 basis points	(32,819)	(201,098)	-	(201,155)
- 100 basis points	37,290	226,594	-	223,061

The following table summarises the exposure to the interest rate risk by the Company.

Change in Variables	2017				2016			
	Variable Interest Rate Rs. '000	Fixed Interest Rate Rs. '000	Non Interest Bearing Rs. '000	Total Rs. '000	Variable Interest Rate Rs. '000	Fixed Interest Rate Rs. '000	Non Interest Bearing Rs. '000	Total Rs. '000
Financial Assets								
Held to Maturity	-	238,803	-	238,803	-	233,042	-	233,042
Loans & Receivable	-	2,957,396	-	2,957,396	-	482,520	-	482,520
Available for Sale	-	2,503,037	1,668,576	4,171,613	-	5,175,744	1,797,996	6,973,740
Fair Value through Profit & Loss	-	458,728	2,167,948	2,626,676	-	-	528,985	528,985
Cash and Cash Equivalent	-	-	318,945	318,945	-	-	232,554	232,554
Total Financial Assets	-	6,157,964	4,155,469	10,313,433	-	5,891,306	2,559,535	8,450,841

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.

46.3.(A) Market Risk (Contd.)**Mitigation Strategies**

The Company's foreign exchange exposure is minimal.

The table below summarises the Company's total exposure and sensitivity to Currency risk.

Sensitivity on Foreign Currency Risk

	2017		2016	
	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	Nil

	2017		2016	
	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	Nil
5% weakening of rupee	Nil	Nil	Nil	Nil
+/- % impact on profit	Nil	Nil	Nil	Nil

*As at reporting date the 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.

Risk Response

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 Regulatory Commission of Sri Lanka (IRCSL) guidelines require investment committee approval.
- Daily and cumulative limits per share type issued by one Company

The risk exposure to listed equity securities as at 31st December 2017 with the comparatives are as follows;

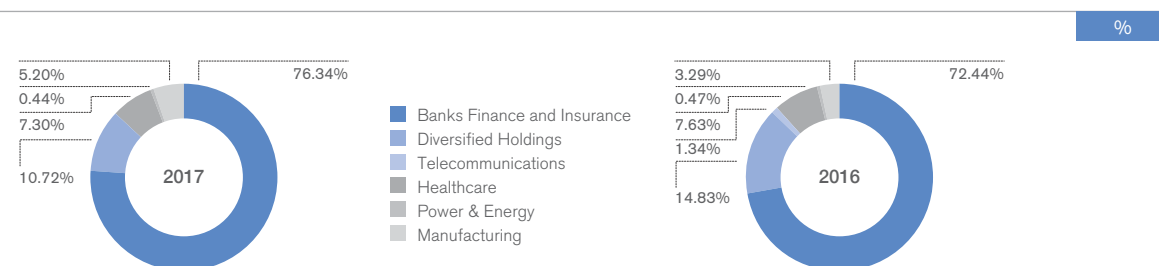
Listed Equity Investment

	2017 Rs. Mn	2016 Rs. Mn
Life Insurance	1,890	1,957
Total	1,890	1,957

Portfolio Diversification of Equity Investments

Industry	2017		2016	
	Rs. '000	%	Rs. '000	%
Banks Finance and Insurance	1,442,737	76.34%	1,417,945	72.44%
Diversified Holdings	202,509	10.72%	290,185	14.83%
Telecommunications	-	0.00%	26,250	1.34%
Healthcare	138,106	7.30%	149,295	7.63%
Power & Energy	8,343	0.44%	9,270	0.47%
Manufacturing	98,208	5.20%	64,337	3.29%
Total	1,889,903	100%	1,957,282	100%

PORTFOLIO DIVERSIFICATION OF EQUITY INVESTMENTS



Sensitivity Analysis of Equity Risk

	2017	2016	
	Rs. Mn	Rs. Mn	
Life Insurance Business			
10% decline in stock markets			
Investments	AFS	(129,888)	(142,830)
	FVTPL	(59,103)	(52,899)
Net impact on profit before tax		(59,103)	(52,899)
Net impact on other comprehensive income		(129,888)	(142,830)

46.3.(B) 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.

	2017	2016
	Rs. Mn	Rs. Mn
Reinsurance Receivables	149,548	85,940
Financial Investments	9,994,488	8,218,287
Loans to Life Policyholders and Others	140,385	158,306
Premium Receivables	290,821	92,318
Cash at Bank	314,584	229,027
Receivable and Other Assets	144,663	225,073

46.3.(B) Credit Risk (Contd.)

Risk Response

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. 149.5 million as at 31st December 2017 (2016 - Rs. 86 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 101.6 million (2016 - Rs. 13 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 48 million as at 31st December 2017. (2016 - Rs. 73 million).

As at 31st December 2017, Rs. 149.5 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 reporting date.

Credit risk of Reinsurance Receivables by Rating Class

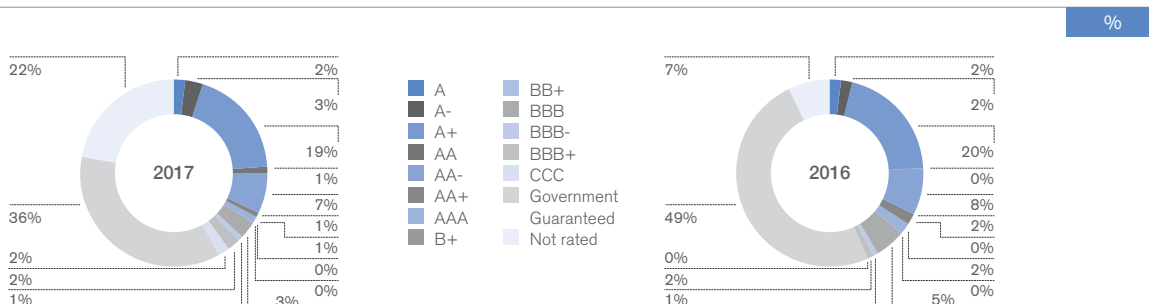
Rating	2017		2016	
	On Paid Claims		On Paid Claims	
	Rs. '000	%	Rs. '000	%
AA / AA-	101,665	100%	12,815	100%
Total	101,665	100%	12,815	100%

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.

The table below provides information regarding the Credit Risk exposure on investments of the Company as at 31st December 2017 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 ASSET ANALYSIS BASED ON CREDIT RATINGS



46.3.(B) Credit Risk (Contd.)

Financial Investments Based on Credit Rates 31-Dec-17 Rs. '000	Government Guaranteed	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BB+	B+	BBB-	CCC	Not rated*	Total
Company																
Held to Maturity	238,803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	238,803
Loans & Receivable	479,241	26	-	63,053	671,435	573,398	213,172	249,840	229,726	209,095	-	-	53,784	186,009	28,617	2,957,396
Available for Sale	250,303	-	-	-	-	1,164,675	-	-	-	-	-	-	-	-	503,901	4,171,613
Fair Value through Profit & Loss	458,728	-	145,113	82,402	98,792	-	17,360	-	57,396	79,508	-	-	-	-	1,687,377	2,626,676
Cash and Cash Equivalent	-	-	2,905	2,744	372	245,254	1,077	493	-	-	22	-	58,436	-	3,281	314,584
Total Financial Assets	3,679,609	26	148,018	148,199	770,599	1,983,327	214,249	267,693	229,726	266,491	79,530	-	112,220	186,009	2,223,176	10,309,072
Financial Investments Based on Credit Rates 31-Dec-16 Rs. '000	Government Guaranteed	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BB+	B+	BBB-	CCC	Not rated*	Total
Company																
Held to Maturity	233,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,042
Loans & Receivable	282,426	-	26	-	200,069	-	-	-	-	-	-	-	-	-	-	482,520
Available for Sale	3,621,314	-	-	-	369,468	1,471,700	198,238	144,711	120,082	266,106	30,708	185,448	51,064	-	514,900	6,973,740
Fair Value through Profit & Loss	-	26,250	130,818	17,281	78,885	28,507	-	-	170,128	-	-	-	-	-	77,116	529,985
Cash and Cash Equivalent	-	-	-	-	-	229,027	-	-	-	-	-	-	-	-	-	229,027
Total Financial Assets	4,136,782	26,250	130,844	17,281	648,422	1,729,234	198,238	144,711	120,082	436,234	30,708	185,448	51,064	-	592,016	8,447,314

46.3.(B) 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

The credit risk exposure arising from loans granted to life policyholders are as follows;

Loan Category	2017	2016
	Rs. Mn	Rs. Mn
Life policyholders	140,385	158,306
Total	140,385	158,306

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. 140 million (2016 - 158 million) and its related surrender value is Rs. 231 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.

See Note 26 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.

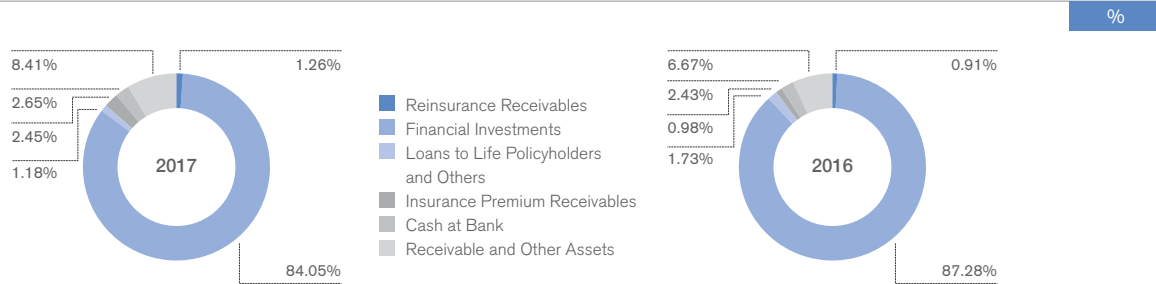
The Company cash and cash equivalents held at bank of Rs. 314 million at 31st December 2017. (2016 - Rs. 229 million). The cash and cash equivalents are held with bank and financial institutional counter parties, which are rated BBB+ or better.

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 4.13 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



46.3.(C) 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.

46.3.(C) Liquidity Risk (Contd.)**Maturity profiles - Company**

As at 31st December	2017					2016				
	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	-	-	238,803	-	238,803	-	-	-	233,042	233,042
Loans & Receivables	-	1,637,548	395,315	924,533	2,957,396	282,426	200,095	-	-	482,520
Available For Sale Financial Assets	1,668,576	-	-	2,503,037	4,171,613	1,797,996	791,012	1,015,328	3,369,405	6,973,740
Financial Assets at FVTPL	2,167,948	-	-	458,728	2,626,676	528,985	-	-	-	528,985
Life Policyholder Loans	-	-	-	140,385	140,385	-	-	-	158,306	158,306
Reinsurance Receivables	-	149,548	-	-	149,548	-	85,940	-	-	85,940
Premium Receivables	-	290,821	-	-	290,821	-	92,318	-	-	92,318
Other Financial Assets	-	144,663	-	-	144,663	-	225,073	-	-	225,073
Total	3,836,524	2,222,580	634,118	4,026,683	10,719,905	2,609,407	1,394,438	1,015,328	3,760,753	8,779,923
Liabilities										
Reinsurance Payable	-	236,265	-	-	236,265	-	139,262	-	-	139,262
Insurance Contract Liabilities -										
Maturity	-	417,789	579,446	6,427,129	7,424,364	-	464,040	381,464	3,913,313	4,758,817
Other Financial Liabilities	-	473,885	-	-	473,885	-	406,051	-	-	406,051
Bank Overdraft	-	76,740	-	-	76,740	-	131,466	-	-	131,466
Total	-	1,204,679	579,446	6,427,129	8,211,254	-	1,140,119	381,464	3,913,313	5,435,596

46.4 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

Risk Based Capital (RBC) Framework

The IRCSL 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 01st January 2016. In order to ensure smooth transition from the Solvency Regime to RBC Framework, IRCSL launched a RBC Road Test from September 2012 to June 2013. Based on the result of the Road Test, IRCSL 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 IRCSL.

Risks involved in order to comply with new RBC Framework

- How to split the policyholders funds into participating and non - participating business segments.
- How to invest into capacity building of internal skill sets etc.
- Changing business strategy to align with the new regulatory environment
- Increase in compliance cost

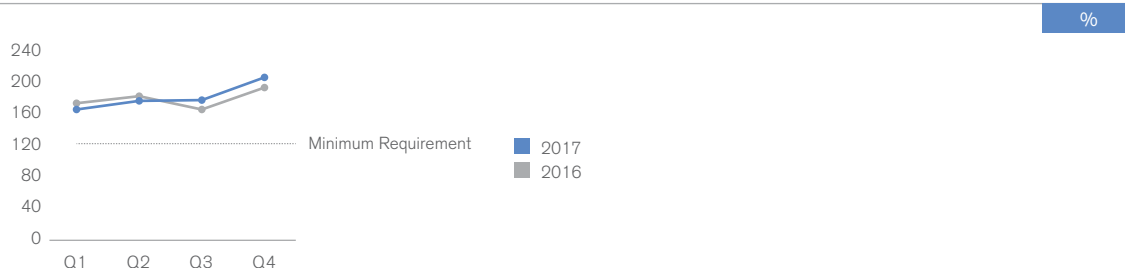
Risk Response

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

46.4 Operational Risks (Contd.)

Summary of Company's Compliances to the RBC Framework describe as following graph and table.

RISK BASED CAPITAL ADEQUACY RATIO (CAR)



Solvency determination under RBC Rules is based on following formulae.

$$\text{Capital Adequacy Ratio (CAR)} = (\text{Total Available Capital} / \text{Risk-based Capital Required}) \times 100$$

As at 31st December	2017				2016			
	Quarter 1 Rs. '000	Quarter 2 Rs. '000	Quarter 3 Rs. '000	Quarter 4 Rs. '000	Quarter 1 Rs. '000	Quarter 2 Rs. '000	Quarter 3 Rs. '000	Quarter 4 Rs. '000
Total Available Capital (TAC)	9,516,651	5,374,770	10,739,168	6,084,461	5,678,718	6,499,135	6,625,396	8,570,469
Risk Based Capital requirement (RCR)	5,703,427	3,014,348	6,001,575	2,920,932	3,236,389	3,540,591	3,971,162	4,386,958
1. Risk-based Capital Adequacy Ratio (CAR)	167%	178%	179%	208%	175%	184%	167%	195%
2. Minimum Capital Requirement (MCR)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

47. 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

*The Company has discontinued its General Insurance Segment with effect from 01st October 2016 hence this disclosure is presented for comparative year is for the nine months operation of General Insurance Segment and Twelve months operations of Life Insurance Segment.

The following tables present the income, profit, asset and liability information on the Company's strategic business divisions for the year ended 31st December 2017 and comparative figures for the year ended 31st December 2016 (9 Months of General Insurance Segment).

47.1 Income Statement

For,	Continuing Operation Life Insurance		Discontinued Operation General Insurance	Total	
	12 Months Ended December 2017	12 Months Ended December 2016	9 Months Ended September 2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	7,530,935	5,635,701	1,784,967	7,530,935	7,420,668
Net Change in Reserve for Unearned Premium	-	-	(262,994)	-	(262,994)
Gross Earned Premiums	7,530,935	5,635,701	1,521,973	7,530,935	7,157,674
Premiums Ceded to Reinsurers	(802,462)	(632,953)	(156,340)	(802,462)	(789,293)
Net Change in Reserve for Unearned Premium- Reinsurance	-	-	(3,228)	-	(3,228)
Net Earned Premium	6,728,473	5,002,748	1,362,405	6,728,473	6,365,153
Net Finance Income	874,997	700,170	94,845	874,997	795,015
Net Realized Gains / (Losses)	51,181	54,299	(141,422)	51,181	(87,123)
Fair value Gains / (Losses)	95,978	(95,888)	5,458	95,978	(90,430)
Other Operating Income	47,023	5,024	38,721	47,023	43,745
Gain on sale of Subsidiary	-	89,400	469,060	-	469,060
	1,069,179	753,005	466,662	1,069,179	1,130,267
Total Net Income	7,797,652	5,775,753	1,829,067	7,797,652	7,495,420
Net Benefits, Claims and Expenses					
Net Insurance Benefits and Claims Paid	(1,245,257)	(1,073,493)	(993,806)	(1,245,257)	(2,067,299)
Net Change in Insurance Claims Outstanding	22,756	1,327	-	22,756	1,327
Change in Insurance Contract Liabilities - Life Fund	(1,315,369)	(287,685)	-	(1,315,369)	(287,685)
Change in Contract Liabilities due to Transfer of One Off Surplus	798,004	-	-	798,004	-
Underwriting and Net Acquisition Cost	(1,830,773)	(1,580,473)	(199,471)	(1,830,773)	(1,779,944)
Other Operating and Administrative Expenses	(2,299,406)	(1,780,776)	(463,994)	(2,299,406)	(2,244,770)
Finance Cost	(23,086)	(67,810)	(8,747)	(23,086)	(76,557)
Total Benefits, Claims and Expenses	(5,893,131)	(4,788,910)	(1,666,018)	(5,893,131)	(6,454,928)
Profit / (Loss) Before Taxation	1,904,521	966,843	163,049	1,904,521	1,040,492
Income Tax (Expense) / Reversal	420,000	-	(4,329)	420,000	(4,329)
Profit for the year	2,324,521	966,843	158,720	2,324,521	1,036,163

47.2 Statement of Financial Position

As at 31st December	Continuing Operation Life Insurance	
	2017 Rs. '000	2016 Rs. '000
Assets		
Intangible Assets	7,145	13,236
Property Plant and Equipment	577,705	485,014
Financial Investments	9,994,488	8,218,287
Loans to Life Policy holders and Other Loans	140,385	162,448
Reinsurance Receivables	149,548	85,940
Premium Receivables	290,821	92,318
Receivables and Other Assets	579,409	627,810
Deferred Tax Assets	420,000	-
Cash and Cash Equivalents	318,945	232,554
Total Assets	12,478,446	9,917,607
Equity & Liabilities		
Equity		
Stated Capital	1,062,500	1,062,500
Available for Sale Reserves	(965,056)	(1,348,513)
Revaluation Reserve	48,436	24,903
Restricted Regulatory Reserve	798,004	-
Retained Earnings	2,942,245	2,223,276
Total Equity	3,886,129	1,962,166
Liabilities		
Insurance Contract Liabilities - Life	7,438,592	6,935,047
Employee Benefits	86,693	73,436
Reinsurance Payable	236,265	139,262
Amounts due to Related Companies	4,615	27,621
Other Liabilities	749,412	648,609
Bank overdraft	76,740	131,466
Total Liabilities	8,592,317	7,955,441
Total Equity & Liability	12,478,446	9,917,607

47.3 Statement of Cash Flows

For,	Continuing Operation Life Insurance		Discontinued Operation General Insurance	Total	
	12 Months Ended December 2017	12 Months Ended December 2016	9 Months Ended September 2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows Operating Activities					
Profit before Taxation	1,904,521	877,443	(306,011)	1,904,521	571,432
Adjustments for :					
Notional tax Income	-	-	(6,847)	-	(6,847)
Depreciation of Property, Plant and Equipments	91,493	78,858	14,229	91,493	93,087
Amortization of Intangible Assets	6,282	8,746	38	6,282	8,784
Provision for Employee Benefits	20,651	14,934	3,409	20,651	18,343
Net Realized (Gains)	(51,181)	(54,284)	141,422	(51,181)	87,138
Net Fair value (Gains)	(95,978)	95,888	(5,458)	(95,978)	90,430
(Profit)/Loss on Sale of Property, Plant and Equipments	-	(4,936)	-	-	(4,936)
Net Amortization of Financial Investments	(21,185)	(57,290)	-	(21,185)	(57,290)
Additional Consideration on Disposal of AAGI	(34,904)	-	-	(34,904)	-
	1,819,699	959,360	(159,218)	1,819,699	800,142
Change in Operating Assets	(272,647)	(126,223)	(90,572)	(272,647)	(216,795)
Change in Operating Liabilities	678,345	674,696	370,811	678,345	1,045,507
Cash Flows from Operating Activities	2,225,397	1,507,833	121,021	2,225,397	1,628,854
Gratuity paid	(4,942)	(599)	(2,844)	(4,942)	(3,443)
Income tax paid	-	-	(5,231)	-	(5,231)
Net Cash Generated from Operating Activities	2,220,455	1,507,234	112,946	2,220,455	1,620,180
Cash Flows Investing Activities					
Acquisition of Subsidiary	-	(600,000)	-	-	(600,000)
Consideration Received from Disposal of Subsidiary	34,904	1,276,089	-	34,904	1,276,089
Net Acquisition of Financial Securities	(11,955,013)	(1,311,972)	(399,083)	(11,955,013)	(1,711,055)
Consideration Received from Disposal of Investments	10,730,613	-	-	10,730,613	-
Net Acquisition / Capitalization of Property, Plant and Equipment	(160,651)	(136,353)	-	(160,651)	(136,353)
Acquisition of Intangible Assets	(191)	-	-	(191)	-
Proceeds from Sale of Property, Plant and Equipment	-	4,936	44,718	-	49,654
Net Cash (used in) / Generated from Investing Activities	(1,350,337)	(767,300)	(354,365)	(1,350,337)	(1,121,665)
Cash Flows Financing Activities					
Proceeds from share issue	-	-	600,000	-	600,000
Dividend Paid	(729,000)	(200,000)	-	(729,000)	(200,000)
Net Short Term Borrowings	-	(269,700)	-	-	(269,700)
Net Cash (used in) / Generated from Financing Activities	(729,000)	(469,700)	600,000	(729,000)	130,300

47.3 Statement of Cash Flows (Contd.)

For,	Continuing Operation Life Insurance		Discontinued Operation General Insurance	Total	
	12 Months Ended December 2017	12 Months Ended December 2016	9 Months Ended September 2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net Increase / (Decrease) in Cash and Cash Equivalents	141,117	270,234	358,581	141,117	628,814
Net cash and cash equivalents as at the Beginning of the year	101,088	(169,146)	(340,061)	101,088	(509,207)
Net cash and cash equivalents as at the end of the year	242,205	101,088	18,520	242,205	119,607
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
(Increase) / Decrease in Loans to Life Policyholders	17,921	(18,808)	1,238	17,921	(17,570)
(Increase) / Decrease in Reinsurance Receivables	(63,608)	(23,297)	(12,008)	(63,608)	(35,305)
(Increase) / Decrease in Premium Receivables	(198,503)	(25,044)	(77,809)	(198,503)	(102,853)
(Increase) / Decrease in Deferred Expenses	-	-	(22,159)	-	(22,159)
(Increase) / Decrease in Receivable and Other Assets	(28,457)	(59,074)	20,166	(28,457)	(38,908)
	(272,647)	(126,223)	(90,572)	(272,647)	(216,795)
B. Change in Operating Liabilities					
Increase / (Decrease) in Insurance Contract Liabilities - Life	503,545	366,515	-	503,545	366,515
Increase / (Decrease) in Insurance Contract Liabilities - General	-	-	290,995	-	290,995
Increase / (Decrease) in Reinsurance Payables	97,003	46,290	16,259	97,003	62,549
Increase / (Decrease) in Other Liabilities	77,797	261,891	63,557	77,797	325,448
	678,345	674,696	370,811	678,345	1,045,507
C. Increase in Cash and Cash Equivalents					
Cash and Cash Equivalents	318,945	232,554	49,243	318,945	281,797
Bank overdrafts	(76,740)	(131,466)	(30,723)	(76,740)	(162,189)
Net cash and cash equivalents as at 31st December	242,205	101,088	18,520	242,205	119,608
Net cash and cash equivalents as at the Beginning of the period	101,088	(169,146)	(340,061)	101,088	(509,207)
Increase / (Decrease) in Cash and Cash Equivalents	141,117	270,234	358,581	141,117	628,814

48. 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'.

48.1 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.

48.2 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

For the year ended 31st December,	2017	2016
	Rs. '000	Rs. '000
Short term employment benefits	58,054	44,741
Post-employment benefits	6,210	5,192

48.3 Transactions, Arrangements and Agreements Involving KMP and their Immediate Family Members (IFM)

Immediate Family Members (IFM) 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. IFM are related parties to the Company.

Income Statement

For the year ended 31st December	COMPANY		GROUP
	2017	2016	2016*
	Rs. '000	Rs. '000	Rs. '000
Insurance Premiums	872	-	1803
Rendering / Receiving of services	-	-	1,237
Professional Charges	852	-	68
Compensation to KMP	22,590	20,779	20,779

*The amounts shown in Group 2016, represent nine months of disposed subsidiary and the twelve months of the company.

48.4 Share-Based Benefits to KMP and IFM

As at the Year-End	2017	2016
	Rs. '000	Rs. '000
Number of ordinary shares held	Nil	Nil
Dividends paid (in Rs. '000)	Nil	Nil

48.5 Transactions with the Ultimate Parent & Parent

	COMPANY		GROUP
	2017	2016	2016*
As at 31st December	Rs. '000	Rs. '000	Rs. '000
Investments	57,396	55,921	55,921
Insurance Premiums	-	-	9,468
Receiving of services	100,463	77,369	85,326
Interest & Maturity received	-	144,098	147,645
Dividend received	2,985	14,531	14,531
Expenses	817	-	-
Dividend Paid	431,818	190,801	190,801
Claims Paid	-	-	3,901

48.6 Transactions with Subsidiary

	COMPANY		GROUP
	2017	2016	2016*
For the year ended 31st December	Rs. '000	Rs. '000	Rs. '000
Insurance Premiums	-	46,124	46,124
Claims Paid	-	937	937

*The amounts shown in Group 2016, represent nine months of disposed subsidiary and the twelve months of the company.

48.7 Transactions with Other Related Entities

Other related entities include transactions with Companies under common control.

Statement of Financial Position

	COMPANY		GROUP
	2017	2016	2016*
As at 31st December	Rs. '000	Rs. '000	Rs. '000
Investments	134,200	62,874	62,874
Sales /Purchases of property plant & equipment	55,698	6,914	7,363

Income Statement

	COMPANY		GROUP
	2017	2016	2016*
As at 31st December	Rs. '000	Rs. '000	Rs. '000
Insurance Premiums	24,930	-	100,508
Receiving of services	-	66,632	66,632
Interest & Maturity received /Given	-	88,721	88,721
Dividend received	2,750	2,376	2,376
Other Income	-	-	3,400
Claims Paid	5,000	-	23,813
Expenses	76,404	448	448

*The amounts shown in Group 2016, represent nine months of disposed subsidiary and the twelve months of the company.

DARING

[SUPPLEMENTARY INFORMATION]

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STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

As at 31st December	Note	Page	2017 Rs. '000	2016 Rs. '000
Assets				
Intangible Assets			-	7,809
Property, Plant and Equipment	1	384	236,000	424,362
Financial Investments	2	384	8,732,732	6,869,209
Loans to Life Policyholders			140,385	159,338
Reinsurance Receivables	3	386	149,548	85,940
Premium Receivables			290,821	92,333
Receivables & Other Assets	4	386	270,641	398,887
Cash and Cash Equivalents	5	386	317,946	232,087
Total Assets			10,138,073	8,269,965
Equity and Liabilities				
Equity				
Other Reserves			(306,889)	(815,254)
Revaluation Reserve			48,436	24,903
Total Equity			(258,453)	(790,351)
Liabilities				
Insurance Contract Liabilities			7,438,592	6,935,047
Employee Benefits	6	386	86,693	51,992
Reinsurance Payable			236,265	139,262
Amounts due to Related Companies			4,615	-
Other Liabilities	7	386	2,553,621	1,814,709
Bank Overdraft	5	386	76,740	119,306
Total Liabilities			10,396,526	9,060,316
Total Equity and Liabilities			10,138,073	8,269,965

The Notes appearing on pages 384 to 386 form an integral part of these Financial Statements.

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 2017	Total 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost								
Balance as at 01st January	108,000	123,351	57,013	109,400	81,944	186,729	666,437	580,730
Transfer	-	-	(57,013)	(109,400)	(81,944)	(186,729)	(435,086)	-
Additions during the year	-	-	-	-	-	-	-	81,088
Capitalised during the year	-	-	-	-	-	-	-	4,619
Surplus on revaluation	12,000	11,533	-	-	-	-	23,533	-
Transferred to revaluation	-	(18,884)	-	-	-	-	(18,884)	-
Balance as at 31st December	120,000	116,000	-	-	-	-	236,000	666,437
Accumulated Depreciation and Impairment								
Losses								
Balance as at 01st January	-	12,163	33,470	63,289	35,786	97,367	242,075	178,968
Transfer	-	-	(33,470)	(63,289)	(35,786)	(97,367)	(229,912)	-
Additions during the year	-	6,721	-	-	-	-	6,721	63,107
Transferred to revaluation	-	(18,884)	-	-	-	-	(18,884)	-
Balance as at 31st December	-	-	-	-	-	-	-	242,075
Carrying Value As at								
31st December 2017	120,000	116,000	-	-	-	-	236,000	-
Carrying Value As at								
31st December 2016	108,000	111,188	23,543	46,111	46,158	89,362	-	424,362
As at 31st December							2017	2016
							Rs. '000	Rs. '000

2. FINANCIAL INVESTMENTS

Held to Maturity Financial Assets	Note 2.1	238,803	233,041
Loans & Receivables	Note 2.2	2,924,191	482,520
Available For Sale Financial Assets	Note 2.3	2,943,062	5,624,663
Financial Assets at FVTPL	Note 2.4	2,626,676	528,985
		8,732,732	6,869,209

2.1 Held to Maturity Financial Assets

Money Market - Treasury Bonds	238,803	233,041
	238,803	233,041

2.2 Loans and Receivables

Commercial Papers	169,189	-
Debt Securities - Debentures	1,774,359	-
Bank Deposits	514,091	200,095
Reverse Repos	466,552	282,425
	2,924,191	482,520

As at 31st December		2017 Rs. '000	2016 Rs. '000
2.3 Available for sale Financial Assets			
Equity	Note 2.3.1	440,026	482,120
Debt Securities - Debentures			1,521,229
Treasury Bonds		2,503,036	3,621,314
		2,943,062	5,624,663
2.3.1 Equity			
Quoted		440,026	482,120
Total		440,026	482,120
2.4 Financial Assets at FVTPL			
Equity	Note 2.4.1	591,027	528,985
Money Market - Treasury Bonds		458,728	-
Unit Trust		1,576,921	-
		2,626,676	528,985
2.4.1 Equity Securities			
Banks, Finance & Insurance			
Commercial Bank of Ceylon PLC		82,402	-
Hatton National Bank PLC		98,792	24,413
Seylan Bank PLC		17,360	17,677
Union Bank of PLC		79,508	92,759
Diversified Holdings			
Expolanka Holdings PLC		-	20,790
Hemas Holdings PLC		-	78,885
John Keells Holdings PLC		145,113	130,818
Sofflogic Holdings PLC		57,396	59,692
Healthcare			
The Lanka Hospital Corporation PLC		3,906	4,095
Power & Energy			
Panasian Power PLC		8,343	9,270
Telecommunications			
Dialog Axiata PLC		-	26,250
Manufacturing			
Kelani Cables PLC		-	2,327
Piramal Glass Ceylon PLC		-	13,309
Tokyo Cement Company (Lanka) PLC		71,178	20,720
Teejay Lanka PLC		18,700	10,700
Chevron Lubricants Lanka PLC		8,330	17,281
Total		591,027	528,985

As at 31st December	2017 Rs. '000	2016 Rs. '000
3 REINSURANCE RECEIVABLES		
Reinsurance on Claims Paid	101,665	12,815
Reinsurance on Claims Outstanding	47,883	73,125
	149,548	85,940
4 RECEIVABLES AND OTHER ASSETS		
Other Debtors and Receivables	217,852	174,247
Tax Recoverable	52,789	224,640
	270,641	398,887
5 CASH AND CASH EQUIVALENTS		
Cash in Hand	4,111	-
Cash at Bank	313,835	232,087
	317,946	232,087
Bank Overdraft	(76,740)	(119,306)
Net Cash & Cash Equivalent	241,206	112,782
6 EMPLOYEE BENEFITS		
Balance as at 01st January	51,992	28,267
Transfer from Shareholder	21,444	-
Provisions made During the Year	20,651	11,020
Actuarial Loss/(Gain) on Gratuity	(2,452)	13,304
Payments During the Year	(4,942)	(599)
Balance as at 31st December	86,693	51,992
7 OTHER LIABILITIES		
Commission Payable	361,744	273,323
Current Account	1,833,006	1,161,708
Premium Deposits	93,715	85,849
Accruals and Other Payables	265,156	293,829
	2,553,621	1,814,709

Statement of Comprehensive Income					
	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar	Apr - Jun	July - Sep	Oct - Dec	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	1,639,278	1,732,075	1,911,424	2,248,158	7,530,935
Premiums Ceded to Reinsurers	(171,852)	(194,378)	(205,072)	(231,160)	(802,462)
Net Earned Premium	1,467,426	1,537,697	1,706,352	2,016,998	6,728,473
Other Revenue					
Finance income	252,098	194,958	203,274	224,667	874,997
Net Realized Gains/(Losses)	1,889	(30,868)	51,832	28,328	51,181
Net Fair Value Gains/(Losses)	(11,560)	116,660	(955)	(8,167)	95,978
Other Operating Revenue	5,180	41,603	10,081	(9,841)	47,023
	247,607	322,353	264,232	234,987	1,069,179
Total Net Income	1,715,033	1,860,050	1,970,584	2,251,985	7,797,652
Benefits, Claims & Expenses					
Net Insurance Benefits and Claims	(308,485)	(309,665)	(336,916)	(267,435)	(1,222,501)
Change in Insurance Contract Liabilities - Life	13,048	(239,555)	(633,749)	(455,113)	(1,315,369)
Change in Contract Liabilities due to Transfer of One-Off Surplus	-	-	-	798,004	798,004
Underwriting and Net Acquisition Cost	(424,852)	(472,482)	(422,220)	(511,219)	(1,830,773)
Other Operating & Administration Expenses	(507,080)	(556,096)	(576,187)	(660,043)	(2,299,406)
Finance Cost	(1,635)	(10,401)	(4,540)	(6,510)	(23,086)
Total Benefit, Claims and Expenses	(1,229,004)	(1,588,199)	(1,973,612)	(1,102,316)	(5,893,131)
Profit/(Loss) Before Tax	486,029	271,851	(3,028)	1,149,669	1,904,521
Income Tax Expense	-	-	-	420,000	420,000
Profit for the Year	486,029	271,851	(3,028)	1,569,669	2,324,521

Statement of Comprehensive Income					
	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar	Apr - Jun	July - Sep	Oct - Dec	
	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
Premiums Ceded to Reinsurers	(138,393)	(143,531)	(151,865)	(199,164)	(632,953)
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	(19,230)	54,299
Net Fair Value Gains/(Losses)	(91,413)	10,746	38,325	(53,546)	(95,888)
Other Operating Revenue	-	-	-	5,024	5,024
	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 Discontinued Operation	-	-	-	89,400	89,400
Income Tax Expense	-	-	-	-	-
Profit for the Year	267,153	312,341	329,820	57,529	966,843

Statement of Comprehensive Income					
	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
	Jan - Mar	Apr - Jun	July - Sep	Oct - Dec	
	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
Premiums Ceded to Reinsurers	(138,393)	(143,531)	(151,865)	(199,164)	(632,953)
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	(19,230)	54,299
Net Fair Value Gains/(Losses)	(91,413)	10,746	38,325	(53,546)	(95,888)
Other Operating Revenue	-	-	-	5,024	5,024
	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
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 Operation	-	-	-	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)
Profit for the Year	212,420	233,809	152,745	437,189	1,036,163

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	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	7,530,935	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
Net Earned Premium	6,728,473	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
Other Revenue	1,069,179	753,005	867,754	1,477,322	709,271	347,434	255,891	412,081	311,527	173,898
Net Income	7,797,652	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
Net Insurance Benefits & Claims	(1,222,501)	(1,072,166)	(433,732)	(312,491)	(214,101)	(143,116)	(123,547)	(103,076)	(87,529)	(48,902)
Net Acquisition Cost	(1,830,773)	(1,580,473)	(992,572)	(714,531)	(603,629)	(509,727)	(291,226)	(247,791)	(165,536)	(155,619)
Expenses	(2,322,492)	(1,848,586)	(1,072,007)	(1,173,695)	(754,513)	(694,476)	(539,018)	(476,583)	(350,534)	(305,249)
Operating Surplus before Transfer to										
Insurance Provision - Life	2,421,886	1,254,528	1,959,014	2,093,198	1,275,694	707,218	623,656	622,567	551,427	475,577
Transfer to Insurance Provision - Life	(517,365)	(287,685)	(966,452)	(1,253,098)	(842,119)	(551,339)	(423,656)	(368,957)	(356,427)	(315,577)
Profit Before Tax	1,904,521	966,843	992,562	840,100	433,575	155,879	200,000	253,610	195,000	160,000
Income Tax	420,000	-	-	-	-	-	-	-	-	-
Profit for the year	2,324,521	966,843	992,562	840,100	433,575	155,879	200,000	253,610	195,000	160,000

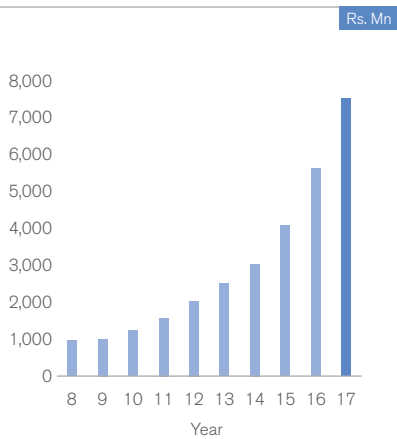
DECADE AT A GLANCE - FINANCIAL POSITION

	2017*	2016*	2015*	2014**	2013**	2012**	2011**	2010**	2009**	2008**
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Assets										
Intangible Assets	7,145	13,236	21,982	15,009	-	-	-	-	-	-
Property Plant & Equipment	577,705	485,014	427,519	289,725	92,820	70,073	56,423	46,432	47,774	36,098
Investments in Subsidiary	-	-	800,000	100,000	-	-	-	-	-	-
Financial Investments	9,994,488	8,218,287	7,744,020	6,642,677	4,826,752	3,143,117	2,525,597	1,954,696	1,632,612	1,255,203
Investment Property	-	-	-	-	-	-	-	36,750	-	-
Loans to Life Policy holders and Others	140,385	162,448	143,640	134,352	106,618	79,794	59,595	44,656	30,612	12,573
Reinsurance Receivables	149,548	85,940	62,643	73,316	61,774	61,140	3,765	3,618	-	2,731
Premium Receivables	290,821	92,318	67,274	50,169	46,085	7,679	-	-	-	-
Amounts due from Related Companies	-	-	634	1,382	-	-	-	-	-	-
Other Assets	579,409	627,810	354,790	211,423	95,046	72,128	82,724	98,398	109,803	70,631
Deferred Tax Assets	420,000	-	-	-	-	-	-	-	-	-
Cash & Cash Equivalents	318,945	232,554	192,118	105,028	94,254	90,663	11,817	46,071	40,844	26,426
Total Assets	12,478,446	9,917,607	9,814,620	7,623,081	5,323,349	3,524,594	2,739,921	2,230,621	1,861,645	1,403,662
Equity and Liabilities										
Equity & Reserves										
Stated Capital	1,062,500	1,062,500	1,062,500	500,000	500,000	-	-	-	-	-
Other Reserves	(916,620)	(1,323,610)	(470,220)	453,206	103,319	36,552	-	-	-	-
Restricted Regulatory Reserve	798,004	-	-	-	-	-	-	-	-	-
Retained Earnings	2,942,245	2,223,276	1,845,655	450,181	332,199	-	-	-	-	-
Total Equity & Reserves	3,886,129	1,962,166	2,437,935	1,403,387	935,518	36,552	-	-	-	-
Liabilities										
Insurance Contract Liabilities										
- Life	7,438,592	6,935,047	6,192,615	5,223,695	3,938,030	3,055,723	2,353,008	1,929,352	1,560,395	1,203,968
Employee Benefits	86,693	73,436	45,796	25,724	20,502	14,851	13,606	8,663	5,779	4,075
Reinsurance Payables	236,265	139,262	92,972	14,704	81,989	25,103	43,419	34,326	53,207	33,820
Amounts due to Related Companies	4,615	27,621	31,603	-	24	33,567	-	-	5,692	-
Other Liabilities	749,412	648,609	382,735	654,218	249,698	289,946	329,888	258,280	236,572	161,799
Current Tax Liabilities	-	-	269,700	-	-	-	-	-	-	-
Short Term Borrowings	-	-	-	154,483	50,000	-	-	-	-	-
Bank overdrafts	76,740	131,466	361,264	146,871	47,588	68,852	-	-	-	-
Total Liabilities	8,592,317	7,955,441	7,376,685	6,219,695	4,387,831	3,488,042	2,739,921	2,230,621	1,861,645	1,403,662
Total Equity and Liabilities	12,478,446	9,917,607	9,814,620	7,623,081	5,323,349	3,524,594	2,739,921	2,230,621	1,861,645	1,403,662

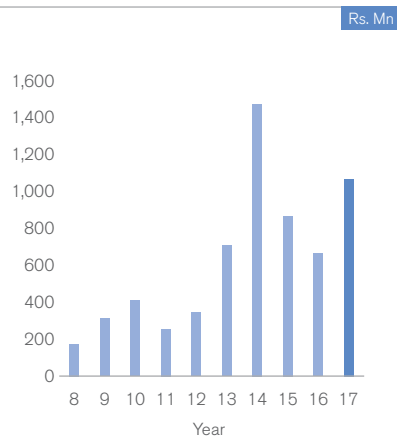
*Represents Life Insurance results as a segregated Company.

**Represents Life Insurance Segment result when Composite Company.

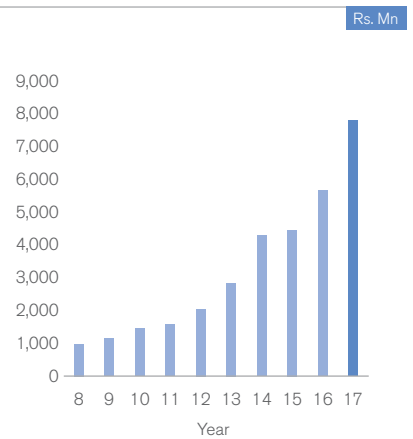
GWP*



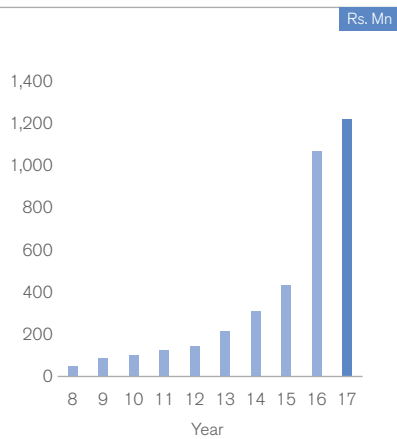
INVESTMENT AND OTHER INCOME*



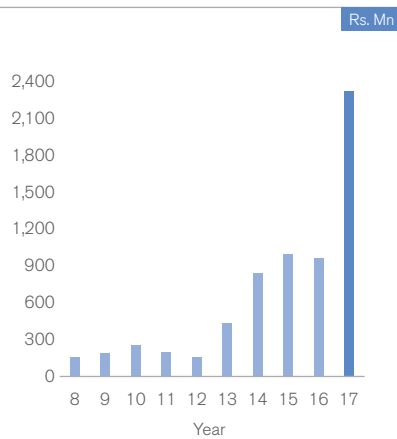
NET INCOME*



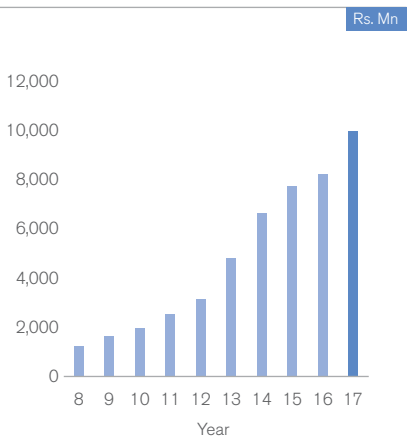
NET CLAIMS*



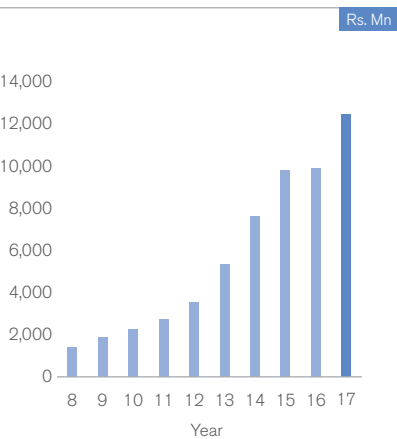
PAT*



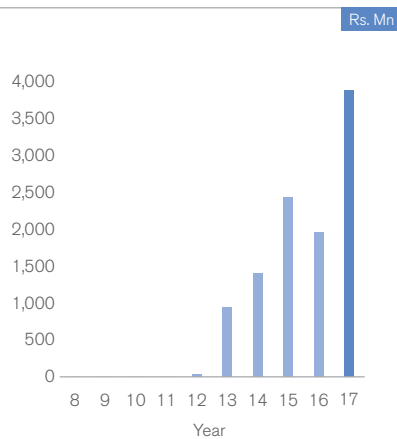
FINANCIAL INVESTMENT*



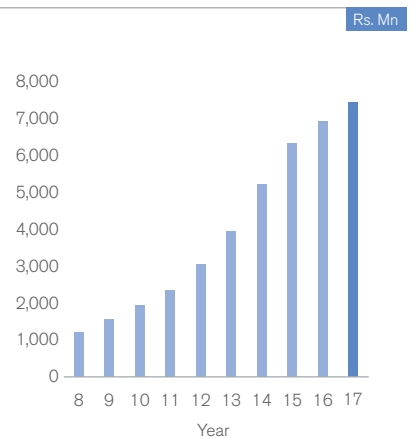
TOTAL ASSETS*



NET ASSETS*



INSURANCE CONTRACT LIABILITY - LIFE*



* Represents Life Insurance Segregated Results.

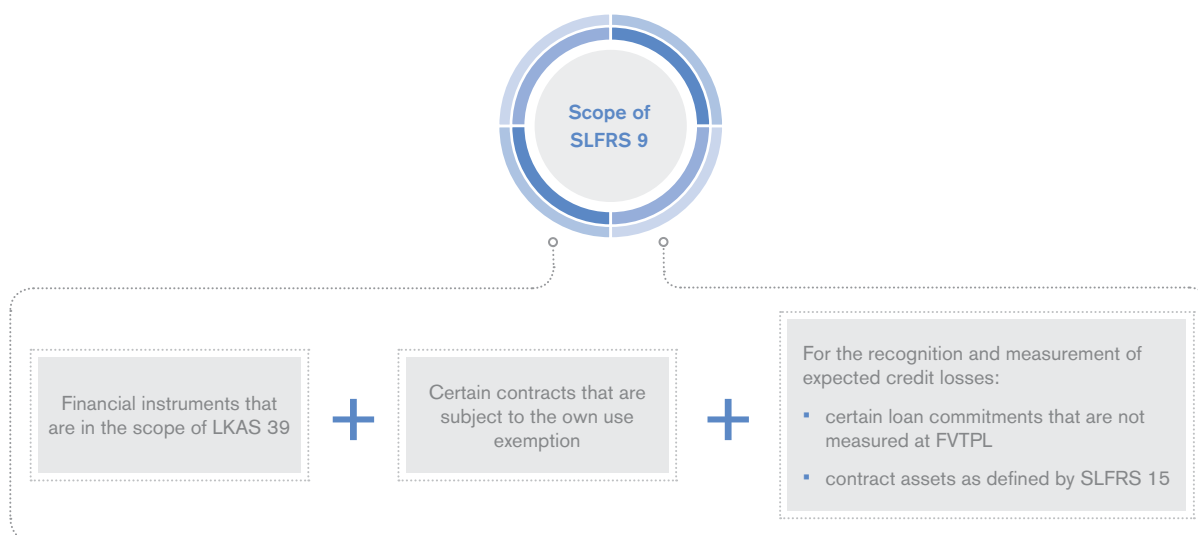
SLFRS – 9 Financial Instruments

Introduction

On 24th July 2014, the IASB issued the fourth and final version of its new standard on financial instruments accounting – SLFRS 9 Financial Instruments. This completes a project that was launched in 2008 in response to the financial crisis. After long debate about this complex area, the implementation effort can begin in earnest. SLFRS 9 retains, largely unchanged, the requirements of IAS 39 relating to scope and the recognition and derecognition of financial instruments.

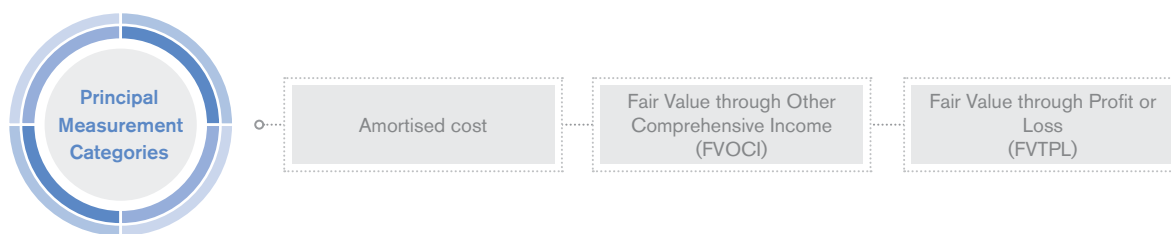
Scope

SLFRS 9 largely carries forward the scope of LKAS 39. Accordingly, financial instruments that are in the scope of LKAS 39 are also in the scope of SLFRS 9. In addition, certain other instruments are included in the scope of SLFRS 9. This is illustrated the diagram below.



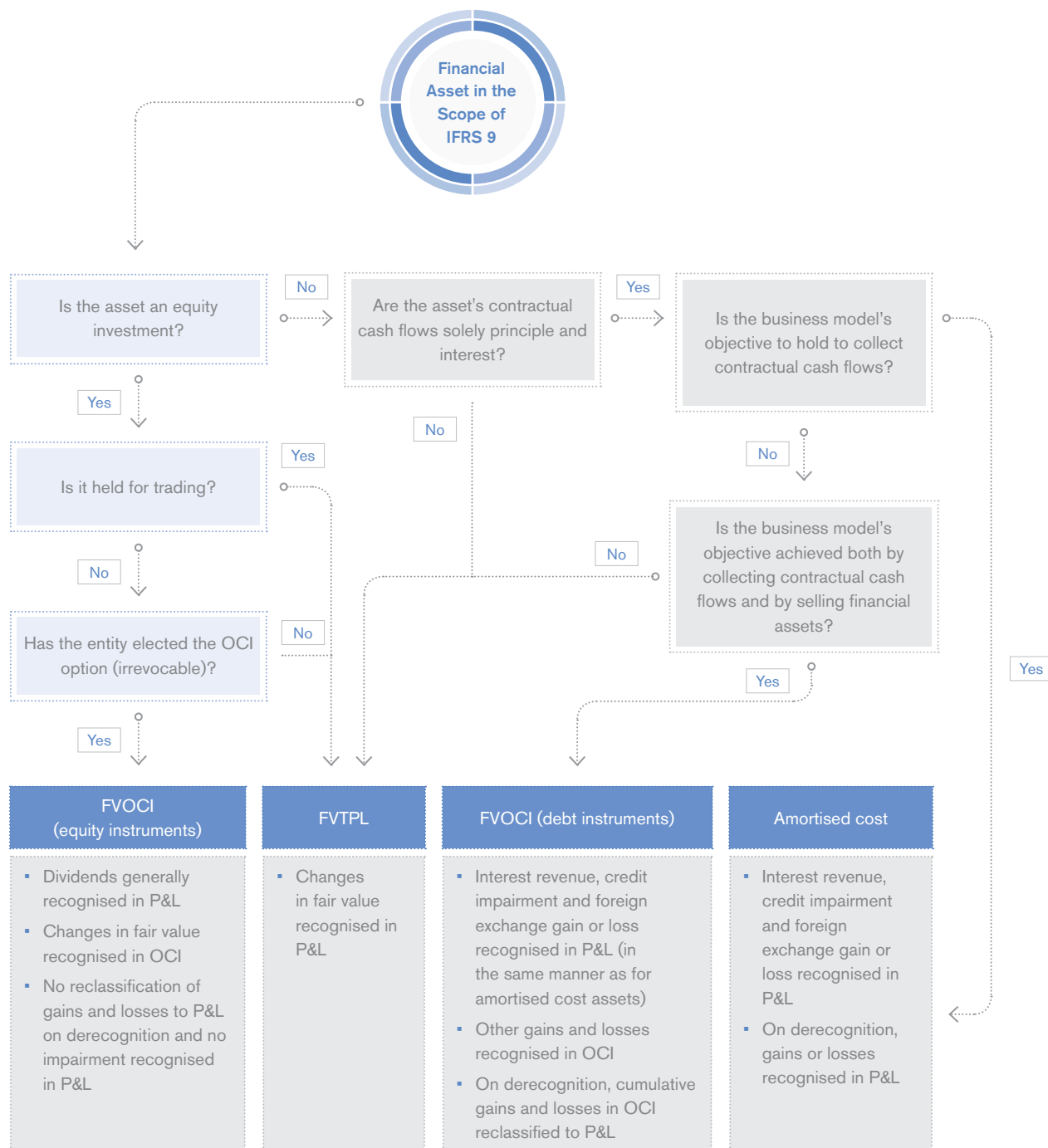
Classification of Financial Assets

SLFRS 9 contains three principal measurement categories for financial assets, as illustrated below.



The assessment as to how an asset should be classified is made on the basis of both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. SLFRS 9 removes the existing categories of held-to-maturity, loans and receivables, and available-for-sale. It also removes the exception that allows certain equity investments, and derivatives linked to such investments, to be measured at cost.

The following diagram provides an overview of the classification of financial assets into the principal measurement categories, along with the presentation and designation options under SLFRS 9.



Meaning of 'Principal' and 'Interest'

Principal	Principal is the fair value of the financial asset at initial recognition. However, principal may change over time – e.g. if there are repayments of principal.
Interest	<p>Interest is consideration for:</p> <ul style="list-style-type: none">the time value of money; andthe credit risk associated with the principal amount outstanding during a particular period of time. <p>Interest can also include:</p> <ul style="list-style-type: none">consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs); anda profit margin.

Business Model Assessment

A business model assessment is needed for financial assets that meet the SPPI criterion, to determine whether they meet the criteria for classification as subsequently measured at amortised cost or FVOCI. Financial assets that do not meet the SPPI criterion are classified as at FVTPL irrespective of the business model in which they are held – except for investments in equity instruments, for which an entity may elect to present gains and losses in FVOCI. The term 'business model' refers to the way an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

The business model is determined at a level that reflects the way groups of financial assets are managed together to achieve a particular business objective. An entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification, but should be determined at a higher level of aggregation.

Held-to-collect Business Model

Financial assets in a held-to-collect business model are managed to realise cash flows by collecting payments of principal and interest over the life of the instruments. That is, the assets held within the portfolio are managed to collect the contractual cash flows.

Both held to collect and for sale business model

An entity may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the entity's key management personnel have made a decision that both of these activities are integral to achieving the objective of the business model.

Possible examples of such a business model, given by the new standard, include:

- a financial institution holding financial assets to meet its everyday liquidity needs; and
- an insurer holding financial assets to fund insurance contract liabilities.

Other Business Models

Financial assets held in any other business model are measured at FVTPL (except when an entity elects to present in OCI subsequent changes in the fair value of an investment in an equity instrument)

Examples include:

- assets managed with the objective of realising cash flows through sale;
- a portfolio that is managed, and whose performance is evaluated, on a fair value basis; and
- a portfolio that meets the definition of 'held-for-trading'.

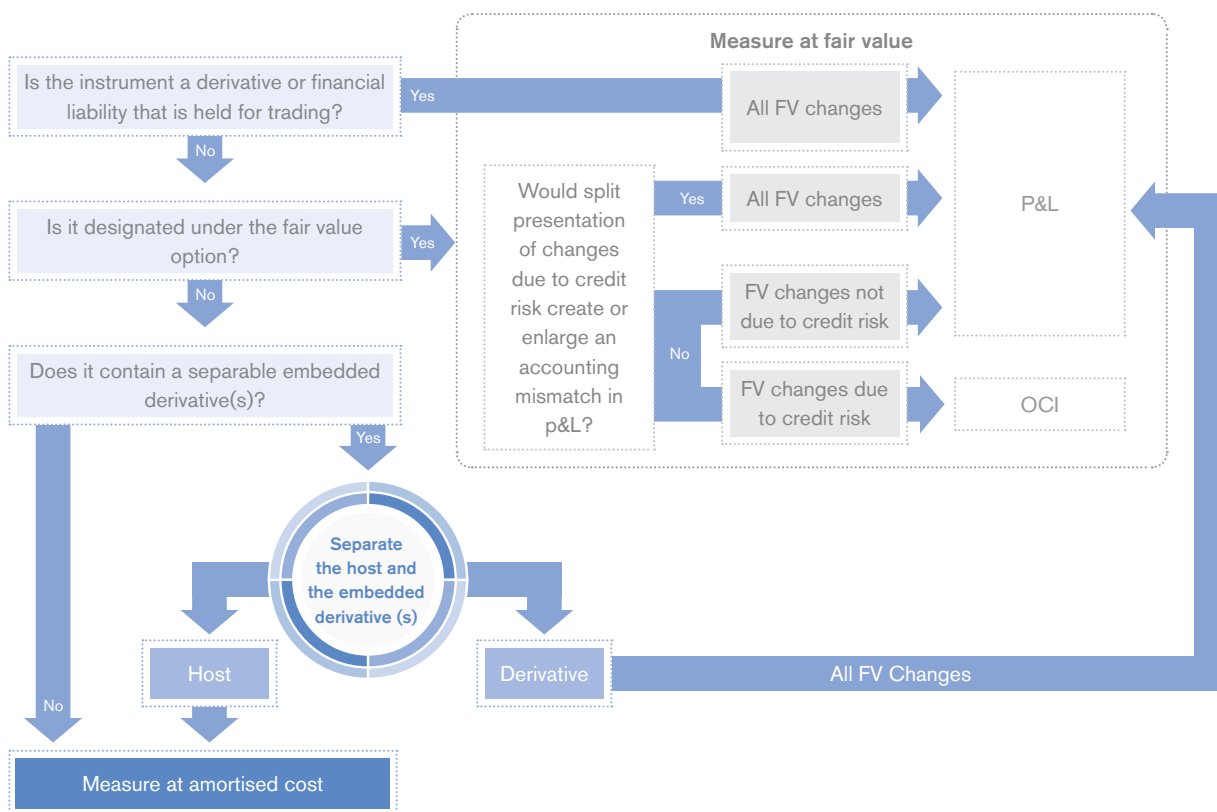
The following table summarises the key features of each type of business model and the resultant measurement category.

Business model	Key features	Measurement category
Held-to-collect	<ul style="list-style-type: none"> The objective of the business model is to hold assets to collect contractual cash flows Sales are incidental to the objective of the model Typically lowest sales (in frequency and volume) 	Amortised cost
Both held to collect and for sale	<ul style="list-style-type: none"> Both collecting contractual cash flows and sales are integral to achieving the objective of the business model Typically more sales (in frequency and volume) than held-to-collect business model 	FVOCI
Other business models, including: <ul style="list-style-type: none"> trading managing assets on a fair value basis maximising cash flows through sale 	<ul style="list-style-type: none"> Business model is neither held-to-collect nor held to collect for sale Collection of contractual cash flows is incidental to the objective of the model 	FVTPL

Classification of Financial Liabilities

SLFRS 9 retains almost all of the existing requirements from LKAS 39 on the classification of financial liabilities.

The following diagram outlines the requirements for the classification and measurement of financial liabilities under SLFRS 9.



Measurement on Reclassification of Financial Assets

The measurement requirements on the reclassification of financial assets are as follows.

		Reclassification to		
		FVTPL	FVOCI	Amortised cost
Reclassification from	FVTPL		Fair value on reclassification date = new gross carrying amount. Calculate EIR based on new gross carrying amount. Recognise subsequent changes in fair value in OCI.	Fair value on reclassification date = new gross carrying amount. Calculate EIR based on new gross carrying amount.
	FVOCI	Reclassify accumulated OCI balance to profit or loss on reclassification date.		Reclassify financial asset at fair value. Remove cumulative balance from OCI and use it to adjust the reclassified fair value. Adjusted amount = amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.
	Amortised cost	Fair value on reclassification date = new carrying amount. Recognise difference between amortised cost and fair value in profit or loss	Remeasure to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.	

Overview of the New Impairment Model

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The new model applies to financial assets that are not measured at FVTPL, including loans, lease and trade receivables, debt securities, contract assets under SLFRS 15 and specified financial guarantees and loan commitments issued. It does not apply to equity investments.

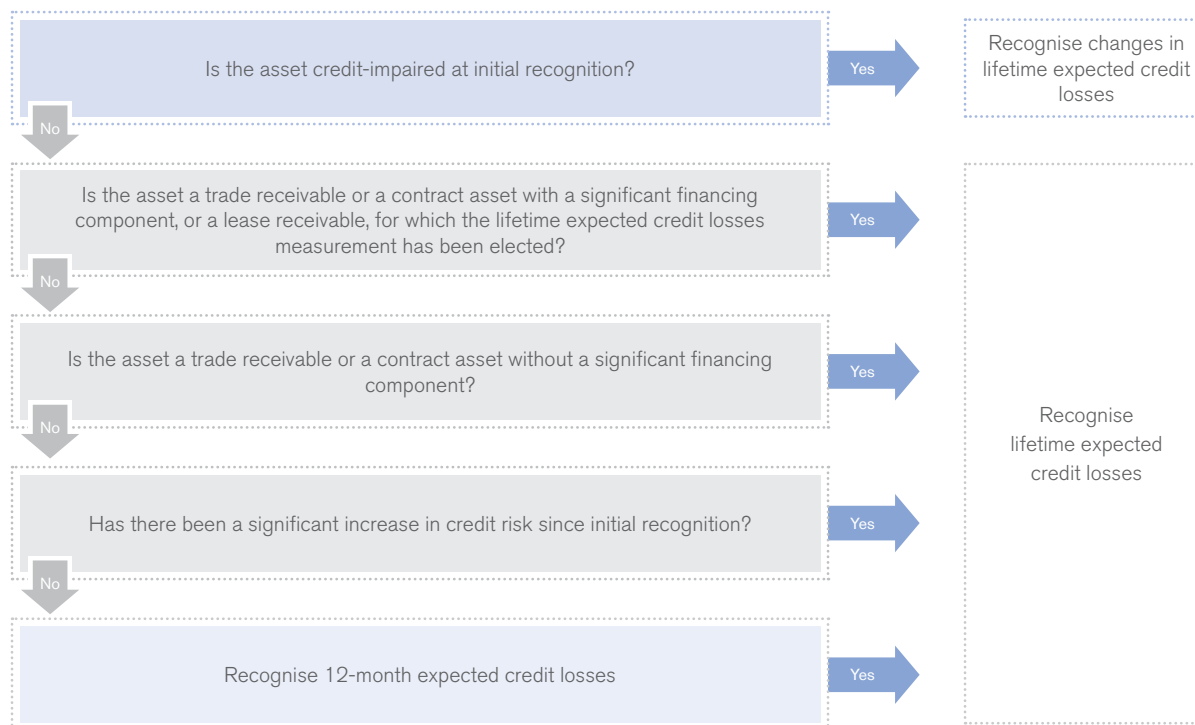
The model uses a dual measurement approach, under which the loss allowance is measured as either:

- 12-month expected credit losses; or
- lifetime expected credit losses.

The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition.

Expected credit losses are the present value of all cash shortfalls over the expected life of the financial instrument.

The flowchart below sets out a decision tree to follow in deciding which measurement basis to apply to a particular financial instrument.



How This Could Impact to Softlogic Life

Impact Area	Summary of the Requirement	Possible Impacts and Future Strategies
Classification and measurement of financial assets	The implementation of a business model approach and the SPPI criterion may require judgement to ensure that financial assets are classified into the appropriate category. Deciding whether the SPPI criterion is met will require assessment of contractual provisions that do or may change the timing or amount of contractual cash flows.	The Company has engaged an assistance of an external consultant to analyse the initial high level assessment of the potential impact on its Financial Statements resulting from the application of SLFRS 9. 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.
Impairment	The initial application of the new model may result in a large negative impact on equity for insurance and other financial services entities. In addition, the regulatory capital may be impacted. This is because equity will reflect not only incurred credit losses but also expected credit losses.	Higher P&L volatility as well as higher volatility in Balance Sheet and Regulatory Capital levels as a result of broader Fair Value accounting. The Company has engaged an assistance of an external consultant to analyse the initial high level assessment of the potential impact. However the Company expects to defer the implementation of SLFRS 9 till the IFRS 17 comes in to effect.

IFRS – 17 Insurance Contracts



IFRS 17 IN FIVE MINUTES:

Scan the code to understand IFRS 17 in five minutes - the most significant accounting standard for the insurance industry from 2021.

<https://www.youtube.com/watch?v=ixegF0gkaWM&index=2>

Introduction

IFRS 17 introduces an accounting model that measures groups of insurance contracts based on fulfilment cash flows and a CSM. It brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

IFRS 17 is effective for annual periods beginning on or after 01st January 2021. Early adoption is permitted for entities that apply SLFRS 9 and IFRS 15 on or before the date of application of IFRS 17.

Key Similarities/Differences between SLFRS 4 and IFRS 17

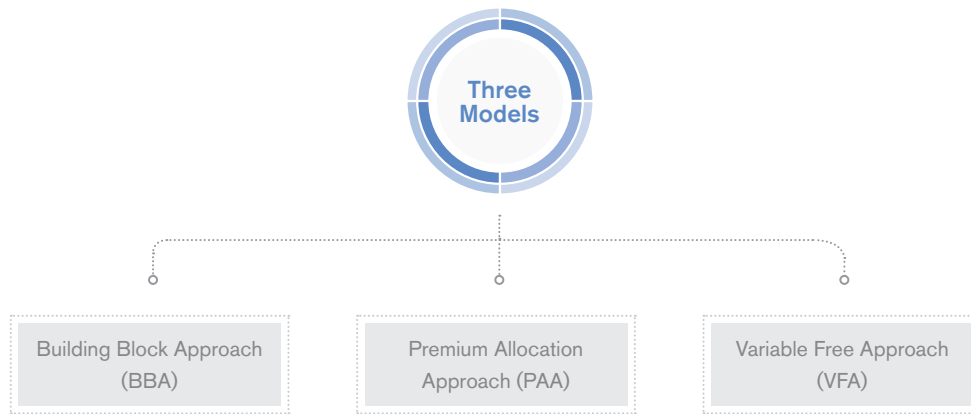
Area	Description
Contract Definition	<ul style="list-style-type: none">▪ Largely consistent with SLFRS 4▪ Under IFRS 17, significant insurance risk is assessed on a present value basis.
Acquisition Cash Flows	<ul style="list-style-type: none">▪ Under IFRS 17, insurance acquisition cash flows are included as a reduction to the insurance liability. No longer permitted to be presented as an asset.
Unbundling	<ul style="list-style-type: none">▪ Under SLFRS 4, insurers may unbundle non-insurance components from an insurance contracts in most cases.▪ Under IFRS 17, unbundling is prohibited unless the insurer can demonstrate it is necessary to do so.
Discounting	<ul style="list-style-type: none">▪ Under SLFRS 4, there is no requirement to discount cash flows. If discounting is applied, discount rates are asset-based rates or risk-free rates.▪ Under IFRS 17, discounting is required. Discount rates should reflect characteristics of the insurance contracts. Practical expedients not to discount is permitted where certain criteria is met.
Risk Adjustment	<ul style="list-style-type: none">▪ Under IFRS 17, an explicit risk adjustment is required.
Contractual Service Margin (CSM)	<ul style="list-style-type: none">▪ New concept under IFRS 17, which represents unearned profit in a contract.
Onerous Contracts	<ul style="list-style-type: none">▪ Under IFRS 17, liability adequacy test is no longer required. The new accounting model is based on the principle of no gain/loss on day 1 and based on current information. Therefore all favourable and unfavourable changes to the cash flows are offset against the contractual service margin (expected profit margin) which removes the need to test the liability for adequacy.
Shadow Accounting	<ul style="list-style-type: none">▪ There is no shadow accounting model in IFRS 17. However, IFRS 17 provides insurers an option to report changes in discount rates to P&L or OCI to reduce accounting mismatches with assets backing the insurance liabilities.

Scope

IFRS 17 will apply to a range of different contracts issued by companies, which fall under the following categories:

- **Insurance and reinsurance contracts** issued by the company;
- **Reinsurance contracts** that the company holds ("ceded reinsurance"); and
- **Investment contracts with discretionary participation features ("DPF")** that it issues, provided that the entity also issues insurance contracts

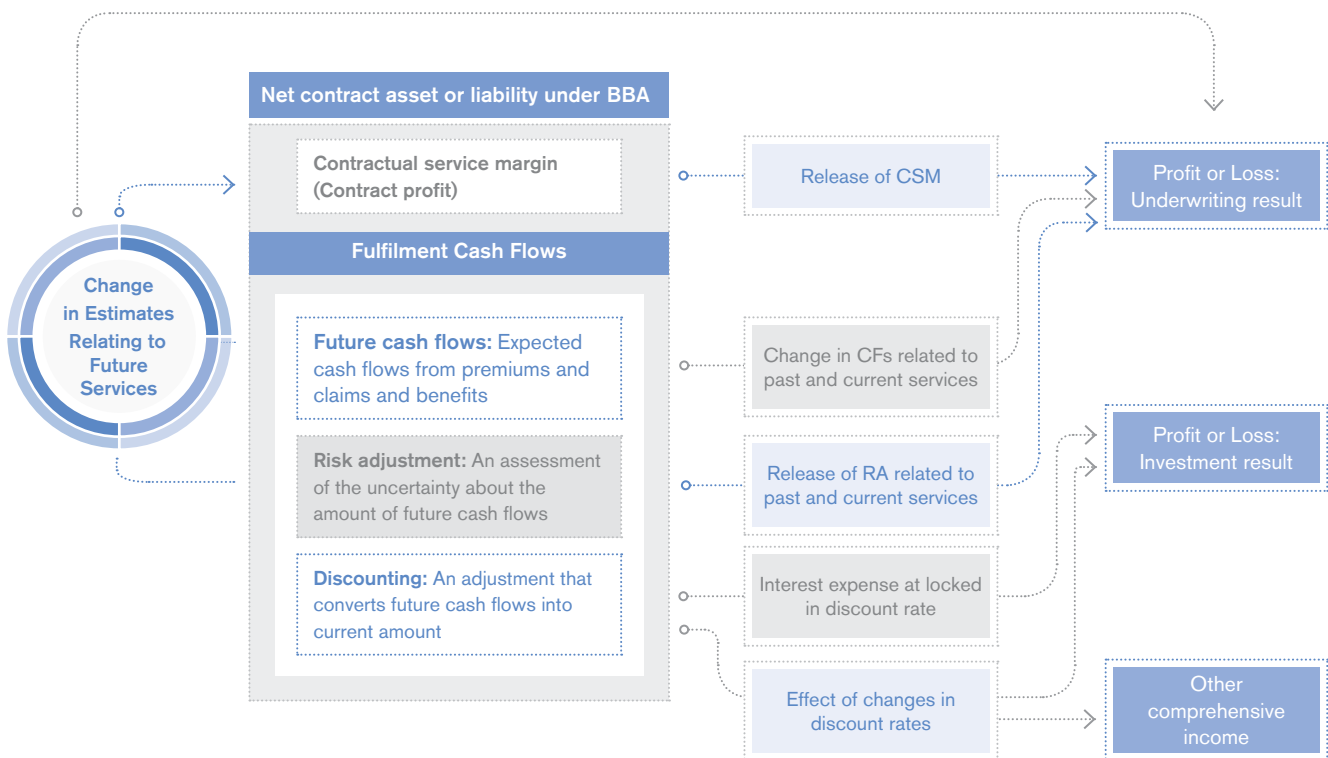
MEASUREMENT MODELS



Building Block Approach (BBA)

The BBA will be the core measurement model, with the insurance contract liability comprising fulfilment cash flows and the CSM.

Building Block Approach and Presentation of Changes in the Insurance Liability



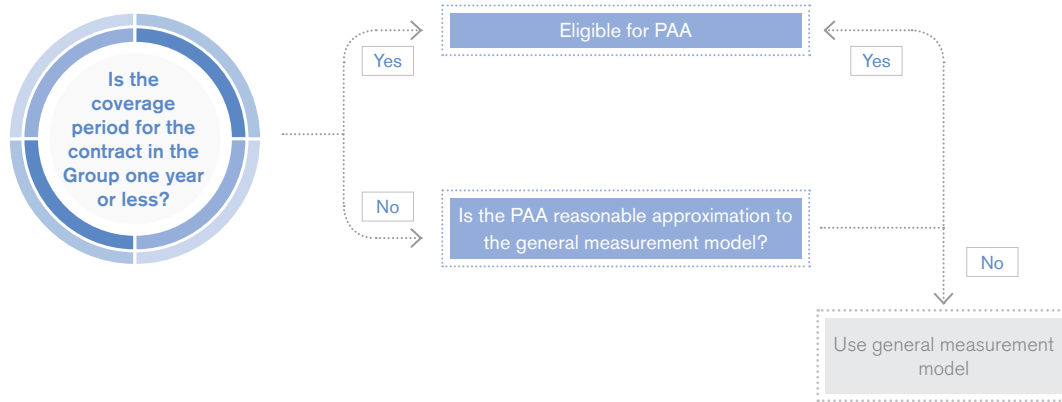
Premium Allocation Approach (PAA)

Optional simplified approach for contracts with a duration of one year or less, or where it is a reasonable approximation to BBA. Many non-life, and some life, insurance contracts will meet these criteria.

The PAA assumes that recognising the contract's premium over the coverage period provides similar information and profit patterns to close provided by recognising insurance contracts revenue measured using the general measurement model.

Eligibility to Apply PAA

Following diagram explain the eligibility of applying PAA.



Variable Fee Approach (VFA)

Insurance contract liability based on the obligation for the entity to pay the policyholder an amount equal to the value of the underlying items, net of a consideration charged for the contract — a 'variable fee'.

$$\text{Obligation to Policy holder} = \text{Obligation to pay fair value of the underlying items} - \text{Variable fee}$$

Measurement Difference from General Model

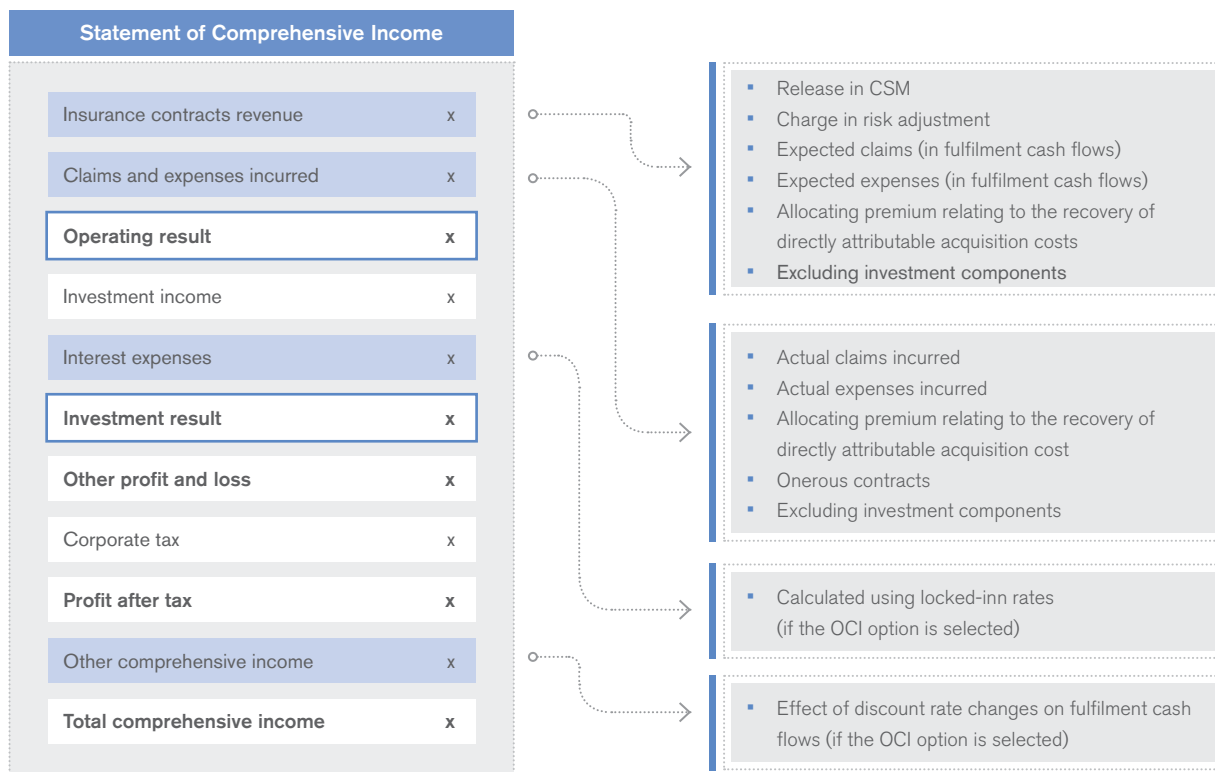
	General measurement model	Variable fee approach
Changes in the fulfilment cash flows arising from time value of money and financial risks	Recognised immediately in the statement(s) of financial performance as insurance finance income or expense	Regarded as part of the variability of the fee for future service and recognised in the CSM
Interest rate accreted to the CSM	Interest rate determined on initial recognition	No explicit interest accretion is required since the CSM is effectively remeasured when it is adjusted for changes in financial risks

Presentation and Disaggregation

The proposed Standard includes specific requirements for presenting insurance-related balances in the financial statements. The biggest change for some insurers will be seen in the P&L, which will now separate investment performance explicitly from operating results.

Following illustration provides an example showing how certain income and expense items will be presented.

Illustrative Statement of Comprehensive Income



Major Implications and Challenges

Operating Model	Risk Implication
Accounting and closing process	Financial reporting will change substantially with IFRS 17, up to 50% of the chart of accounts and financial statement positions will be impacted. Reporting efficiency and improved productivity within finance closing process will be necessary.
Management reporting	Internal KPIs will need to be adapted to new external measurements. Fast close for internal management information (MI) will be under even greater pressure to deliver the new figures efficiently. Consistency across products can spur productivity.
Risk	Risk reporting and financial reporting (IFRS) need to be aligned and the differences need to be reconciled and explained.
Actuarial	Existing models need to be adapted to the new regulations – new data flows/calculations/projections need to be implemented (e.g. new risk adjustment).
Operations and IT	New IFRS requirements need to be designed, implemented, tested, brought into production and maintained and operated. Changes in systems must be planned at an early stage to minimise disruption.
Multiple Reporting	Multiple reporting environment: <ul style="list-style-type: none"> ▪ IFRS financial statements ▪ Regulatory reporting ▪ Management/Internal Reporting.
Asset Allocation	Asset-Liability Management (ALM) will be under the spotlight. More active management of dependencies and accounting mismatches is needed.
Financial Planning & Controlling	Planning / forecast processes have to be adjusted to the new metric arising from SLFRS 9 and IFRS 17 earlier than their release in the first public report. For analysis and planning purposes, it may be useful to perform simulations on the impact of the new IFRSs on KPIs based on IFRS earnings/equity at an early stage.
Human Resources	Educating the whole organisation on how the Company's success is measured and presented to the market under the new IFRS The KPIs used for the incentives and remuneration of employees and sales force will need to be recalibrated.
Control Environment and Organisational Design	Greater external transparency (in aggregate) is expected to demand more detailed audit trail and "historization" of financial and actuarial data. The interaction between finance, risk and actuarial will increase (cross-skills opportunities), offering the opportunity to integrate these functions.

Transition

An entity is required to apply IFRS 17 retrospectively, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach.

Implementation Strategy of Softlogic Life

Softlogic Life being an innovative insurer always focus on the key strategies in order to comply with this significant change. The Company in the process of implementing new system which will be severely changed the existing systems. With the external expert's consultation Company has completed the phase 1 of the master project and in the process of evaluating the correct vendors by way of analysing the globally recognized standards. The current project has been starting from mid of year 2017 with the view of completing this project by end of 2019.

Apart from that Company has identified resource requirement to implement this project. The new conversion will be the collective contribution of the various departments of the company including Finance, Actuarial, IT, Life Operation, Re-Insurance etc.

Additionally the Company will expect to obtain the expertise knowledge from the Appointed Actuary and the External Auditors in order to complete this massive development smoothly.

Key focus areas by each department within the Company have been identified as follows.

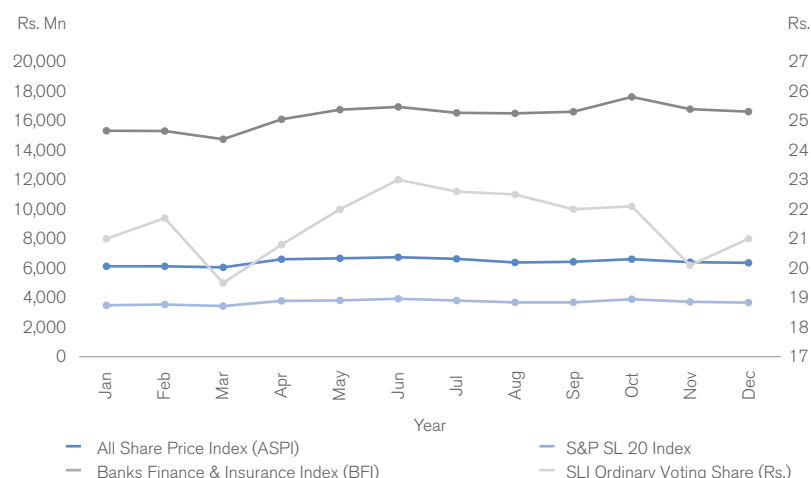
Department	Area of Focus
Finance	<ul style="list-style-type: none"> ▪ Communicate early to key stakeholders, including the Board, market analysts and shareholders, providing clarity around the expected impacts to the financial statements and profit profiles. ▪ Analyse current management reporting, key performance indicators (KPI) and incentive frameworks for continuing applicability and incorporate necessary changes for analysing margins and volatility. ▪ Update volatility and Asset-Liability Management (ALM) frameworks for measurement changes under IFRS 17 and assets under SLFRS 9. ▪ Monitor development of RBC and incorporate changes as needed. ▪ Discuss implementation options and potential consequences with industry peer group through share forum sessions and insurance seminars. ▪ Liaise with local regulator and professional association on interpretation and implications of the new Standard and potential impacts on local regulatory reporting requirements. ▪ Update the Chart of Accounts (COA) and account mappings. ▪ Update the current Balance Sheet and Profit and Loss (P&L) formats to meet new presentation requirements. ▪ Update accounting policies and practice manuals. ▪ Engage with taxation authorities to discuss implications and transition approaches if taxable income calculations are based on current accounting treatments. ▪ Update process and controls documentation and operating procedures. ▪ Create new or revise existing internal (e.g., forecasts and other management reports) and external (e.g., investor and analyst packs) reporting templates. ▪ Focus on the auditability of reported figures — this will require a high level of interaction and consultation with the internal and external auditor during the implementation process.
Actuarial	<ul style="list-style-type: none"> ▪ Allocate time and resources to projects to design, build and test new data, modeling, and actuarial systems capability. ▪ Update methodology guidance for discount curve and assumption setting. ▪ Create a new or revise the existing calculation engine for amortizing and adjusting the Contractual Service Margin (CSM). ▪ Work with the finance team to estimate impacts on transition. ▪ Assist in making sure the reported figures and actuarial systems are auditable.
Life Operation	<ul style="list-style-type: none"> ▪ Assess current data availability against new data requirements for both model inputs and outputs. ▪ Change the process for reporting additional data to the reporting team. ▪ Enhance scrutiny of data quality, storage and archiving - given the retrospective transition requirements, this should happen ahead of the date of implementation. ▪ Enhance data reconciliation based on new data needs. ▪ Enhance scrutiny of data governance and management (including master data management).
Underwriting	<ul style="list-style-type: none"> ▪ Perform detailed reviews of product offerings and pricing strategy to adapt to changes in profit profiles
Investment/Risk	<ul style="list-style-type: none"> ▪ Review investment policies and ALM strategy based on the impacts of the new measurement models for both insurance contracts and financial instruments.

Well established relationship with investors is vital for good governance and it creates long term value to the company in a way that delivering inputs to the process of strategy formulation. In this segment of the report, we provide relevant and sufficient information of the shareholding and performance of the company's listed equities in the reporting year 2017.

Stock Exchange Listing

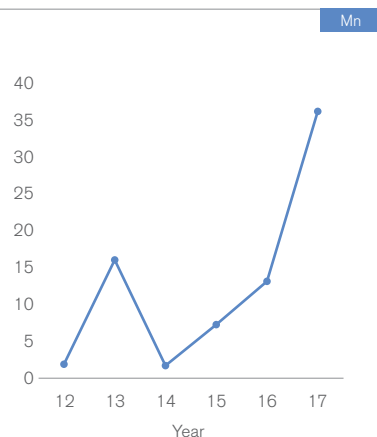
Softlogic Life Insurance PLC is a public quoted company which has listed its ordinary shares in Colombo Stock Exchange (CSE). SLI ordinary shares are effectively traded in Diri Savi Board of the Colombo Stock Exchange under the symbol of AAIC.N0000.

PERFORMANCE OF THE SOFTLOGIC LIFE INSURANCE PLC'S ORDINARY SHARE WITH MARKET PERFORMANCE IN 2017

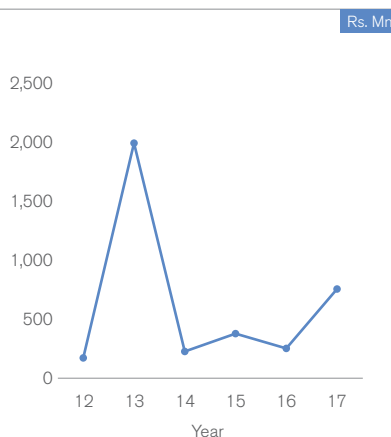


Information on Share Trading

NO OF SHARES TRADED



VALUE OF SHARES TRADED



Submission of Financial Statements to the CSE

The audited Company Income Statements for the year ended 31st December 2017 and the audited Balance Sheets at that date have been submitted to the Colombo Stock Exchange within stipulated time lines. The interim financial statements were submitted within stipulated time lines.

Stock Market Performance

During 2017, Stock market of Sri Lanka has recorded positive returns compared to 2016. The Benchmark of All Share Price Index (ASPI) has gone up by 6.31% while the S&P SL20 index has increased by 11.5% by reversing the declined trend recorded in 2016.

The Daily Average Turnover has been recorded at Rs. 943 million in 2017, which is a 28% increase from Rs. 737 million in 2016 with the result of an improved involvement among investors during the period. The foreign activity indicates that international investors have been attracted and they have quickly identified opportunities in Sri Lankan stock market.

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 pages 174 to 175.

The Principle Activities of the Company

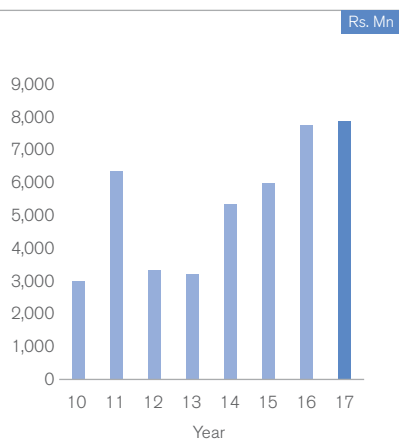
The principal activities of the company during the year are given in the Annual Report of the Board of Directors and Note 1.3 in accounting policies on page 280.

Performance of Softlogic Life Share

The Softlogic Life share has been well performed in stock market in 2017 compared to previous year. This was due to the strong performance of the company during the year. In 2017 the share reached a high of Rs. 24 (19th June) and a low of Rs. 19 (20th March). During the year the number of shares traded has significantly increased to 36.2 million against 13.16 million which was recorded in 2016. The turnover of traded shares is Rs. 757 million which was Rs. 253.95 million in 2016. It was a 198.7% increase compared to 2016.

The market capitalization of Softlogic Life share as at 31st December 2017 was Rs. 7,875 million which is 1.45% increase against Rs. 7,763 million reported in year 2016. At the end of the reporting financial year, SLI represents 0.27% of the total market capitalisation of the CSE.

MARKET CAPITALISATION



Float Adjusted Market Capitalization

As at 31st December 2017 the Float Adjusted Market Capitalization of SLI was Rs. 808,762,500.

The details relating to the performance of the share are given below.

As at 31st December	2017	2016
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MARKET VALUE

Highest Price (Rs.)	24.00	24.90
Lowest Price (Rs.)	19.00	12.00
Year-end price (Rs.)	21.00	20.70

TRADING STATISTICS

Number of shares traded	36,195,505	13,160,813
Value of Shares traded (Rs. Million)	757.35	253.95
Market Capitalization – SLI (Rs. Million)	7,875	7,763
Percentage of total market capitalization	0.27%	0.28%

VALUATION RATIOS

Number of shares as at 31st December	375,000,000	375,000,000
Basic earning per share (Rs.)	6.20	2.58
Net Assets per share (Rs.)	10.36	5.23
Price per book Value (Times) – per share	2.03	3.96
Return on Equity (%)	79.49%	48.05%
Price Earning Ratio (Times)	3.39	8.85
Earning yield	29.52%	11.30%
Dividend yield	-	13.01%

Basic Earning per Share

Earning per Share have increased by 140.31% in 2017 compared to previous year as the company recorded notable profit growth. SLI has recorded Rs. 6.20 as EPS in 2017 whereas Rs. 2.58 in 2016.

Price Earning Ratio

Price earning ratio was 3.39 times in 2017 compared with 8.85 times recorded in previous year.

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 10.27% (2016 -2.77%).

The Company has complied with minimum public holding requirement as at the reporting date based on the "Option 2" of Rule 7.13.1.b.

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 1,064 as at 31st December 2016 to 976 as at 31st December 2017. On 31st December 2017, SLI had 906 registered individual shareholders, representing 92.83% of the shareholders. 60% 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 98.57% of SLI's ordinary share capital. The top twenty shareholders hold 98.98% of SLI's shares.

Distribution of Shareholders

No of Shares	As at 31st December 2017			As at 31st December 2016		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
1-1,000	592	187,872	0.05	615	211,637	0.06
1,001-10,000	272	1,087,448	0.29	333	1,352,703	0.36
10,001-100,000	93	2,774,149	0.74	98	2,924,251	0.78
100,001-1,000,000	11	3,317,364	0.88	13	4,459,919	1.19
1,000,001 & Over	8	367,633,167	98.04	5	366,051,490	97.61
Total	976	375,000,000	100	1,064	375,000,000	100

Shareholders' Categorised Summery 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	-	586	185,562	0.05
1,001-10,000	1	10,000	-	271	1,077,448	0.29
10,001-100,000	1	13,290	-	92	2,760,859	0.74
100,001-1,000,000	1	350,016	0.09	10	2,967,348	0.79
1,000,001 & Over	5	172,225,640	45.93	3	195,407,527	52.11
Total	14	172,601,256	46.02	962	202,398,744	53.98

Composition of Shareholders

Resident / Non Resident Distribution

Composition	As at 31st December 2017			As at 31st December 2016		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Resident	962	202,398,744	53.98	1052	230,825,496	61.56
Non Resident	14	172,601,256	46.02	12	144,174,504	38.44
Total	976	375,000,000	100	1,064	375,000,000	100

Individual / Institution Distribution

Composition	As at 31st December 2017			As at 31st December 2016		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Individual	906	5,358,033	1.43	983	5,803,930	1.55
Institutional	70	369,641,967	98.57	81	369,196,070	98.45
Total	976	375,000,000	100	1,064	375,000,000	100

Public Shareholding						
Composition	As at 31st December 2017			As at 31st December 2016		
	No of share holders	No of shares	% of Total Holding	No of share holders	No of shares	% of Total Holding
Public Shareholding	969	38,503,690	10.27	1060	10,371,640	2.77
Total	969	38,503,690	10.27	1,060	10,371,640	2.77

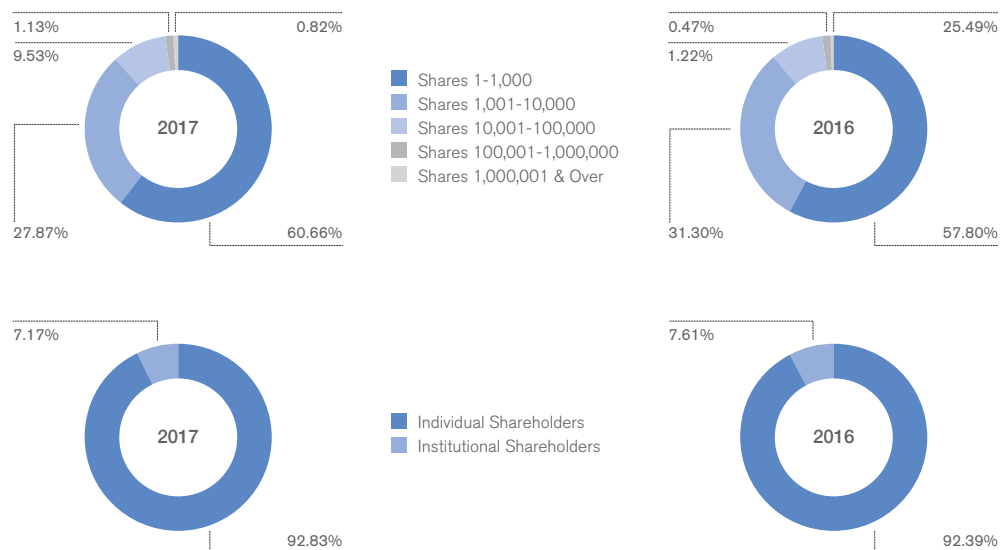
Directors' Shareholding				
Name	As at 31st December 2017		As at 31st December 2016	
	No of shares	% of Total Holding	No of shares	% of Total Holding
Mr. A. K. Pathirage (Chairman)	Nil	Nil	Nil	Nil
Mr. J. H. Paul Ratnayake (Deputy Chairman)	Nil	Nil	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	Nil	Nil	Nil	Nil
Mr. 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

Twenty Largest Shareholders		
Name of Share Holder	As at 31st December 2017	
	No of shares	%
Softlogic Capital PLC	193,820,760	51.69
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	71,250,000	19.00
HSBC Intl Nom Ltd-State Street Munich C/O SsbT-Deg-Deutsche Investitions-Und Entwicklungsgesellschaft	71,250,000	19.00
HSBC Intl Nom Ltd-SsbT-Global Macro Portfolio	25,625,000	6.83
HSBC Intl Nom Ltd-SsbT-Global Macro Capital Opportunities Portfolio	2,500,000	0.67
J.B. Cocoshell (Pvt) Ltd	1,606,767	0.43
Sandwave Limited	1,600,640	0.43
Mr. Goonetilleke Gajath Chrysantha	900,000	0.24
Mr. Ananda Rajapaksha Rathnayaka Sarath	615,950	0.16
Elgin Investments Limited	350,016	0.09
Mr. Fuad Mushtaq Mohamed	309,000	0.08
Seylan Bank PLC/Mohamed Mushtaq Fuad	297,776	0.08
Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
Softlogic Holdings PLC	175,550	0.05
People's Leasing & Finance PLC/Mr. D. M. P. Disanayake	131,852	0.04
People's Leasing & Finance PLC/Mr. M. Z. M. Wafik	113,790	0.03
People's Leasing & Finance PLC/L. P. Hapangama	110,130	0.03
People's Leasing & Finance PLC/Hi Line Towers (Pvt) Ltd	108,300	0.03
Mr. Gunatunga Edgar (Deceased)	100,000	0.03
Ms. Galappatti Merennage Roshini Hansamali	100,000	0.03
	371,170,531	98.98
Other Shareholders	3,829,469	1.02
Total	375,000,000	100

As at 31st December 2016

Name of Share Holder	No of shares	% of Total Holding
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. Paliheha and Mrs. A.S. Paliheha	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. Kandegedara Semasinghe Nawaratna Chandrasekara Wanninayaka Mudiyanselage 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	375,000,000	100.00

GRAPHICAL 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 No. 258)	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 No. 280)	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 2017 is provided on "Investor Relation" Information Section	Complied
7.6.iv	The public holding percentage	The details of the public shareholding are available on (refer Page No. 408)	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 No. 408)	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 Page No. 241)	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 2017	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 No. 319)	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 No. 407)	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 "Investor Relation" 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 No. 183)	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 disclosed (Refer Page No. 379)	Complied

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 Regulatory Commission 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.

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.

Earning 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.

Ii

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 reinsurance 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

Ll

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.

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 earning 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.

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.

GENERAL**Name of the Company**

Softlogic Life 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 "AAIC"

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

Dilan Christostom - Chief Strategy 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

Mohan Ray Abeywardena

Registered office and Principle Place of Business

Softlogic Life, Head Office,
No. 283, R. A. De Mel Mawatha,
Colombo 03, Sri Lanka
Telephone : +94 11 5315555
Internet : www.softlogiclife.com
Email : info@softlogiclife.lk

Actuaries**Life Insurance**

Messrs. 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

T. M. Iftikar Ahamed

Specified Officer

P. H. L. N. Wimalaratne

Compliance Officer

Rosheni Wickramaratne

Lawyers

Paul Rathnayake Associates

Bankers

Sampath Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
Commercial Bank of Ceylon PLC
Deutsche Bank AG
National Development Bank PLC
Seylan Bank PLC
Union Bank of Colombo PLC
DFCC Bank PLC
National Savings Bank
Sanasa Development Bank PLC
Hatton National Bank PLC
Regional Development Bank
Housing Development Finance Corporation
Bank of Ceylon

Reinsurance Panel

Munich Reinsurance Company
RGA

For any clarification on this regard please write to;

Chief Financial Officer
No. 283, R. A. De Mel Mawatha,
Colombo 03, Sri Lanka
Telephone : +94 11 5315555
Fax : +94 11 2372937
E Mail : nuwan.withanage@softlogiclife.lk

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NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on 27th April 2018 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 2017 and the Report of the Auditors thereon.
2. To re-elect Mr. M. Ray Abeywardene 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

BY ORDER OF THE BOARD OF DIRECTORS OF
SOFTLOGIC LIFE INSURANCE PLC

(Sgd.)

P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED

Secretaries

At Colombo, this 29th March 2018

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 No.59, 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.

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. Ratnayake | 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 | or failing him |

As my / our* Proxy to represent me / us* and vote and speak for me / us* on my / our* behalf at the 19th Annual General Meeting of the Company to be held on 27th April 2018 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 2017 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. M. Ray Abeywardena 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"/>

Signed this day of 2018.

.....

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.

INSTRUCTIONS FOR THE COMPLETION OF PROXY

1. Kindly perfect the Form of Proxy by filing 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 No. 59, 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 -

Chief Financial Officer
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@softlogiclife.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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.....

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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 Customer Shareholder Community Investor

Does the report address issues of greatest interest to you?

- Comprehensively Not at all Partially

Please identify any additional issues that you think should be reported on :

.....
.....
.....
.....

Do you have any additional comments on the report - or on Softlogic Life's performance in general?

.....
.....
.....
.....

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

Chief Financial Officer
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,
Sri Lanka.

www.softlogiclifelk.com