

TOP of the LINE



SOFTLOGIC LIFE INSURANCE PLC
INTEGRATED ANNUAL REPORT 2018

TOP of the LINE

Softlogic Life is pleased to report that your Company continues to perform exceptionally well, recording a growth of over 35% in the last five years. And this year, we have also achieved an increase in revenue of 33% over the previous year, the kind of performance that sees us well on the way to realising our vision to be the market leader in the competitive industry we operate in.

Our flexible insurance solutions and innovative digital technologies are designed to suit the diverse needs of the thousands of Sri Lankans we meet and talk to every day. This report also describes all that we are doing to ensure total customer satisfaction at every level; by improving our channels of distribution, expanding our network of agents and ensuring that we are always accessible across several platforms.

As you can see, we're on a remarkable trajectory of growth; making our mark by delivering top-of-the-line products, services and value to the many stakeholders we partner and serve.

softlogic
LIFE

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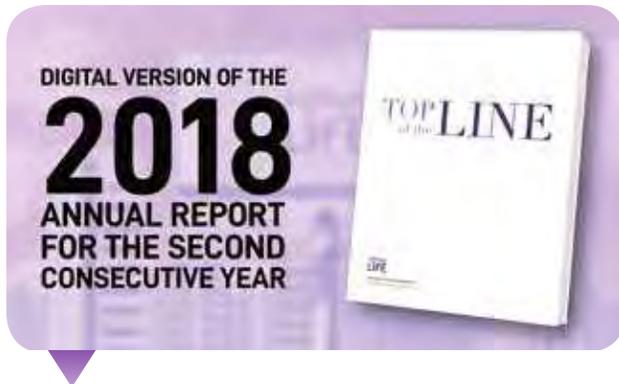
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Scan the code to view Sri Lanka's first ever annual report in a video format.
<https://www.youtube.com/watch?v=vnyLm-Gu3zk&feature=youtu.be>

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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 styles
- 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.softlogiclife.lk/>

COMING OUT ON TOP

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ABOUT OUR INTEGRATED REPORT



THIS 6TH INTEGRATED ANNUAL REPORT PROVIDES A COMPREHENSIVE BUT CONCISE ACCOUNT OF HOW THE COMPANY HAS CREATED VALUE FOR ITS SHAREHOLDERS AND OTHER STAKEHOLDERS IN 2018 IN ITS 19TH 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 integrated 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 utilisation thereof in the conduct of its plans. The Board considers financial, human, intellectual 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 utilisation.

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 achieve sustainable growth.

BOUNDARY AND SCOPE

The Integrated Annual Report covers the performance of Softlogic Life for the year ended 31st December 2018 and material events up to the approval of the report by the Company's Board of Directors on 05th March 2019.

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. Code of best practices on Corporate Governance 2017 issued jointly by the securities and Exchange commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Corporate Governance frame work for insurers issued under section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 by Insurance regulatory commission of Sri Lanka (IRCSL) 	<ul style="list-style-type: none"> GRI Standards publish by the Global Reporting Initiative, 'In accordance' - Core guidelines. Guidance on ESG Reporting by the Colombo Stock Exchange. Sustainable development goals (SDGs) of United Nations.

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 balanced 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, who have expressed an opinion on the true and fair view of the Annual Financial Statements as shown on pages 187 and 313 in this report and reasonable assurance on the Financial Highlights on page 14 and limited assurance on the Performance Summary on page 16.

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 is prepared according to GRI Standards published by the Global Reporting Initiative, 'In accordance' - Core guidelines, the Content Index and in the text of the final report as per GRI Standards published by the Global Reporting Initiative, 'In accordance' -

Core guidelines and our sustainability assurance as provided on pages 187 to 188 of this report. For a comprehensive understanding of the assurance carried out and our sustainability performance, please refer the capital reports on pages 72 to 186.

Softlogic Life Insurance PLC, the Board of Directors and Management do not have any relationship with KPMG, apart from the 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 and 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.

Improvements to the Report

Every year, we seek to improve the relevance, readability, ease of use of the financial informations and meaningfulness of our annual report while ensuring that we comply with the latest global and local development in corporate reporting. This year's report features several key improvements;

- Launch video version of 2018 annual report for the second consecutive year.
- Adoption of the revised Code of Best Practices on Corporate Governance 2017 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.
- Adoption of the Corporate Governance Framework for insurers issued under section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
- Redefined business model disclosure to reflect more transparently and meaningfully referring to the Integrated Reporting Framework.
- Capital reports were modified to reflect the tradeoff between capitals.
- Use of Guidance on ESG Reporting issued by the Colombo Stock Exchange.

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



ABOUT OUR INTEGRATED REPORT

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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 67 to 70 in this report.

This report informs you about our business, the 2018 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, goals 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 the IIRC's <IR> Framework) inform 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 56 to 61, 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 organization. Ultimately, we recognize that embedding integrated thinking at every level of our organization forms part of our longer-term work to create a culture in which risk, compliance, ethics and social responsibility are harmonised with the effective and innovative fulfilment of customers needs. Structure of the Annual Report is provided on page 9 to easily understand the link between each segment of this report.

AWARDS AND RECOGNITION FOR THE 2017 ANNUAL REPORT

Our most recent report, received many awards and accolades. Details of awards are as follows;

- CA Sri Lanka - At the 54th Annual Report Awards ceremony organised by the Institute of Chartered Accountants of Sri Lanka (ICASL), Softlogic Life Insurance won five awards for the first time in history.
- Chartered Management Accountants of Sri Lanka
 - 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.
 - Won Gold award for the Best Integrated Report in the Insurance Sector.
- Bronze award - Insurance Sector at the SAFA Awards, organised by the South Asian Federation of Accountants (SAFA).

Each year, we have been consistently 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. We also released digital version of the Annual Report by way of video.

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 the undermentioned officer with your feedback.



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A Feedback form is attached with this Report on page 477.

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, and 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 cognizance of the same.



PERFORMANCE

Financial Capital	Investors pages 72 to 105
Human Capital	Employees pages 106 to 125
Social & Relationship Capital	Customers - pages 128 to 148, Community - 149 to 159, Business Partners - 160 to 165
Intellectual Capital	Pages 166 to 173
Natural Capital	Environment pages 174 to 181
Manufactured Capital	Pages 182 to 185

STEWARDSHIP - GOVERNANCE & RISK MANAGEMENT
 Details are discussed on pages 189 to 306, overview of how we maintain balance between stakeholder interests and exercise oversight of affairs of the Company, including management of risk

FINANCIAL REPORTS
 Details are discussed on pages 307 to 426, our Financial Statements and supporting notes together with the Auditors' opinion presented in accordance with regulatory requirements

OTHER INFORMATION
 Details are discussed on pages 427 to 474



SOFTLOGIC LIFE, A RESPECTED LIFE INSURANCE SOLUTIONS PROVIDER, HAS GROWN RAPIDLY TO BECOME A FORCE TO BE RECKONED WITH IN THE INSURANCE INDUSTRY.

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. The Company is also considered to be the fastest-growing insurance company in the country and was the fastest to reach revenue of Rs. 10 Bn in the Life Insurance Industry in Sri Lanka and it is positioned as the fifth largest entity in the Life insurance industry. Its meteoric rise within a short period of 19 years of Life business operation has been nothing short of awe-inspiring. In the last five years, the Company has consistently doubled its market share and reached to 12.5% and revenue growth of 33% comparison to the industry average growth of 12% in 2018. The Company recorded 35% compound

annual growth over the last five years against the industry average growth of 16% reflecting the efficacy of its systems and processes.

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 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 claims settlement, worldwide cashless hospital settlement product integrating more than 60 local hospitals, offering Life insurance via mobile through a partnership with Dialog Axiata PLC and a bundle of digital first initiatives to elevate the standards of Sri Lanka by bringing together world-class solutions that enhance quality of life of customers while becoming the most preferred proactive Life insurance provider.

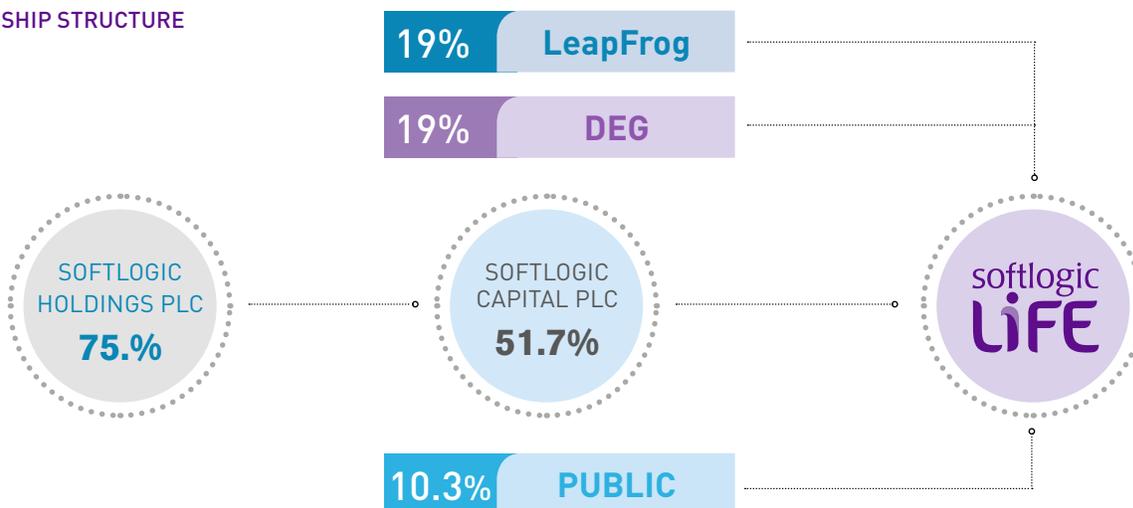
Softlogic Life is a part of the Softlogic Group which owns 51.7% of the Company. Softlogic Group is recognised as a one of Sri Lanka's most diversified conglomerates with interests in retail, healthcare, IT, leisure, financial services and automotive industries. Group synergies have given rise to immense 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. Softlogic holds authorised distributorship for key global brands and today employs over 10,000 people in its offices located in Sri Lanka and Australia. DEG (Deutsche Investitions Und Entwicklungsgesellschaft mbH) of Germany, LeapFrog Investments (Dalvik Inclusion Private Limited of Mauritius) 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 Company listed on the Colombo Stock Exchange (CSE) in 2000 as public quoted company and is regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. At present Softlogic Life Insurance is in the S&P Sri Lanka 20 index of the Colombo Stock Exchange.

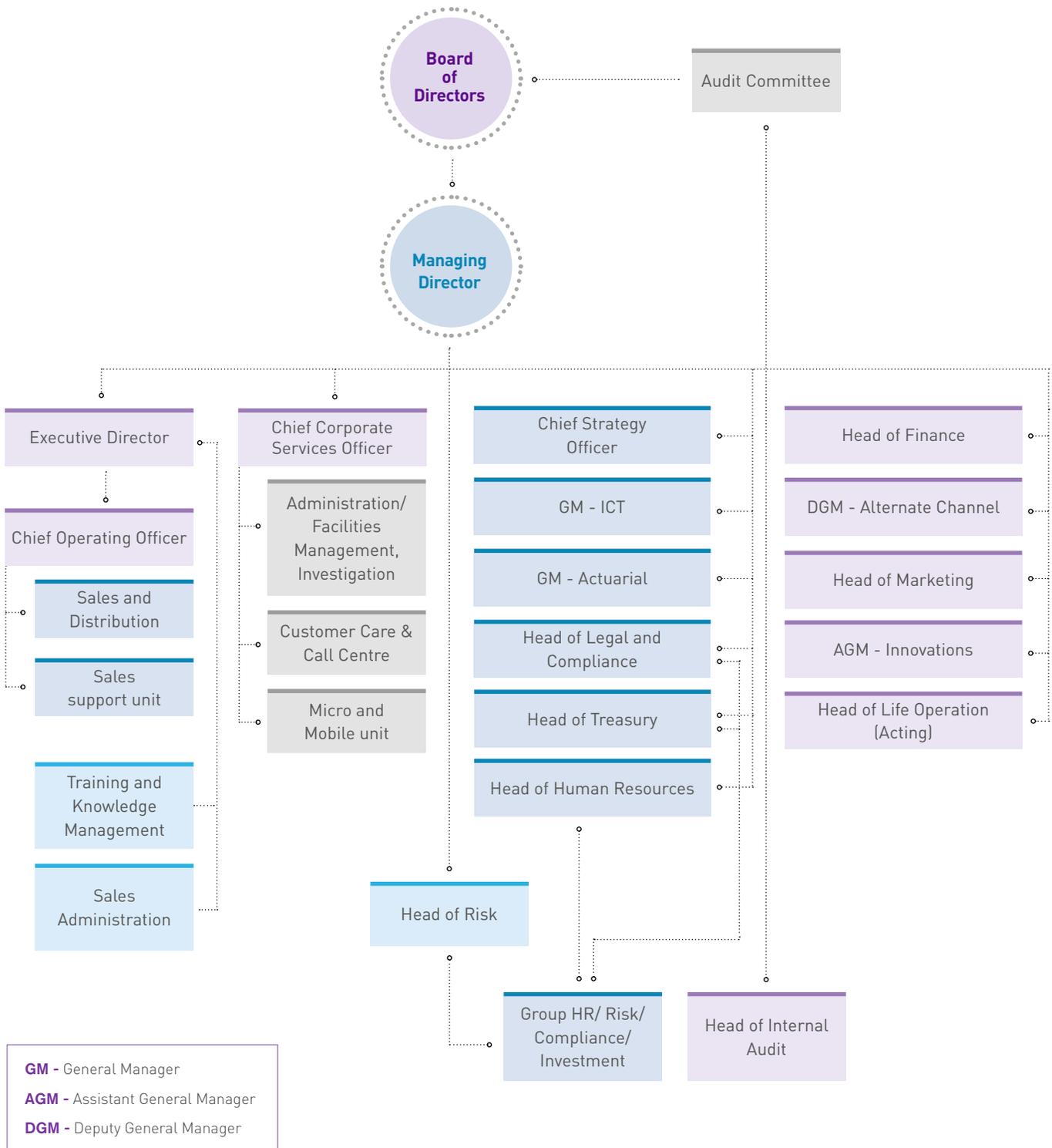
During the year the Company was shortlisted as one of the Top 3 Life insurers in the Asian region by Asian Insurance Review at the Asia Insurance Awards 2018 for the first time in the history of the Sri Lankan insurance industry followed by a gold award as the Best Life Insurance Company in Sri Lanka for the second consecutive year at the National Business Excellence Awards organised by the National Chamber of Commerce.

In addition to this the Company won a multitude of accolades during the year including five awards at the 54th Annual Report Awards ceremony organised by the Institute of Chartered Accountants of Sri Lanka.

OWNERSHIP STRUCTURE

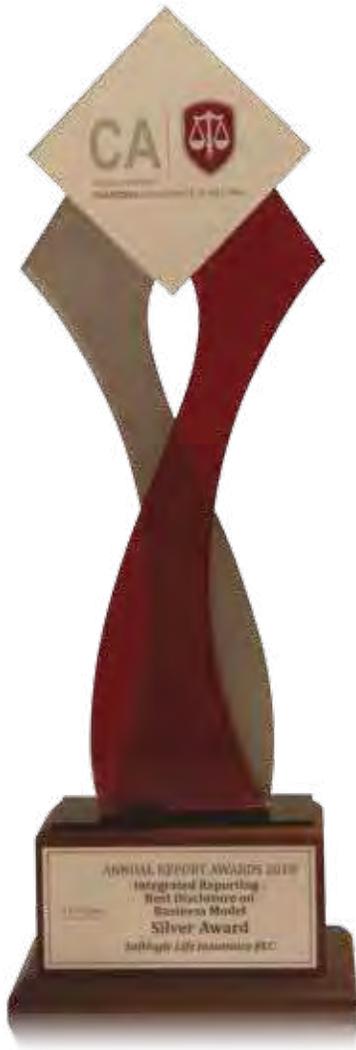


THE ORGANIZATIONAL STRUCTURE



“

THE UNIQUE BUSINESS MODEL WE FOLLOW IS THE BACK BONE OF OUR COMPANY AND HAS ENGENDERED EXCEPTIONAL SUSTAINABLE RESULTS.

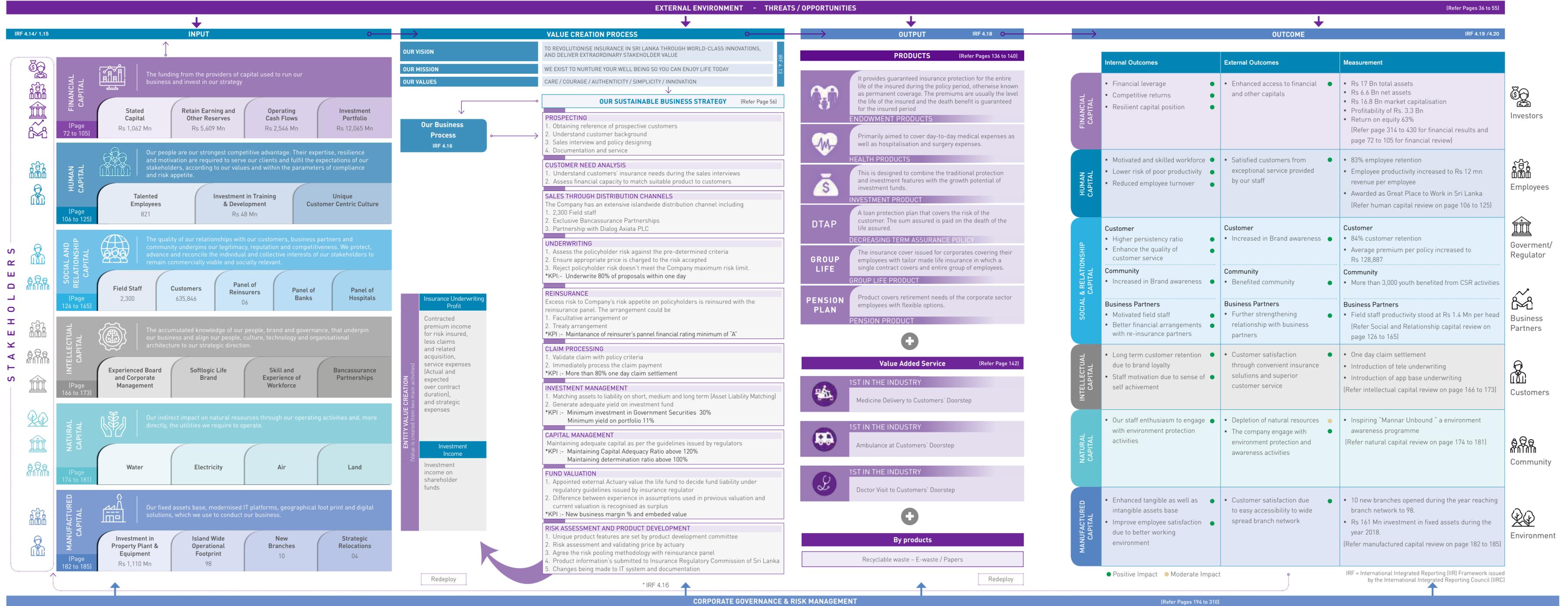


The business model presented here is a graphic representation of every business activity we engage in, to ultimately create value for our stakeholders while complying with the International Integrated Reporting (IIR) Framework issued by the International Integrated Reporting Council (IIRC). Our value creation process is supported by six capitals, which we outlined as inputs. These inputs are blended in with our business process. Value is created to the Company by way of underwriting profit and investment income from fund management as the last step of the process. Finally, we see tangible results in the form of output and outcomes. Our diversified product portfolio and value added services with byproducts of the process is considered as output and the altered six capitals are named as outcomes. These altered capitals are again channeled as inputs to our operation. The continuous process above enhances the entity value year-on-year in every angle of the business.

The comprehensive process explained above is nurtured by our vision, mission and our values determine the mindset with which we drive the business. Our stringent corporate governance framework ensures our ethical behaviour at all times and compliance with applicable laws and regulations. An enterprise-wide effective risk management framework protects us against sudden shocks from changes in external environments. While we drive our business process to deliver accomplishments, we are vigilant about our external environment and swiftly respond to risks and opportunities.

RECOGNITIONS

Our comprehensive business model presented in the year 2017 annual report was recognised with the Silver award under 'Best disclosure of business model' category at the 54th Annual Report awards organised by the Institute of Chartered Accountant of Sri Lanka.



ENTITLY VALUE CREATION
(Value is created from live main activities)

Insurance Underwriting Profit
Contracted premium income for risk insured, less claims and related acquisition, service expenses (Actual and expected over contract duration), and strategic expenses
Investment Income
Investment income on shareholder funds

REDEPLOY

* IRF 4.16

CORPORATE GOVERNANCE & RISK MANAGEMENT [Refer Pages 194 to 310]

STAKEHOLDERS



Investors

Employees

Government/Regulator

Business Partners

Customers

Community

Environment

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

FINANCIAL HIGHLIGHTS

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FINANCIAL PERFORMANCE AND RATIOS		2018	2017	(%)
Gross Written Premium	Rs.million	10,006	7,531	33
Net Earned Premium	Rs.million	9,279	6,728	38
Underwriting results (Operating Profit)	Rs.million	4,896	3,652	34
Change in Contract Liability due to transfer of one-off surplus	Rs.million	-	798	(100)
Profit Before Taxation (PBT) - including one-off surplus (Reported)	Rs.million	1,095	1,905	(43)
Profit Before Taxation (PBT) - excluding one-off surplus	Rs.million	1,095	1,107	(1)
Profit Before Taxation (PBT) - excluding one-off surplus (Normalised)**	Rs.million	1,284	1,107	16
Income Tax Expense/(Income)	Rs.million	(2,241)	(420)	434
Profit After Taxation (PAT) - including one-off surplus (Reported)	Rs.million	3,336	2,325	44
Profit After Taxation (PAT) - excluding one-off surplus	Rs.million	3,336	1,527	119
Gross Dividends ♦	Rs.million	543.75	-	100
Retained Profits	Rs.million	2,792	2,325	20
FINANCIAL POSITION AS AT THE YEAR END				
Financial Investments	Rs.million	12,065	9,994	21
Total Debt	Rs.million	Nil	Nil	Nil
Total Assets	Rs.million	17,333	12,478	39
Equity and Reserves	Rs.million	6,671	3,886	72
Insurance Contract Liabilities	Rs.million	9,022	7,439	21
Total Liability	Rs.million	10,662	8,592	24
SHARE INFORMATION				
Market value per share				
- Highest value recorded during the year	Rs.	45.1	24.0	88
- Lowest value recorded during the year	Rs.	20.5	19.0	8
- Value as at end of the year	Rs.	44.8	21.0	113
No. of Shares in Issue	million	375	375	-
Market Capitalisation	Rs.million	16,800	7,875	113
PROFITABILITY RATIOS				
Underwriting Margin/Gross Profit/Operating Profit Margin	%	48.93	48.50	0.43
Return on Total Assets	%	19.25	18.63	0.62
Return on Capital *	%	22.00	65.92	(43.92)
LIQUIDITY RATIOS				
Current Ratio	Times	4.54	5.03	(0.49)
Quick Assets Ratio	Times	4.51	5.01	(0.50)
EQUITY RATIOS				
Net Assets value per share	Rs.	17.79	10.36	71.66
Basic Earnings per share (EPS)/Diluted Earning Per Share	Rs.	8.90	6.20	43.58
Dividend per share (DPS) ♦	Rs.	1.45	-	100
Basic Earnings Per Share/Diluted Earning Per Share *	Rs.	8.90	4.07	119
Net Assets Per Share *	Rs.	17.79	8.24	116
Effective Dividend rate (Dividend Yield) ♦	%	3.24	-	3.24
Dividend cover ♦	Times	6.14	-	100
Price Earnings Ratio	Times	5.03	3.39	48.58
Return on Equity	%	63.2	79.5	(16)

FINANCIAL PERFORMANCE AND RATIOS		2018	2017	(%)
DEBT RATIOS				
Debt to Equity Ratio	%	100% Equity Funded	100% Equity Funded	-
Interest cover	Times	N/A	N/A	-
Equity Assets Ratio	%	38	31	7
STATUTORY RATIOS				
Capital Adequacy Ratio (Minimum requirement 120%)	%	199	208	(9)
Determination Ratio (Minimum requirement 100%)	%	105	112	(7)
Investment in Government Securities (Minimum 30%)	%	39	46	(7)
INDUSTRY SPECIFIC RATIOS				
Net Claims Ratio (with maturities and surrenders)	%	25.2	18.2	7.0
Net Claims Ratio (with Group Life and DTAP)	%	13.5	6.6	6.9
Net Claims Ratio Endowment (without Group Life and DTAP)	%	9.7	5.7	4
Expense ratio	%	53.6	61.4	(7.8)
Combined ratio	%	78.8	79.6	(0.8)
Reinsurance Expense Ratio	%	7.3	10.7	(3.4)
KEY VALUE DRIVERS				
Annualised New Business Premium	Rs.million	3,325	2,706	22.87
Average Premium Per Policy (Endowment)	Rs.	128,887	113,375	13.68
Premium Persistency Ratio Year 1	%	84	84	-
Premium Persistency Ratio Year 2	%	63	64	(1)
Premium Persistency Ratio Year 3	%	55	59	(4)

Financial Goals and Achievements

Indicator (%)	Goal	Achievement	
		2018	2017
Gross Written Premium Growth	Over 20%	33	34
ANBP Growth	Over 25%	23	24
Profit After Tax growth	Over 10%	44	58
Return On Equity	Over 20%	63	79

* Calculated without one-off surplus of Rs. 798 Mn arising due to changing valuation method from NPV to GPV in 2017.

** Adjusted for Notional tax write off, provision for receivable from sale of subsidiary and deferred tax related Levy amounting to Rs. 189 Mn.

♦ Subject to regulator approval.

NON FINANCIAL HIGHLIGHTS

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INDICATOR		2018	2017	
FINANCIAL AND MANUFACTURED CAPITAL				
DIRECT ECONOMIC VALUE;				
	Generated	Rs.million	6,124	5,244
	Distributed to:			
	- Employees	Rs.million	1,288	868
	- Intermediaries	Rs.million	2,044	1,831
	- Government	Rs.million	76	26
	- Shareholders ♦	Rs.million	543.75	810
	- Life Policyholders	Rs.million	1,501	1,315
	Depreciation	Rs.million	120	98
	Retained	Rs.million	551	297
	Economic Value Added	Rs.million	6,124	5,244
HUMAN CAPITAL				
	Number of Employees		821	736
	Gross Written Premium Per Employee	Rs.million	12.19	10.23
	Profit Per Employee	Rs.million	4.1	3.2
	Employee Benefit Liability	Rs.million	107.4	86.7
	No of New Employee Hires		225	316
	Return to Work After Parental Leave	%	78%	59%
	Average Hours of Training per Employee	Hrs	20	11
	Investment in Training and Development	Rs.million	48	38
	Employees receiving Performance Reviews	%	100	100
	Incidents of Discrimination		Nil	Nil
	Incidents of Child Labour		Nil	Nil
SOCIAL AND RELATIONSHIP CAPITAL				
CUSTOMERS				
	No of New Customers		543,245	165,990
	Gross Claims and Benefits Paid	Rs.million	2,785	1,737
	No of Branches		98	92
	Breaches of Customer Privacy		Nil	Nil
	Non-compliance with Laws and Regulations		Nil	Nil
	No of New Products		5	1
	One Day Claim Settlement Ratios	%	85+	80+
BUSINESS PARTNERS				
	Reinsurance Expense	Rs.million	727	802
	Reinsurance Recoveries	Rs.million	446	514
	Fees, Incentive and Commission Paid	Rs.million	2,151	1,998
	Number of MDRT qualifiers		87	65
GOVERNMENT INSTITUTIONS				
	Investment in Government Securities	Rs.million	3,583	3,680
COMMUNITY				
	Community Investments	Rs.million	6	7
	No of People benefited from WIN programme		1,002	905
	Incidents of Corruption		Nil	Nil
	Compliance with Laws and Regulations		Nil	Nil
NATURAL CAPITAL				
	Non-Renewable Energy Consumption	Joules	83,826	91,193
	No of Customers Signed up to "LifeUp" App		10,000+	10,805

Details of highlights are provided on pages 72 to 186 under Capital reports.

Note: Graphical presentation of performance highlights are provided on page 18 to 19.

♦ Subject to regulator approval.

1st

TIME IN SRI LANKA

WE ARE PROUD TO PRESENT VIDEO
VERSION OF 2018 ANNUAL REPORT FOR
THE SECOND CONSECUTIVE YEAR



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=vnyLm-Gu3zk&feature=youtu.be>

PERFORMANCE HIGHLIGHTS

SHAREHOLDERS

MARKET CAPITALISATION AND TOTAL EQUITY

(Rs.Mn.)



SHARE INFORMATION

(Rs./ Times)



NET REVENUE AND PROFIT FOR THE YEAR

(Rs.Mn.)



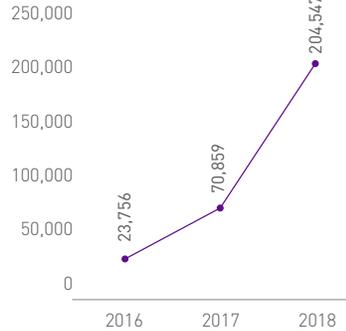
CUSTOMERS

BEST SERVICE PROVIDER OF EMERGING ASIA REGION



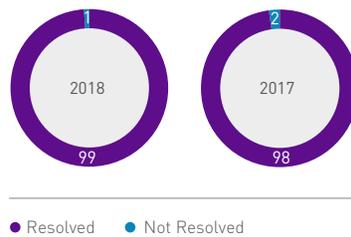
NEW POLICIES ISSUED

(No.)



CUSTOMER COMPLAIN RESOLUTION STATUS

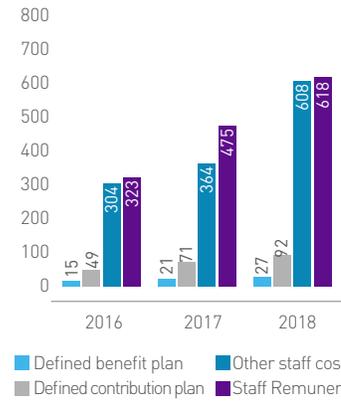
(%)



EMPLOYEES

BENEFITS PAID TO EMPLOYEES

(Rs.Mn.)



FOR THE 3RD CONSECUTIVE YEAR

EMPLOYEE TRAINING

Average training hours per employee



Investment on training

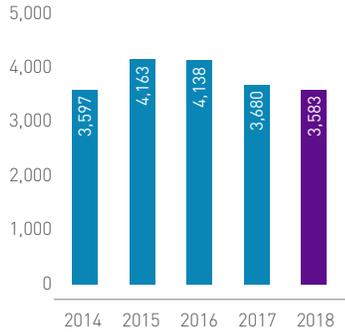




GOVERNMENT

INVESTMENT IN GOVERNMENT SECURITIES

(Rs.Mn.)



TOTAL AVAILABLE CAPITAL

(Rs.Mn.)



RISK BASED CAPITAL ADEQUACY RATIO (CAR)

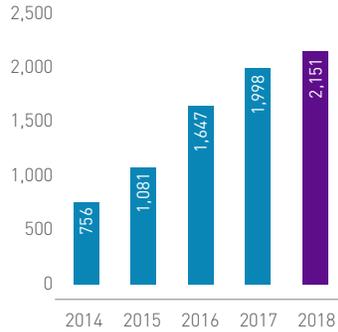
(%)



BUSINESS PARTNERS

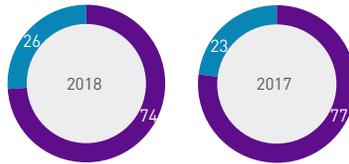
BENEFITS PAID TO FIELD STAFF

(Rs.Mn.)



EXPENSE PAID TO BUSINESS PARTNERS FROM TOTAL EXPENSES

(%)



- Expense paid to business partners
- Other expenses

REINSURANCE PREMIUM PAID

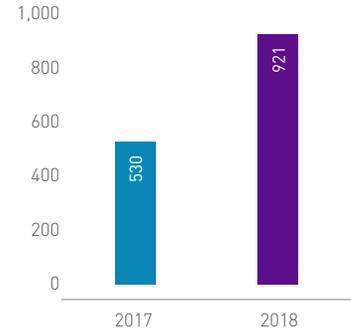
(Rs.Mn.)



COMMUNITY

TOTAL LIFE COVERED DURING THE YEAR

(Rs.Bn)



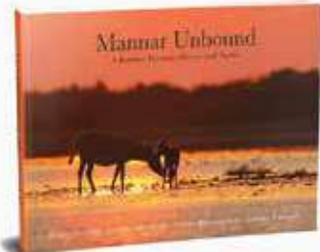
ENVIRONMENT



DRIVING TO PAPERLESS OPERATIONS



ENVIRONMENT AWARENESS PROJECTS



Inspiring Mannar unbound:
A journey through history and nature



Habituation of our future to care
our environment

YEAR AT A GLANCE

MARCH 2018

A sales convention and staff congress was held at the Bandaranaike Memorial International Conference Hall (BMICH)



AUGUST 2018

The only Sri Lankan company to be shortlisted as Best Life Insurer of Asia at the 22nd Asia Insurance industry awards Industry Awards 2018



MAY 2018



Softlogic Life bagged the 'Best Life Insurance Company of the Year' and two other country awards at the Emerging Asia Insurance Awards 2018, organised by the Indian Chamber of Commerce.

OCTOBER 2018

Introduced an online receipting system to the Policy Conservation Unit (PCU)

Softlogic Life launches a customer service month and a bundle of novel initiatives under the theme "Customer First", during the month of October



JUNE 2018

Softlogic Life is chosen as one of the best 25 companies to work in Sri Lanka, for the 3rd consecutive year by the Great Place to Work Institute.



NOVEMBER 2018

Produced 87 MDRT qualifiers, which is second highest in the industry



DECEMBER 2018



Softlogic Life created history with five awards at the Annual Report Awards 2018, presented by the Institute of Chartered Accountants of Sri Lanka.



Softlogic Life wins Insurance Sector Gold Award at the National Business Excellence Awards 2018 for the 2nd consecutive year.



Second runner up of the Insurance sector at the Annual Report Awards 2018 organised by South Asian Federation of Accountants.



Recognised at the CMA Excellence in Integrated Reporting Awards 2018, by winning two awards as one of the Ten Best Integrated Reports among Sri Lankan corporates and the Best Annual Report from the Insurance Sector.



Softlogic Life won two Silver accolades for 'Local Brand of the Year' and 'Service Brand of the Year'.

05

New products

Introduced during the year



Inspiring Mannar unbound

THE COMPANY CROSSED THE HIGHEST-EVER TOP LINE OF

Rs.10 Bn[▲]

Revenue

Another industry record, fastest to reach, within 19 years.

LEAPFROG INVESTMENTS INVESTED IN

19%

stake in the Company



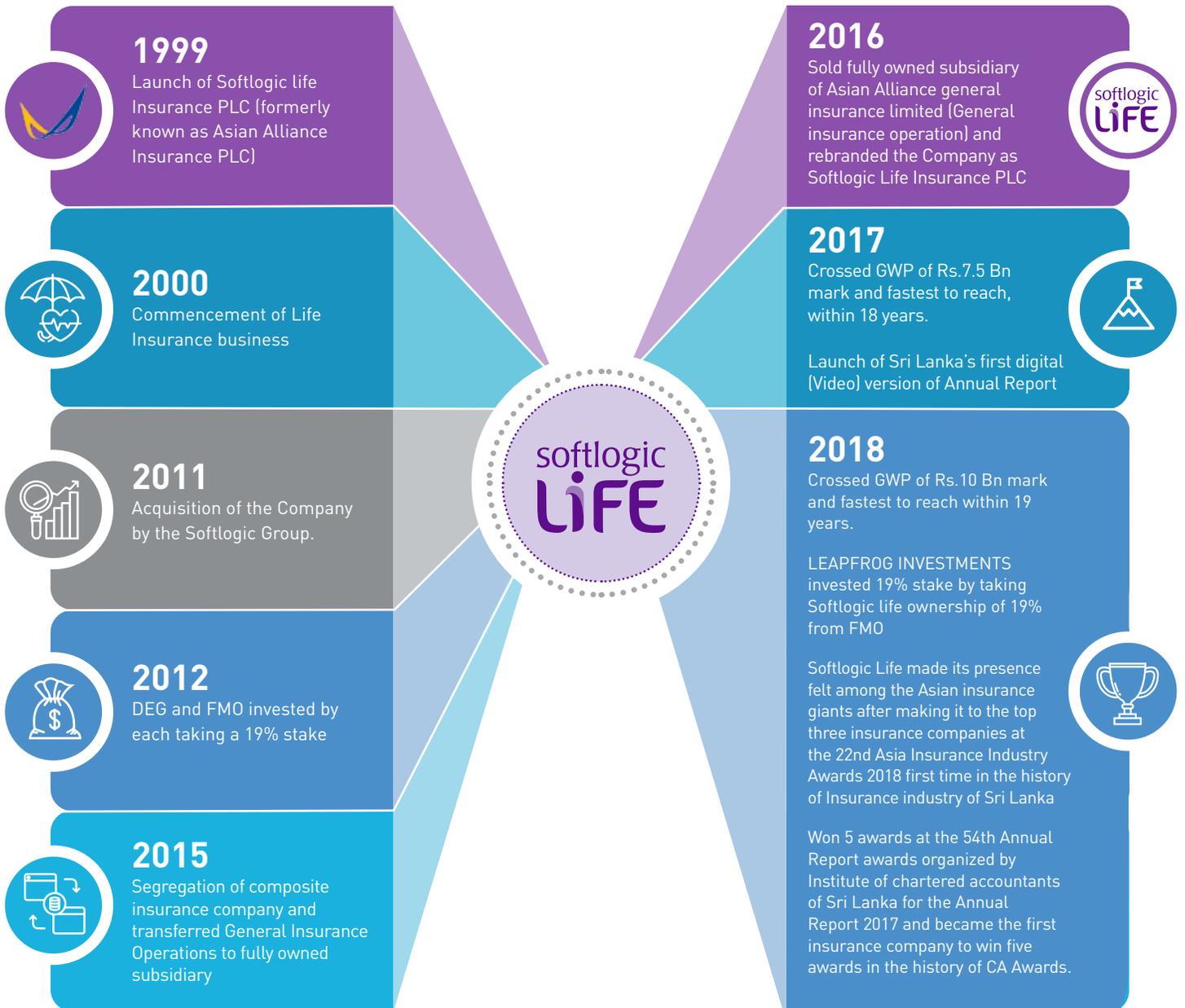
Softlogic Life has been included into the Standard and Poor's Sri Lanka 20 index in Colombo Stock Exchange.

The Company Opened 10 new branches during the year



Reflecting how Softlogic life truly cares for its employees and their family members, the Company organised an annual overseas trip to Malaysia and day out to Hotel Shangri-La in Hambantota.





AT THE TOP OF OUR GAME

EXECUTIVE STATEMENTS

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Executive Director's Review	32

CHAIRMAN'S STATEMENT

“

BY CONSISTENTLY DELIVERING OUTSTANDING FINANCIAL RESULTS, THE COMPANY HAS DOUBLED ITS MARKET SHARE WITHIN FIVE YEARS AND EARNED THE DISTINCTION OF BEING THE FASTEST TO CROSS RS. 10 BILLION WITHIN 19 YEARS OF OPERATION



FASTEST TO CROSS

Rs 10 Bn

GWP BY 19 YEARS

MARKET LEADER FOR ABSOLUTE GWP GROWTH BY

Rs 2.5 Bn

LAST FIVE YEAR CAGR

35%

GWP

It is with great pride that we welcome you to the 20th Annual General Meeting of Softlogic Life Insurance PLC. The theme for this year's Annual Report, 'Top of the Line', reflects not only the industry-leading products and solutions we have pioneered in the year under review, but also underscores the exceptional financial performance delivered by the Company despite a less than favourable operating environment. This is our sixth 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. Having won many awards for our reporting in 2018 and preceding years, I am pleased to state that the basis of preparation and reporting on our value creation process has become stronger. On the pages of this report, you will find a detailed analysis of every aspect of our financial and operational performance and how the outcomes generate sustainable impact for shareholders and other stakeholders. I have no doubt that this report will provide deep insights into our approach to compliance, conformance,

good governance, ethical conduct and sustainable development.

PERFORMANCE OF THE COMPANY

I am pleased to report that the Company executed yet another superlative financial performance by achieving its highest-ever top line and bottom line. The Company recorded a year-on-year growth rate of 33% which outstrips the industry growth rate of 12%. The Company recorded GWP of Rs. 10 billion during the year 2018 compared to Rs. 7.5 billion in 2017. Despite the challenging environment, the Company recorded its highest-ever profit after tax of Rs. 3.3 billion as compared to Rs. 2.3 billion in 2017 (including one-off profit of Rs. 798 million). During the year the Company recognised its unrecognised deferred tax asset due to the change in the Income Tax regulations w.e.f 1st April 2018 resulting future taxable profits. During the year, the Company's Life Fund grew to Rs. 9 billion. The Company achieved a Return on Equity of 63% and Earnings per share of Rs. 8.90. By consistently delivering outstanding financial results, the Company has doubled its market share within five years and earned the distinction of being the fastest to cross Rs. 10 billion within 19 years of operation.

Some of the key financial highlights of our performance in the 2018 financial year deserve to be highlighted:

- Total GWP increased by 33% to Rs. 10 billion.
- Profit After Tax (PAT) increased to Rs 3,336 million which is a 44% increase compared to year 2017 (adjusted to one-off surplus of 2017 – 118% growth).
- Total assets of the Company increased to Rs. 17.3 billion.
- Return on Equity (ROE) is 63% and was 79% in 2017.
- Our shareholders earned the benefits of our strong performance, with Earnings per share of the Company

rising to Rs. 8.90 from Rs. 6.20. The Company's financial position was reflected in its market capitalisation increasing by 113% to Rs. 16.8 billion from Rs. 7.9 billion.

- Capital Adequacy Ratio of 199% where as minimum requirement is 120%.

DIVIDENDS

Given the results achieved this year while keeping a view of the future, the Board of Directors has announced an interim dividend of Rs. 1.45 per share subject to regulatory approval.

AHEAD OF THE CURVE

Softlogic Life has been 'Top of the Line' in every sense of the term during the year under review, demonstrating stellar profitability and growth rates that far surpass industry average. Approaching our performance from the shareholder perspective, we saw a significant change in shareholding of the Company, as FMO, which held a 19% stake in the Company, sold its shares to global insurance fund, Leapfrog Investments. The latter evinced interest in investing in a local insurance firm since the beginning of 2018 and spent an extensive amount of time evaluating several insurance firms including Softlogic Life. As is evident, their findings about Softlogic Life must have been exemplary, because Leapfrog Investments selected Softlogic Life in which to invest. At this point, I would like to welcome Leapfrog Investments, a specialist insurance fund, onboard our operations. We are excited about the great value and domain expertise they bring to the insurance business garnered in developing markets around the world. Going ahead, we will lean on them to help the Company evolve its non-traditional distribution channels in an innovative manner, to bring about a change in the nation's insurance landscape. I am proud to state that FMO exited with handsome gains, earning 15% per annum returns in US dollar terms on the sale of its shares to Leapfrog Investments. FMO has made particular

note of the fact that its overall association with Softlogic Life is an experience they greatly value.

ECONOMIC BACKDROP AND IMPACT TO INDUSTRY

Overall, in terms of the macro-economic environment, 2018 was a year replete with challenges, with steep currency depreciation in last four months of the year under review compounded by the political crisis. Trade deficit was impacted by heavy vehicle and gold imports and high fuel prices. All these factors have been resolved in the early part of the new calendar year and we hope to see greater stability across all fronts in 2019. Notwithstanding the political and economic shocks felt by the country, Softlogic Life buckled down to execute its strategy for the year, based on its unique business model.

Despite significant challenges, Sri Lanka's economic performance remained broadly satisfactory in 2018 and real GDP growth is expected to reach 3.5% in 2018 and increase marginally over 3.8%, driven by private consumption and investment.

SUSTAINABLE STRATEGY

During the year, we experienced a shift in dependence on traditional agency channels by deriving greater profitability from alternate channels. We believe there is much more scope for growth in non-traditional areas. Our unique micro channel expansion, which saw us partnering Dialog Axiata PLC has empowered the common man, who can purchase an insurance policy through his mobile device. During the year we introduced five new products which cater to needs of customers from the highest economic segment to the lower middle-class segment.

Being in the forefront of innovation our winning strategy is always supported by leading industry first innovations and raising the bar higher. During our journey we have introduced many innovative solutions such as One-day claim settlement, Tele underwriting and

Life-Up Application. We are always keen to understand customer requirements and provide innovations insurance solutions that exactly match their needs. This market penetration strategy boosts our growth exceptionally. Our geographical expansion and the increased number of partnerships we build with banks and other financial institutions on DTAP and Group Life business were also priority items on our agenda.

The unique product proposition we introduced under our health insurance portfolio providing worldwide coverage was part of our diversification strategy. The impressive revenue generated by this new Good Life series product within a short time span in 2018 shows the potential that will be realised in the near future.

Further we continuously improved efficiencies and effectiveness of process and internal practices to provide unmatched customer experience. Customer centricity in all our actions makes us exceptional. The combination of all strategies executed during the year was showcased in the exceptional performance that is codified into the numbers of our Annual Report 2018.

We have exciting plans and have acquired specialist expertise to design new products in health insurance while adding greater value to existing ones. We continue to benefit from Group synergies with Asiri Hospitals, which has helped take our health insurance solutions to the forefront of the industry. Having a leading private sector medical provider within the Softlogic Group offers us unimaginable capabilities and provides a wider array of benefits for our policyholders.

REGULATORY LANDSCAPE

The period under review witnessed a fast-evolving regulatory landscape, perhaps one of the foremost being the introduction of the new IRD Act, which has a direct impact on the insurance industry. Coming into effect from April 2018, Life insurance companies will have to pay 28% in taxes.

As a responsible corporate citizen, Softlogic Life has embraced this change but we would like to express the hope that the Government simultaneously works closely with us to facilitate the expansion of the Life insurance market by providing incentives for people to buy and invest in Life Insurance.

The Company has commenced planning for the new accounting standard IFRS 17: Insurance Contracts Application Framework which is due to come into effect in the year 2022. We have wasted no time in contracting the necessary resources so that we can be top of the line in streamlining our accounting framework to be in full compliance with the new standards. The IFRS17 Framework will usher in greater transparency and enable comparison in performance of insurance companies.

Apart from fulfilling regulatory requirements, we sustain an ongoing effort to improve and strengthen our risk management initiatives. The efficacy of our Risk and Governance Framework is reflected in the impeccable credentials of our global shareholders and partners in the business who are more than satisfied with the level of compliance in these areas.

CORPORATE GOVERNANCE

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.

Softlogic Life has ably adopted the Corporate Governance Framework for Insurers issued under section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 by the Insurance Regulatory Commission of Sri Lanka of the Regulation of Insurance Industry Act, No. 43 of 2000.

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.

AWARDS AND ACCOLADES

One of the highlights of the year was being nominated as Asia's Best Life Insurer by Asia Insurance Review Awards. This nomination is all the more significant because Softlogic Life is the only Sri Lankan company to have ever been nominated in the history of these awards. This recognition re-instills confidence in our present and future strategies to become one of the most innovative insurers in the region.

The year under review is one where accolades came in thick and fast. The Company walked away with an armload of awards at the 54th Annual Reports awards organised by CA Sri Lanka as the only insurer to win five awards at the Annual Report Award ceremony three awards at the Emerging Asia Insurance Conclave & Awards; a Gold award at the National Business Excellence Awards in the Insurance sector and yet another Gold award at the CMA Excellence in Integrated Reporting (IR) Awards 2018. Our Integrated Annual Reports are creating a name for themselves beyond our shores with each passing year and in 2018, the South Asian Federation of Accountants (SAFA) awarded a Bronze to the Company for the Insurance sector. This triumph was followed by winning two Silvers at the SLIM Brand Excellence Awards as Local Brand of the Year and Service Brand of the Year. We have always held the belief that success hinges on the quality of our people and we have therefore over the years put in place comprehensive reward and retention policies that value employees and support them to grow professionally. These efforts have helped maintain our position in the Great Place to Work listing for the third consecutive year.

CORPORATE SOCIAL RESPONSIBILITY STRATEGY

CSR is an integral part of business strategy and we execute our CSR activities under pillars of sustainable environment protection and empowering our youth. The WIN programme targeted at rural youth continues to grow from strength to strength and achieves greater coverage of regions and numbers of youth who can expect a brighter future thanks to the skills they are taught in the programme.

BUSINESS STRATEGY AND POSITIVE FUTURE OUTLOOK

We remain highly optimistic about our future prospects as forerunners in the industry when it comes to innovation and delivering strong shareholder returns. The Company's ability to grow at more than double the industry growth reflects our strong fundamentals in place which will facilitate the same growth momentum over the next year. Softlogic Life plays a crucial role of a disruptor in the industry by harnessing technology and process improvements that deliver speed, efficiency and convenience to customers. Our thirst for innovation will push us to explore new channels for growth while leveraging strongly on the latest technology platforms.

DIRECTORATE

We welcome on to the Board, the first female Director Ms. Fernanda Lima. This reinforces the commitment of the Company's leadership to ensuring there is diversity and inclusivity at all levels of the organisation and carves a pathway to inspire more women leaders, many of whom are at Senior Management positions within the Company.

APPRECIATION

I take this opportunity to thank my colleagues on the Board for their unstinted support and for placing their trust in me. The Senior Management of the Company needs a special mention as their capabilities and value were the key reasons that attracted a global fund such as LeapFrog Investments to invest in Softlogic Life. The Management team

and the staff of the Company have shown continuing commitment and dedication to achieving the Company's objectives and to ensure that the Company remains Top of the Line across all parameters.

Special mention must be made of the Chairman of IRCSL, the Director General and all staff for contributions made towards ensuring sustainability of the industry. The Insurance Ombudsman has played a key role in building confidence among the insuring public by providing an efficient and independent grievance redress mechanism, which is much appreciated by all parties.

I express my gratitude to our valued shareholders and customers for placing their faith in our ability to add value to their lives. I am confident that with Softlogic Life's financial strength and talented and innovative leadership team, we will continue to succeed and grow strongly in the years ahead.



ASHOK PATHIRAGE
Chairman

Colombo, Sri Lanka.
5th March 2019

MANAGING DIRECTOR'S REVIEW

“

MANAGE
YOUR TOP
LINE: YOUR
STRATEGY,
YOUR PEOPLE,
AND YOUR
PRODUCTS,
AND THE
BOTTOM LINE
WILL FOLLOW.



TOP OF THE LINE PERFORMANCE

Our performance this year embodies these words so vividly expressed by Steve Jobs, when asked about his strategy for making Apple the world's most admired company. Everything about our performance in 2018 was 'Top of the Line', inspiring us to use it as the theme for this year's Integrated Annual Report. As we deconstruct our achievements this year in the ensuing pages of this report, the reader will gain a clearer understanding of how we have painstakingly built this 'Top of the Line' performance.

Our foremost achievement this year was to hit a Gross Written Premium (GWP) of Rs. 10 billion in a watershed mark in our history. However, what makes this achievement even more meaningful is the fact that we achieved this milestone in the shortest time compared to other players. The nearest competitor has taken five more years, a total of 24 years, to achieve the magic mark of Rs. 10 billion.

We can also bask in the glow of having posted growth of a robust 33% which helps us to shine brightly amongst the top five players in the country, who now hold a combined market share of 81%. By outstripping industry growth by miles, we at Softlogic Life are clearly doing

MARKET SHARE

12.5%

MARKET CAPITALISATION

Rs 16.8 Bn

things that bring results. Besides, we are proud that the Company is standing out for its thought leadership in expanding and developing the industry by disrupting the traditional way of doing business. Whether it is by leveraging on advanced technology platforms or devising unique alternate channels of distribution, which are both non-traditional and yet effective, the Company is demonstrating agility in every form.

The Company demonstrated a strident core business performance despite the challenging investment climate that prevailed during 2018. The Company recorded GWP growth of 33% as compared to 34% in the previous year. The performance of other key value drivers was in line with this such as Annualised New Business premium (ANBP) at Rs 3,325 million, persistency (year 1) was 84% and average policy value was Rs. 128,887. We continued to pursue organic growth through branch expansion. During the year under review, we added 10 branches to our network.

STRONG MOMENTUM

Our sense of innovation has brought in a lot of momentum into our business, further driving brand loyalty amongst customers and stakeholders who feel pride in associating with us. Our distribution channels performed admirably during the year. Our agency channel continues to be the main revenue earner, whilst also achieving substantial diversification by foraying into new distribution channels. By the end of 2018, we reduced dependence on the agency channel from an erstwhile figure of 90% to 77% presently. Nevertheless, our sales force of 2,300 is reputed as the most productive in the field and maintained highest average premium value per policy of Rs. 128,887 which is two-and-a-half times the industry average. The robustness of our sales process means that our success in garnering new business is very consistent.

Now that our sales force has garnered industry-wide respect, Softlogic Life is viewed as a stable and consistent performer, proving to be a natural draw for the industry's insurance professionals seeking a dynamic work environment and the promise of career advancement.

DISTRIBUTION CHANNEL STRATEGY

I am pleased to report that alternate distribution channel recorded Rs. 2.2 billion top line as compared to Rs. 1.1 billion in the previous year, which reflects a significant growth. The alternate channel that focuses on banks and corporates holds immense potential for growth, even more so when combined with the agency channel through which we distribute products and through our widespread branch network as well as use of strategic partnerships including bancassurance. The micro channel we pioneered in partnership with Dialog enables people to buy products using their phones. This channel has seen greater adoption during the year, contributing Rs. 92 million covering over 180,740 customers during 2018.

During 2018, the Company introduced five new products with unique benefits to cater to precise needs of each target group. The Premier Health Rider is a special product we structured along with our new reinsurance partners, Score and Toa Re, experts in the health insurance arena. This product is unique and targeted at the broad market, whilst we also introduced a high end product leveraging on the expertise of global reinsurance giant, Assicurazioni Generali SpA, ranked 59th on the 2017 Fortune 500 list, that has 100% reinsurance backing. Targeted at the well-heeled customers, this product enables access to 600,000 hospitals world wide. Our customer centric approach to doing business has helped us achieve integrated growth and we will continue to build loyalty by adding value to existing products.

MANAGING DIRECTOR'S REVIEW

DEMONSTRATING AN INNOVATIVE SPIRIT

Continuous innovation inspires our people to pursue better ways to do things, which is why we have pioneered an array of firsts in the industry, such as one-day claim settlement. We are consistent in settling over 80% of claims within a single day whilst a small minority requires further information and perhaps investigation to protect overall policyholders' interests. During the year under review, Softlogic Life disbursed Rs. 2.3 billion in claims and benefits compared to Rs. 1.2 billion in 2017 that included maturities and surrenders. The Company is starting to reap significant economies of scale with its centralised operations as the lean structure is able to process multiple distribution lines without a requirement to increase resources and thereby benefiting from a lower operating cost ratio.

Technology has helped accelerate our rapid growth and expansion and continues to fuel our innovation. We now ensure daily underwriting so that customers can send details over their mobile devices including WhatsApp and Viber, or have their details communicated and verified over the phone, which eliminates the need for repeated advisor interaction or the customer's physical presence at our branches. This automation ensures that over 60% of underwriting is automatic, thereby keeping advisors free to pursue new business. We intend to take this to 80% of underwriting becoming automatic by end of the new financial year. We take pride in having converted the process of advisors sending proposals from a manual to a digital one. Our environmental stewardship is evident in the fact that almost 98% of processing of insurance proposal forms is digitalised, marking a substantial saving of paper and time. Further extending convenience to customers, our system checks online policies automatically and gives instantaneous approval as long as all required parameters are met.

Our unwavering commitment to offer greater convenience has been carried over to premium collections as well.

We have opened up to various digital wallets to make payment and collection of premiums as easy as possible. This enhances convenience and reduces costs to facilitate payments.

Regularly infusing value for policyholders, we now provide a doctor-on-call and medicine delivery service for our customers. The success of this service has encouraged us to plan to extend these services to customers outside of the Western Province in time to come.

AFFIRMING OUR VALUE

The year 2018 was filled with rewards and recognition for the Company. Our most valuable achievement was to be recognised as one of top three life insurance companies in Asia by Asia Insurance Review, a prestigious listing. AIA Singapore and Muang Thai Life Assurance Public Co Ltd, were the only two other companies included. Considering that no other Sri Lankan company has been shortlisted for this award in the history of insurance industry of Sri Lanka, it is indeed a great accolade for us.

The winning streak continued through the year for our reporting. Softlogic Life won five awards at the CA Sri Lanka Annual Report Awards. We were the only other company to win five awards at this competition for our highly-feted Integrated Annual Report. The report won the Gold award for the Insurance sector and competed successfully against diversified conglomerates. Moreover, at the Emerging Asia Insurance Conclave and Awards organised by Indian Chamber of Commerce, Softlogic Life was adjudged the Best Insurance Company, Best Service Provider in Insurance and Best Growth in Insurance.

Later in the year, at the National Business Excellence Awards, the Company was awarded Gold for the Insurance sector. This accolade was followed by Insurance Industry Gold Award and acknowledgement as one of the 10 Best Integrated Reports at the CMA Excellence

in <IR> Awards 2018. The South Asian Federation of Accountants (SAFA) awarded our Integrated Annual Report the Bronze award in the Insurance sector.

In terms of showcasing our marketing skills and effectiveness, the Company was awarded Silver awards in the 'Service Brand of the Year' and 'Local Brand of the Year' categories, beating out competition from top FMCG brands. These awards reflect the strong results of our marcom strategy. Finally, Softlogic Life was named amongst the top 25 Great Places to Work for the third successive year and reflected improved scores from the previous year.

GOING THE EXTRA MILE

Customer service is at the heart of our business and we believe it is a competency that is difficult to replicate even though products and marketing campaigns may be replicated. This is best reflected in a new initiative we embarked on during the period under review, where members of the Senior Management visit customers who are patients, to see to their well-being. This human touch by the Company gives them a sense of connection and reassures them of our support through their illness. On receiving overwhelmingly positive feedback, a roster has been drawn up for senior staff. This initiative has been made part of Purple Line, which is a hotline number that Senior Management can call if they find any gaps in our service. This request is fast-tracked to ensure that policyholders undergoing hospitalisation experience a positive service at all times.

In order to further reward customers, we instituted a new Group-wide loyalty scheme so that when policyholders pay their premiums, they can avail of loyalty points which can be utilised across the Softlogic Group's network of businesses that include Retail, Healthcare, Leisure and many others. During the year under review, 12 lucky winners were selected for prizes worth of Rs. 100,000 and lucky grand winner received Rs. 1 million worth shopping at the leading department store Odel to celebrate a 'Purple Xmas'.

ALL ABOUT OUR PEOPLE

The Company has gathered a strong momentum and this success can be attributed to the entire team at Softlogic Life. The Senior Management has looked at all parts of the business, across all divisions, to embed continuous improvements in systems, processes and products. Human Capital is most definitely our key pillar. During the year, our new investors, Leapfrog Investments, that conducted extensive due diligence before coming onboard, cited the Company's strong Senior Management expertise as one of their key findings. The Senior Management has ably mentored the next rung of future leaders with the necessary knowledge and tools to sustain the Company's rapid growth.

STRONG 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 Leapfrog and DEG, but has also provided the boundary within which we can innovate. Softlogic Life has promptly adopted the Corporate Governance framework for Insurers issued under section 96A of the Regulation of Insurance Industry Act, No. 43 of 2000 by the Insurance Regulatory Commission of Sri Lanka. 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.

PARTNERING COMMUNITIES

Our WIN programme targeting youth continues to bring benefits to youth as they gear up to enter the workforce. We expect this programme to bring Rs. 1 billion in benefits over five years by empowering them with the necessary

tools to harness better employment. The WIN workshops bring about improvement in self confidence and presentation skills to give them a better chance of securing higher paid jobs through personal upliftment. During 2018, the WIN programme was conducted at nine schools and benefited 1,002 students.

In terms of social impact, we sponsored four authors to publish a coffee table book, 'Mannar Unborn', which highlights the history, flora and fauna of Mannar. This was a beautiful project that mirrors our ethos of conserving our rich biodiversity. We intend using this publication with our top customers and business partners around the world to showcase the beauty of Sri Lanka.

LOOKING AHEAD

Sri Lanka economy is expected to grow around 4% in the immediate future and we believe our look of Sri Lankan Life insurance industry continues to provide opportunity for growth and innovative distribution channels will be key for us to sustain our success into the future. Our continued profitability will hinge on how we serve customers where they want, how they want, and at the price points they seek. We also believe our success is all about partnerships and collaborations and plan to forge valuable partnerships to develop in a sustainable way. We are grateful for their cooperation.

Moving forward, we are committed to examining our product strategies, service standards and technology adoption with a critical eye with the objective of improvement across all parameters to serve customers better in short term to long term.

In terms of governance, we are committed towards maintaining strong governance structures and have complied with every regulatory aspect that is required from SEC, CSE, and the Insurance regulator. We remain open to support any new regulation that improves the Regulatory framework.

Lastly, our passionate team has delivered great results in the year under review and I believe we are poised for a momentous future in the 2019 financial year. Innovation will continue to be our winning formula while we use technology as a key differentiator in cost optimisation and in achieving customer appeal.

APPRECIATION

In 2018 we issued 204,547 policies compared to 70,859 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 Chairman, Director General and other key officials of the Insurance Regulatory Commission of Sri Lanka (IRCSL). Their expertise in steering the industry through challenging 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 the 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.
5th March 2019

“

THE COMPANY
OUTCLASSED
THE INDUSTRY
FOR THE
SEVENTH
CONSECUTIVE
YEAR,
CONTINUING
ITS SUPERIOR
TREND OF
DOUBLING
THE INDUSTRY
GROWTH RATE.



It was yet another remarkable year for Softlogic Life during which the Company recorded a top line growth of over 33% increasing its market share to 12.5%. The Company outclassed the industry for the seventh consecutive year, continuing its superior trend of doubling the industry growth rates, that earned us the pride of achieving the Rs.10 billion revenue mark in our 19th year of operation. It's the fastest record by a company in the Life industry to reach this landmark figure. While securing the fastest top line growth, the quality of the business and our superior management processes were endorsed by the best financial results ever, leading to a profit after tax of Rs. 3.3 billion.

WINNING STRATEGIES

Our exceptional success was driven by the controlled and well balanced performance management strategies across all the key sectors, including new business generation, client retention, market positioning, product management, operational efficiency, human resource development, information technology, expense and investment management. During the period under review, the Company sustained the essence of its core business model, led by the experienced agency channel, whilst successfully diversifying the revenue sources for greater stability in the business model. This strategy ensured that the fast expanded alternate business channels contribute to company's top line in 2018 with Rs. 2.2 billion, sharing a considerable 23% of the total revenue.

Our agency distribution channel, strategically focused to generate risk based long term endowment business volumes, continued to dominate the market with superior performance, posting an annualized new business premium of Rs. 3.3 billion. This performance recorded an exceptional productivity per advisor exceeding Rs. 1.4 million, which is the highest in the life industry. Considering the volatile market conditions prevailed in a relatively unstable

political environment in the year of review, these results by the sales team is highly commendable, also, it further endorsed the professional selling practices we follow in the market. Facilitating the rapid business growth, the expansion of our distribution channel too was accelerated and we opened 10 branches during the year, mostly serving growing client portfolio in the provinces outside western. The quality of our unique sales process was again reflected through the first year customer retention standards, recorded at 84% under LIMRA measurements in 2018. Our plans to dominate the top market segment through refined segmentation strategies positioned us at an record average annual premium value per policy of Rs. 128,887.

Marking a great success in our key strategy of diversifying the distribution channels, the new channel launched in late 2016 mainly focusing on group and bancassurance business showed a record growth in 2018, reaching Rs. 2.2 billion in revenue. The market entry strategy defined and executed with proper controls has been near perfect, which ensured that the new channel, with its mammoth business figure, propelled the Company to the second best position in the industry ranking, both in single premium and group life markets in 2018. The productivity of this new channel which was high as Rs. 42 million GWP per sales employee, endorsed the effectiveness of the strategies implemented and efficiency of the business model.

The third channel, namely, digital-based micro insurance, still in its second year of operations succeeded in generating revenues of Rs. 92 million in 2018 and more importantly, extended its service to 250,000 clients within the year in partnership with our mobile partner Dialog Axiata PLC.

We believe that the sustainable growth in our business is purely due to our unwavering business philosophy, where

REVENUE GROWTH

33%

ANNUALISED NEW BUSINESS PREMIUM

Rs 3.3 Bn

each and every business act by us should create a positive impact on all key stakeholders of the business, namely our customers, employees, shareholders and the community at large.

DISRUPTING TRADITION

Our key operational improvements in 2018 were aligned with the trend of digitalisation, with the Company's focus in 2018 had been driving towards a paperless operation covering all key aspects of the business process. The digital proposal system was introduced to the sales force with a record success of 90% proposals being introduced through digital platform by December 2018. Furthermore, we have also launched auto underwriting, whereby 60% of current policies were underwritten without manual intervention, which enabled the company to serve its clients by issuing policies within one day.

We have further improved on our one-day claim settlement process, with over 83% of the total claims in 2018, including death claims, being processed within a day, which is reflected in our customer satisfaction indices, as endorsed by the regular client surveys by the marketing division. The effective communication campaigns by the marketing that dominated the digital media as well, has positioned the Company in the specific market segments strategically, directly supporting the ground operations by the sales teams. In order to provide

services to our clients underscored by professionalism in selling. The training and knowledge management function was decentralised on a provincial basis, rapidly expanding the training team. Through this new concept, we have been able to increase the frequency of training up to four modules per advisor per quarter by end year, that has clearly reflected in the success rates in selling process.

LEVERAGING IT EXCELLENCE

All our technology driven innovation during the period under review was backed by the excellent IT initiatives and all ground breaking software applications, including e-advisor, e-client e-underwriting and e-pay platforms were developed in-house IT team, achieving the set deadlines perfectly while demonstrating superior qualitative approach as compared to those of the industry.

HUMAN RESOURCE DEVELOPMENT

Our commitment to welfare and development of our employees is clearly reflected in the company securing a spot in the top 25 Great Places to Work in Sri Lanka for the third year in a row in 2018 too. Softlogic life has provided the right platform for the sales team to perform that has created 87 internationally recognized Million Dollar Round Table (MDRT) members, which is the 2nd highest in the life industry. Our sales team is now projected as undisputed professionals with the highest income and benefits in the insurance industry.

SUSTAINABILITY

We believe our commitment deliver continued benefits to all stakeholders in our business has taken the company on the path to success. Extending this philosophy, we share our earnings with society through our sustainability initiatives and CSR projects. Whilst continuing our WIN programme and

certificate programme meant for moulding future leaders focusing children in under privileged rural schools, we have also launched special environment protection program in the year, for planting 100,000 trees island-wide.

It gives me a great sense of satisfaction to realise that the Softlogic Life is well set for a record-breaking journey ahead, as we have already laid the solid foundation with proven business strategies to sustain the present rapid growth momentum, ensuring the delivery of all KPIs that generate the best value to all our stakeholders, in our dream mission to be the market leader in the Life industry.

APPRECIATION

I would like to thank the Managing Director and the Board of Directors for their visionary leadership and direction to bring the Company to the enviable position it is in today. Thanks to the entire Softlogic Life team who has gone beyond traditional boundaries to achieve exceptional results during the year to deliver expectations of our highly valued stakeholders.



CHULA HETTIARACHCHI
Chief Operating Officer

5th March 2019
Colombo

STRAIGHT TO THE TOP

MANAGEMENT DISCUSSION & ANALYSIS OPERATING CONTEXT

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OUR BUSINESS OPERATING CONTEXT

REVIEW OF MACRO ECONOMIC ENVIRONMENT

GLOBAL ECONOMIC ENVIRONMENT

Global Economy

In 2018, the global economy is estimated to have grown 3.7%. Weakness in the second half of 2018 will carry over to the coming quarters, with global growth projected to 3.5% in 2019.

This growth pattern reflects a persistent decline in the growth rate of advanced economies from above-trend levels—occurring more rapidly than previously anticipated. Growth in advanced economies is projected to slow from an estimated 2.3% in 2018 to 2.2% in 2019 and 1.7% in 2020, mostly due to downward revisions for the Euro area. Growth in the Euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019 and 1.7% in 2020. Growth rates have been marked down for many economies, notably Germany, Italy and France.

The growth forecast for the United States also remains unchanged. Growth is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020 with the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest. Strong domestic demand growth will support rising imports and contribute to a widening of the US current account deficit. There is substantial uncertainty around the baseline projection of about 1.5% growth in the United Kingdom in 2019-20. This baseline projection assumes that a Brexit deal is reached in 2019 and that the UK transitions gradually to the new regime. However, as of mid-January, the shape that Brexit will ultimately take remains highly uncertain.

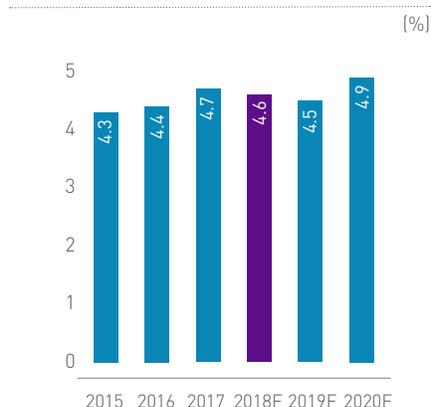
Table: World Economic Outlook

	2018(F)	2019(F)	2020(F)
World Output	3.7%	3.5%	3.6%
Advanced Economies	2.3%	2.2%	1.7%
United States	2.9%	2.5%	1.8%
Euro Area	1.8%	1.6%	1.7%
Emerging Markets	4.6%	4.5%	4.9%
China	6.6%	6.2%	6.2%
India	7.3%	7.5%	7.7%

GROWTH IN WORLD OUTPUT



GROWTH IN EMERGING & DEVELOPING MARKETS



EMERGING MARKETS AND DEVELOPING ASIA

For the emerging market and developing economy group, growth is expected to tick down to 4.5% in 2019 (from 4.6% in 2018), before improving to 4.9% in 2020.

Growth in emerging and developing Asia will also dip from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020. Despite fiscal stimulus that offsets some of the impact of higher US tariffs, China's economy will slow due to the combined influence of needed financial regulatory tightening and trade tensions with the United States. India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.

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

Emerging Asia is expected to grow at above 6% in 2019-2023 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, India and Malaysia is 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 2018

The Sri Lankan economy faced a challenging 2018 and as a result economic growth is expected to be subdued and lower than projected at the beginning of the year.

The reasons for the subdued economic performance in Sri Lanka could be weak domestic demand, continued tightening in monetary condition as well as Government consumption spending, stagnant fixed investment, and lower net exports. Further inconsistent economic policies driven by political instability may have resulted in delaying private and public sector investments which are key drivers of economic growth.

The Government of Sri Lanka (GOSL) however is aware of the importance of the macroeconomic stability and has in place a set of key economic objectives that are to be achieved along with 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	2019 (F)	2018	2017	2016
GDP growth	4.3%	3.5% (F)	3.1%	4.4%
Per Capita GDP (US\$)	4,470 (F)	4,265 (F)	4,065	3,857
Inflation	5.5%	2.80%	7.3%	4.2%
Interest Rates (1 Yr T-Bill)	11.5%	10.06%	8.89%	10.17%
Total Debt as a % of GDP	70%	80% - 82% (F)	78%	79%
Trade Deficit as a % of GDP	-2.7%	-2.8% (F)	-2.1%	-2.6%
USD/ LKR	Rs. 188.2	Rs. 182.71	Rs. 153.23	Rs. 149.75
ASI	5,870	6,052	6,369	6,228

Source: CBSL, IMF (F)-Forecast

PERFORMANCE OF KEY ECONOMIC INDICATORS

GDP Growth

The Sri Lankan economy grew 3.3% during the first three quarters of 2018 and 2.9% for the quarter concerned and is estimated to grow 3.5% in 2018 comparison to 3.1% in 2017.

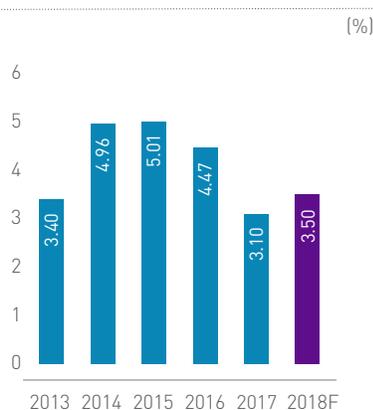
Historical growth of GDP is presented below graph." Historical growth of GDP"

The four major components of the economy; 'Agriculture', 'Industry', 'Services' and 'Taxes less subsidies on products' grew by 4.3 percent, 1.8 percent, 4.4% and -0.4% respectively and contributed their share to the GDP at constant prices by 8.5 percent, 28.2 percent, 58.0% and 7.2% respectively.

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 17.6% YoY followed by the Telecommunication sector which grew 11.6% YoY.

HISTORICAL GROWTH OF GDP



SUB SECTORAL GROWTH



OUR BUSINESS OPERATING CONTEXT

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 55 to gain further understanding on this topic.)

The Government of Sri Lanka has forecasted 2018 and 2019 per capita income to US\$ 4,265 and US\$ 4,470 respectively and detailed its 2025 vision statement that it aims to increase per capita income to US\$ 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



INFLATION

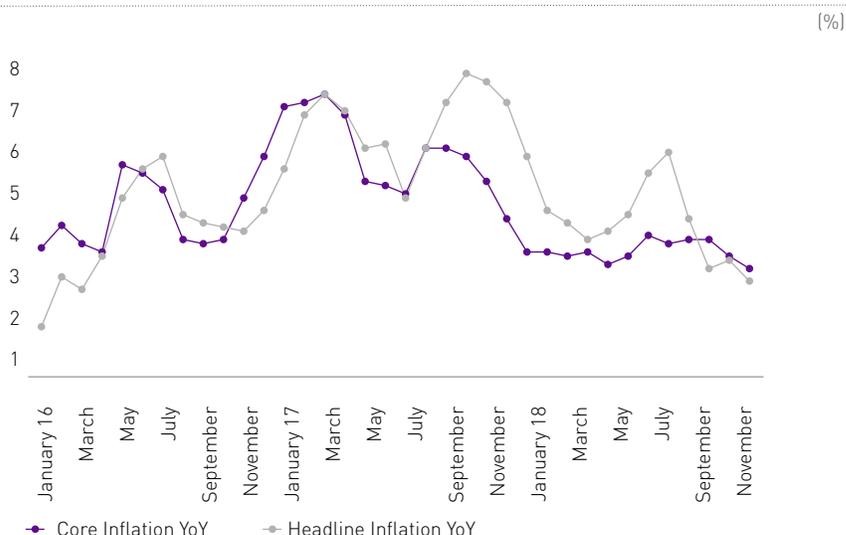
Inflation as measured by the change in the National Consumer Price Index (NCPI) (2013=100), decreased to 2.8% year-on-year in December 2018 in comparison to 7.3% in 2017. The decrease observed in year-on-year inflation in December is driven by the decrease of prices of items in both Food and Non-food categories.

Headline inflation, based on both the National Consumer Price Index (NCPI) and the Colombo Consumer Price Index (CCPI), remained in low single digit levels. Core inflation has also remained subdued thus far in 2018. Recent downward

adjustments to fuel prices and selected administratively determined prices, as well as the reduction of Special Commodity levy, are expected to impact favourably on inflation in the near term.

Volatile global commodity prices, possible weather related disruptions to domestic supply chains due to unpredictable weather patterns, and the possible pass-through of the effect of the rupee depreciation in recent months to domestic prices pose risks to the inflation outlook.

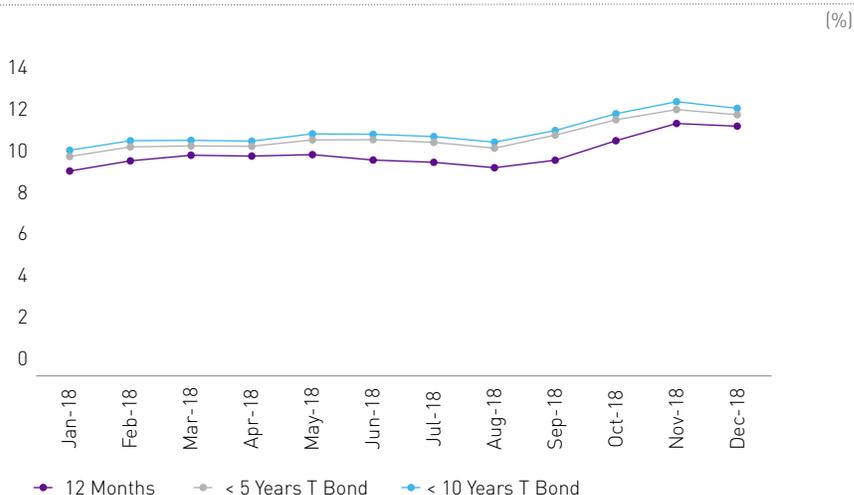
CONSUMER PRICE INDEX



INTEREST RATES

AWPR stood at 12.09%, AWDR at 8.81% and 1 Year T-Bill at 10.99% as at 31st December 2018 in comparison to 11.55%, 9.07% and 8.90% respectively as at 31st December 2017.

INTEREST RATE



The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), was increased by 0.75 and 0.25 basis points each to 8% and 9% respectively, as a precautionary measure to mitigate the impacts from inflation resulting from the drought and floods that prevailed earlier this year.

The Central Bank and government have adopted policies that have and impact through the year and have helped stabilisation of the economy. By end 2018, the growth of broad money supply and the growth of credit extended to the private sector by commercial banks moderated to the desired level, with a rise in liquidity of 20.81%.

EXTERNAL SECTOR PERFORMANCE

Current and Capital Accounts

Export continued to record a growth in month of October 2018, US\$ 979.1 Mn comparison to October 2017, US\$ 975.6 Mn resulting an export earnings growing of 0.36%. This growth is mainly supported through the petroleum products, rubber products and gems, diamonds and jewellery. Earnings from textile and garment exports, which account for approximately 44% of total exports, grew by 10.15% in the first 10 months of 2018.

The imports in October 2018 is US\$ 1,882 Mn., resulting in cumulative imports for the first 10 months of the year increasing 10.26% to US\$ 18,733.5 Mn.

Further, on a cumulative basis, the trade deficit widened during the first 10 months of 2018 by approximately 21.4% YoY.

With regards to inflows in relation to the current account, income earned from tourism increased marginally year-on-year during the first 10 months of 2018, whilst workers' remittances recorded a year-on-year declined of 1.5% during the year up to end November 2018 compared to November 2017.

The current accounts and the financial accounts of the BOP continued to decline in the first 9 months of 2018.

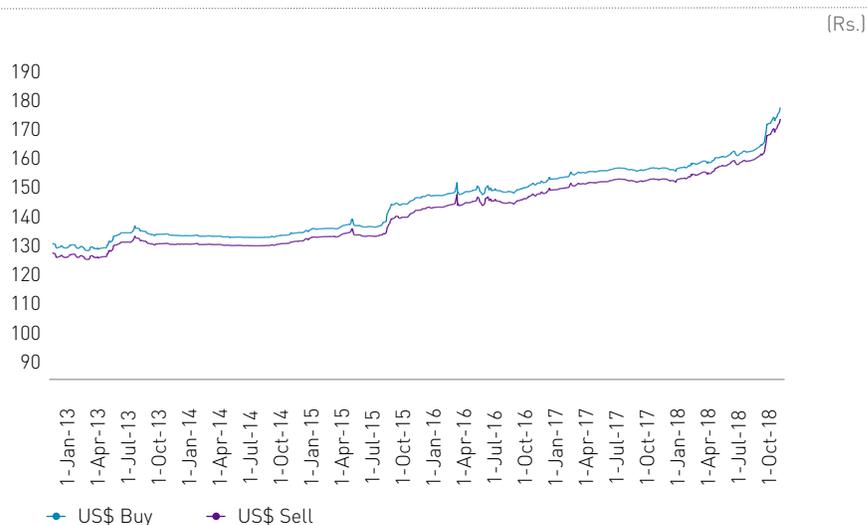
Exchange Rate Movements

The Sri Lankan Rupee appreciated by 0.6% against the US Dollar during the year up to 28 January 2019. Reflecting cross currency movements, the rupee depreciated against other major currencies except for Euro and the Indian Rupee during the period.

During the year 2018, Sri Lankan Rupee depreciated by 16.4% against the US Dollar while also depreciating against other major currencies.

A significant net foreign outflow of Rs. 23.2 billion was recorded in the Colombo Stock Market during 2018 against the Rs. 17.6 billion net foreign inflow recorded in 2017 mainly resulting from political uncertainty that existed in the latter part of the year.

EXCHANGE RATE MOVEMENT



THE SHARE MARKET PERFORMANCE

In 2018 the market experienced a severe dip in local investor participation. The latter end of the year also resulted in significant foreign investor outflow owing to the political crisis. Poor liquidity and high transaction costs remain the major pain points of the Sri Lankan stock market. 2019 brings about a fresh set of macroeconomic challenges that are likely to increase interest rates and dip the stock market further and the expected announcements for the Provincial, Parliamentary and Presidential Elections will also play a significant role in market sentiment and the absence of such an announcement will only weigh down investor confidence.

The market has seen a 1% drop MoM, in comparison to December 2018. As such, it is unlikely that the equity market will see a major upturn unless macroeconomic fundamentals change

Movement in share market overall price index of the Company against the Banking Financial and Insurance Sector Index is shown below;

OUR BUSINESS OPERATING CONTEXT

BFI VS SHARE PRICE OF SOFTLOGIC LIFE

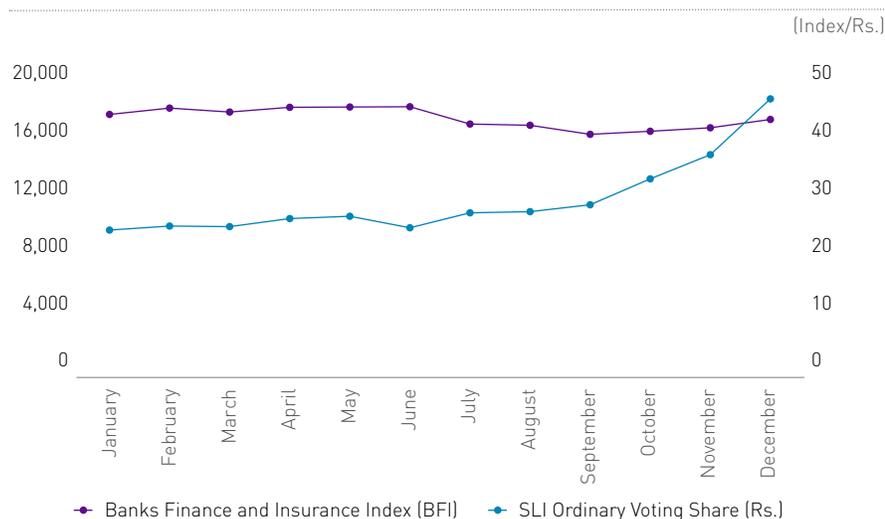


Table: Economic Indicators and impact on the insurance industry / Softlogic Life

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	4.3%	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	4,470(F) US\$				
USD/LKR	Rs.183 + 3% Depreciation	The increase in reserves as a result of an increase in foreign inflows in 2018 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 by 1.3% YoY as at end of October 2018. 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. Also positive impact from policy liabilities will impact earnings depend on the extent of the existing asset and liability mismatch.	●

● Medium ● Low

OUR BUSINESS OPERATING CONTEXT

INSURANCE INDUSTRY OVERVIEW AND ATTRACTIVENESS

GLOBAL INSURANCE INDUSTRY OVERVIEW

Gross Written Premium

The global life insurance industry has been estimated to have grown by around 3.3% in 2018 (2017 - 3%). Much of this growth have been led by the robust performance of investment products in emerging markets, especially in Asia. Over the next two years, Life premiums are forecast to grow by around 5.3% 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.

Reinsurance Premium

Global life reinsurance premium growth is expected to be around 1.2% in 2018 and 1.4% 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 mainly driven by a strong emerging market performance. This strong performance in the emerging markets was led by an over 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 20%. 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.

Emerging Asia	
Performance 2018	Outlook 2019 - 2020
<ul style="list-style-type: none"> Emerging market's growth was double digits as China maintained its growth momentum due to a rise in protection products despite sharp regulatory actions aimed at product and sales quality. 	Emerging market premium growth will accelerate to around 9% annually over 2019/20. There will be a rebound in China, where the economic backdrop remains strong and as the one-off shock effect of this year's tighter regulation of wealth-management-product types fades.
<ul style="list-style-type: none"> Strong performance by bancassurance in Indonesia and group business in India 	India will see further growth from improving consumer-business sentiment and favourable regulatory changes.
<ul style="list-style-type: none"> The region continued to see multiple measures by regulators to improve capital adequacy and risk management 	In 2019, in the absence of clear direction on rates, we expect underwriting results to remain stable at current levels.
Latin America	
Performance 2018	Outlook 2019 - 2020
<ul style="list-style-type: none"> Life insurers continued to reduce dependence on guaranteed returns and have been increasingly shifting to protection products. 	Life premiums in Latin America are expected to increase by 5%-7% per annum in 2019 and 2020, helped by a modest economic recovery in Brazil and premium growth in Colombia, Chile and Peru.
<ul style="list-style-type: none"> Canada contributed positively to the regional growth as it saw growth in annuities. Profitability remained stables as underwriting fundamentals remained strong. 	
Central and Eastern Europe	
Performance 2018	Outlook 2019 - 2020
<ul style="list-style-type: none"> Low yields remained a concern in most markets due to a large share of existing Life insurance obligations with embedded guarantees 	In CEE, a growth of around % is expected in the coming two years, reflecting the large share of Russia.
<ul style="list-style-type: none"> As most major markets either declined or stayed flat mainly due to reduced attractiveness of insurance products in a low interest rate environment 	

Source: "Swiss Re Institute, sigma No 3/2018"
 "Swiss Re Institute: Global insurance review 2018 and outlook for 2019/20"

OUR BUSINESS OPERATING CONTEXT

OVERVIEW OF THE LIFE INSURANCE INDUSTRY IN SRI LANKA

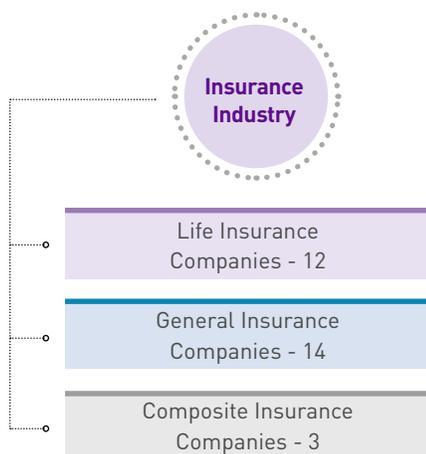
SALIENT FEATURES IN LIFE INSURANCE INDUSTRY

- The Life insurance industry was the most attractive industry in 2018 with an outstanding year-on-year growth of 11.8% and industry size of Rs. 80 billion despite challenging conditions.
- Top line growth to be continued, supported by innovative products, creative marketing campaigns, expansion in distribution channels.
- Insurers tend to reap the benefits of advanced technology by many ways in the life-cycle of insurance including product development, distribution, customer service, etc.
- Post segregation of insurance companies where all insurance companies have a strong focus on their line of business
- Rising urbanisation, customer sophistication levels and overall macrocosmic 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

Figure: Insurance Industry Composition



Sri Lanka (IRCSL), three 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.

Growth in Life Insurance Industry

Sri Lanka's Life insurance industry continued its growth momentum and recorded a premium income of Rs. 80 billion with a growth of 11.8% (2017: 12.66%) in comparison to Rs. 72 billion recorded in year 2017. 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 and Economic Indicators

Table: Premium income and Penetration Level

Description	2018	2017	2016	2015	2014
Life Insurance Premium Income (Rs. million)	80,065	71,592	63,495	53,691	44,596
YOY Growth in Premium Income (%)	11.8	12.6	18.3	20.4	7.0
Life Insurance Penetration (%) - (premium as a % of GDP)	0.5	0.5	0.5	0.5	0.4
No. of policies	688,913	581,323	665,253	645,596	547,261
Insurance Density (Rs) - (Total premium income/Population)	3,822	3,422	3,053	2,555	2,147
Per Capita Income (USD)	4,265	3,783	3,835	3,843	3,821

Source: Annual Report of IRCSL, Industry GWP data circulated by IRCSL, CBSL, World Bank, IMF

ANALYSIS OF LIFE INSURANCE INDUSTRY GWP

The main contributor to industry GWP is the premium income generated from the Renewal Premium GWP which is Rs. 48 billion, and First-Year New Business GWP of Rs. 19.8 billion, which accounts for 85% of GWP of the Life insurance industry and recorded a growth of 12% and 9% respectively. The growth of new business was mainly driven by different underwriting and product strategies, where Life insurance companies focus more on product innovations such as Life insurance along with health benefits coupled with investments, savings and retirement subsequent to segregation of composite insurers. The renewal premium has continued to maintain its dominance by contributing 60% (2017 - 60%) to the total Life premium, while first year GWP contributed 25% (2017 - 25%).

Details of the GWP composition are shown below;

LIFE INSURANCE CLASS WISE GWP



Market Share Performance - Top 5 Players - Last 5 Years

The top five players in the market enjoy 81% market share in 2018 compared to 80.2% in 2017. Out of the top five, Softlogic Life has maintained growth well above the industry average and recorded growth in market share from 2014 whereas other top players have not been able to achieve such a feat over the last five years.

MARKET SHARE GROWTH TOP 5 PLAYERS-2014-2018



Market Share Performance

In 2018, the insurance companies which claimed the top six positions in terms of market share in the Long-Term insurance business collectively accounted for 87% of the total industry GWP (2017 – 85.8%). Among the top six players it is noted that during 2018, except for Softlogic Life and Ceylinco Life, all other players lost their market share compared to 2017. Details of market share movement of the top six players are provided in the following table.

Analysis of Distribution Channels of Life Insurance Companies

The table "Mix of Distribution Channels % of Premium Income" 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 dominated the distribution channel by contributing 87.94% in 2017 (2016: 87.59%). Direct marketing and bancassurance contributed 6.18% and 4.9% 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: Market share Movement – 2018 vs 2017 (Top Six Players)

Description	Total GWP Rs. million			Growth	Market Share%		Change %
	2018	2017	Change		2018	2017	
Ceylinco Life Insurance PLC	17,848	15,765	2,083	13%	22.29	22.02	0
Sri Lanka Insurance Corporation	13,206	12,517	689	6%	16.49	17.48	-1
AIA Insurance Lanka PLC	12,739	11,511	1,228	11%	15.91	16.08	0
Union Assurance PLC	11,177	10,118	1,060	10%	13.96	14.13	0
Softlogic Life	10,006	7,531	2,475	33%	12.5	10.52	2
HNB Assurance PLC	4,419	3,963	456	12%	5.52	5.54	0
Other Players	10,670	10,187	482	5%	13.33	14.23	-1
Total	80,065	71,592	8,473	12%	100	100	0

Source: Annual Report of IRCSL and Industry GWP data circulated by IASL

OUR BUSINESS OPERATING CONTEXT

Table: Mix of Distribution Channels % of Premium Income

Channel	2017		2016		Change
	GWP Rs. Bn	%	GWP Rs. Bn	%	
Agents	62,958	87.94%	55,666	87.59%	0.35%
Direct	3,236	4.52%	3,756	5.91%	-1.39%
Bancassurance	4,274	5.97%	3,203	5.04%	0.93%
Brokers	566	0.79%	324	0.51%	0.28%
Others	558	0.78%	604	0.95%	-0.17%
	71,592	100%	63,553	100%	0.00%

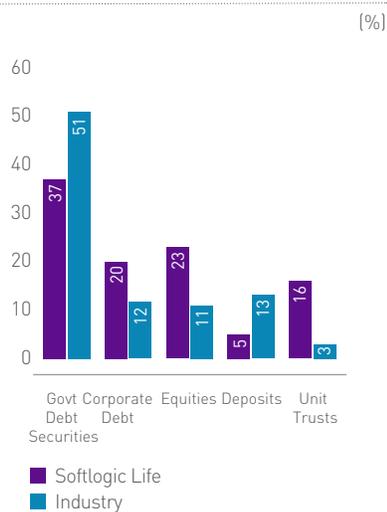
Source: Annual Report 2017 - IRC SL (2018 figures are not published yet)

FINANCIAL INVESTMENT PORTFOLIO

The industry maintains financial investments which includes Government securities, equities, corporate debt, deposits and unit trust investments worth of Rs. 336.8 billion as at 31st December 2017.

In the investment composition of Softlogic Life, majority of the investments have been made in Government securities. This stands at a 37% compared with the 51% of the industry during 2017. In terms of equities the Company has made a considerable investment of close to 23% of the total investments compared to the industry's value of 11% mainly in banking and finance sector. Benchmark of Softlogic Life investment portfolio against industry is provided in graph as below.

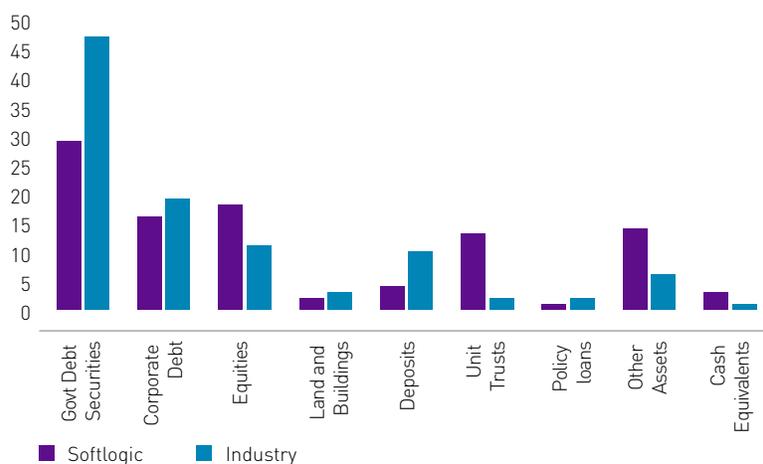
COMPOSITION OF INVESTMENT PORTFOLIO



TOTAL ASSET

Life insurance industry total assets stood at Rs. 337 billion as at 31st December 2017 (2016: Rs.302 billion). This shows a growth rate of 12% over the previous year's total assets, and this is a slight increment in the growth rate compared to the previous year's 11% which appeared to be an outlier compared to the historical values. Total assets composition of the industry is provided below against Softlogic Life.

TOTAL ASSET COMPOSITION-INDUSTRY VS SOFTLOGIC LIFE

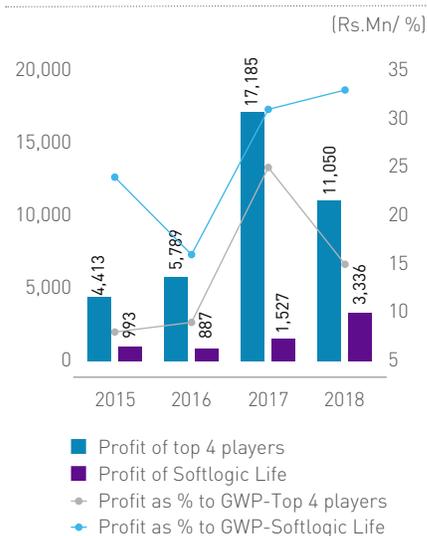


PROFITABILITY

Life insurers have reported profitability of Rs 23.4 billion during the year 2017 (before transfer of one-off surplus transfer compared to Rs. 13.6 billion recorded in 2016) was large profitability increase in 2017 driven by the large surplus transfer done from Non-participating fund to shareholders by a few companies with the recommendation of their Appointed Actuaries. During the year 2018, the top four (not considered Sri Lanka insurance) players contributed profit after tax of Rs. 13.4 billion against the 2017 Rs. 18.7 billion without one-off surplus. Softlogic Life recorded a profitability ratio of 33% in 2018.

Softlogic Life recorded a profitability ratio of 33%, 28%, 24% and 16% in 2014, 2015, 2016 and 2017 respectively.

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.

Sri Lankan Life insurance industry outlook for 2019 and onwards is positive due to rising per capita income, rising middle class, lower penetration level and urbanisation. Demographic transitions in Sri Lanka expect an increase in the ageing population where one out of every four persons will be an elderly person in another two decades' time. This will result in creating demand for insurance products specially on health and pension.

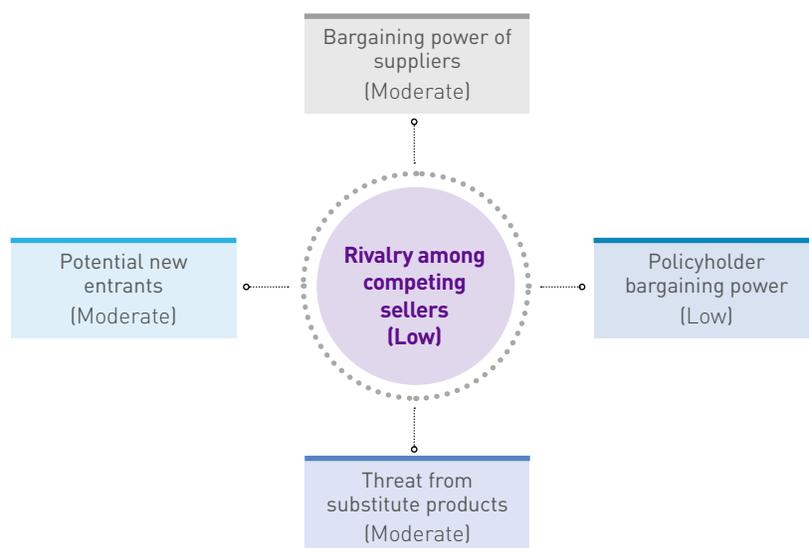
The upcoming IFRS 17, which will be effected in the medium term, can create a holistic change in insurers' systems, processes, capital, risk management, etc. Insurers with prudent planning can create efficiencies and enhance capabilities that benefit the business more broadly.

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: Five Forces Analysis



Five Forces Analysis on Life Insurance Industry

Force	Details	Strength
Threat of Potential New Entrant (Low)	<ul style="list-style-type: none"> Difficult to enter insurance industry as a small "start-up" player due to initial capital requirement (minimum capital requirement is Rs. 500 Mn) and regulatory requirement. The threat of new entrants to the market is minimal since it's closely supervised by the regulatory authority, IRCSL. There is also a natural barrier that exists 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. 	<p>MODERATE</p> <ul style="list-style-type: none"> Multinationals are interested in the market. However, the Life insurance market only accounts for Rs. 80 Bn (US\$ 445 Mn) of total GDP. 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. Lower product differentiation. Opportunities for moving to online insurance solutions (Disruptive Business model).

OUR BUSINESS OPERATING CONTEXT

Force	Details	Strength
Threat from Substitute Products (Low)	<ul style="list-style-type: none"> • A substitute product involves the search for a product/services that can satisfy the same need as the product/services the industry already produces. • For the service of insurance, there are no direct substitute. • In the Life insurance industry, this could be seen as investment plans, pension and saving scheme, child education plans and other long-term financial services offered by non-insurance companies can be viewed as indirect substitute to insurance service as alternatives for Life insurance products. 	<p>MODERATE</p> <ul style="list-style-type: none"> • Expect Life GWP to increase due to the lower interest rates in the economy. • Banks provide insurance services as a supplementary for-depositors
Bargaining Power of Suppliers (High)	<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 into Sri Lankan market and provide opportunities, hence, the bargaining power of re-insurers have reduces to some extent. 	<p>MODERATE</p> <ul style="list-style-type: none"> • Since global reinsurance parties are interested in the Sri Lankan industry, their bargaining power becoming less. • In terms of other vendors/suppliers, they have lower bargaining power as the insurance companies have various options to bargain
Bargaining Power of Customers/ Policyholders (Moderate to High)	<ul style="list-style-type: none"> • The buyers' power (New) is considered to be significant as policyholders are having a wide range of insurance providers to choose from. • However, switching cost is involved when existing customers are trying to move to a new service providers 	<p>MODERATE</p> <p>Unlike non-life 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.</p> <ul style="list-style-type: none"> • Availability of differentiated products. • Individual customers, hence, their capacity to purchase is low. • Price sensitivity is low. • Since the switching cost is high in terms of losing and commitment periods on life insurance. This would enhance the strength of insurance providers in securing their client base but won't reduce customer bargaining power significantly.
Rivalry among Competitors (High)	<ul style="list-style-type: none"> • 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 market share. 	<p>LOW</p> <ul style="list-style-type: none"> • Life insurance industry penetration level is low (2018 – 0.5 %) 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 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 consists of 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 applicable rules and regulations. In addition to the regulations applicable to listed companies, insurance companies are regulated by the Insurance Regulatory Commission of Sri Lanka ("IRCSL") through the Regulation of Insurance Industry Act No. 43 of 2000, 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 regulations affecting the Company.

KEY STATUTORY AND REGULATORY REQUIREMENTS ISSUED DURING THE YEAR AND UP TO REPORTING DATE

Direction # 15: Procedure on Management of Insurance Funds - Long Term Insurance Business

IRCSL's purpose of the Direction is to ensure the proper attribution of assets and returns of assets, liabilities and expenses to the Long-Term Insurance Business through the appropriate segregation of insurance funds, proper attribution of assets and returns of assets, liabilities and expenses to insurance fund/s and withdrawals from insurance funds.

In summary, the Direction deals with the following:

- Requirement on the establishment and maintenance of insurance funds for Long-Term insurance business
- Composition of an insurance fund, including requirement on withdrawals

- Specific requirement of assets
- Attribution of expenses against that fund for which the expenses was incurred
- Maintain strict segregation of investments between various insurance funds and shareholder funds without making arbitrary transfer of investments from one fund to another
- Transfer of assets/investment can only be made at market value and with Board approval and subject to prior approval of IRCSL
- maintained in corporate name of the insurer

Direction # 16: Identification and Treatment of One-Off Surplus

IRCSL issued a Direction as to the identification, transfer, maintenance and distribution of the surplus created due to changes in the regulatory solvency regime from Net Premium Valuation ("NPV") to a Risk-Based Gross Premium Valuation ("GPV") regime, also known as the "One-off Surplus" and any disclosure required.

In summary the Direction deals with the following:

- Recommendation of methodology on computation of "One-off surplus"
- Direction as to the transfer of the One-off Surplus to Shareholder Fund
- Creation of a Restricted Regulatory Reserve, which constitutes the transferred One-off Surplus
- Maintenance of the One-off Surplus until further notice from IRCSL or distribution to shareholder with explicit approval from IRCSL
- Requirement on investments supporting the transferred One-off Surplus
- Pre-requisites for distribution to shareholders including internal policies to be in place

- Disclosure requirements to be made;
 - o In Financial Statements
 - o To IRCSL at point of approval for transfer to Shareholder Fund
 - o Quarterly disclosures to IRCSL
 - o Nil report in the case of an insurer with no One-off surplus

Direction # 17: Corporate Governance Framework for Insurers

Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance, 2017 (the code), issued by the Securities and Exchange Commission of Sri Lanka jointly with the Institute of Chartered Accountants of Sri Lanka, with a view to facilitate effective, entrepreneurial and prudent management that can deliver the long term success of the Company, and further to promote corporate fairness, transparency and accountability. The framework primarily focuses on Directors.

In summary, Direction 17 provides for limitation on:

1. Directors' tenure in office and nationality
2. Age of the person who serves
3. Appointments to boards of other entities and to be read together with CSE Listing Rules on Corporate Governance

This will be come in to effect from 1st January 2019.

Direction # 18: Unclaimed Benefits of Long-Term business

Insurers who carry on Long-Term insurance business are prohibited from transferring any unclaimed benefits to shareholders, with effect from financial year ended 31st December 2018, and further to record the same as a liability in the Long-Term insurance fund balance sheet as "unclaimed benefits".

Guidelines to Insurers and Brokers who obtain leads from Licensed Finance Companies, Licensed Finance Leasing Companies and Licensed Banks under a Referral Model

The Guidelines addresses entities such as Finance Companies & Finance Leasing Companies which were identified as eligible to act as Institutional Agents to be removed from the eligible list of entities that could apply to be registered as Institutional Agents and be captured under the guideline. This is effective from 1st January 2019.

In summary the Guidelines provides,

- Guidelines on 'Leads' generation from 'BFI' Banks, Finance Companies Finance Leasing Companies operating under a 'Referral Model'
- Deals with matters such as the model, agreement coverage, advertising, fee

Existing agreements to be aligned

Circular #40: Health Insurance covers underwritten by insurers who carry on long term insurance business

IRCASL, issues the clarification pertaining to health insurance covers underwritten by long term insurers

Direction # 2 Supple of Policy Documents

On the basis of just and equitable principles, IRCSL has further emphasized the requirement to issue a policy document to the policyholder as well as the life assured in the instance where the life assured is not the policyholder. The IRCSL has combined its previously issued Direction # 2 and all amendments on subject matter and issued the said Direction.

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. The new act was effective from 01st April 2018. Major changes applicable to the Life insurance industry are listed in the following table.

Description	Old Act (No.10 of 2006) up to 31st March 2018	New Act (No.24 of 2017) w.e.f 1st April 2018	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%) 	●
Time bar provision	No time bar provision available	Introduction of time bar period for carried forward notional tax receivable and tax losses	●
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

UPDATE ON ACCOUNTING STANDARDS

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 defer this standard till they implement IFRS 17.

A detail description of this standard has been provided in pages from 438 to 446.

SLFRS 16 - Leases

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 potential impact on its Financial Statements resulting from application of this standard. This will be effective from 01st January 2019.

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 2022. A detail description of this standards has been provided under technical review section on pages 447.

OTHER REGULATIONS INTRODUCED DURING THE YEAR

Suspicious Transactions Regulation 2018

Guidelines are issued by Financial Intelligence Unit setting out the reporting format as regards suspicious transactions. The emphasis is on generating quality and effective reports on suspicious transactions to the FIU. The report requires a statement of the grounds of suspicion relied upon, description of the circumstances and supporting documents.

The regulations also provide that the entity should have an AML Policy approved by the Board which should include procedures as regard internal report on suspicious transactions. 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'.

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 AND TAKES PRECAUTIONARY MEASURES AS WELL AS ADJUSTS ACCORDINGLY TO EXPLOIT ANY OF THE OPPORTUNITIES THAT ARISE WHILE GUARDING 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 and takes precautionary measures as well as adjusts accordingly to exploit any of the opportunities that arise while guarding 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 positions Life insurance solutions as providing 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 expanded Life product distribution with Dialog Axiata PLC where the customers can buy through their mobile).
	Increase in Interest rate.	<p>Negatively impact on equity related investments due to the shift from equity to fixed term related investments.</p> <p>However, positively impact on yield of fixed income securities. Hence, higher investment income from fixed income securities.</p> <p>Increase in interest rates will have a positive impact on the profitability of Life Insurance business as a result of decrease 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	<ul style="list-style-type: none"> • Launch of new corporate pension product • Specialised in providing health related insurance solutions such as Premium Health Rider and Good Health Products
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"> • Promote technology-based solutions such as 'LifeUp App'. • Increase of tab proposals and auto underwriting platform • Revamp of the E-Advisor platform has led to a better flow of information, speed up the process as well as increased the confidentiality of information. • Use IT as an enabler of new avenues and integral part of our business model using big data strategy.
	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 digitisation of medical services.</p> <p>Increase in costs for providing services to implement new controls to safeguard IT systems. But it should be noted that these prevention costs will be lesser than the costs that would be incurred in case of a realisation 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 is closely monitoring the new rules and regulations introduced by the Government and makes 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.

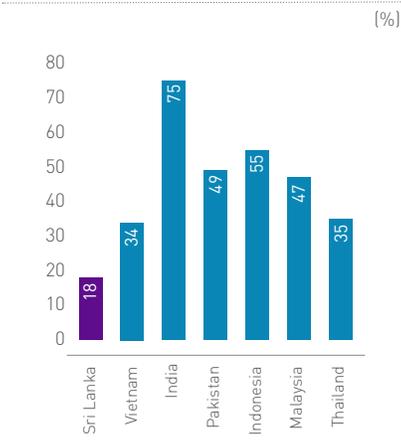
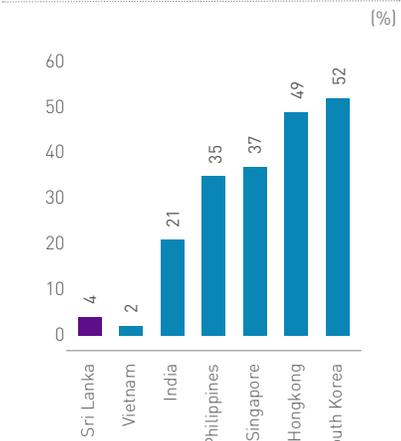
REALISING OPPORTUNITIES

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 customisable 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> <p>Source: Swiss Re Sigma 2017</p>	<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 55</p>

Key Areas	Presentation	Description/Impact	Impact Classification	Softlogic Life Response
Positive outlook for urbanisation	<p>URBAN POPULATION</p>  <p>Source: World Bank</p>	<p>Sri Lanka shows a relatively low level of urbanisation when compared with the region. As most of the country's development projects like Megapolis and 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. Urbanisation 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 urbanisation.</p>	Medium	Introduce new products and leveraging on innovative distribution channels to cater to these customers.
Low bancassurance market exposure	<p>BANCASSURANCE'S MARKET SHARE IN ASIA-PACIFIC REGION</p>  <p>Source: Axco Insurance Market Report</p>	<p>Bancassurance channel in Sri Lanka 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>Expansion of Bancassurance channel using strategic partnerships.</p> <p>Details of Bancassurance provided on page 144</p>
Growing ageing population	<p>RETIREMENT AGE GROWTH</p>  <p>Source: Ageing population of Sri Lanka report by UNFPA</p>	<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/ products and expansion of branch network to cater to island wide population requirements</p> <p>Details of products and riders are provided on page 137.</p>

Key Areas	Presentation	Description/Impact	Impact Classification	Softlogic Life Response
Growth in per capita income	<p>PER CAPITA INCOME</p> <p>(USD)</p> <p>Source: World Bank</p>	The country reached US\$ 4,340 per capita income for the year 2018. The country's "vision 2025" document however has set a target of US\$ 5,000 which will provide greater opportunity for insurance products in the future.	Medium	<p>Focus to expand its product range and distribution channels.</p> <p>Refer pages 136- 140 and 142 -143</p>
Growing mobile penetration in Sri Lanka and other technological improvements	<p>MOBILE PENETRATION</p> <p>(Rs.Mn/%)</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 130-144</p>
Growing penetration in the use of internet	<p>INTERNET PENETRATION</p> <p>(%)</p> <p>Source: World Bank</p>	Internet penetration in the country has grown from 9.8% in 2013 to 27.5% 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 142</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".

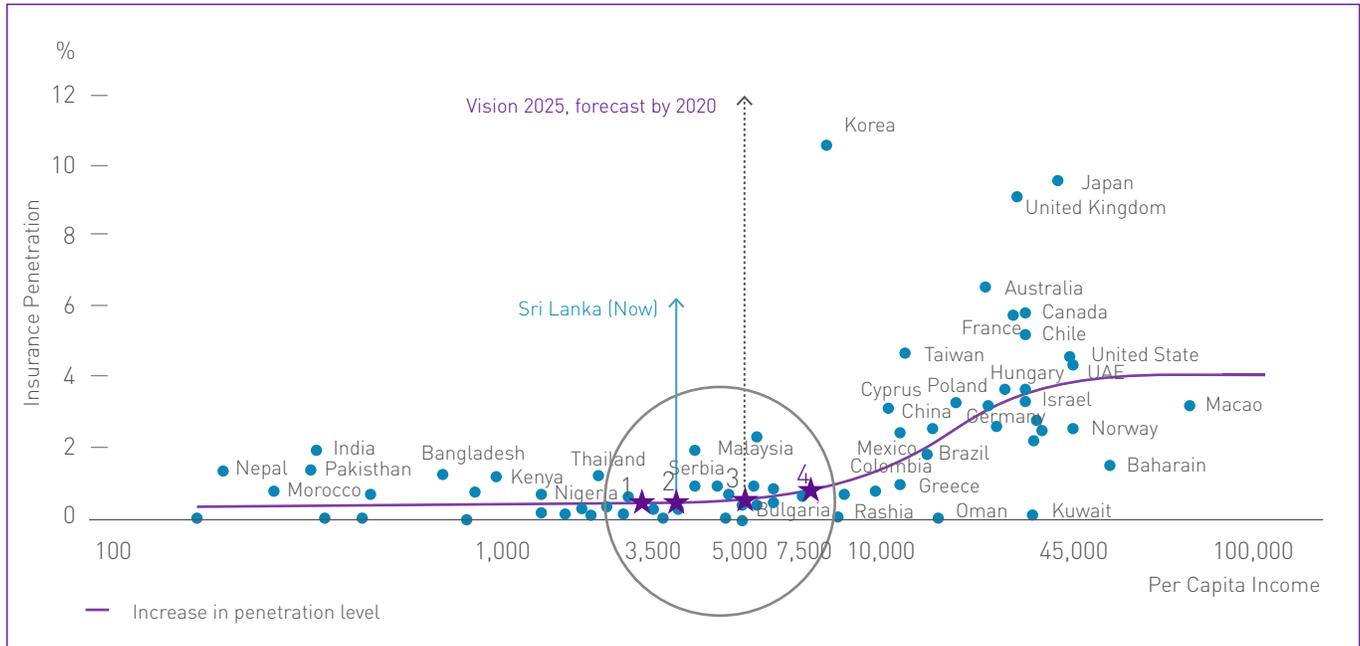
S CURVE RELATIONSHIP BETWEEN PER CAPITA GDP AND PENETRATION

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 US\$ 5,000 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.

Figure: correlation between insurance penetration and per capita income



STRATEGY AND RESOURCE ALLOCATION

OVERVIEW AND UPDATE ON STRATEGY SESSION

This 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.

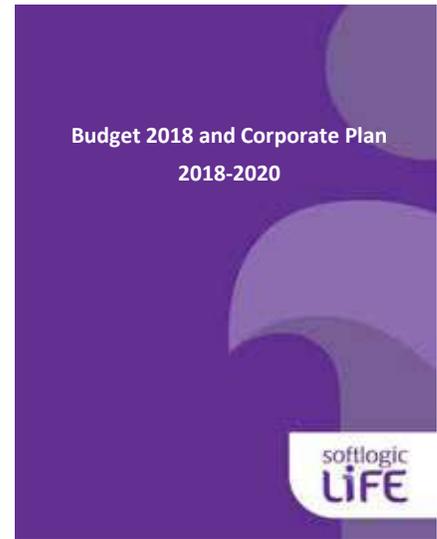
The Company's strategy setting and budgeting process is illustrated under performance governance report on page 239.

STRATEGY MEETING

In November 2018, 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 Leapfrog Investments and DEG. The Board was kept updated and provided input throughout the year 2018.



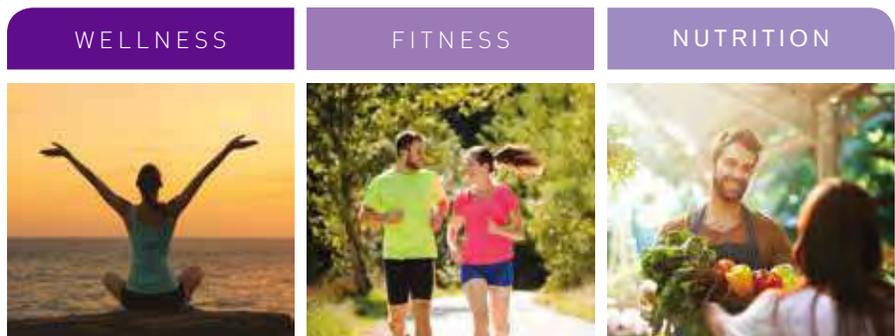
HOW WE DEFINE OUR BUSINESS AND STRATEGY

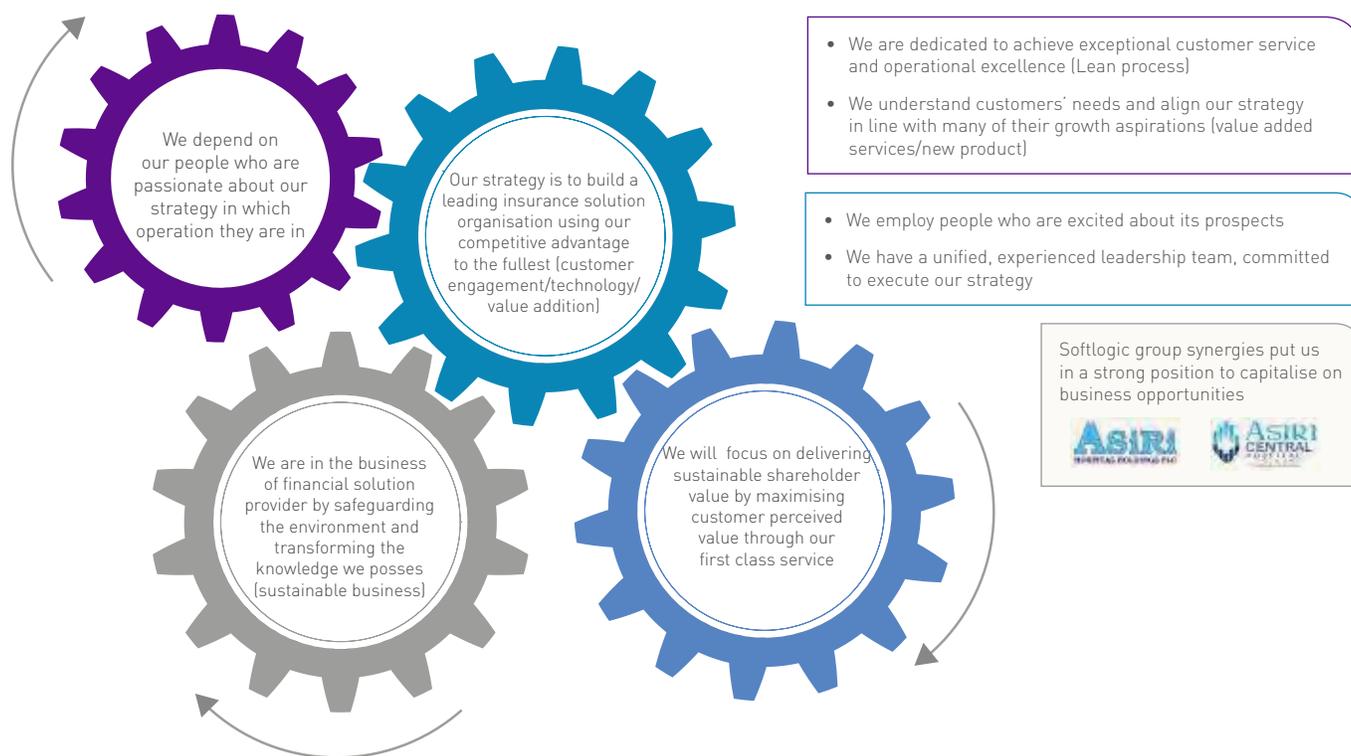
“Our strategy represents our commitment to the country and to the shared future that we intend to create for our customers, our people and all our stakeholders”

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 CUSTOMER'S 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, organisations and communities.

The Company is currently ranked fifth 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 customized to meet specific requirements of a diverse clientele.





BUSINESS MODEL

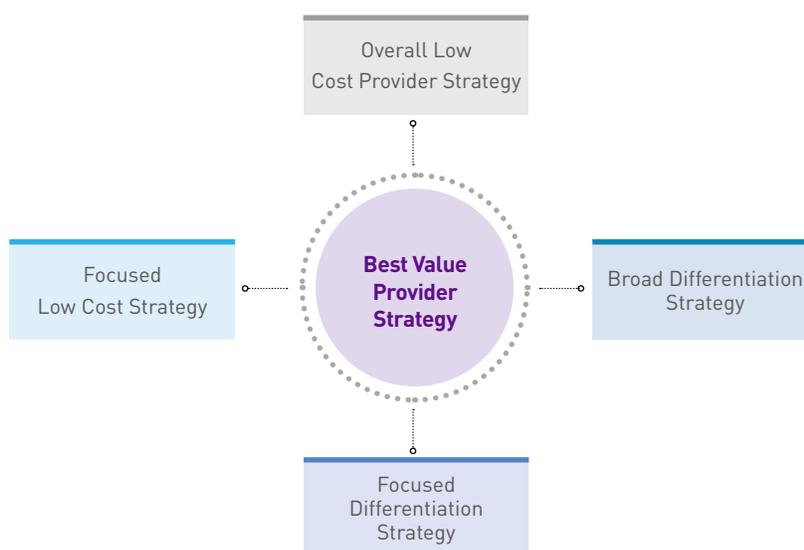
The diagram below depicts the drivers of shareholder value by each significant business segment and the key metrics used to measure value driver components. Detailed business model is provided on pages 12 to 13 of this report.

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 	<ul style="list-style-type: none"> Maintenance cost per policy Net customer cash flow Value of in-force covered business Variances to modelled expectations Cost of required capital Average Premium per Policy
	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 	<ul style="list-style-type: none"> Indexed new business Value of new business New business margin Distribution capacity (geographic presence and number of supporting intermediaries) Premium persistency ratio Average premium per policy
Available Capital	Return on Capital	<ul style="list-style-type: none"> Asset mix (Fixed vs Equity) Investment performance in each class of investment 		<ul style="list-style-type: none"> Investment return and reference to benchmark Dividend cover Capital Adequacy Ratio (CAR)

STRATEGY AND RESOURCE ALLOCATION

COMPETITIVE STRATEGY

The Company continues to operate 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 at an economical price by synergising Softlogic Group advantage and personalising customer engagement at a reasonable price (by maximising customer perceived value) utilising our team as well as innovative technological solutions in all our activities.



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 the 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 2018 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 52 to 55.

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 2018 and 2019 Plans

Details are summarised in the following table.

Strategic Objective	Key Initiatives Target for 2017	Progress 2018	Achievement	2019 Priorities
Embed customer and client centricity.	Expand branch network by another 15 branches.	Opened 10 new branches.	●	Expand branch network by another 10 branches.
	Engage with research activities to find more value propositions/customer product needs.	Carried out internal research and results are provided on page 141.	●	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 new products to the market.	●	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 141.	●	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 centre employees are detailed on page 144.	●	Plug in new technological advancements to enhance customer service.

Strategic Objective	Key Initiatives Target for 2017	Progress 2018	Achievement	2019 Priorities
Inspire and motivate our people.	Continue to engage with our employees.	Formal and informal employee engagement activities are provided on page 121 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 held in 2018. Details are provided on page 119 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 116 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 2019 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.

STRATEGY AND RESOURCE ALLOCATION

Strategic Objective	Key Initiatives Target for 2017	Progress 2018	Achievement	2019 Priorities
Sustainable return through operational excellence.	Improve performance and become more competitive in a sustainable manner.	The Company recorded historical performance during 2018 by achieving Rs. 10 billion top line and Rs. 3.3 billion of PAT. Financial highlights are provided on page 114.	●	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 142 - 143.	●	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 the company increased tab proposal and auto under writing detail	●	Focus on customer centric innovations to provide unmatched service to our customers.

Strategic Objective	Key Initiatives Target for 2017	Progress 2018	Achievement	2019 Priorities
Reshape our business to take account of trends in legislation and regulation.	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 SLFRS 16/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 2018	Achievement	2019 Priorities
Deliver as a relevant corporate citizen.	Continue to develop products which serve the needs of society.	Expand 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 149 to 159.	●	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;

We will accelerate our growth and market share

The Sri Lankan economy has sustained its economic growth at the rate of 3%-4% over the last few years consistently and is expected to achieve 5%-6% average growth and per capita income US\$ 5,000 by 2020, which will support the increase in living standards along with a lower inflation rate. The increasing rate of urbanisation and expanding labour force are leading to the rise of the middle class consumer, whose discretionary spending power is growing. Therefore, the insurance industry is expected to grow rapidly due to increasing rising incomes and retirement reforms. This economic growth, together with retirement reform, micro insurance legislation and increased urbanisation, offers market penetration opportunities in a country that has extremely low insurance (Life is 0.5%) penetration rates currently. In addition, the increase in ageing population in Sri Lanka requires individuals and employers, through group schemes, to make their own arrangements in this regard.



Key Value Drivers/Objectives

- Continue to develop a multi-channel distribution capability to broaden distribution reach utilising digital solutions where appropriate.
- Continue to manage within modelled assumption (policyholder behaviour and expenses).
- Continue to implement economic capital measurement and improve capital efficiency.
- Revise the leadership and talent management approach to cater to growth movement.
- Improve revenue from investment related and health related products.
- Increase in market share of 17%.
- Realise Average Premium per value of Rs. 140,000.
- Achieve First Year Premium Persistency level of 87%.
- Focus on attracting, developing and retaining skilled employees.

Improve our differentiation consistency



Key Value Drivers/Objectives

- Use technological development as a key competitive advantage tool and increase the level of service levels consistently in every area of the business.
- Develop and provide training on lack of knowledge areas.
- Achieve operational excellence.

Improve the brand name



Key Value Drivers/Objectives

- Winning key accolades from recognised institutions such as CA Sri Lanka.
- Continue investment in Softlogic Life brands.
- Deliver sustainable performance constantly.
- Maintain international rating for the Company.

Overtake key competitors on product and customer service



Key Value Drivers/Objectives

- Use innovation as one of the key drivers of business growth and operational excellence.
- Use technology as a key differentiator

Positive engagement with the regulators



Key Value Drivers/Objectives

- Ensure compliance with all regulatory requirements.
- Maintain the RBC ratio above the required level of 120% and determination above 100%.

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.

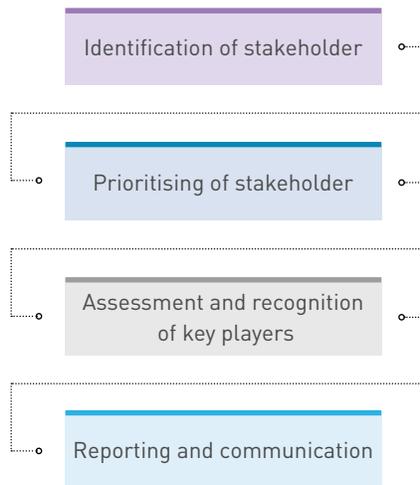
At Softlogic Life, engagement with stakeholders is intrinsic to the way we use our capitals to build value. We believe our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. Feedback from stakeholders help to develop strategies that generate 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 influence stakeholders hold the key to the environment in which the 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.



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 is affected by our activities? • Who has influence or power over us? • Who has an interest in our successful and or unsuccessful conclusion? 	<p>What financial or emotional interest do they have in the outcome of our work? Is it positive or negative?</p> <ul style="list-style-type: none"> • 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 us? 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 operations 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.

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 organisational 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 interesting 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 64 to 66 broadly set out issues raised by our stakeholders, and how we have responded.

PRIORITISING 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 prioritising is necessary for the better understanding and monitoring of our stakeholders and their needs. Hence we have identified our stakeholders based on

Figure : Mendelow Matrix for Prioritising of Stakeholders



STAKEHOLDER ENGAGEMENT

 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. 	Shareholder Meetings/Annual General Meetings	Consult	Annual	Company performance
		Annual Report	Inform	Annual	Company performance
	<ul style="list-style-type: none"> • Improved website which captures the required information content. 	Interim financial statements	Inform	Quarterly	Financial performance
		Announcements to CSE	Inform	As necessary	Company information
		Press conference and media releases	Remain passive	As necessary	Company information
		One-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. 	Customer satisfaction survey	Consult	As necessary	Service quality	
		Regular interactions at customer centers	Involve	On a regular basis	Customer complaints/ suggestions	
	<ul style="list-style-type: none"> • Systematic upgrading of customer centers to provide better service. 	<ul style="list-style-type: none"> • Operational dashboard. 	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. • Maintaining diversity and providing equal opportunity. • Introduce Whistleblower policy. • Form a Crisis Management structure. • Introduce office 360 to allow employees access to the email facility 24x7. 	Management Meeting	Consult	Weekly	Review business performance
		Company social events	Collaborate	Annual/Ad hoc	Work life balance
		E mail updates		On a regular basis	Operational changes
		Softlogic Life Facebook group	Involve	On a regular basis	Operational changes
		HR Portal	Involve	On a regular basis	HR information
		Employee direct meetings	Consult	On a regular basis	Open door policy
		WhatsApp and Viber	Involve	On a regular basis	Operational changes



GOVERNMENT AND REGULATORY AUTHORITIES

Key expectations/ commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	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. • Staying up to date on all regulatory changes. • Adopting regulatory changes well within the grace period. 	Directives and circulars	Consult	As necessary	Compliance
		On-site review by IRCSL	Consult	Annual	Compliance
		Press releases	Remain passive	As necessary	Compliance and information
		Meetings and discussions with Board and Senior Management	Consult	As necessary	
		Submission of returns and status reports	Inform	Periodic deadlines	Compliance
		Training and workshops organised by regulators	Consult	As necessary	Awareness and knowledge

STAKEHOLDER ENGAGEMENT

 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

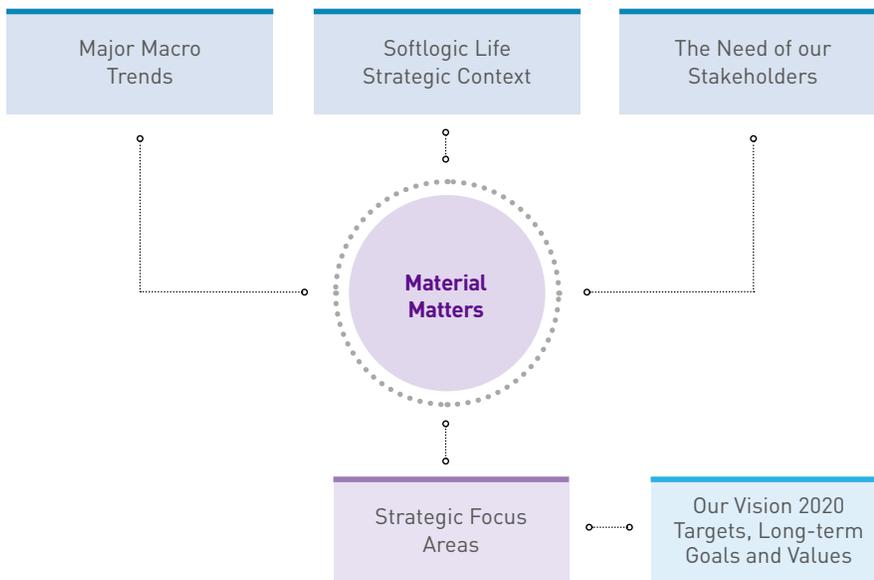
 COMMUNITY					
Key expectations/ commitments	Response Strategies	Method of Engagement	Level of Engagement	Frequency	Topics and concerns
<ul style="list-style-type: none"> Improve the welfare of the community by supporting health and safety related activities which vary based on geographic location / 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	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. 	<ul style="list-style-type: none"> Recycling of paper. 	Environmental projects	Collaborate	As necessary	Serve community
	<ul style="list-style-type: none"> Eco-friendly practices. 	Energy use and Efficiency	Collaborate	On a regular basis	Serve community



THE MATERIAL MATTERS SUPPORT OUR THOUGHT AND REPORTING PROCESSES, OUR GOVERNANCE AND STRATEGY DEVELOPMENT. EACH FOCUS AREA IMPACTS ON THE COMPANY'S ABILITY TO CREATE VALUE IN THE SHORT, MEDIUM AND LONG TERM. EFFECTIVELY MANAGING OUR MATERIAL ISSUES IS CRITICAL TO ACHIEVING OUR STRATEGIC OBJECTIVES AND MEETING OUR STAKEHOLDER'S EXPECTATION.

Figure: Process of assessing material aspect unsustainable strategic formulation



MATERIAL MATTERS AND OPERATING ENVIRONMENT

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 significant impact on our ability to deliver sustainable value to our key stakeholders. Material matters are derived from ongoing dialogue with our stakeholders (Refer stakeholder engagement section on page 64 for disclosure of method of engagement with our stakeholders) whom priority towards the matters identified as material shape with the changes in our operating environment.

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. As outlined in the GRI Standards, 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.

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 the Company and is compiled in accordance with guidelines laid down by GRI Standards ‘in accordance - core’ option. We reported previous year performance according to the GRI – G4 guideline and we strongly believe GRI standards enhance focus, transparency and objectivity of the reporting on our performance.

IMPORTANCE CONCEPT 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 engage with our stakeholders regularly to incorporate their views, requirements and priorities in our materiality determination process. This brings many benefits such as;

MATERIAL ASPECTS IMPACTING OUR BUSINESS

- 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 and be successful in the business.
- By communicating with stakeholders' early and frequently, we can ensure that they fully understand what we are doing, 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.
- Engaging with our stakeholders and understanding their concerns is critical to help our Company to identify it's 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 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

Table :- Softlogic Life's Material Matters

Material Aspects	Stakeholder	Relevant Capital	Materiality Assessment
1. Deliver sustainable financial results	Investor	Financial Capital	<ul style="list-style-type: none"> • Investors provide our financial capital. • Macro economic factors such as inflation, GDP growth etc. impact on our ability to generate sustainable return. • Intense competition within the industry bring many risk to our operational viability and affect to our performance.
2. Attract, develop and retain quality employees	Employees	Human Capital	Our people supply the necessary skills and expertise to deliver on our promises to stakeholders.
3. Place customers at the heart of our business decisions	Customer	Social & relationship capital	Customers purchase our products and services. Our existence in the business is their desire.
4. Enhance social relationship	Community	Social & relationship capital	Communities provide us with our social relevance, future customers and employees.
5. Strong bond with our business partners, which help to achieve our goals as well as their future prospects	Business Partners	Social & relationship capital	<ul style="list-style-type: none"> • Our field staff bring our products to customers. Therefore their action is vital for our success. • Re insurers provide significant business support to manage our liquidity position. • Expertise of actuarial partners is key to manage our business profitable manner. • Undisrupted sourcing ensure achieving our goals and targets in everyday operation.
6. Being a responsible business entity	Regulator/ Investor		Any non compliances, breach of law, unethical act could negatively affect our legal existence and commercial operations.

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.

The report was done in a manner 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 2017 was based on GRI-G4. Accordingly, we have amended, reclassified comparative information where necessary for better presentation and comply with GRI standards. The report presents key performance indicators with comparative information for the previous year which was reported for the period ended 31st December 2017.

SPECIFIC LIMITATIONS AND REPORTING

There were no limitation to report on GRI Standards from legal or compliance frameworks adhered by the Company or other reporting frameworks used to compile this report.

RESTATEMENT AND SIGNIFICANT CHANGES

There are no restatements or significant changes in scope and aspect boundaries compared to previous year other than those specifically required by the GRI standards.

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

Sub Topic Discussed/ Boundary	GRI Guiding Principle	Change in materiality of the topic	Reference
<ul style="list-style-type: none"> Financial performance Economic outlook of the country Insurance industry overview 	201-1	No Deviation	Refer financial capital report starting on page 72 Refer review of macro economic environment on page 36 Refer insurance industry overview on page 41
<ul style="list-style-type: none"> Talent acquisition and retention Training and professional development Career development Performance management Reward and recognition Fair pay and other benefits Engagement activities 	102-8/ 201-3/ 205-2/ 205-3/ 401-1 /401-2 /401-3 /404-1/ 404-2/ 404-3/ 405-1/ 406-1/ 205-1/ 408-1/ 412-1/ 412-2/ 412-3	No Deviation	Refer human capital report starting on page 106
<ul style="list-style-type: none"> Customer data privacy Understand our customer Our products Our superior customer service 	102-2/ 102-4 / 102-6/ 418-1/ 206-1/ 417-2/ 417-3	Increased ▲	Refer social and relationship capital report (Customer Section) starting on page 128
<ul style="list-style-type: none"> Youth empowerment Agile campaign Providing financial support to build dreams of people 	413-1/ 413-2/ 415-1	No Deviation	Refer social and relationship capital report (Community Section) starting on page 149
<ul style="list-style-type: none"> Field Staff Re insurers Actuarial Partners Other Suppliers 		No Deviation	Refer social and relationship capital report (Business Partners Section) starting on page 160
Corporate Governance	102-18 / 415-1	No Deviation	Refer corporate governance section starting on page 189

received from key stakeholders as part of our engagement process. We believe that our priority issues are deeply relevant to our ability to succeed as a business. Table below provide comprehensive overview of our material matters including basis for materiality and topics discussed.

PRIORITISING ISSUES

The outcome of above engagement process enabled us to prioritise the issues that are most material to our business and to our stakeholders at the present. The matrix outlines our material issues against priority to company and its stakeholders. It also indicates where the primary impacts of the issues occur in terms of our stakeholders, and whether they are internal or external to our business. Finally, it refers the chapters of this report where discussion regarding the issues can be found.

HOW WE OPERATIONALISE MATERIAL ISSUES

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 59 - 61.

ASSOCIATIONS MEMBERSHIPS

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)

Figure: Priority issue matrix - Materiality matrix



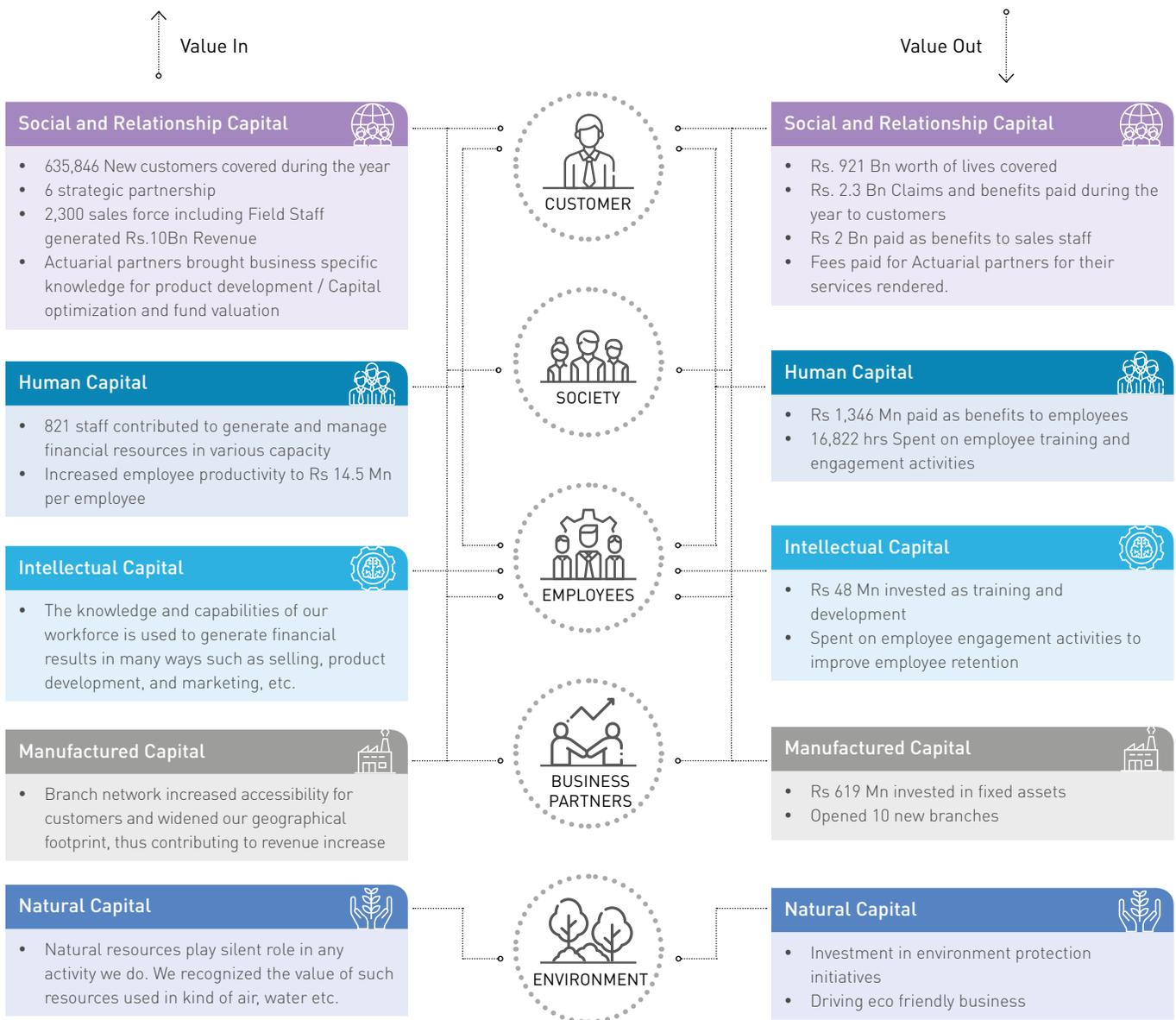
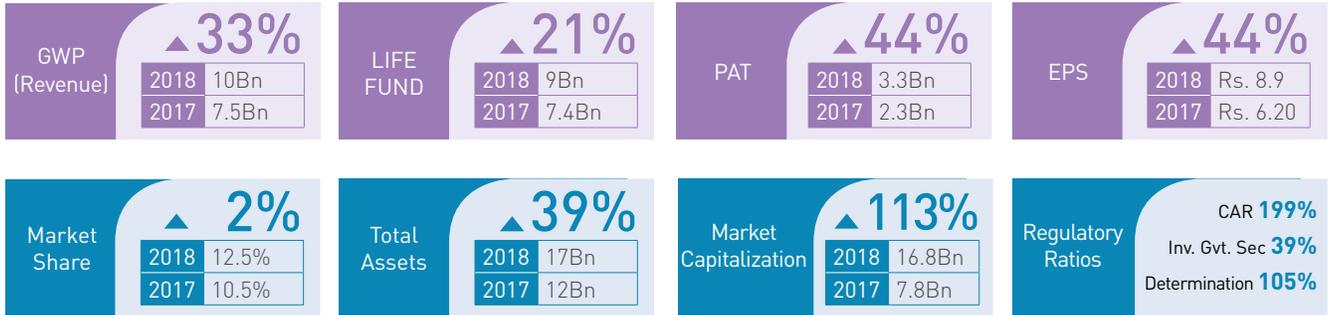
VIEW FROM THE TOP

MANAGEMENT DISCUSSION & ANALYSIS OUR PERFORMANCE

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FINANCIAL CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2018



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

KEY PRIORITIES FOR 2018 AND ITS PERFORMANCE

Financial Goal (%)	KPI	Achievement		
		2018	2017	2016
GWP Growth	20%	33	34	38
ANBP Growth	25%	23	24	26
PAT Growth	10%	44	58	(3)
ROE	20%	63	79	48

SHORT TO MEDIUM TERM PRIORITIES

- Maintain GWP growth over 20%
- Maintain ANBP growth over 25%
- Maintain PAT growth over 25%
- ROE above 20%

KEY CHALLENGES



Intense competition and competitor actions brought additional pressure to achieve company's revenue targets



Unhealthy price war shrink product margin on corporate business and negatively affect profitability of the company



Managing premium persistency (retention) at expected level



Continuous declining equity market brought investment losses to income statement.



Managing expenses while supporting to growth momentum of the company.

KEY STRATEGIES EXECUTED

- Introduction of unmatched superior products to cater competition (5 new products launched)
- Unique customer centric service (i.e one-day death claim settlement) with personalize customer service
- Training and developments to strength our selling process
- Unique marketing campaign (Highlights of Life Insurance as propositions other than death benefits) to position brand in the market

- Introduction of product / service differentiation
- Reinsurance expense optimization by better negotiation with reinsurers

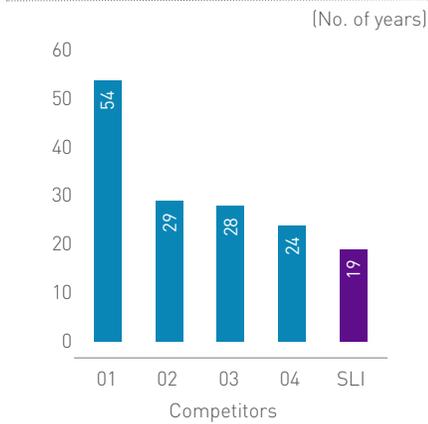
- Continues improvement of average premium value per policy as there is positive correlation between policy value and retention of policy
- Revamp of Policy Conservation Unit – PCU (unique center only focus to collect the premiums from customers by personally visiting them)
- Revamp of sales incentive structure to improve retention level
- Introduction of new KPI's to sales distribution management (13th month premium persistency)

- Detail analysis of investment portfolio and find exist strategy for stop further loss
- Channel new funds to non-equity investments opportunities

- Introduction of technical solutions (i.e. Digitalisation of underwriting/ claims/servicing and collection process) to absorb additional volume without increase of additional cost
- Business expansion decisions such as new branch openings are done after detailed evaluation
- Proper monitoring of branch performance and taking actions accordingly

FASTEST TO REACH RS. 10BN REVENUE - YET ANOTHER INDUSTRY RECORD

NO.OF YEARS TAKEN TO ACHIEVE RS.10BN GWP



Softlogic Life is the only company to cross Rs. 10 Bn revenue in 19 years of operation in the Sri Lankan insurance industry

Softlogic Life crossed the Rs. 10 Bn revenue milestone during the year, achieving yet another landmark record in Sri Lanka’s insurance industry. The company’s differentiated product portfolio, operational efficiencies, sound financial management, robust governance framework, and market-leading innovative solutions formed the foundation of this accomplishment. We are proud that this feat was achieved by us in 19 years since inception, whereas other industry players took more than 24 years to achieve revenues of Rs. 10 Bn.

FINANCIAL REVIEW



2018 WAS AN HISTORICAL LANDMARK FOR THE COMPANY AS IT CROSSED THE HIGHEST-EVER TOP LINE OF RS. 10BN AND PROFITABILITY OF RS. 3.3BN, BY ACHIEVING MARKET LEADER STATUS IN ABSOLUTE (HIGHEST GROWTH IN VALUE) GWP GROWTH OF RS. 2,475MN. WE STRONGLY BELIEVE THAT CORRECT FINANCIAL DISCIPLINE IS THE KEY TO OUR SUCCESS

OVERVIEW

The Company’s overall performance was exceptionally good during the year 2018 despite the persistent volatility in the macro-economic environment, such as volatility in interest rates and adverse investment climate 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

(last five-year compound annual growth of the company was 35% against an industry average growth of 16%) 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 market working conditions.



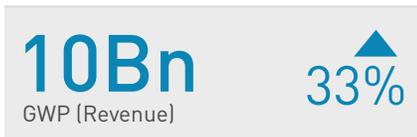
Another year of being the Highest Market Share Gainer in the Industry by 2%

For the first time in the history of Sri Lankan Insurance industry, the Company was amongst the Top 3 for the Life Insurance Company of the Year Award as adjudged by Asia Insurance Review at the 22nd Asia Insurance Industry Awards 2018. Softlogic Life is the only South Asian Insurer to be shortlisted as a finalist in prestigious ‘Life Insurance Company of the Year’ category. Softlogic Life was shortlisted for this coveted accolade for encouraging the growth of Life Insurance as a core component of the financial industry while showcasing leadership, product innovation and excellent customer service through different service channels.

GWP FIVE YEAR CAGR



THE COMPANY POSTED



Strategic Analysis of Income Statement

The income statement reflects the revenue generated by the Company and the costs incurred in generating that revenue including the benefits paid to customers. The analysis below discusses the financial performance of the Company and the principal earning drivers for exceptional growth with individual material income statement items, including the core strategies used to achieve the performance of the company with respective initiatives.

GWP YOY GROWTH



“ IN THE FORMATION OF OUR STRATEGY, FINANCIAL CAPITAL REQUIREMENTS FORECASTS AND AN ACCOMPANYING FINANCIAL CAPITAL PLAN ARE FORMULATED. ASSUMING NO SIGNIFICANT UNFORESEEN EVENTS, WE ARE COMFORTABLE THAT OUR STRATEGY WILL NOT BE CONSTRAINED BY LACK OF AVAILABLE FINANCIAL CAPITAL.

Our Management Approach to Financial Capital

The Company’s financial capital consists of equity and cash flow generated from the operation including investment income.

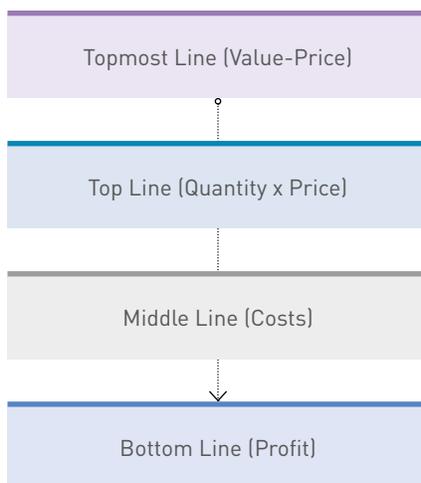
In the formation of our strategy, financial capital requirements forecasts and an accompanying financial capital plan are formulated. Assuming no significant unforeseen events, we are comfortable that our strategy will not be constrained by lack of available financial capital.

In managing our financial capital, we closely monitor our inflows and outflows on a monthly basis and use budgeting as a controlling mechanism. The performance indicators are tabled at regular management meetings and board meetings. Future action plans are debated and agreed upon, aligning those to the short /medium term strategy of the Company.

Monthly financial reports are prepared in accordance with financial reporting frameworks adopted, as described in the “Reporting Frameworks” on page 6 and circulated to senior management and the board of directors.

Our unique way: Softlogic Life Approach to Income Statement

At Softlogic Life, what we continue to emphasise is to maximize “Topmost line of the customer” - where customer perceived value from using our service / product against the price paid for the product by the customer and “Middle line”, which signify expenses of the company, are strategic controllable value drivers of the Company.



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)

FINANCIAL CAPITAL

Snapshot of Performance - Income Statement

The following table shows our sustainable value generation over last three years.

Table: Snapshot of Income Statement

Description - Rs. Mn	2018	2017	2016	Growth % 2018 vs 2017
Gross Written Premium / Revenue	10,006	7,531	5,636	33%
Reinsurance Expenses	(727)	(802)	(633)	(9%)
Net Earned Premium	9,279	6,729	5,003	38%
Investments Income and Other	954	1,069	664	(11%)
Operating Revenue				
Total Net Revenue	10,233	7,798	5,666	31%
Net Benefits and Claims	(2,339)	(1,223)	(1,072)	91%
Change in Insurance Contract Liability	(1,501)	(1,315)	(288)	14%
Change in Contract Liability due to transfer of one off surplus	-	798	-	(100%)
Underwriting and Net Acquisition Cost	(2,044)	(1,831)	(1,580)	12%
Operating, administration and finance expenses	(3,254)	(2,322)	(1,849)	40%
Profit Before Tax*	1,284	1,107	967	16%
Profit Before Tax(Reported)	1,095	1,905	967	(43%)
Profit After Tax	3,336	2,325	967	44%

*Adjusted for Regulatory release of One Off Surplus Rs. 798Mn (2017) and write off of Notional Tax receivable, Deferred Tax related Levy and provision for receivable from sales of subsidiary in 2019.

GROSS WRITTEN PREMIUM (GWP)

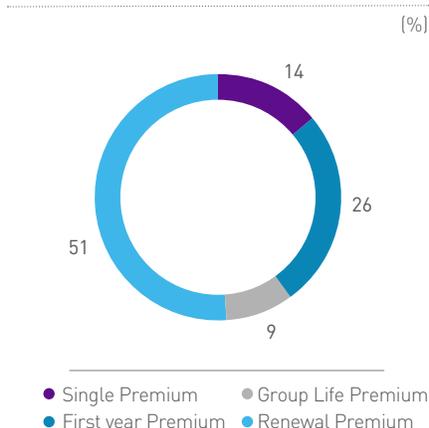
Gross written premium is analysed under following captions as tabulated below:

GROSS WRITTEN PREMIUM



- Commentary
- Key Challenges
- Strategies executed
- Key Value Drivers

COMPOSITION OF LIFE INSURANCE GWP



COMMENTARY

Softlogic Life ("The Company") being most innovative Life Insurance Company in Sri Lanka, recorded last five-year compound Annual Growth Rate (CAGR) of 35% against 16% (as shown in the graph "Gross Written Premium" provided in below) of the Industry average. This was possible as we understood customer proposition better and treated those "TOP OF THE LINE OF CUSTOMER NEEDS" as core part of our strategy. Our financial capital was uplifted by strong performance during the year by surpassing Rs. 10Bn mark by marking another industry record by being fastest life insurance company to achieve the Rs. 10Bn mark and recording more than three times than the industry growth.

The Company's GWP can be categorized to First-Year Premium (FYP), Renewal Premium (RP), Single Premium and Group Life representing the premium charge to underwrite the risk associated with those products. The Company recorded the highest GWP growth in the industry, accomplishing 33% year-on-year growth while industry growth was 12%. During the year, the company became the market leader for absolute growth of GWP, amounting to Rs. 2,475 Mn in second successive years. FYP GWP represents the Premium received from new business (policies underwrite within one year) which recorded a growth of 26%, which is more than double the industry average growth of (9%). Renewal Premium also grew by 20% during the year, contributing to 52% of the total GWP. Single Premium GWP and Group Life Premium contributed of Rs. 2,255 Mn, which is 23% contribution to GWP while Single Premium GWP and Group Life Premium contributed of Rs.851 Mn (14% contribution to GWP) and Rs.1404 Mn (9% contribution to GWP) respectively.

The Company is now ranked in the number two position in the league of single premium market as well as Group life market in the industry. Single premium GWP mainly consist of Decreasing Term Assurance (DTA) cover and Group life consists of corporate life insurance solutions. The conventional life business GWP composition of FYP / RP is marked as 33%/67% in 2018 compared to previous year of 32% / 68%. The change in the mix shows how fast the company grew in terms of new business.

Channel-wise performance and mix

The company operates mainly three channels: Agency channel (agency model), Alternate channel (launched in the second half of 2016, which mainly focus on bancassurance/ corporate life insurance solutions) and the Micro and Mobile (introduced in the second half of 2017), which predominantly focuses on the Micro insurance segment of the industry. According to table below, dependency on the agency channel dropped from 84% to 77% during the year while all the channels recorded significant growth, resulting in reducing the concentration risk of the company's revenue generating from one stream of agency channel. Alternate channel, formed two years ago, recorded Rs. 2.2Bn GWP, which is stand along distribution channel of Softlogic Life now bigger than 7 life insurance companies in Sri Lanka.

Table: Channel mix

Channel	GWP 2018 (Rs.Mn)	GWP 2017 (RS.Mn)	Growth	Mix 2018	Mix 2017
Agency	7,710	6,320	22%	77%	84%
Alternate	2,203	1,210	82%	22%	16%
Micro / Mobile	92	1	91%	1%	0%
Total	10,005	7,531	33%	100%	100%

SEGMENTAL GWP ANALYSIS AND CLASS-WISE PERFORMANCE

During the year 2018, Endowment products made the highest contribution to overall GWP, amounting to 77% (2017 - 84%), whereas Non-endowment products, which include Decreasing Term Assurance, Corporate Group Life and Investments contributed 23% (2017 - 16%) to the GWP. Details of product mix are provided in graph below for the years 2018 and 2017 respectively.

GWP from Decreasing Term Assurance Policy (DTAP) base marked exciting growth of 129% over the previous year to become the second-highest single premium business generator in the industry as shown in table "Market positions of Single Premium and Group Life market". DTAP revenue contributed 11% to the total GWP during the year 2018, against 6.5% recorded in 2017. The Group Life premium achieved 7% contribution to total GWP against 4.8% in 2017. The company is ranked third for Group life in terms of market position as shown in table overleaf. Presently, the company has market share from single premium GWP and Group life amounting to 19% each.

Total contribution from Investment life products reduced to 3% from total GWP which is a drop from 5% reported in 2017 due to strategic decision taken by company to optimize the product mix to improve the profitability of the company. The newly-introduced Micro and Mobile channel also generated Rs. 92 Mn,

contributing 1% to the total revenue. Bancassurance (Excluding DTA) GWP brought the smallest revenue stream to the company at Rs.11 Mn as against Rs. 8 Mn in 2017.

Details of segment contributions from each class of products are provided in graphs below for the period ended 2018 and 2017 respectively.

GWP CLASS WISE COMPOSITION 2018



GWP CLASS WISE COMPOSITION 2017



Table: Market positions of Single Premium and Group Life market

Name of the competitor	Single Premium		
	GWP (Rs.Mn)	Rank	Market share%
Competitor A	2,930	1	39%
Softlogic life	1,404	2	19%
Competitor B	751	3	10%
Competitor C	603	4	8%
Competitor D	428	5	6%
Total from other players	1,346		18%
Total	7,462		100%

Name of the competitor	Group Life		
	GWP Mns	Rank	Market share%
Competitor A	1168	1	27%
Competitor B	942	2	22%
Softlogic life	852	3	19%
Competitor C	588	4	13%
Competitor D	311	5	7%
Total from other players	529		12%
Total	4,389		100%



KEY CHALLENGES IN 2018

- Intense competition and competitor actions brought additional pressure to achieve company's revenue targets resulting negative variance of 4% with the budgeted GWP of agency channel.
- Unhealthy price wars shrink product margin in corporate business and negatively affect profitability of the company .
- Endowment bancassurance segment did not perform as expected during the year and the company experienced significant negative variance with the budget.

However, cautious monitoring and strategies executed during the year resulted to achieve GWP budget by 100%. Details of strategies are discussed under key strategies in below.



KEY STRATEGIES EXECUTED IN 2018

- The Company continually focuses on delivering first-class service / products to customers by differentiating itself from competition, which has enabled it to achieve sustainable growth in GWP - not only in the current year but also the last five years, by providing more customer-centric innovative solutions; differentiation of product offering (offering innovative life insurance solutions not only merely focus on death but more propositions such as health solutions which focus on improving the quality of the life); and creating competitive advantage which is the specialized knowledge of our sales force. Key innovations covering services as well as
- product propositions in year 2018 are provided on pages 136 to 140 which proved instrumental to support exceptional service delivery. Some of the innovations are benchmarks in the insurance industry in Sri Lanka and which created a paradigm shift in the life insurance industry in Sri Lanka.
- The Company grew more than three times of industry GWP growth mainly due to implementation of market penetration strategy, by expanding geographical footprint by 10 during the year (98 as at December 2018) in the Agency channel (which focuses on Endowment life insurance products) as well as by expanding the newly-established Alternate channel through the strategic business partnership 6, while focusing on strengthening existing relationships with strategic partners such as commercial banks, other affinity partners and corporates, in order to improve the growth from DTA (credit life), bancassurance and Group life business, which resulted in additional GWP growth of Rs. 1Bn during the year.
- Growth of the Revenue also contributed by use of product development strategy as during the year the company launched 5 new products which offer unique customer propositions to trump competition. We use our well diversified product portfolio as one of the key differentiator - a customized product suite which help to offer solutions to the individual based on their respective needs. (Refer our product portfolio on page 136 to 140).
- Softlogic Life's unique business model of premium follow-up from the second year of the policy by

our specialized unit of PCU (Policy Conservative unit) aids the effective follow-up renewal Premium. PCU enabled us to record and maintain increased renewal Premium by Rs. 877Mn. Further, this helped to increase premium persistency, consistently maintained well above the industry average level as provided in the table "Performance of Key value drivers 2014-2018" of key value drivers last five years, which is the one of the critical success factor of the company to maintain this robust growth over last 5 years. Also, in order to further improve the performance of renewal GWP, the company revamped the PCU model and decentralizes operations during the year. It will now be operated from 12 Strategic Business Units (SBU's) of the company.

- The Company revamp incentive structure of the agency channel to further improve year 1 persistency along with new key performance index's as which monitor retentions from 3rd, 6th, 9th, 12th and 13th month level and facilitate this management information system also modified during the year which also contributed growth of the first year premiums by 26% during the year despite challenging economic conditions.
- As part of Diversification strategy the company launched two unique propositions to the market during namely Softlogic life good health series product and Corporate pension product which completely target new customer segment as well as distributing via new channel. Good health product comprehensive long term health product with overseas coverage on individual basis for high net worth customer segment and employees of corporates which provides a decent health coverage including overseas hospitalization and medical treatments which reinsured by global reinsurance giant, Assicurazioni Generali SpA, ranked 59th on the 2017 fortune 500 list. In addition to above the company launched corporate pension product which designed to cater the retirement needs of the corporate sector employees which is again focus of new customer segment resulting further improving competitive position of the company.
- Digitalization of distribution process was one of the critical priority we had during the year resulted increase on digital underwing to 64% as well as introduction of underwriting platform used by strategic partners resulted big time saving at the underwing process as well as greater convenience to the customer as well as ensure the speedy receipt of the cover accurately. This is the key differentiator specially which resulted improving the convenience of purchasing DTA policies from banks
- In order to manage competition from corporate business, the company uses service differentiation such as 1-day claim settlement and other value added services which leverage on group synergies generated from the Asiri Hospitals Group.
- Industry-first innovations helps us lead in superior customer service which is instrumental for enhancing our competitive position and to achieve revenue growth. (Refer page 142 for our innovative solutions)



KEY VALUE DRIVERS TO ASSESS GWP PERFORMANCE

Key Value drivers relating to GWP

In the life insurance industry, GWP achievement mainly depends on the performance of key value drivers. These include value drivers such as Annualized New Business Premium (ANBP), Average Premium per Policy (APP), Premium Persistency and Advisors productivity in terms of ANBP as well as first year premium, capacity of the field managers and number of new products.

The key success factor has been to maintain sustainable growth that surpasses the industry over the last eight years due the sustained focus on improving key value drivers. Details of key value drivers for last five years are provided in the table below:

Table: Performance of Key value drivers 2014-2018

Description	2018	2017	2016	2015	2014	Change % 2018 Vs 2017	Industry Average**
Annualised New Business Premium* (ANBP) Rs. million	3,325	2,706	2,182	1,725	1,247	23%	N/A
Average Premium Per Policy (Rs)	128,887	113,375	99,573	86,667	81,639	14%	Rs. 38,000/48,000
Persistency Ratio - year 1 (%)	84	84	83	82	79	0%	60%
Persistency Ratio - year 2 (%)	63	64	66	63	58	-2%	N/A
Persistency Ratio - year 3 (%)	55	59	57	52	57	-7%	N/A
Average ANBP per Agent Rs. million	1.4	1.5	1.4	1.3	1.1	-7%	N/A

** Extracted from the Industry Laps Study 2017

* Endowment products

COMMENTARY ON KEY VALUE DRIVERS

Annualised New Business Premium (ANBP)

The Company recorded a 23% growth during 2018 maintaining last five year CAGR of 28% sustainable growth in the history. ANBP is a critical success factor of GWP growth and considered as the quantum of new business generated for a period of 12 months. This is considered a historical achievement in the history of the insurance industry of Sri Lanka.

Average Premium Per Policy/ Average Policy Value

Average policy value increased to Rs. 128,887 in 2018 from Rs 113,375 recorded in 2017 in the Endowment business, which is significantly above the industry average of Rs. 38,000 - 48,000. This demonstrates the quality of the business we underwrite, as studies show that policies with higher value tend to have higher premium persistency / higher retention) This is also the main contributory factor to our remarkable growth in GWP, as in the last five years, average premium per policy increased to Rs. 128,887 from Rs. 81,639 (2014) as a result of continuous training of field agents and strong focus on market segments.

Premium Persistency/ Retention 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 79% (Year 2014) over last five years, whereas industry average is around 50% - 60%. The company maintained 63% and 55% persistency levels for year 2 and 3 respectively, which is considered significantly higher than industry average mainly due to the unique premium collection follow-up done by the PCU from year 2 onwards of the policy (where agents are not responsible for premium collections after one year of the policy). However, during the year, we noted that there is drop of 1% and 4% of retentions for year 2 and 3 policies compared to 2017 mainly due to unstable political and economic conditions of the country during the year under review.

As part of continuous improvement of the process, during the year the company revamped the agent incentive structure to further improve the year 1 persistency as well as changed the whole PCU model and decentralized operations.

Average ANBP per Agent and capacity

Productivity of the Agency channel is a vital value driver to the company. During the year, ANBP per Agent increased to Rs. 1.4 Mn from Rs.1.5 Mn. Also as part of capacity development field staff increased to 2,300 from 1,854 in 2018.

PERFORMANCE OF GWP IN RELATION TO INDUSTRY - OVERALL

The company recorded an impressive growth of 33% in year 2018, which is well above the industry growth of 12%. Softlogic Life was able to deliver results well above the industry average growth during the last five years as shown in figure below. Accordingly, the company was able to deliver five-year compound growth of 35%, while industry average was 16% for the same period. Further to this, the company recorded the highest absolute growth in GWP and became the market leader in GWP growth in year 2018 by recording Rs. 2,475 Mn for the second successive year.

INDUSTRY AVERAGE GROWTH VS SOFTLOGIC LIFE GROWTH 2014-2018



PERFORMANCE OF GWP IN RELATION TO INDUSTRY – CLASS-WISE PERFORMANCE

The company recorded growth of 26% and 20% in First-Year Premium Income and Renewal Premium Income respectively, which marks a 85% contribution to the company's top line, well above the average industry growth of 9% and 12%. Table below presents a comparison of Softlogic Life's class-wise GWP performance with the average growth of industry along with contribution to the top line.

Table: Class-wise Income performance of Softlogic Life vs Industry

Description (Rs. Mn)	Softlogic Life				Industry			
	2018	2017	Growth %	Mix 2018 %	2018	2017	Growth %	Mix 2018 %
First Year Premium	2,563	2,039	26%	26%	19,782	18,205	9%	25%
Renewal Premium	5,188	4,311	20%	52%	48,431	43,108	12%	61%
Group Life Premium	851	360	137%	9%	4,389	4,199	5%	5%
Single Premium	1,404	821	71%	13%	7,462	6,080	23%	9%
Total	10,006	7,531	33%	100%	80,065	71,592	12%	100%

* Source: Industry GWP data circulated by IASL 2018

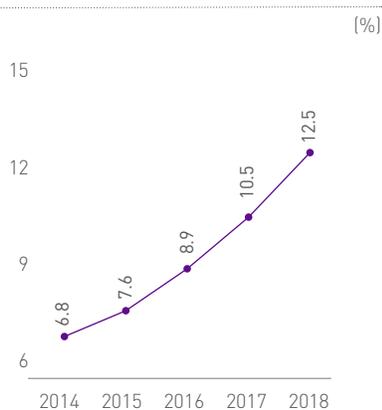
MARKET SHARE

The Company's market share increased by 2% during the year, which is the highest market share growth reported in the industry during 2018 for the consecutive second year. Further, the company reported absolute growth of GWP amounted to Rs. 2,475 Mn which is the highest absolute growth recorded by the company for a second successive year.

Details of last five years' market share movement of the company are provided in graph below. According to this, the company doubled its market share within a short period of five years. Also, Softlogic Life is the only company with continuously increasing market share in past years as per graph below

Graph: Market share Softlogic Life

MARKET SHARE



MARKET SHARE GROWTH TOP 5 PLAYERS-2014-2018

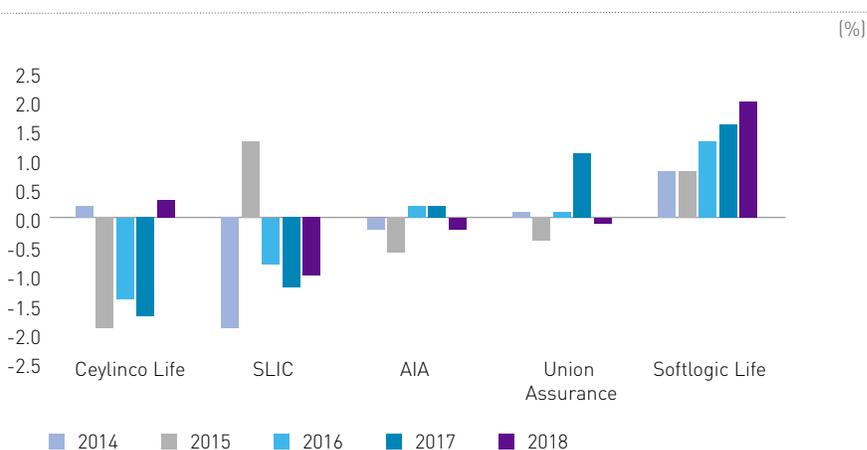


Table: Market Share of Key Players in the Market

Description	Total GWP Rs. Mn			Growth %	Market Share		Change %
	2018	2017	Change		2018	2017	
Ceylinco Life Insurance PLC	17,848	15,765	2,083	13%	22%	22%	0.3%
Sri Lanka Insurance Corporation	13,206	12,517	689	6%	17%	18%	(1.0%)
AIA Insurance Lanka PLC	12,739	11,511	1,228	11%	16%	16%	(0.2%)
Union Assurance PLC	11,177	10,118	1,060	10%	14%	14%	(0.2%)
Softlogic Life	10,006	7,531	2,475	33%	12.5%	10.5%	2%
HNB Assurance PLC	4,419	3,963	456	12%	6%	6%	0.0%
Other Players	10,670	10,187	482	5%	13%	14%	(0.9%)
Total	80,065	71,592	8,473	12%	100%	100%	

Source: Industry GWP Circulated by IASL 2018

FINANCIAL CAPITAL

PERFORMANCE OF GWP IN RELATION TO INDUSTRY – CHANNEL CONTRIBUTION

Agency channel contributed 77% to GWP of the company, becoming the largest channel of the company. However, direct channels of the company too have grown rapidly during the year, increasing their contribution by 7%, contributing to 23% of the revenue mainly due to strategic partnerships between bancassurance partners and other strategic affinity groups. This demonstrates the efficacy of the company’s strategy to reduce concentration risk of one channel by diversifying its revenue streams.

Table: Channel contribution Softlogic Life vs Industry

Description Rs. Mn	Softlogic Life Mix 2018 %	Softlogic Life Mix 2017 %	Industry Mix 2018 %	Industry Mix 2017 %
Agency Channel	77	84	85	86
Direct Channels	23	16	15	14
Total	100	100	100	100

REINSURANCE EXPENSE

Reinsurance Expenses are analysed under following captions as tabulated below;

-  Commentary
-  Key Challenges
-  Strategies executed
-  Key Value Drivers
-  Critical Success Factors

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

REINSURANCE EXPENCES AS A % GWP



KEY CHALLENGES IN 2018

- The Company has on board the world’s largest reinsurance panel with diverse experience and capacity. Since the insurance market in Sri Lanka is not significant enough for them, we were disadvantaged in discussing terms of arrangement, but the Company was able to prove the future prospects for the company based on the proven track record.
- During the year under review and in the recent past, the company introduced many new innovative products to cater to new customer requirements in every angle. Since the Sri Lankan life insurance market is traditional, it is challenging to convince reinsurers to prove the requirement in the market at the initial stage, hence they tend to offer features with higher prices until they get used to it.
- The Inland Revenue department introduced a withholding tax for reinsurers which resulted in an increase in the cost of reinsurance unless both countries have double tax agreements.

COMMENTARY

The premium ceded to reinsurers (Reinsurance Expense - RI) of the Company reduced by 9% ,declining to Rs.727 million in 2018 from Rs. 802 million in 2017. Accordingly, Reinsurance ratio was brought down to 7.3% in 2018 from 10.7% in 2017. The reduction is a result of RI optimization done during 2018 which is further elaborated in “Strategies executed in 2018” section below. The company transfers sufficient and optimal level of the portfolio risk to its reinsurers as a risk management policy of the company. Our reinsurance panel consists of the world’s largest multinational reinsurers such as Munich Re, RGA, TOA Re, SCoR and Assicurazioni Generali SpA. The company wants reinsurance arrangements to manage underwriting risk and provide better safeguard to its valued customers. Reinsurers provide assistance in underwriting and pricing expertise in addition to the traditional risk transfer mechanism.

Please refer page 367 review for more information.

KEY STRATEGIES EXECUTED IN 2018

The Company's Reinsurance panel represents the world's largest reinsurers and their expertise was well received by our dynamic portfolio of customers. The company took strategic decision to analyse and evaluate reinsurance outgo on the existing products by leveraging on the expertise of the reinsurance broker. Accordingly, the company assessed the portion of risk covered by reinsurers against the premium they charged and was able to discuss better financial arrangements where both parties are benefited using the expertise of the reinsurance broker. The company has transferred its health portfolio to world-leading Reinsurers, namely, SCOR and Toa Re as a strategic initiative in order to capitalize on their expertise and enhance its own competitive edge, which will ultimately benefit customers. These Reinsurers are rated A+ and A respectively by rating agency A.M Best.

In addition, the Company transferred Group Life Reinsurance agreement with increase in retention level to Rs. 1 Mn from RGA in order to eliminate impact of withholding tax by using double tax agreements. The Company firmly believes in offering an industry-best Reinsurance panel in terms of strength and diversity that will add great value to our customers as well as to the Company.

KEY VALUE DRIVERS

The Company monitors the reinsurance ratio as % to GWP, as a key value driver at participative and non-participative fund level as well as product class level, while accurately managing our portfolio risk through reinsurance arrangements and optimizing our portfolio. Details of reinsurance experience is key driver to the annual reinsurance negotiations.

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 and improves the confidence level of customers as their future benefits are backed by the world's largest multinational reinsurers in addition to the local company. Further, we have a mutual understanding with our reinsurers to monitor profit margin of reinsurers to diversify these benefits to our customers where possible without harming 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 2018, the Company's NEP reached Rs.9.3Bn, recording a notable growth of 38% from Rs. 6.7Bn in 2017. The steady increase in NEP was predominantly due to the robust performance in GWP as well as reinsurance optimization which resulted in lower outgo as reinsurance expenses. Further, NEP % to GWP increased by 4% to 93% from 89% in year 2017 mainly due to slight shift from product mix as well as lower reinsurance outgo.

INVESTMENT AND OTHER OPERATING REVENUE

Details are analysed under following captions as tabulated below;

	Commentary
	Key Challenges
	Strategies executed
	Key Value Drivers

Details of Investment and other Operating Revenue is provided below;

Description - Rs. million	2018	2017	Growth
Finance Income	954	875	9%
Net Realized Gains	96	51	88%
Net Fair value (Losses) / Gains	(98)	96	-202%
Total Investment income	952	1,022	-7%
Other Operating Income	1	47	-98%
Total Investment and Other Operating Revenue	953	1,069	-11%

COMMENTARY

This represents the income generated from the investment portfolio that the Company manages in order to match the liabilities of the company. Even though the respective assets base grew by 21%, income recorded overall downside growth of 7% excluding the other operating income. This was mainly because of the fair value loss of Rs.98 Mn against the gain of Rs. 96 Mn due to the adverse performance of the equity market. However, income from fixed income securities grew significantly due to increase of the government security rates (risk-free curve shift upward by average 250 basis point during the year) as well as debenture offers made by commercial banks in order to improve their capital position. Detailed analysis of investment portfolio is provided in page 98 to 100 under performance of the investment portfolio.



NET INSURANCE BENEFITS AND CLAIMS

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

	Commentary
	Key Challenges
	Strategies executed
	Key Value Drivers
	Critical Success Factors

KEY CHALLENGES IN 2018

During the year, the overall equity market did not perform well in Sri Lanka and an overall drop of 5% in the All Share Price Index generated continuous losses in the trading portfolio as well as overall yield which dropped by average of 6,052 basis point. However, due to efficient management of investment portfolio, such as selective investment of equity and alternate method of investments, the company was able to minimize the losses and bridge the gap of the investment income against the budget.



KEY STRATEGIES EXECUTED IN 2018

The Company strategised its investment management by converting its loss making trading investment portfolio into fixed income securities where possible. Further, the company closely monitored the market to capitalise on emerging opportunities and matched future cash flow requirements in the short, medium and long term. However, the company still maintained its trading portfolio with lower acceleration with a long term view since we felt key fundamentals of these investments are sound. Since the equity market did not perform upto expectations, the company shifted some of the new inflows to fixed income securities such as Debentures, Deposits etc.



KEY VALUE DRIVERS

The company monitored expected yield of the investment before embarking on new investment along with the Cash Flow Matching (CFM) and ensured expected yield did not fall below the yield's long term expectation as the company understood the importance of matching Assets and Liabilities. Also, in order to achieve the expected profitability, overall investment strategy is designed to fund level separately for the Participating and Non-participating fund.



In the Life insurance business, the main expense is claim expense. Insurance claim expense includes claims due to death, disability or hospitalization, which are categorized as pure claims. Further, Life insurance policyholders are entitled to maturity proceeds and interim payments (i.e. payments made before the expiry of the policy) and so on. In addition, policyholders may request to surrender (cancel) their policies before the maturity period of the policy. The company recovers part of their claim expense through their reinsurance partners according to the reinsurance arrangement.

Details of claims and benefits are categorized based on their nature as follows:

Table: Details of claims based on the nature and type of product category

Description - Rs. Mn	2018	2017
Net claims		
Death, Disability and other riders including Hospitalization - Endowment products	698	319
Death and other riders - Group Life	423	103
Death - Decreasing Term Assurance (DTA)	132	20
Total	1,253	441
Net benefits		
Maturities / Surrenders - Investment products	474	201
Maturities - Endowment products	340	345
Policy Surrenders - Endowment products	272	235
Total net benefits	1,086	782
Total net benefits and claims	2,339	1,223

COMMENTARY

Net benefits and claims expenses are the main costs of the insurance business, which includes gross benefits and claims expenses adjusted to reinsurance recovery received for the period according to the reinsurance arrangements.

During the year, the Company's net claims and benefits expenses were Rs. 2,339 Mn, which is an increase of 91% compared to year 2017. Net claims increased from Rs. 441 Mn to Rs. 1,256 Mn mainly due to business mix changes. (As explained under GWP analysis provided on page 76) in Group Life as well as Decreasing Term Assurance businesses, where revenue of these two products increased to Rs. 1,248 Mn in 2018 from Rs. 573 Mn reported in 2017. Net claims of death, disability and riders of Endowment products increased mainly due to the strategic decision to increase claim retention levels of certain riders (as explained under reinsurance expense analysis is provided in page 82) as having lower claims ratios in order to reduce reinsurance expenses and ultimately maximize profitability for the company.

Net benefits consist of Maturities and surrenders of the insurance benefits. During the period under review, Investment products maturities and surrenders increased due to business mix changes during last two years as well as socio economic conditions of the country, resulting in lower investment holding period by customers.

Please refer pages 91 for details of claim ratios analysis

KEY CHALLENGES IN 2018

During the year, claims expense were above the budgeted figure due to the higher surrenders reported in Investment products. However, these did not have any impact on profitability since adequate provisions / reserves were provided for during the actuarial liability valuation. In addition, Group Life claims were slightly above budget due to viral flue and dengue instances around the country during the year 2018.

KEY STRATEGIES EXECUTED IN 2018

At Softlogic Life we believe one of the success factors / services to customers is speedy claims settlement as well as paying fairly while eliminating bogus claims through a robust claim process. As the most innovative insurance company in Sri Lanka, we embark on novel initiatives to fast-track claims as well improve transparency of the claims settlement process while paying attention to every simple point of the process of claims. Some of the initiatives we launched are industry-firsts and are currently treated as industry benchmarks, such as one-day health claims settlement, one-day death claims (industry first) settlements and extended cashless claim settlement due to wide hospital network and worldwide reach.

Softlogic Life settled over 85% of claims within one day and was the only insurer in the market to show real-time claims settlement statistics in the company website. Further to this, the company took another industry-first decision to settle death claims "within one day". These novel initiatives were recognized at the Insurance Industry Awards.

The Company continues to focus on improving the claims process by going the extra mile, such as collecting claims documents (if any vital document is missing) from customer doorsteps, assisting them to get claims documents from relevant authorities (such as death certificate and assisting customers to be discharged quickly from the hospital through its dedicated assistant unit etc.) and simplified the claims document process to be more customer-friendly. We believe that providing financial assistance instantly when customer needs it is

the best service we could provide to make them happy. The company strengthened the underwriting process to ensure risks are underwritten at a correct price.

These novel initiatives were recognized at the Emerging Asia Insurance Awards 2018, organized by the Indian Chamber of Commerce along with receiving the “Best Service Provider of the year” as well.



COMMENTARY

The cost of underwriting and net acquisition increased to Rs. 2,044 million, which is a 12% increase compared to the year 2017, which is lower than GWP growth of 33% mainly due to the business mix changes due to growth of alternate channel, which mainly focus on Single Premium, Decreasing Term Assurance policies as well as Group Life products.

In Life insurance business, acquisition cost is one of the main expenses and in the first year new business (specially endowment business) is paid higher incentives compared to the other years of the policy. Accordingly, growth of renewal portfolio brings down aforesaid ratio. In contrast, higher growth of alternate business channels including DTA and Group Life contributed to GWP of Rs. 1,248Mn compared to Rs.573Mn recorded in 2017, which carry significantly lower acquisition cost compared to Endowment products also supported to declining in above ratios. Details of analysis of the last 5 years' acquisition cost is provided in graph "net acquisition cost".

Please refer page 377 for detail analysis for Acquisition cost ratios

KEY VALUE DRIVERS



The Company monitors claims 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.

UNDERWRITING AND NET ACQUISITION COST

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

	Commentary
	Strategies executed
	Key Value Drivers

CRITICAL SUCCESS FACTORS



Key success factors of our business is speed and transparency in the claims settlement process which is widely recognised by the insurance industry and further proved by recent accolades. Accordingly, our human capital, internal process and technological infrastructure played a critical role in creating this competitive edge in claims processing, which is considered a revolutionary improvement in the life insurance market in Sri Lanka. In the past, the general perception in the market was that life insurers tend to reject or find reasons to avoid claims payments.

Underwriting and policy acquisition costs (including reinsurance commission income) represents the amount of commission and incentives incurred by insurance companies on intermediaries to acquire a business 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.

NET ACQUISITION COST



KEY STRATEGIES EXECUTED IN 2018

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. Further, in order to reduce to % of acquisition cost, the company revamped the incentive structure which also contributed drop in incentive % to GWP, apart from a strategic shift in the business from Agency channel to Alternative channels.

KEY VALUE DRIVERS

Details of Acquisition cost % to GWP and business mix are monitored regularly against the budgets and previous year's actual.

OPERATING, ADMINISTRATION, FINANCE AND OTHER EXPENSES

Operating, administration and other expenses are analysed under following captions: below



Details of expenses are provided in following table.

Description – Rs. million	2018	2017
Staff related Expenses	1,288	868
Administration and Establishment Expenses	1,076	845
Selling Expenses	439	384
Depreciation / Amortization	120	98
Finance cost	67	23
	2,990	2,218
Write off / provisions for receivables	166	12
Grand Total	3,056	2,230

The Company incurred Rs. 3,088 Mn in expenses (excluding the write-off Notional tax receivable and provisions made for the impairment of receivable due to sale of Subsidiary). These expenses comprise salaries, administration expenses, brand development expense, depreciation and amortization of assets and all other expenses, excluding acquisition costs of the businesses.

EXPENSES AS A % GWP



COMMENTARY

The Company incurred Rs 3,088 Mn as Operating, Administration and Finance Expenses (adjusted for write off / provisions), resulting in a 34% growth over the previous year expense of Rs. 2,322 Mn.

Total expenses reflect a 34% increase compared to last year's Rs. 2,322 Mn, which is a revenue of 31% (GWP), same as year 2017. These initiatives are discussed in 'Social and Relationship capital'. Employee benefits expenses of the company increased by 43% from Rs. 954 million in 2017 to Rs. 1,367 million in 2018. As a service provider, we are very keen to attract, develop and retain highly skilled employees and remunerate them in line with the market, thus, a significant component of staff costs is linked with the performances as detailed in the 'Human Capital Report'. In addition during the year under review, the company made significant investments in distribution channels

(both agency and alternate channels) to increase capacity building in the team as well as for expansion of the distribution network by 10 in order to sustain a robust growth rate.

The second-highest contributor was an administration cost increase of Rs. 231 Mn, a growth of 27% incurred on business expansions and other general upkeep activities as well as administration cost relating to expansion of sales capacity. Further details on these activities are discussed in Social and Relationship capital as well as Manufactured Capital.

The company continued to implement initiatives to optimize expenses through streamlining of processes to enhance productivity, change the existing operating model and business practices by digitalization of processes as well as by leveraging on strategic partnerships. Innovation is the key pillar to support cost optimization. These activities are summarised in Social and Relationship Capital, Intellectual Capital and Manufactured Capital reports.

KEY CHALLENGES IN 2018

Improving the expense ratios while not compromising the growth momentum or capacity to growth was a key challenge for the management. The company is focusing on clearly defined key performance efficiencies to balance this challenges.

KEY STRATEGIES EXECUTED IN 2018

Improving the expense ratios while not compromising the growth momentum or capacity to growth was a key challenge for the management. The company is focusing on clearly defined key performance efficiencies to balance this challenge.

KEY VALUE DRIVERS

The company's philosophy is to optimize its expenses, concentrating on value for money. Accordingly, the company incurred expenses where necessary but consciously monitored the outcome of the same against set objectives.

UNDERWRITING RESULTS

📄 Commentary

🎯 Strategies executed

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



KEY STRATEGIES EXECUTED IN 2018

The Company consistently focused on improving premium persistency level through its unique renewal premium follow-up process of the Policy Conservation Unit (PCU). Further, attention has been paid to improve other key parameters such as Average Policy Value etc. Expansion of Alternate distribution channels with lower cost base is a further strategy the management executed to generate the current set of operational results.

INSURANCE CONTRACT LIABILITY

Life insurance companies are subject to value its policyholder liabilities according to Solvency Margin (Risk Based Capital) rules stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL). In case of changes in the insurance contract liability, 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.

COMMENTARY

The Company consistently increased underwriting results over the last five years, which provides greater support to manage the positive operating results without depending on investment income of the business. Thus, the company witnessed Rs.4,896 million in underwriting results which reflect a marginal increase of 33% compared to Rs.3,675 million in the previous year. The nominal growth reported during the year is a result of increase in Insurance Benefit and Claims which is discussed in detail under Insurance Benefit and claims note of this section.

Table: Insurance Contract Liability

Description -Rs. million	2018	2017	2016	2015	2014
Operating surplus	2,552	2,332	1,178	1,776	1790
Surplus transfer as recommended by Appointed Actuary	1,051	1,017	890	810	537
Transfer to life insurance fund after valuation	1,501	1,315	288	966	1,253

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

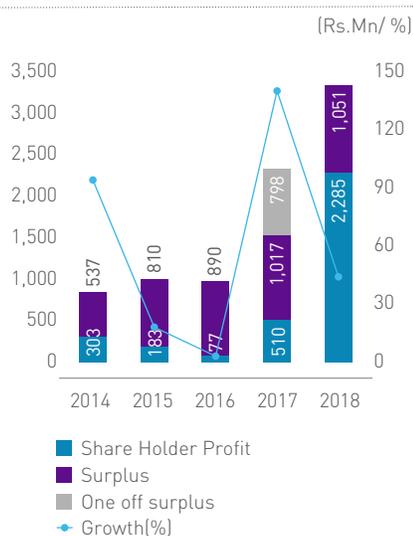
COMMENTARY

During the year under review, the Company transferred Rs.1,501 million to the policyholder fund, which reflects a 14% growth compared to 2017. The growth of the business further strengthened the fund during the period under consideration.

PROFIT AFTER TAX (PAT)

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, the profit of the company consists of investment income of the shareholder funds less related expenses and income tax. Total profit and its composition over last 5 years are provided in figure below:

PROFIT AFTER TAXATION



COMMENTARY

Profit after tax surged to Rs 3,336 million for the year 2018, which is 44% growth compared to PAT Rs. 2,325 million, which is a historically highest profitability of the company. Earning Per Share (EPS) increased to Rs 8.90 per share from Rs 6.20 per share compared to year 2017.

During the year under review, the appointed Actuary recommended surplus of Rs 1,051 million based on the valuation performed according to the Solvency Margin Guidelines (Gross Premium Valuation) compared to Rs, 1,017 million reported in 2017, excluding one-off surplus transfer of Rs. 798 million due to change in the regulatory valuation regime. In addition to above, shareholder funds generated operational profit of Rs. 150 million net investment income (adjusted for the provisions for the receivable from sale of general insurance company amounted to Rs. 105 million). This resulted in operational PBT of Rs. 1,201 million (addition of Rs. 1,051 and Rs. 150 million) compared to Rs. 1,106 million (addition of Rs. 1,017 and Rs.89 million reported in 2017). However, this performance is shadowed by the one off provisions of Rs. 195 million.

The Company recognized deferred income amounted to Rs 2,497 million (adjusted for income tax expenses resulting net Rs. 2,241 million) compared to Rs. 420 million recorded in 2017 due to materialisation of unrecognised deferred tax asset as a result of change in the taxable position of the Company w.e.f 1st April 2018. Increase in PAT helped the company to record an improved Return on Assets (ROA) of 19.2%, significantly higher than 18.6% reported in 2017.

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	2018	2017
Profit after tax of the Company	3,336	2,325
Total profit from listed companies	20,635	19,669
SLI share of profit as a % of total profit from listed companies	16	8

It shows that the Company reported significant percentage of (16%) profit out of total profit of listed insurance companies for the year 2018.

*Profit after tax without one off surplus

FINANCIAL CAPITAL

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. During the year under review, the company recorded negative result of Rs. 551 million in OCI, due to upward shift of the yield curve which negatively impacted the investment classified as AFS and Re-measurement to define benefit liability of Rs. 548 million and Rs. 3 million respectively.

LIFE INSURANCE INDUSTRY SPECIFIC RATIOS AND ITS DISCUSSION - INCOME STATEMENT.

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

Description	Movement	2018	2017	2016	2015	2014	Growth 2018 %	Remarks
KEY OPERATING RATIOS								
First Year / Renewal GWP Mix %	N/A	33/67	32/68	34/66	35/65	31/69	-	Refer page 80 for commentary
NET CLAIMS RATIO								
Net Claims Ratio (with maturities and surrenders)	●	25.2	18.2	10	8	5	7.0	Refer page 91 for commentary
Net Claims Ratio (with Group life and DTA)	●	13.5	6.6	N/A	N/A	N/A	6.9	Refer page 91 for commentary
Net Claims Ratio Endowment (without Group life and DTA)	●	9.7	5.7	21	12	11	4	Refer page 91 for commentary
EXPENSE RATIOS								
Reinsurance Expense Ratio %	●	7	11	11	12	8	(4)	Refer page 82 for commentary
Net Acquisition Cost Ratio % GWP	●	20	24	28	24	23	(4)	Refer page 91 for commentary
Total Expense Ratio % GWP*	●	50	55	60	50	53	(5)	Refer page 91 for commentary
Total Expense Ratio % NEP*	●	54	61	67	57	61	(7)	Refer page 91 for commentary
COMBINED RATIO								
Combined Ratio % NEP - without maturities and surrenders	●	64	67	77	65	65	0	Refer page 92 for commentary
Combined Ratio % NEP - with maturities and surrenders	●	79	79	88	69	71	(3)	Refer page 92 for commentary
REGULATORY RATIOS								
Risk Based Capital Ratio (Min 120%)	●	199	208	195	N/A	N/A	(9)	Refer page 92 for commentary
Determination Ratio % (Min 100%)	●	105	112	105	111	113	(7)	Refer page 92 for commentary
Investment in Government Securities % Life fund (Min of 30%)	●	39	46	66	64	69	(7)	Refer page 92 for commentary
KEY VALUE DRIVERS								
Premium persistency - Year 1	●	84	84	83	82	79	-	Refer page 80 for commentary
Premium persistency - Year 2	●	63	64	66	63	58	(1)	Refer page 80 for commentary
Premium persistency - Year 3	●	55	59	57	52	57	(4)	Refer page 80 for commentary
Average Premium per policy (Rs.)	●	128,887	113,375	99,573	86,667	81,639	0.14	Refer page 80 for commentary
Annualised New Business Premium Rs. million	●	3,325	2,706	2,182	1,725	1,246	0.23	Refer page 80 for commentary
Annualized new Business per Agent Rs. million	●	1.4	1.46	1.40	1.30	1.10	(0.04)	Refer page 80 for commentary
No of New policies	●	204,547	70,859	23,756	20,601	15,616	1.67	Refer page 80 for commentary
Life fund Rs. million	●	9,022	7,439	6,935	6,569	6,192	0.21	Refer page 95 for commentary
Surplus Rs. million (Without oneoff surplus)	●	1,051	1,017	890	810	537	0.03	Refer page 89 for commentary
One off Surplus Rs. million (Participating)	●	1,056	1,056	1,815*	N/A	N/A	-	Refer page 89 for commentary

● Positive Variance

● Adverse Variance up to 5%

* Consolidated one off surplus

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

INDUSTRY SPECIFIC RATIO ANALYSIS



COMMENTARY

Claim 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 the profitability of the company.

Table: Net Claim Ratio

Description - %	2018	2017
Net Claims Ratio Endowment (without Group life and DTA)	9.7	5.7
Net Claims Ratio (with Group life and DTA)	13.5	6.6
Net Claims Ratio (with maturities and surrenders)	25.2	18.2

Net Claims Ratio - Endowment products (without Group life and DTA)

The claim ratio has increased significantly during the year under review overall as well as excluding

maturities and surrenders. Net Claims ratio of the Endowment business (without group life and DTA) increased by 4% (To 9.7% in 2018 to 2017, 5.7%) in due to the reinsurance strategy adopted to increase the retention level of the claims due to the lower claims ratio in order to increase the profitability. This reinsurance strategy reduced the reinsurance expenses as % of endowment business by 4% (2018 – 7.8% vs 2017- 11.8%). 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 mechanism.

Net Claims Ratio (with Group life and DTA)

In addition to the change in the reinsurance arrangement of certain riders of endowment business as explained above, volume of Group Life grew to Rs. 730 million in 2018 from Rs. 358 million reported in year 2017 which saw a significant increase in the number of beneficiaries / members covered that increased from 95,300 in 2017 to 339,058 in 2018. The claims are commensurate with the volume increase and business mix. Further, there was a significant increase in the business volume from Decreasing Term Assurance business whereas in 2018, the company recorded GWP of Rs. 1,123 million from this product compared to 2017 GWP of Rs. 489 million which is a 129% growth resulting in increase in force policies from 55,715 to 230,906 from 2017 to 2018 respectively. The claims are commensurate with the business increase.

COMMENTARY

Expense Ratio

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

Table: Net Claim Ratio

Description	2018	2017
Net Acquisition Ratio %	20	24
Operating Expense Ratio % GWP (Excluding Write-off)	29	31
Overall Expense Ratio % GWP (Excluding Write-off)	50	55
Overall Expense Ratio % NEP (Excluding Write-off)	54	61

COMMENTARY

During the year under review, net acquisition ratio has reduced by 4% while GWP increased by 33%. This is due to the revamped incentive structure of the company and strategic shift of the business from Agency channel to Alternative channels, which has lower acquisition cost compared to traditional agency channel.

Operating expenses (excluding the acquisition cost) as a percentage of GWP recorded as 29% with a reduction of 2% compared to the previous year showing the efficient management of financial resources to achieve extraordinary results.

Accordingly, overall expense ratio dropped to 52%, recording 3% year-on-year drop.

FINANCIAL CAPITAL

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 2018 and 2017

Description Rs. million	2018	2017
Combined Ratio % (with maturities and surrenders)	75	73
Combined Ratio % (without maturities and surrenders)	63	67

NUMBER OF NEW POLICIES

The company grew its number of new policies by 133,688 from 70,859 to 204,547 which is a 189% increment when compared to the number of new policies reported in the year 2017. This is an exceptional growth compared to the Industry. The number of new policies increased by 19% on average in the Industry. Our latest expansion of alternate channel provided considerable contribution to place us at higher than industry average.

REGULATORY RATIOS

Key regulatory Ratios are provided below.

Description Rs. million	2018	2017
Risk Based Capital Adequacy Ratio (Min 120%)	199	208
Determination Ratio % (Min 100%)	105	112
Investment in Government Securities % Life fund (Min of 30%)	39	46
Regulatory restricted reserve - Assets to one-off surplus (requirement is Rs. 798 million)	824	861

COMMENTARY

Risk Based Capital Adequacy 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 current regulation, the Company is required to maintain at least 120% capital adequacy ratio. As at 31st December 2018, the Company maintains 199% which is well above the minimum requirement of 120%.

Determination Ratio

The Company maintains Determination Ratio which is above the required level as at 31st December 2018 as shown in the table "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 2018, 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.

Regulatory restricted reserve - Assets to one off surplus

The Company is required to invest in government securities and deposits for minimum of Rs. 798 million as required by Direction 16 - Direction for identification and treatment of One-off Surplus and as at 31st December the company maintains assets of Rs. 823 million whereas minimum requires is Rs. 798 million.

PERFORMANCE OF CAPITAL AND LIQUIDITY MANAGEMENT

Financial Position Analysis

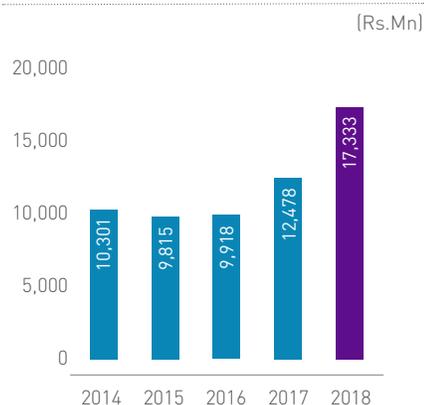
Snapshot of the total asset portfolio and composition is as follows:

Description Rs. million	2018	2017	Growth %	Composition %
Assets				
Intangible Assets, Property, Plant and Equipment	621	585	6	4
Financial Investments	12,065	9,994	21	70
Loans to Life Policyholders	161	140	15	1
Reinsurance Receivables	155	150	4	1
Premium Receivables	507	291	74	3
Other Assets	691	579	19	4
Differed Tax Assets	2,751	420	555	16
Cash and Cash Equivalents	381	319	20	2
Total Assets	17,333	12,478	39	100
Equity and Liabilities				
Total Equity	6,671	3,886	72	38
Insurance Contract Liabilities	9,022	7,439	21	52
Reinsurance Payable	321	236	36	2
Other Liabilities	1,319	917	44	8
Total Liabilities	10,662	8,592	24	62
Total Equity and Liabilities	17,333	12,478	39	100

TOTAL ASSETS

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

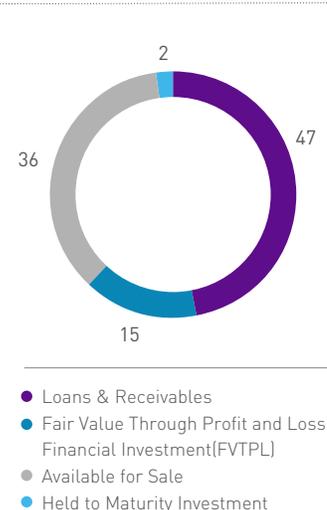
TOTAL ASSETS



FINANCIAL INVESTMENTS



COMPOSITION OF INVESTMENT PORTFOLIO



COMMENTARY

The Year 2018 was yet another year of accomplishment as the company's asset base crossed the Rs. 17 billion mark, recording 39% (2017 - 26%) increase over Rs. 12.4 billion achieved in 2017, signifying a two-fold increase over the past five year. The growth was supported by the company's highest-ever GWP achievement of Rs. 10 billion.

COMMENTARY

Continuing its growth momentum, total financial investments crossed the Rs. 12 billion mark in the year 2018, recording a 21% growth over the assets base of Rs. 10 billion achieved in 2017. The financial investments portfolio represents 70% of the total assets of the company. The investment portfolio comprises of investments in Government Securities, Bank Deposits, Corporate Debt Securities and Equity Securities. During the year under review, investment related asset portfolio recorded 21% growth compared to 2017. The Company invested 45% of its investment portfolio in Government securities and Bank deposits and a further 37% in corporate debt securities. A majority of the policyholder funds were invested in Government securities (30%) and other fixed income securities according to the guidelines issued by Insurance Regulatory Commission of Sri Lanka (IRCSL).

Total Financial Investments

Description Rs. million	2018	2017	Growth
Financial Investments	12,065	9,994	21%
Loans to Life Policyholders	161	140	15%
Total Investments	12,226	10,134	21%

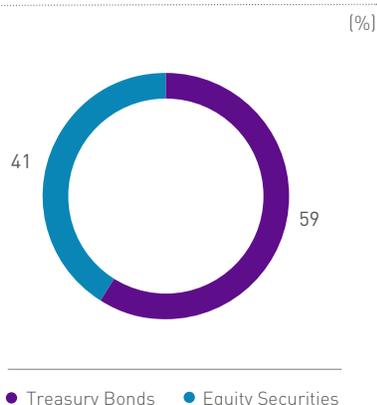
Composition of financial investments and investment portfolio over the last five years is provided in figure "Composition of investment portfolio".

Policy loans, which are loans granted to active Life Insurance policyholders, represent 1% of total assets which increased by 15% compared to the previous year.

In line with the Sri Lanka Accounting Standards (SLFRS / LKASs), the company categorized 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 figure depicts the composition of our financial investments according to this classification and details of each are provided in the following pages.

FINANCIAL CAPITAL

COMPOSITION OF AVAILABLE FOR SALE (AFS)



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 47%, Bank deposits of 32%, Government securities of 9% and 4% of commercial papers. These investments are recorded at the amortized cost.

Refer detailed note of L & R on page 395 of this report.

COMPOSITION OF HELD TO MATURITY (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.

Refer detailed note of HTM on page 394 of this report.

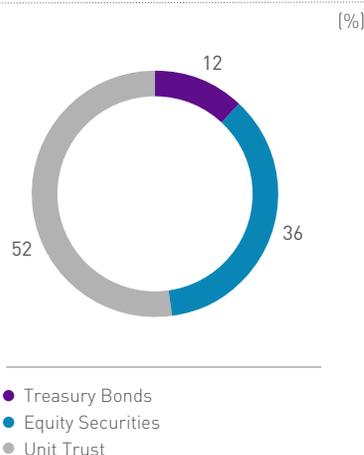
COMMENTARY

Financial Investments categorized as Available-For-Sale are 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 41% and 59% contribution respectively.

Refer detailed note of AFS on page 397 of this report.

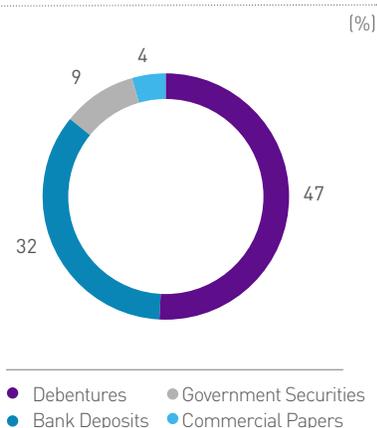
COMPOSITION OF FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)



INTANGIBLES, PROPERTY PLANT & EQUIPMENT



COMPOSITION OF LOAN AND RECEIVABLE(L&R)



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 consist of 52% of unit trusts, 36% of quoted equity shares and 12% of government securities.

Refer detailed note of FVTPL on page 400 of this report.

COMMENTARY

The company holds only 4% of its total assets in intangible assets, property, plant and equipment, amounting to Rs. 621 million (2017: Rs. 585 million), out of which 37% represents land and building, whereas other fixed assets represent 63% 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.

Refer detailed note of Intangibles, Property Plant and Equipment on page 390 of this report.

Total Equity and Reserves / Shareholder Funds

Description Rs. million	2018	2017
Stated Capital	1,063	1,063
Revenue Reserves	6,275	2,942
Restricted Regulatory Reserve	798	798
Available for Sale Reserve	(1,513)	(965)
Revaluation Reserve	48	48
Total Equity and Reserves	6,671	3,886

COMMENTARY

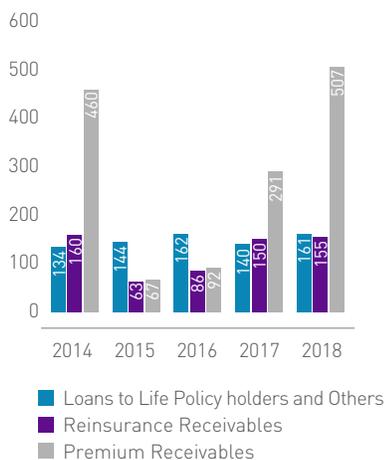
The total equity reached Rs. 6.6 billion, which is a 72% increase compared to Rs. 3.9 billion reported in year 2017. This is mainly due to the exceptional growth in profitability which amounted to Rs. 3.3 billion, however, negative impact was felt in fair value movement of investments classified as AFS due to higher interest rate environment as well negative performance of the equity market.

Entire shareholders fund falls under Tier 1 capital under Risk Based Capital (RBC) framework, which is an indicator of the quality of the equity of the company. The growth in equity strengthened Capital Adequacy Ratio (CAR) of the Company.

The restricted regulatory reserve represents one-off surplus transfer done in year 2017, relating to Non-participating fund as per Direction 16 issued by IRCSL.

PREMIUM AND REINSURANCE RECEIVABLE

(Rs.Mn.)



COMMENTARY

The premium and reinsurance receivables accounts for 4% of total assets and amounted to Rs. 662 million (2017: Rs. 441 million). Reinsurance receivables increased by 4% to reach Rs. 155 million. Premiums receivable from customers, which amounted to Rs. 507 million, increased by 74% mainly due to the exceptional growth of the Group life business during 2018.

INSURANCE CONTRACT LIABILITY-LIFE

(%)



Table: Insurance Contract Liabilities

Description (Rs. million)	2018	2017	Growth %
Insurance Contract Liabilities	7,556	6,090	24%
Surplus Created due to Change in Valuation method from NPV to GPV - Participating fund	1,057	1,057	-
Claims Payable	409	292	40%
Total	9,022	7,439	21%

COMMENTARY

The Life Insurance contract liabilities refers to the reserves built to meet the future claims and maturities of Life Insurance policyholders. Life Insurance contract liabilities of the company crossed Rs. 9 billion in 2018, with a significant increase of 21% compared to 2017 and represents 85% of the total liabilities of the company.

Actuarial Valuation of Insurance Contract liability

According to the regulatory requirement, insurance contract liabilities are required to be valued by the actuary at least bi-annually according to the provisions of the Solvency Margin (Risk Based Capital) Rules, 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 the actuarial report appears on page 310 to 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.

Surplus Created due to Change in Valuation method from NPV to GPV - Participating fund

As per the directions 16 issued by Insurance Regulatory Commission of Sri Lanka (IRCSL), the surplus created due to change in valuation method from NPV to GPV in the participating fund is retained as separate reserve under insurance contract liabilities.

COMMENTARY

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, who concluded that there is no requirement to provide additional reserve as reserve available is sufficient to meet future policyholders' 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, requiring to comply with Risk based Capital requirement w.e.f 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	2018	2017
Total Available Capital (TAC) (Rs. million)	7,828	6,084
Risk Based Capital requirement(RCR) (Rs. million)	3,935	2,921
Risk Based Capital Adequacy Ratio (CAR) %	199	208
Required Based Capital Adequacy Ratio (CAR) Ratio %	120	120

The Statement of Solvency is prepared in accordance with Solvency Margin (Life Insurance) Rules 2015 and amendments thereto. The company maintained healthy Solvency Margins throughout the year, well above the stipulated solvency margin requirement, adding a greater degree of confidence to the security of policyholders' liability.

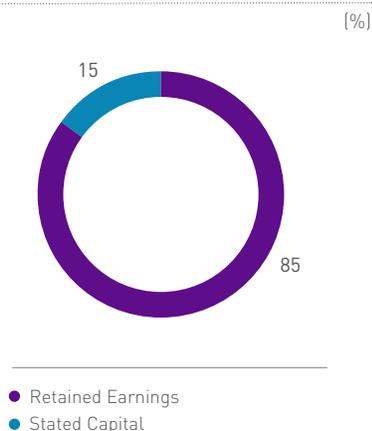
Table: Statement of Approved Assets

Description (Rs. million)	2018	2017
Approved assets maintained in business	9,075	8,023
Insurance fund	8,613	7,147
Approved assets in excess of the insurance fund	462	876
Approved assets as a % of insurance fund	105	112
Required ratio %	100	100

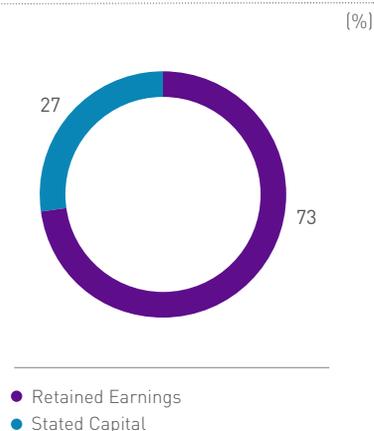
COMMENTARY

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 2018



LEVERAGE AND CAPITAL STRUCTURE 2017



COMMENTARY

During the period under review, the Company generated healthy operational cash flow of Rs. 2,475 million (2017 – 2,220 million) after incurring operational expenses related to major business expansion. The majority of these funds were channelled into investing activities. As a result, the overall investment portfolio grew to Rs. 12 billion from Rs. 10 billion as at end 2017.

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. 6,275 million as at 31st December 2018 compared to Rs. 2,942 million in year 2017.

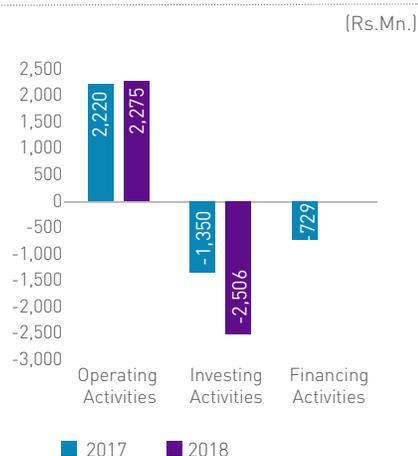
PERFORMANCE DASHBOARD 2018 AND TARGETS FOR 2019

Key performance measurements summarized against targets are presented below along with the targets for 2019.

Financial Performance	Actual	Target	Achievement	2019
Return on Equity (%)	63	41	●	30
Market Capitalisation (Rs. Mn)	16,800	9,450	●	18,000
GWP Performance-Overall (Rs. Mn)	10,005	10,000	●	11,500
Profit After Tax (Rs. Mn)	3,336	2,000	●	2,100
Annualised New Business Premium(ANBP)	3,325	3,809	●	3,900
Average Premium Per policy (Rs.)	128,887	123,200	●	131,000
Persistency (Year 1) (%)	84	87	●	85
Persistency (Year 2) (%)	63	68	●	65
Persistency (Year 3) (%)	55	62	●	57
Market Share (%)	12.50%	12.8%	●	13.5%
Claims Ratio (%)	10	16.8	●	13
Expense Ratio (%)	54	49.09	●	49
Combined Ratio (%)	79	65.47	●	62
ANBP per Advisor (Rs. Mn)	1.4	1.6	●	1.5
No of advisors	2,300	2,400	●	2,800

Where: Fully Achieved ● Partially achieved ● Not Achieved ●

CASH FLOW ANALYSIS



FINANCIAL CAPITAL

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. Impact assessment of these standards are provided on pages 438 to 455 in this report with a view of make our stakeholders aware of possible impacts to the company.

- SLFRS 9 - Financial Instruments
- IFRS 17 - Insurance Contracts
- SLFRS 16 - Leases

SUMMARY

In competitive industry conditions, 2018 was another historical year for the company. Looking forward to 2019, we are confident of continuing to deliver sustainable premium growth and strong profitability in view of creating another great year.

FUTURE OUTLOOK

The Company concluded another outstanding year, recording an exceptional overall performance, adding another success story to our history. The management is confident that the company will perform exceptionally well in year 2019, which will provide a strong platform we have created through our initiatives in 2018 and the years before. We have already set the targets, Key Performance Indicators and short to medium term strategies for 2019 and beyond, expecting to create more value for all our stakeholders.

ECONOMIC REVIEW AND OUTLOOK 2018

Year 2018 experienced fiscal reforms throughout the course of the year, ending with much more uncertainty and political turmoil. Fiscal consolidation reforms have led to slow consumption which have negatively impacted the mobilization of consumption leading to lower tax levels, worsening the budget deficit.

The dip in exports over-reached the dip in imports, increasing the trade deficit to USD 9.6Bn by November 2018. The

expected returns from the tourism sector was not realized either disabling the trade account from recovering or narrowing the deficit.

The Monetary Board reduced the statutory Reserve Ratio twice within the year, to stand at 6% in November with the view of releasing a substantial amount of rupee liquidity to the banking system. Simultaneously the policy rates were increased to maintain its neutrality when it comes to the monetary policy stance. With the downgrade of the country's credit rating and the instability of the market sentiment alongside the up-coming maturity of foreign debts, buy yields of Treasury Bonds increased, dipping the present value of bonds held. This resulted in a net foreign outflow of funds as well, recording a BOP deficit and depreciating the local currency. As a result, the rate of depreciation of the LKR versus USD increased to 19% in 2018 as opposed to the 2% in 2017. Government bond outflow from the country is amounted closer to 1 billion USD which led to the CBSL to put a restriction on foreign holding securities to a maximum of 5% from current 10% to prevent sudden outflows from 2019.

In view of the drastic weather conditions which seriously affected the national output in 2017, 2018 displayed better conditions. This contributed in normalizing the supply constrained inflation in the Agricultural sector. On the other hand, the economic growth was below expectations, standing at 3.5% by the end of the year which could mainly be attributed to weak domestic demand, continued tightening from the monetary side, lower government spending, stagnated fixed income and lower net exports.

The Sri Lankan Stock Market performance in 2018 was not healthy compared to that of 2017. The All Share Price Index (ASPI) recorded a 5.0% loss in 2018 reversing the recorded gain of 2.3% in 2017. Similarly, the S&P SL20 index recorded a loss of 14.6% in 2018 reversing the recorded gain of 5.0% in 2017.

The annual S&P SL20 loss recorded the highest loss in the index history since its inception in 2012. BFI Index recorded a slight decline by 0.8% in 2018 in comparison to 2017. The average daily turnover dropped to Rs. 833.6 million by 8.9% the cause of which was mainly attributable to price drips across the board and lower participation of domestic investors. A significant net foreign outflow of Rs. 23.2 billion was recorded in the Colombo Stock Market during 2018 against the LKR 17.6 billion net foreign inflow recorded in 2017 mainly resulted from political uncertainty that existed in latter part of the year.

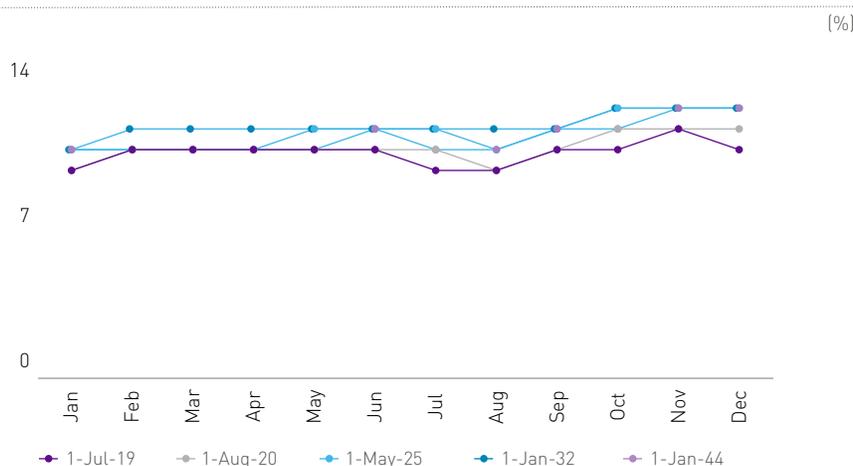
The above factors were closely monitored and taken into consideration by treasury team of the company in carrying out active management of the respective funds of the company, which combined with the expertise and experience of the treasury team ensured that target investment income for the year was well satisfied.

PERFORMANCE OF THE INVESTMENT PORTFOLIO

Treasury Bond Portfolio

Treasury bond portfolio represents 30% from the total investment portfolio of the company as at year end 2018 which is a 2% declined from the previous year. As the result of volatility of yield curve during the year the composition of Treasury bond portfolio witnessed significant changes throughout the year. There are slight fluctuations in the yield curve were recorded in the first half of the year and significant drop recorded in month of August which resulted increasing the treasury bond exposure. An upward trend was recorded from September to November and again slightly declined in December which resulted positively to the treasury bond portfolio at year end. Treasury bond portfolio generated total income of Rs. 304 million for the year 2018 which represents 32% from the total investment income.

TREASURY BOND RATE MOVEMENT 2018



CORPORATE DEBT PORTFOLIO

Investment in Corporate debt has been significantly increased in 2018 which represents 27% from the total investment portfolio comprising debentures and commercial papers which is a 7% increase compared to the previous year. Company took advantage of several debenture issuances that took place during the year which is ensured higher income due to attractive rates offered by debenture issuers. As a result of rating downgrades witnessed in certain entities and their debenture issues in the recent past, comprehensive analysis were carried out and company ensured that all investments in corporate debt were carried a rating above BBB+ to the instrument at the minimum and not breaching internal investment policy, thereby strengthening the credit rating of the corporate debt portfolio and reducing the risk charge to the company arising from the application of RBC guidelines. Corporate debt portfolio earned total income of Rs. 364 million for the year 2018 which represents 38% from the total investment income marked 17% increase against the previous year.

EQUITY PORTFOLIO

Total Equity portfolio of the company hold 20% from the total investment portfolio in 2018 comprising 17% of listed equity and 3% of unlisted equity. With the negative trend in stock market during the year, SLI was able to manage with 2% decline in listed equity portfolio as at year end

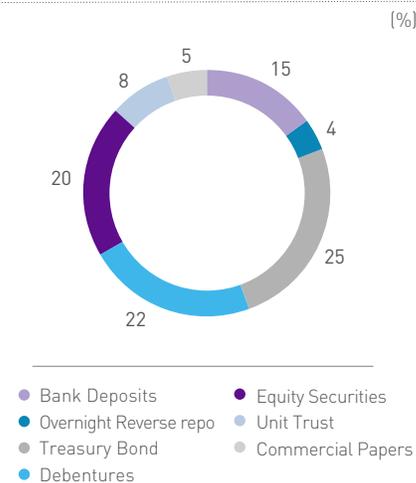
2018 in comparison to the previous year by playing a crucial role in managing and closely monitoring treasury activities by complying with investment and internal risk policy of the company. Even though market behaved negatively dividend income for the year assisted company to minimize the adverse impact.

COMPOSITION OF FUNDS

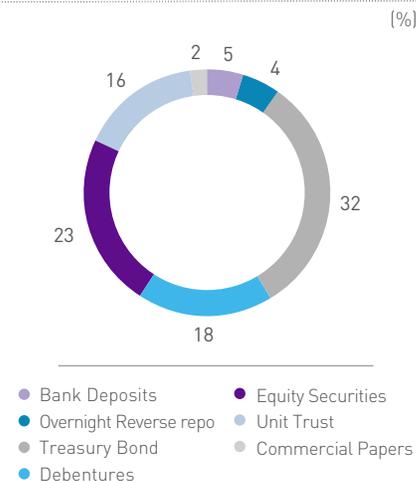
Monitoring of Financial Investment composition is a critical function of our business process. The Insurance Regulatory Commission of Sri Lanka has imposed number of rules for financial investments such as, minimum investment in Government securities, maximum investments in single entity, maximum investments in related entities, Assets Liability matching of the life fund has urge the close monitoring of composition of funds at assets category level, investment duration level etc. Company is obliged to comply with the all rules and regulation imposed by The Insurance Regulatory Commission of Sri Lanka when managing the investment portfolio. Softlogic Life achieved Rs. 12 billion Financial Investment Portfolio at the end of 2018 which is a 21% growth against the previous year and proved we are the fastest growing company in the industry.

Overall investment mix of the company has been provided on figure "SLI Investment Mix 2018 Vs 2017

ANALYSIS BASED ON FINANCIAL INSTRUMENTS (NATURE OF FINANCIAL INSTRUMENT) - 2018



ANALYSIS BASED ON FINANCIAL INSTRUMENTS (NATURE OF FINANCIAL INSTRUMENT) - 2017



Further the composition of fund is regularly monitored under Participating Fund, Non Participating Fund and Shareholders fund together with separate custodian and CDS accounts for each fund. The basis enhances more transparency and effective way of allocating investments among said funds.

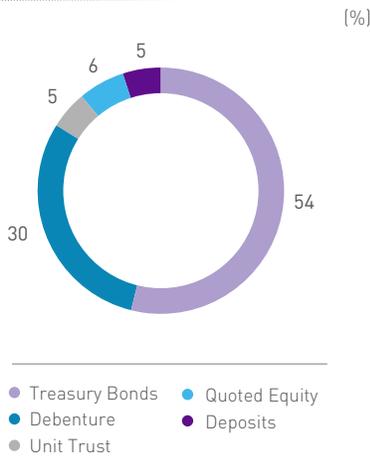
FINANCIAL CAPITAL

PARTICIPATING FUND

Participating Fund predominantly consist of Government Securities holding 54% followed by debentures holding 30% of the fund. The fund performed well in first half of the year but illustrated downward trend in the second half of 2018 mainly due to increase trend of government interest rates. The fund is dominated by Fixed Income securities and achieved Rs. 534.5 million incomes whereas debentures earned high yield exceeding the budgeted income. Equity securities accounting for 5% in the participating fund which are sensitive to the fair value of securities.

The composition of the Participating fund is provided in figure " Investment Mix - Participating Fund"

INVESTMENT MIX - PARTICIPATING FUND

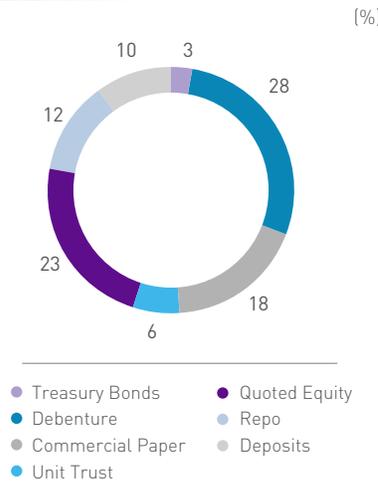


NON PARTICIPATING FUND

Non participating Fund consist of more diversified instruments where investing 77% in Fixed Income securities and 23% in equity securities. Despite the steady investment income generated by Fixed income securities during the period, poor performance of stock market made adverse results in the fund. The Non Participating fund was able to generate total Investment income of Rs. 200 million which was not as expected mainly due to the unfavourable economic conditions.

The composition of the Non Participating fund is provided in figure " Investment Mix - Non Participating Fund"

INVESTMENT MIX - NON PARTICIPATING FUND



SHAREHOLDERS FUND

The composition of Financial Investments in Shareholders fund has turned more diversified in 2018 as opposed to previous year. This is mainly due to assets transferred to Shareholders fund from Non Participating fund for supporting to the One-off Surplus and surplus transferred during the year. As a result, Shareholder investment fund recorded more than double compared to 2017 and generated total investment income of Rs. 195 million for the year by significantly exceeding the budgeted results. The fund is continuing to dominated by equity securities contributing 42% in 2018.

The composition of the Shareholders Fund is provided in figure " Investment Mix - Shareholders Fund"

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

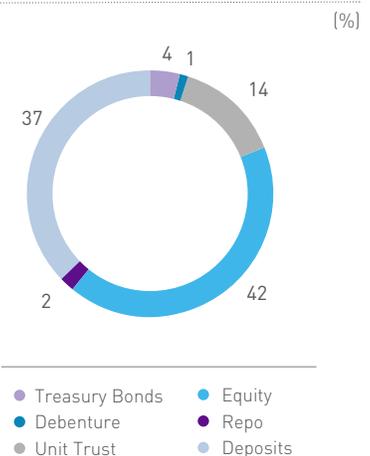
against the current composition of the government it may result in a spending spree which may offset any gains achieved in the fiscal and economic front since 2018.

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.

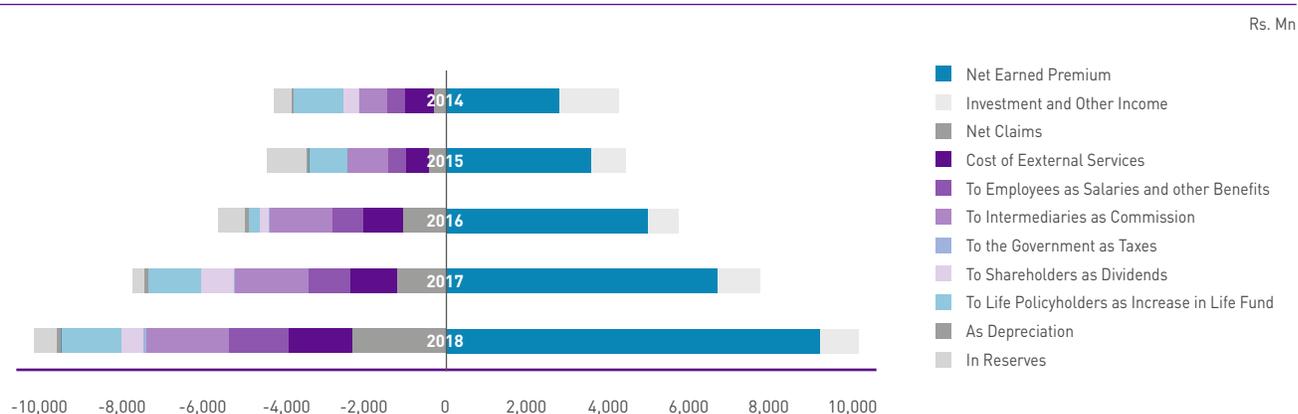
INVESTMENT MIX - SHAREHOLDER FUND



CONTRIBUTION TO THE NATIONAL ECONOMY (VALUE ADDED STATEMENT)

Sources of Income Rs. Mn	2018	2017	2016	2015	2014
Revenue (Net Earned Premiums)	9,279	6,728	5,003	3,590	2,817
Investment and Other Income	953	1,069	664	868	1,477
Net Claims	(2,339)	(1,223)	(1,072)	(434)	(312)
Cost of External Services	(1,770)	(1,331)	(995)	(564)	(702)
Total Economic Value Added	6,124	5,244	3,599	3,460	3,280
Economic Value Distributed					
To Employees as Salaries and Other Benefits	1,280	868	745	450	445
To Intermediaries as Commission	2,044	1,831	1,580	993	715
To the Government as Taxes	76	26	21	-	-
To Shareholders as Dividends	543.75	810	200	-	375
To Life Policyholders as Increase in Life Fund	1,501	1,315	288	966	1,253
Total Economic Value Distributed	5,452	4,850	2,834	2,409	2,788
Economic Value Retained with the Business					
as depreciations	120	98	88	59	27
in reserves	551	297	677	992	465
	671	394	765	1,051	492

VALUE DISTRIBUTION - 2018



Direct Economic Value Generated - Rs. million	2018	2017
Total value added	6,323	5,428
Operating cost	4,043	3,512
Employees wages	984	679
Payments to providers of capital	544	810
Payments to government	76	26
Community investment	6	7
Economic value retained	671	394

FINANCIAL CAPITAL

CREATING VALUE TO INVESTORS

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

Our investors and potential investors require regular interaction and information to assist in achieving their investment goals. We deliver this interaction and information through dedicated investor relations services, a well-directed and comprehensive plan complemented by accessible channels of enquiry and timely responses. The business of an insurer is often perceived as complicated with its own sub-culture of jargon and metrics. Therefore, it is imperative that we efficiently communicate the insurance business model, overlaid with SLI's uniqueness, by explaining our differentiated capabilities and strategy. Refer the "Strategy and Resource Allocation" section on pages 56 to 61 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 104 to 105 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 – Rs. millions	2018	2017
Gross written premium		
Total amount we receive from customers as payments for their insurance policies (Rs. million)	10,006	7,531
Net earned premium (Rs. million)	9,279	6,728
Net profit		
Profit after tax attributable to our ordinary shareholders	3,336	2,325
Return on net assets (%)	63.2%	79.5%
Net profit attributable to our ordinary shareholders as a percentage of net assets (Excluding AFS Reserves) as at year end (%)	51.2%	57.0%

The details of the company's financial performance are provided in Financial Performance Review Section on page 92 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 stakeholders as opposed to accounting profits

Economic Value Added increased to Rs. 2,540 million compared to value added of Rs. 1,908 million in 2017, which amounts to 33% growth. This demonstrated the exceptional performance to our valued stakeholders.

Economic Value Added	2018	2017
Invested equity		
Shareholders' funds (Rs. million)	6,671	3,886
Earnings		
Profit after tax (Rs. million)	3,336	2,325
Cost of equity (based on 12 months weighted average)	11.93	10.72
Cost of average equity (Rs. million)	796	417
Economic value added (Rs. million)	2,540	1,908

Key Performance Indicators	2018	2017
Net Asset per Share (Rs.)	17.8	10.4
Basic Earnings per Share / Diluted (Rs.)	8.90	6.20
Share Price at the year-end (Rs.)	44.80	21.00
Earning Yield %	19.86	29.52
Market Capitalisation Rs. millions	16,800	7,875
Price Earnings Ratio (times)	5.03	3.39
Dividend per share (Rs.) ♦	1.45	-

♦ Subject to regulator approval.

The details of the Share information and additional ratios are provided on pages 456 to 462.

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, corporate governance framework for insurers issued by Insurance regulatory commission 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 204 to 208 of this report.

Risk Management

The Company has a robust risk management framework - with a Risk Management Committee chaired by Independent Non-Executive Director, Mr. Rudiger Will. 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 organizational 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 295 to 306.

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. Details of the company's performance governance framework are provided on pages 239 to 240 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 2017 Annual Report won five awards at 54th Annual Report Awards organised by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), including gold award for insurance sector and Bronze award for corporate governance disclosure. Further, the Softlogic Life Annual Report is recognised as one of the top ten best integrated reports in Sri Lanka by CMA Institute including sector gold award.

Also, for the first time in the Sri Lanka, the company published a video version of the Annual Report and the second version was released along with the 2018 annual report which is another paradigm shift in shareholder publications.

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 2018 is provided on page 309.

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 237.

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 2018	
Gross Written Premium	10,005,733
Less: Premium ceded to reinsurers	(726,558)
Net earned premium	9,279,175
Net insurance benefits and claims	(2,339,004)
Net acquisition cost	(2,044,220)
Increase in Life fund	(1,500,589)

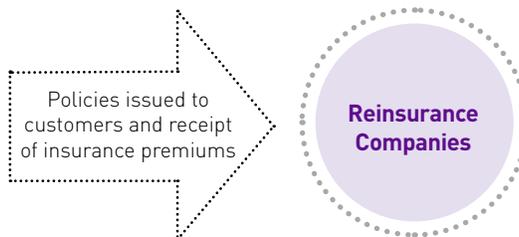
Note: Only the insurance specific part of the Income Statement is extracted above.

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



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.

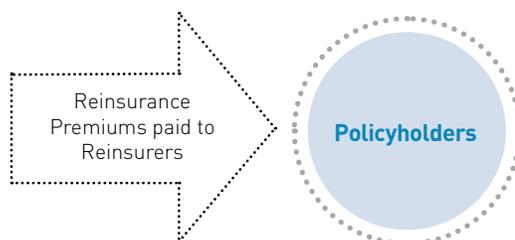
Q: WHAT INCLUDES IN NET ACQUISITION EXPENSES?

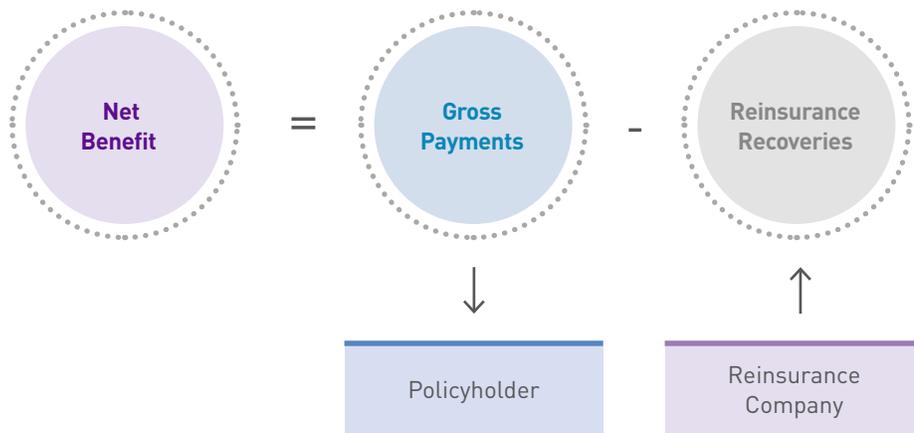
A: This consists of commission, franchise fee, deferred acquisition expenses net of Reinsurance commission.

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.





Q: WHAT IS LONG TERM POLICY LIABILITY?

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

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

Q: WHAT IS ONE OFF SURPLUS?

A: This represents a change in the valuation method from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). As directed by Insurance regulatory commission of Sri Lanka, these reserves are maintained under Life Fund until 2016.

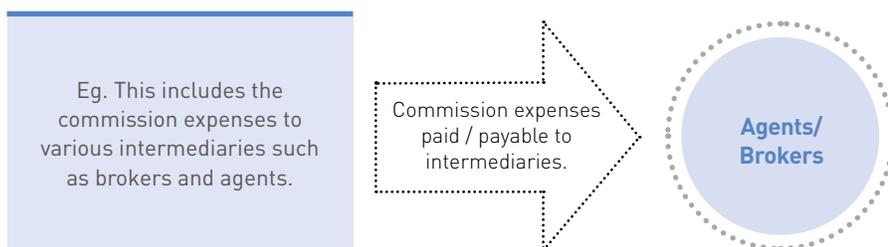
However as at 31st December 2018 Life fund only include one of surplus relating to participating fund.

Q: WHAT ARE THE KEY ELEMENTS IN THE STATEMENT OF FINANCIAL POSITION RELATED TO INSURANCE?

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

Liabilities	2018 Rs. '000
Life Insurance Fund	7,556,032
Surplus created due to change in valuation method from NPV to GPV	1,056,535
Claim Payable	408,954
Life Insurance Contract Liabilities	9,021,521

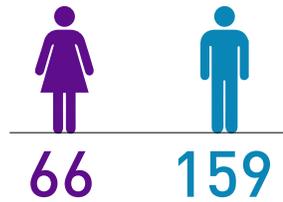
Note: Only the insurance specific part of the Balance Sheet is extracted above.





"SOFTLOGIC LIFE IS AWARDED AS A GREAT PLACE TO WORK IN SRI LANKA FOR THE 3RD CONSECUTIVE YEAR"

NEW JOB OPPORTUNITIES



PROMOTIONS

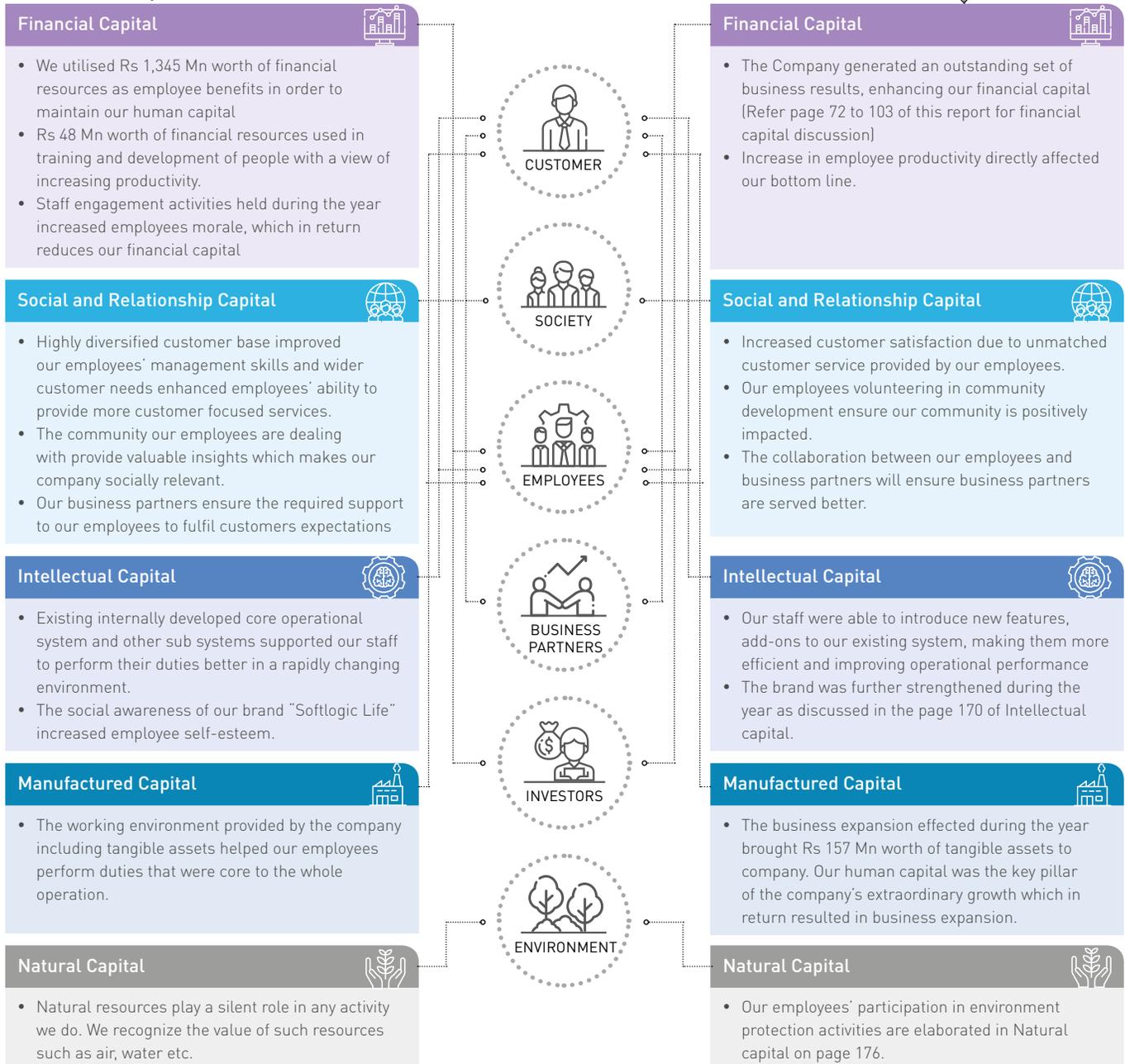


EMPLOYEE RETENTION



Value In

Value Out



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

Key Priorities for 2018 and its performance

Human Capital Goal	Achievement	
Empowering people through training and leadership development.	Invested Rs 48 Mn in training and development 16,822 training hours during the year (Refer page 115 for more details)	●
Talent management and Succession Planning.	Talent Management is a strategy inbuilt in our human capital management process (Refer page 113 for more details)	●
Making Softlogic Life a 'Great Place to Work' for employees.	The Company was listed as one of the best 25 current places to work in Sri Lanka for the third consecutive year	●
Maintain employee retention	83% 84% 2018 2017 (Refer page 113 for more details)	●
Recognise our employees for their performance, creativity, risk taking ability, living our values etc. at employee conferences.	Employee Congress held on March 2018. Details are provided on page 119	●
Talent management programme to identify/ develop second level leaders in the company	Softlogic Life Leadership programme was conducted (Refer page 117 for more details)	●
Encourage employees to engage in voluntary community activities.	Refer details on page 157 (Social and Relationship Capital – Community)	●

KEY PRIORITIES FOR 2019 AND BEYOND

Key Priorities for 2019 and beyond

- Talent management will be our key focus and to maintain / increase employee retention.
- Recognize our employees for their talent, dedication, innovation and commitment.
- Liaise with Universities to ensure continuous pipeline of best talent.
- To be listed among one of the great place to work
- Further strength training and development to build a learning organisation.
- Encourage employees to engage in voluntary community activities.

KEY CHALLENGES



Retaining the best talent within the organisation



Scarcity of people with the specialised knowledge about insurance industry in the market

STRATEGIES EXECUTED

Strong HR practices and structured talent management process improved employee retention during last three years. Details of HR governance and talent management strategy provided in pages 109 and 113 respectively.

- Strengthening training and development within the organization was the key action where we built industry specialists internally. Details of the Company's training programmes are provided on page 116 of this report.
- We use our innovative drive as a key strength against the challenge of industry specialist knowledge by automating our recurring processes. Refer our innovative solutions on page 142 under Social and Relationship Capital – Customers.
- Our staff voluntary engagement to increase awareness of insurance industry is listed on page 157 of Social and Relationship Capital - Community.

MANAGEMENT APPROACH

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".

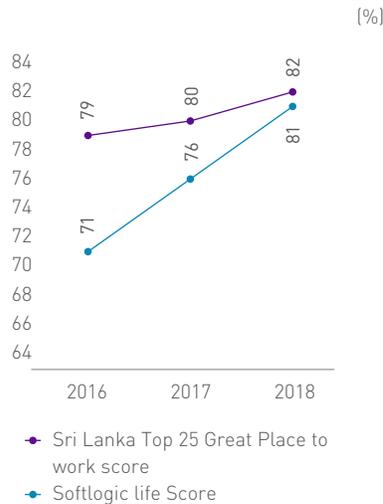
"The way our employees feel is the way our customers will feel"

Softlogic Life believes that our people are our greatest asset and are central to our success. Our constant endeavour is to attract, 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 have made the Softlogic Life workplace a crucible of leadership while taking our Company from "Good to Great".

The unbiased employee voice is annually heard through "Great Place to Work" study, covering the entire organization and it is our pleasure to see incremental scores we received year on year appreciating, due to our efforts to develop our workforce.

There is significant increase in year on year scored from the Great Place to Work study as depicted in graph below, encouraging us to further focus on development of our workforce as well, since this is an independent validation of our human capital strategy.

GPTW STUDY SCORES (SOFTLOGIC LIFE VS TOP 25 COMPANIES IN SRI LANKA)



OUR HUMAN CAPITAL DOES NOT ONLY INCLUDE OUR EMPLOYEES, BUT ALSO THEIR HEALTH AND WELL-BEING, THEIR EXPERTISE, THEIR EXPERIENCE, THEIR INNOVATIVE CAPACITY AND THEIR MOTIVATION. THEIR SKILLS AND INVOLVEMENT DETERMINE OUR ABILITY TO REALIZE OUR VISION - TO REVOLUTIONISE INSURANCE IN SRI LANKA THROUGH WORLD-CLASS INNOVATIONS AND DELIVER EXTRAORDINARY STAKEHOLDER VALUE. OUR PEOPLE DEFINE OUR SUCCESS.

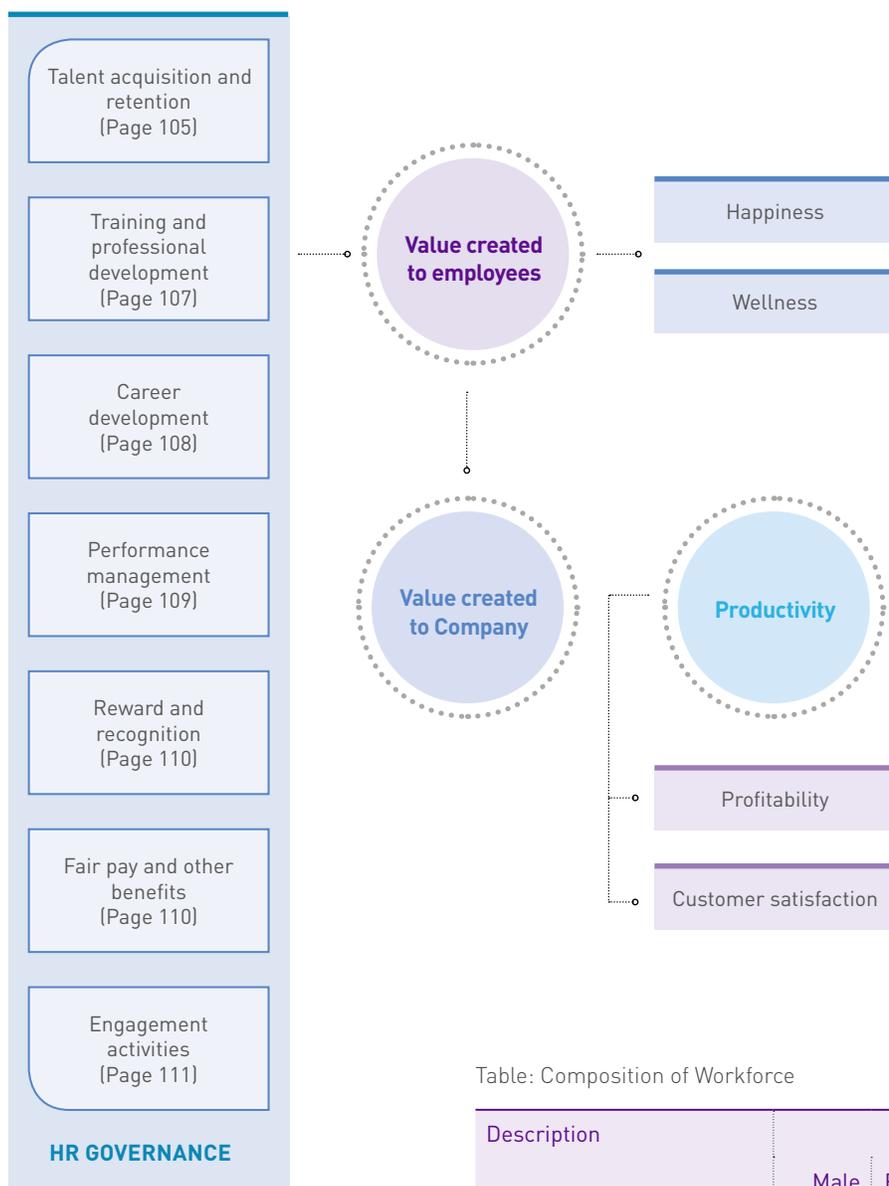
OUR HUMAN CAPITAL VALUE CREATION MODEL.

Softlogic Life's Human Capital Value Creation Model (Employee Engagement Model) has been developed with the long-term 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 in figure below.



We are proud to be selected as "Great Place to Work" in Sri Lanka for the third consecutive year. We believe the company's strong culture built over the past years with the foundation of innovation, equal opportunity, performance driven mindset and most importantly customer focus drive are our critical successes factors.

Figure: Value Creation Model / Employee Engagement Model



HUMAN CAPITAL DIVERSITY

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

Equalization is key in our company and 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 any grounds. 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, outsourced personnel and field staff. The workforce composition as at 31st December 2018 is provided in table “Composition of Workforce” below.

Table: Composition of Workforce

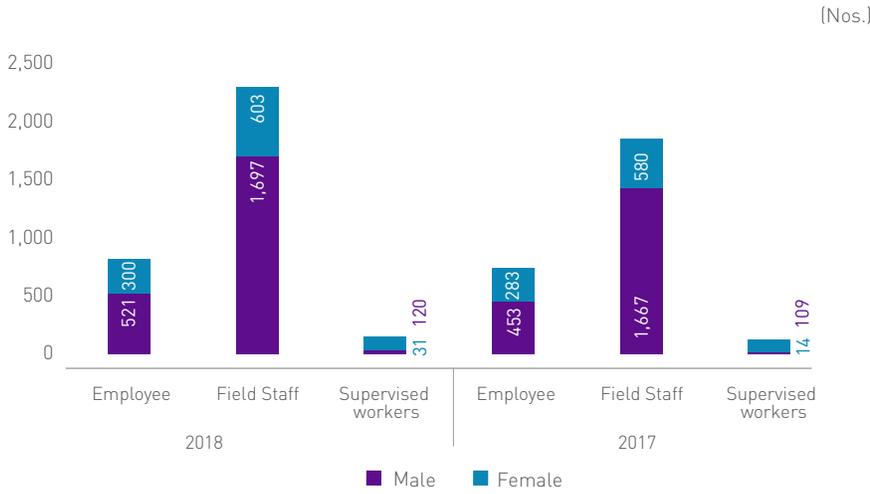
Description	2018			2017		
	Male	Female	Total	Male	Female	Total
Employees	521	300	821	453	283	736
Field Staff	1,697	603	2,300	1,423	431	1,854
Outsourced Staff	31	120	151	14	109	123
Total Workforce	2,249	1,023	3,272	1,890	823	2,713

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

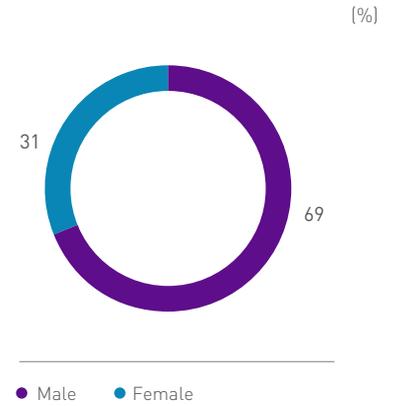
HR GOVERNANCE

Our HR governance structure ensures that we balance the Corporate Governance, 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.

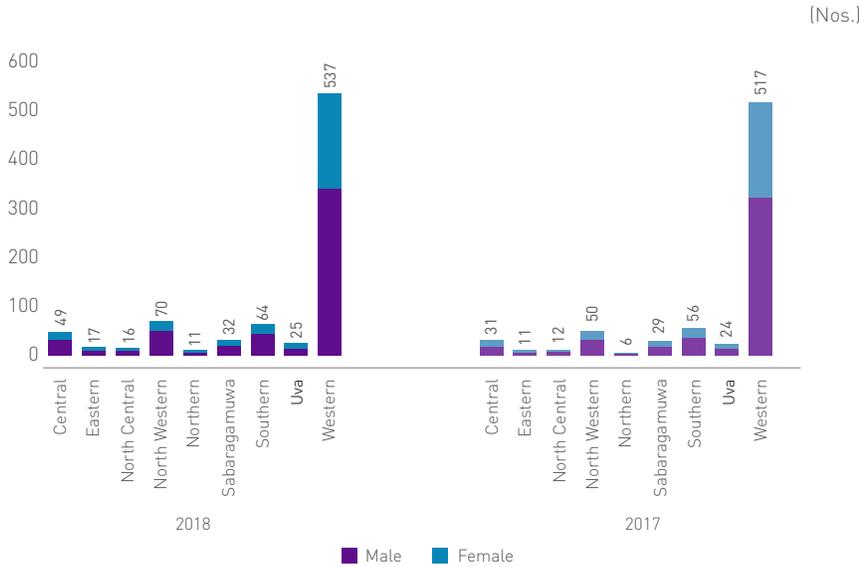
WORKFORCE BY TYPE OF EMPLOYMENT



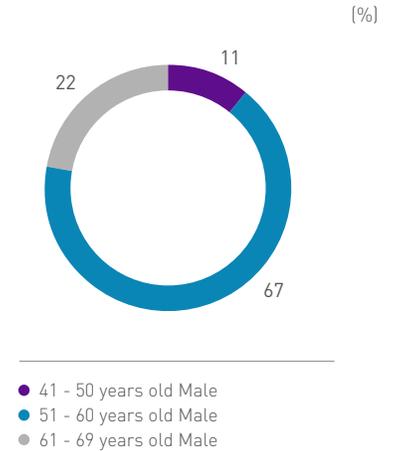
COMPOSITION OF WORKFORCE 2018



WORKFORCE BY REGION



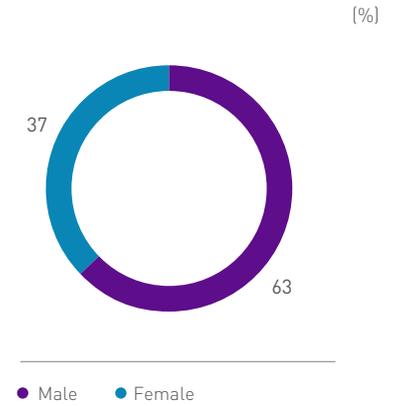
COMPOSITION OF GOVERNANCE BODY 2018



EMPLOYEES BY EMPLOYMENT CONTRACT



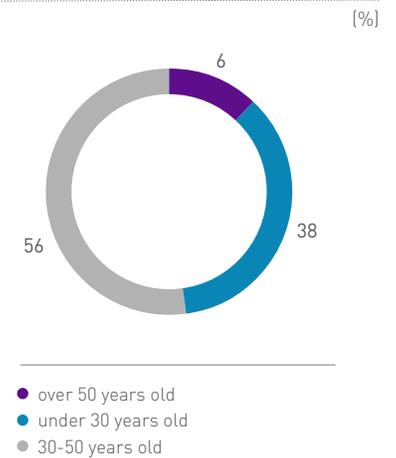
EMPLOYEES BY GENDER 2018



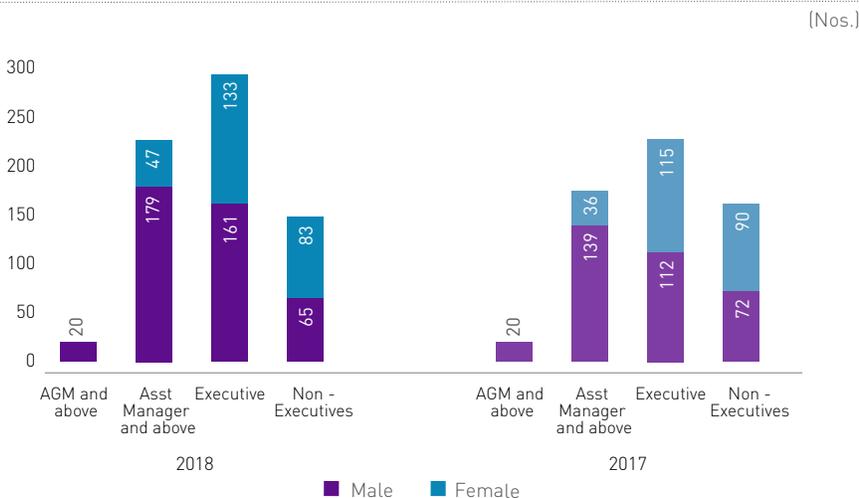
PERCENTAGE OF EMPLOYEES BASED ON EMPLOYMENT CATEGORY AND GENDER



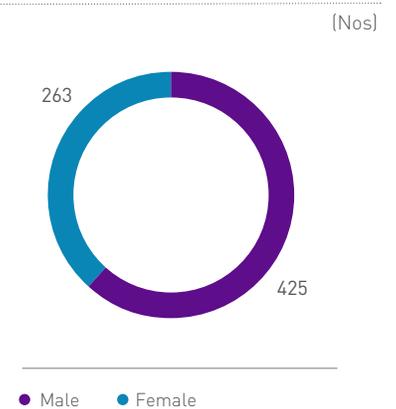
PERCENTAGE OF EMPLOYEES BASED ON AGE



PERMANENT EMPLOYEES BY EMPLOYMENT TYPE



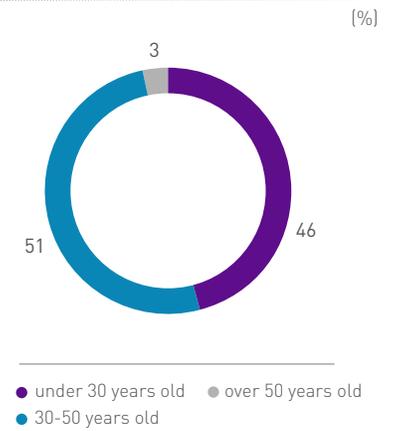
NUMBER OF PERMANENT EMPLOYEES BASED ON GENDER



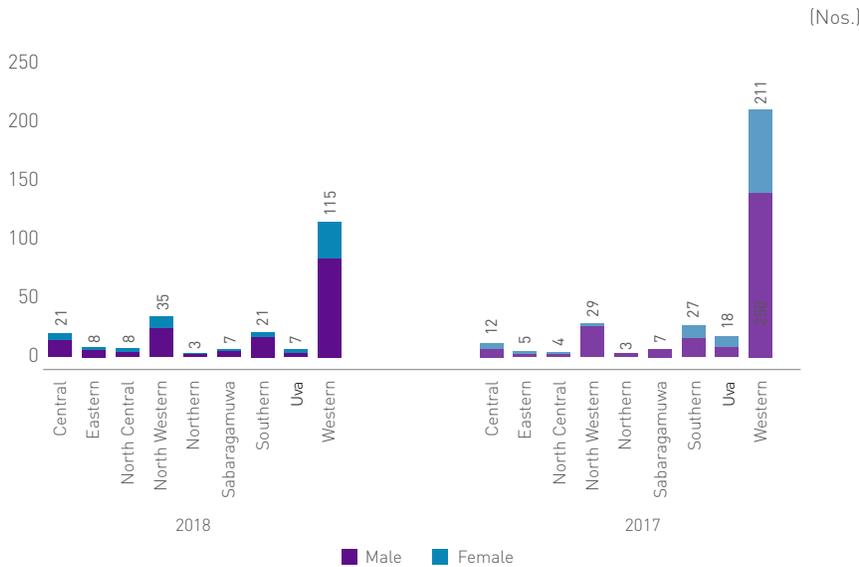
NEW EMPLOYEE RECRUITS BY AGE



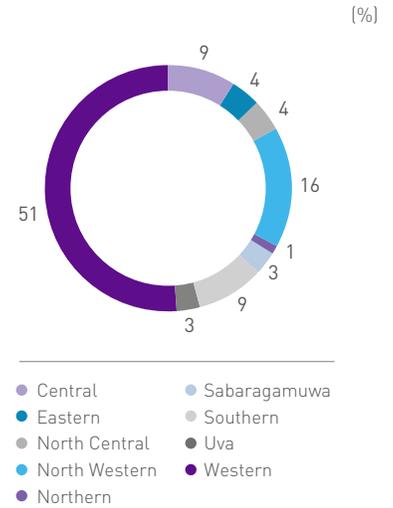
RATE OF NEW EMPLOYEE RECRUITS BASED ON AGE



NEW EMPLOYEE RECRUITS BY REGION



RATE OF NEW EMPLOYEE RECRUITS BASED ON REGION 2018



RATE AND NO. OF EMPLOYEE RECRUITS BASED ON GENDER

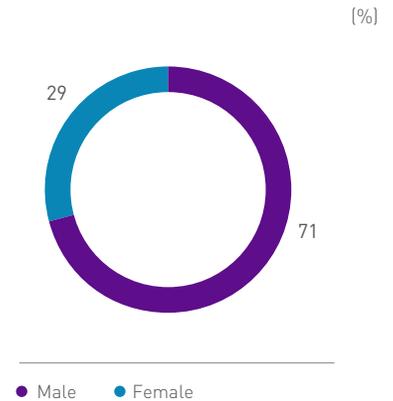


Table: The table given below analyses our employee diversity based on the tenure of the service:

	No of Employees 2018	%	No of Employees 2017	%
0 =< 2 Years	282	34	337	46
2 =< 4 Years	239	29	127	17
4 =< 6 Years	99	12	99	13
6 =< 8 Years	71	9	70	10
Above 8 Years	130	16	103	14
Total	821	100	736	100

In relation to other workers, a substantial portion of the organization’s work is not performed by workers who are legally recognized 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

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. 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 as 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 specialized 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 figure below:

Figure: Softlogic Life talent management process



AT SOFTLOGIC LIFE, OUR GOAL IS TO ENSURE THAT OUR PEOPLE ARE MOTIVATED, INSPIRED AND COMMITTED TO DELIVERING A CONSISTENTLY OUTSTANDING PERFORMANCE. WE DEEPLY BELIEVE THAT IN ORDER TO ACHIEVE THIS WE NEED TO PROVIDE THEM A GREAT PLACE TO WORK, DEVELOP THEIR CAPABILITIES, EMPOWER THEM AND APPROPRIATELY REWARD THEIR CONTRIBUTION

TALENT ACQUISITION

The Company has a robust recruitment process in order to select the best talent for our workplace as our objective always remains to recruit dynamic people whose calibre and capabilities are best suited for the job, which we conform to through our multi-step merit-based recruitment and selection process. These steps include panel interviews, tests and presentations in order to assess their technical skills, soft skills and attitude. Further, recruitment based on profile mapping was introduced at certain levels to ensure a better fit with the needs of the company. We first look internally to fill vacancies and then, if required, advertise externally.

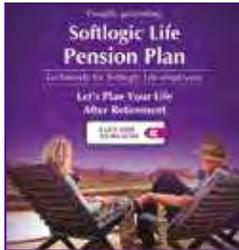
INDUCTION AND FAMILIARIZATION

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 retain the right talent of human capital in order to boost the employee retention rate. The company’s total attrition and new hire attrition rates were 18% and 8% respectively for the year. However, the company has seen insignificant turnover in staff identified as talent, on whom senior management has placed extra emphasis in ongoing talent engagement and developing and nurturing one to one.

In addition, the company introduced a corporate pension scheme during the year under review as a unique talent retention strategy. Details are provided below:



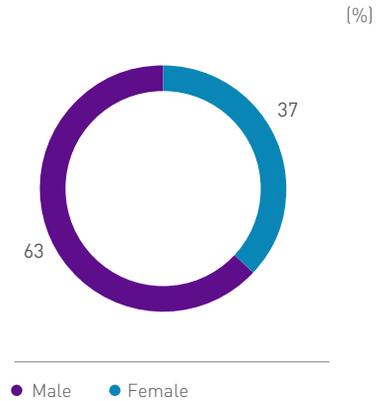
The pension plan was developed keeping in mind that it should be a part of company's talent retention strategy. Accordingly, half of the premium is charged from the employee and balance 50% is contributed by the company. However, company contribution is applicable only if employee works for 3 years with Softlogic Life, making the policy focus on talent retention.

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, 59% of employees return to the company after their parental leave period.

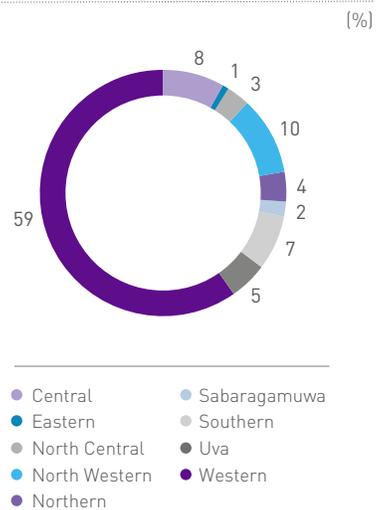
Table: Details of Return to Work and Retention after Parental Leave

	2018		2017	
	Male	Female	Male	Female
Total No of employees that were entitled to parental leave by gender.	N/A	300	N/A	241
Employees that took parental leave, by gender.	N/A	15	N/A	17
Employees who returned to work after parental leave ended, by gender.	N/A	7	N/A	10
Employees who returned to work after parental leave ended and who were still employed twelve months after their return to work, by gender.	N/A	10	N/A	7
Employees who took parent leave but leave period not ended as of 31 December.	N/A	6	N/A	6
Return to Work Rate of employees that took parental leave, by gender	N/A	78%	N/A	59%
Retention rate of employees that took parental leave, by gender	N/A	59%	N/A	94%

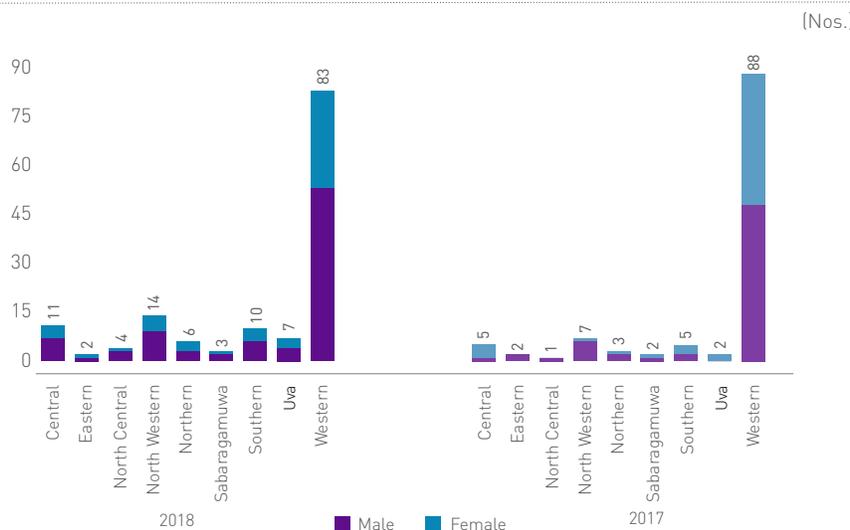
EMPLOYEE TURNOVER BY GENDER



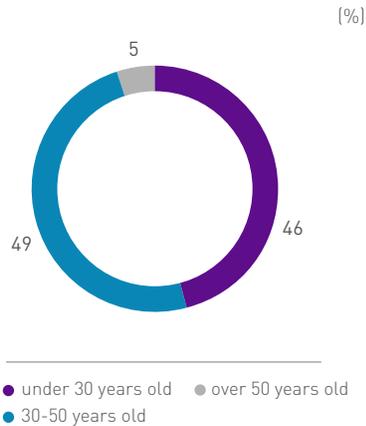
RATE OF EMPLOYEE TURNOVER BASED ON REGION 2018



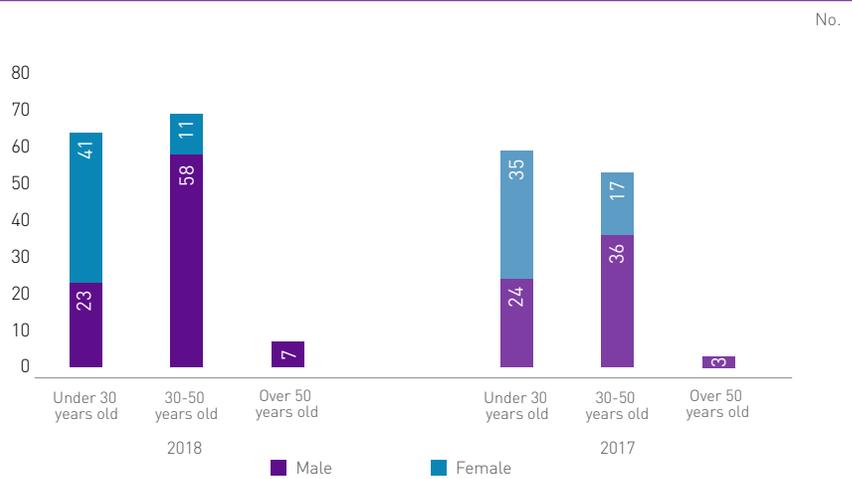
EMPLOYEE TURNOVER BY REGION



RATE AND NO. OF EMPLOYEE TURNOVER BASED ON AGE



EMPLOYEE TURNOVER BY AGE



TRAINING AND PROFESSIONAL DEVELOPMENT

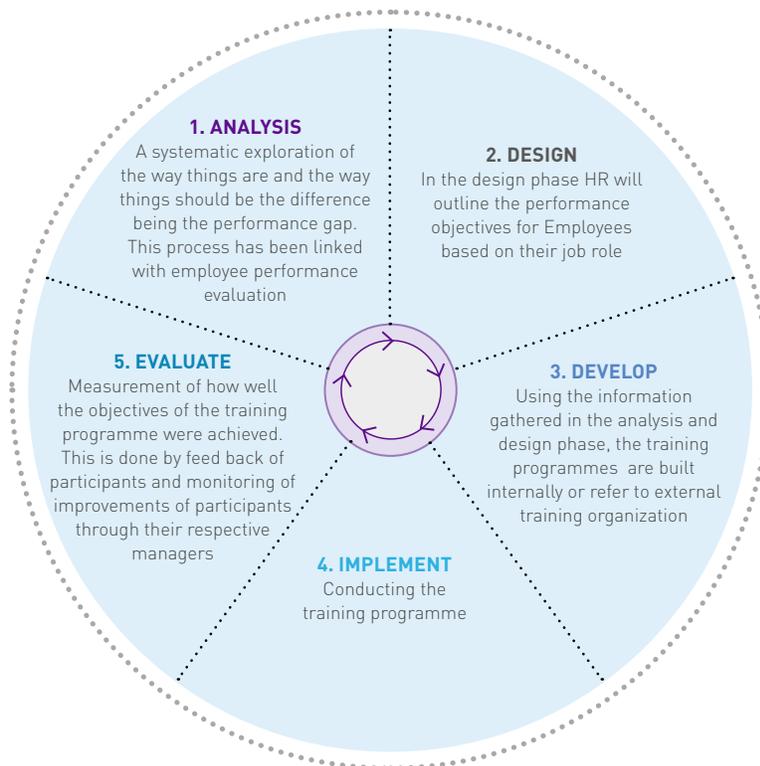
The company’s training and development initiatives play a pivotal role in talent retention and ensured a sustainable competitive advantage as well as served as motivational tools. Therefore, we aim to create a culture of continuous development to enable them to grow and succeed throughout their careers.

While we try to provide our employees the maximum number of training and development opportunities, we also encourage them to take responsibility for their own development. This is fully supported by our training evaluation model, which not only identifies the training programs necessary for the employees to perform their day-to-day job roles, but also considers the areas they seek to become more proficient in.

During the year under review, the Company invested Rs. 48 million (2017 – 38 million) in training and development initiatives and generated a total of 16,822 training hours (2017 - 10,161 hours) ranging from technical, functional, soft skills, information technology and general management.

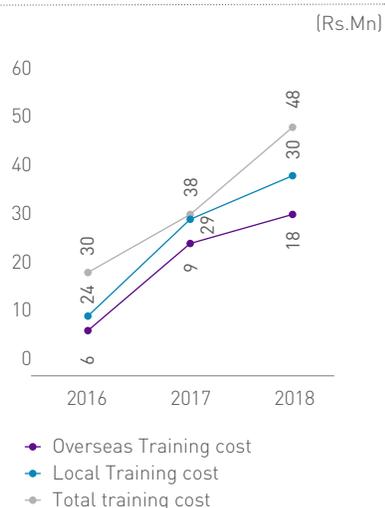
The company uses the following model presented in figure in order to train and develop people:

Figure: Training and development model



Further, the company uses a wide variety of training resources and programme locally and internationally to suit the needs of employees, including in-house panel of trainers. Investment in training and development in last three years is provided in graph below.

INVESTMENT IN TRAINING AND DEVELOPMENT



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

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

Table: Employees' Training Summary for the Year 2018

Training Programme	Scope
Leadership Management Training	Overall
Big Data & Analytics for Insurance	Overall
Enhancing Information Technology Knowledge	Operational
Fraud Risks and Anti-Fraud Strategies	Overall
Effective Business Writing skills	Overall
Life Technical Process Training	Operational
Corporate Planning and Business Intelligence	Overall
Soft Skills development programme	Overall
Technical Programme in Life Insurance	Overall
Practical aspects of creating Great Place to Work	Overall
Risk Management	Overall
Sales Excellence	Operational
Human Resource Management	Overall
Introduction to New Acts and Regulations	Overall
Administration and Logistics Management	Overall
IFRS Training	Operational
Leadership Management Training	Overall

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

Leadership & Strategic	Knowledge	Skill
Performance Management Process 	Anti-Money Laundering 	Induction Programme 
Usability of MS Office Package 	Selling Skill Development 	Anti-Fraud Training 

Leadership & Strategic

Management Development Programme



Knowledge

During the year 2018, the company started the Leadership Forum, to develop management and leadership qualities of management staff. Accordingly, the event featured Mr. Ashok Pathirage, Chairman of Softlogic Group, and our staff was given the opportunity to question him about his success story as one of the respected businessmen in Sri Lanka. The Forum was very effective, as many of our employees realized the path to success in their lives.

Leadership Programme – (Senior Management Development)

The company partners with MDA Associate International to provide leadership skills training to our senior management. The programme was a comprehensive six-day residential training to brainstorm the senior management. The programme was conducted by Mr. Doug Adams, who is a Consultant/Executive Coach and Speaker who has developed a reputation for being deeply skilled at helping senior leaders conceptualize, structure and execute important organizational change, strategic planning, leadership development, succession planning and team building initiatives. Doug has also developed a reputation as a thoughtful, engaging and results-oriented coach of CEOs and other senior leaders.

20 hrs

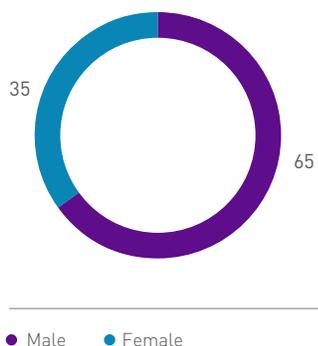
Average Training Hours Per Employee

Average Training Hours per Employee

Hrs	2018	2017
Male	21	10
Female	20	12
Total	20	11

TOTAL HOURS OF EMPLOYEE TRAINING BASED ON GENDER

(%)



CAREER DEVELOPMENT



CASE STUDY

Mr. Chula Hettiarachchi has enjoyed a long and rewarding career with the Company, commencing as Manager - Sales at Softlogic Life in 2001, while ultimately working his way up to an Executive Director in 2019. He has been associated with Softlogic Life Insurance PLC (SLI) as Manager - Sales since the inception of its Life insurance arm. He started with a handful of people in his team and within a short time proved his leadership when he was promoted

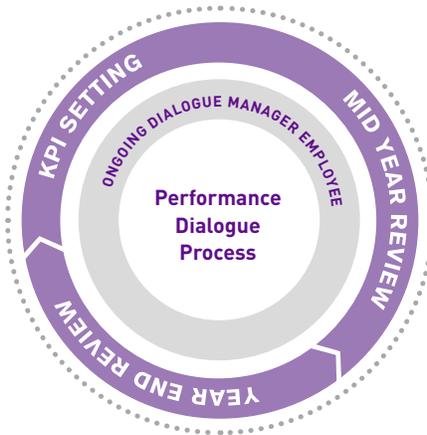
to Assistant General Manager – Life Sales in 2002. As SLI was becoming an unwavering giant in the insurance industry, he too grew professionally, making himself a vital part of the team. There was no looking back thereafter, as he rose from within the Company from Deputy General Manager – Sales & Distribution, General Manager Sales and Distribution, General Manager – Marketing & Sales, Chief Operating Officer to finally being appointed Executive Director.

His passion for operational excellence, while minding the top line, and his dedication to build a market leading company is correctly pointed by company showing the merit based corporate culture with equal opportunity that champions high performers and ensures they see the rapid rise in the Company.

We are committed to enable Career Development, as we consider our employees' professional and personal growth as a key ingredient in our Human Resources strategy. We seek to provide this to all our staff on the basis of ability, qualifications and suitability of work. Besides providing "on the job" training specific to individual roles and career paths, we encourage employees to pursue tertiary education through a bursary programme that supports qualifications in fields relevant to the company.

During the year under review, the company promoted 126 staff to next level, showing our transparent career development mechanism inbuilt in the process.

Figure: Performance Evaluation Process



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 seniors. 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

126
Staff Promotions

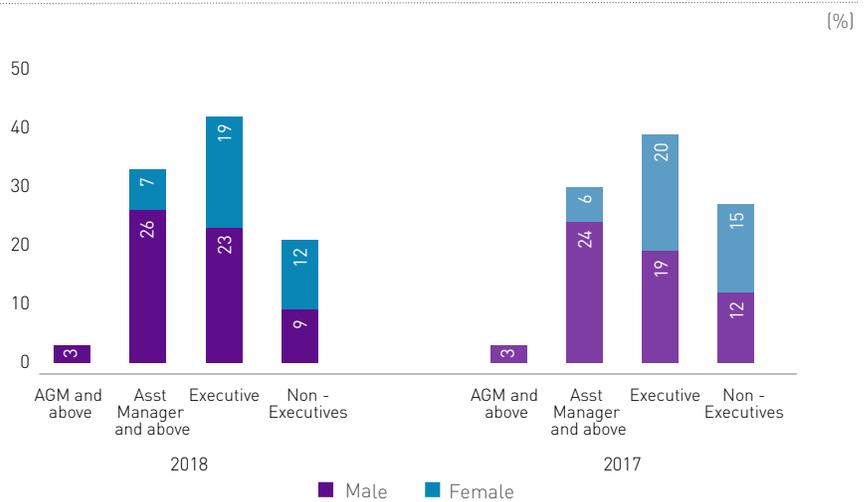
PERFORMANCE APPRAISALS

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 undergo regular appraisal.

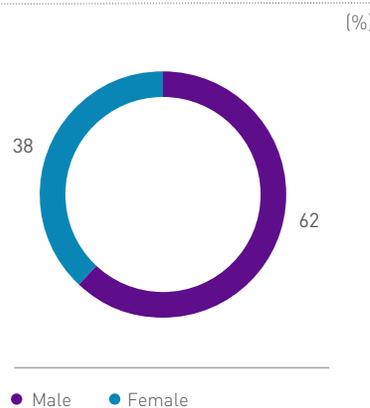
The company follows Key Performance Indicator (KPI) setting process to sharply align expectations from individual job role to company overall strategy. Accordingly, the Board of Directors decides short term strategy for the company and expectations from individual job roles to achieve company goals and this is cascaded down from the top. The performance evaluation process is provided in figure below.

688
Staff participated in performance appraisal process in 2018

PERCENTAGE OF EMPLOYEE REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS BY EMPLOYEE CATEGORY



PERCENTAGE OF EMPLOYEE REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS BY GENDER



REWARD AND RECOGNITION

Our employees are recognized appropriately for their outstanding performance within and outside their job role. Accordingly, the company identifies their extraordinary performance through a performance evaluation process with respect to their job scope. Living the company's values, i.e. Caring, Authenticity, Courage, Innovative and Simplicity are also rewarded, which are outside the job scope. We expect to encourage our employees further by rewarding them along various parameters outlined in the HR practices.



STAFF CONGRESS - 2018

One of the foremost events at Softlogic Life is to recognize outstanding performance of staff at support functions of the company



SALES CONVENTION - 2018

The event recognizes all the high-fliers in our sales team at a grand ceremony.



SPOT RECOGNITION

The Company introduced a staff recognition mechanism where employee performance is rewarded instantly by providing a "Purple Card" which is embedded with financial value.

- Executive remuneration is set such that a significant portion is linked to performance. The performance related element of remuneration is designed and tailored to align the employees' and main stakeholder's interests
- Remuneration levels are based on industry and market surveys.

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

Rs 1,288 Mn

paid as employee benefits during the year 2018

OTHER BENEFITS TO EMPLOYEES

Other than the benefits defined by relevant regulations, we, as a company, offer various benefits to our employees based on the category and the job responsibilities. Adhering to the company's equal opportunity policy, it does not discriminate employee benefits including remuneration, based on diversity including gender, age, race etc.

REMUNERATION AND OTHER BENEFITS

Our remuneration policy is to attract and retain a highly qualified and experienced workforce that the company needs in order to achieve strategic and operational objectives and reward performance according to our industry norms, whilst acknowledging the societal context 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.

The table below, summarizes the employee benefits available at Softlogic Life:

Financial Benefits		Competitive remuneration
		Employee welfare
		Reimbursement of selected professional memberships/ subscription payments
		Professional education assistance
Non-Financial Benefits	Health and safety focus	Life and Disability Insurance
		Safe and Healthy workplace
		Maternity Leave
		Staff medical and critical illness insurance
		Paternity Leave
	Self-Actualization	Personal and career development provides space to realize individual targets of our employees.
	Personal Security	Softlogic Life provides a safe, non-discriminatory work environment
	Financial Security	Ensuring job security based on the performance of the employees
		Corporate pension scheme will ensure financial security at retirement of our employee
	Civic status	Softlogic Life's working environment promotes contact and friendship with fellow workers, social activities and opportunities.
Dignity	Softlogic Life being a responsible corporate is making a positive contribution to ensure employees work with a sense of self-esteem	

BENEFITS ENHANCEMENT DURING 2018

The company added following benefits to employees during the year 2018.

Paternity Leave

The company introduced paternity leave, which enables male 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. With the concept of Work-Life balance, we have implemented flexible working arrangements and special leave programmes. All employees of Softlogic Life will be entitled to this. 5 working days can be taken within the first 30 days from the time of child birth and this is applicable for 2 child births during the tenure at Softlogic Life.

Staff Pension Scheme

Caring for our employees is one of the values we emphasize. Accordingly, we extended caring for them not only while working at Softlogic Life but also after retirement. The detailed description on retirement scheme is provided on page 114 of this report.

Employee Retirement Benefits

In addition to the above, 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	2018	2017
EPF	74	57
ETF	18	14
Defined benefit Plan	27	21

MOBILE APP TO ACCESS OUR HR TEAM

During the year, the company launched a mobile application allowing instant access to HR for employee needs. The mobile application could be used to mark attendance, benefit claims, salary confirmation etc. This also helps to improve efficiency of HR practices by further increasing employee satisfaction.



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 fraud or corruption is brought to the notice of senior management with the guarantee of confidentiality. Further details on this policy could be read on page 229 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 2018.

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 62 to 66 of this report.

Open Culture

The Company has instituted a warm and friendly work culture that nurtures learning and development. Further, it 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 and some highlights are detailed further.

Figure: Employee Communication Model

Whistle blower policy – (Bottom-up communication)



The Company have strong whistle blower policy where they can raise the voice directly to our governance bodies. This ensure our employees are always treated fairly and zero level violation of our employees’ rights.



HUMAN CAPITAL



MD DIRECT – (BOTTOM-UP COMMUNICATION)

Web link is introduced to all employees allowing them to directly share their thoughts, feedbacks with Managing Director. This courses to build confidence of our employees as their voice is heard at appropriate level of authority.



MD WRITES – (TOP-DOWN COMMUNICATION)

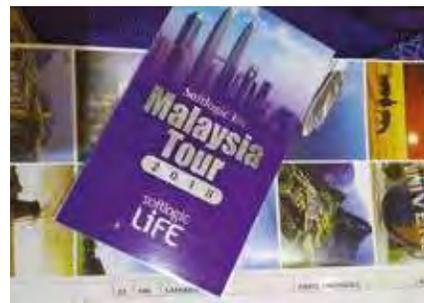
MD writes is a periodical communication by the Managing Director to all employees. This communication includes a company performance update, achievements, threats the company facing and short term strategies to be executed. This communication helps all employees to contribute accurately towards the achievement of the company's objectives.

Informal Employee Engagement Activities

The company encourages sports and recreational events that are organized by strategic business unit levels and 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 is high.

Trip to Malaysia

The company organized an annual overseas trip to Malaysia for all the permanent cadre employees of the Softlogic life and their families. This proves the passion for always going the extra mile to provide our employees with a unique experience.



Shangri-La Hambantota Trip

Reflecting how much Softlogic life truly cares for its employees and their family members, the company organized the conventional annual day out to Hotel Shangri-La in Hambantota. The authenticity of our proposition of "True caring for our employees" emanates from this by providing them with the platform to connect and promote a sense of belonging.



Surprise Gifts

The company celebrates its every achievement and key milestones with employees



Tree planting in schools

Our staff volunteer in tree planting projects at schools.



Back to School

Caring for children of our staff by gifting school items to them.



Glow 18 – Year end party



Department Trip



Cartoon Day Competition



Free movie ticket



VALUE CREATED TO COMPANY

Our effort to acquire, develop and retain the best talent in the industry is explained above. It was proved that our effort not only benefited our employees but also that the company grew to greater heights, surpassing Rs. 10 Bn in revenues during the year. Value generated to company is explained in detail under Financial Capital on page 72 and the customer satisfaction is elaborated under Social and Relationship Capital on page 126.

ENSURING A SAFE AND HEALTHY WORKPLACE

Ensuring the safety and health of those who work for us remains our top priority. Therefore, we strive to provide a safe and healthy work environment for all 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 the company intranet. However, there were no incidents reported during the year 2018.

RESPECTING HUMAN RIGHTS AND PROTECTING LABOUR RIGHTS

Softlogic Life has an organisational culture which supports local and internationally recognized 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 we are therefore implementing a plan for 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

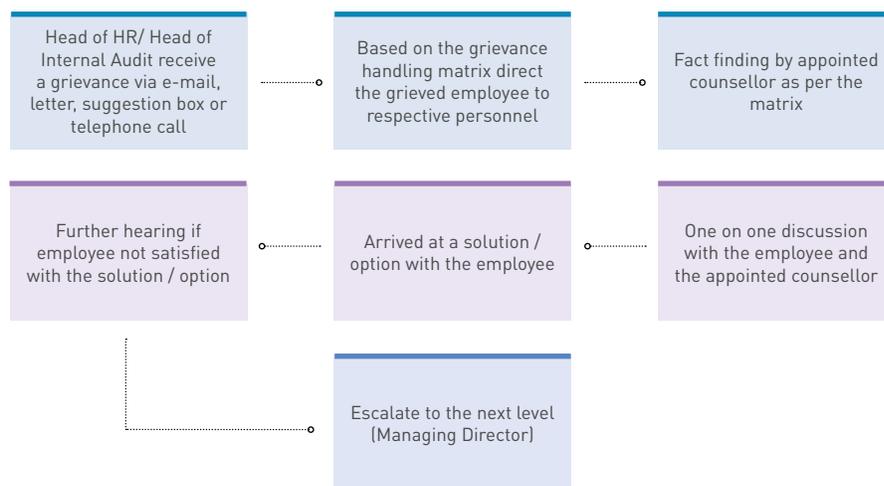
During the year under review, there were no incidents of employing under-age or forced labour and there were no incidents of discrimination or grievances regarding labour practices.

LISTENING TO EMPLOYEE GRIEVANCES

We believe in a 'Great Place to Work', where all employees have an opportunity to give feedback, suggestions and voice any grievances. The grievance 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 whistleblower mechanism. The company's employee grievance 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 229 this report.

LOOKING AHEAD

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

Looking ahead, we aim to:

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

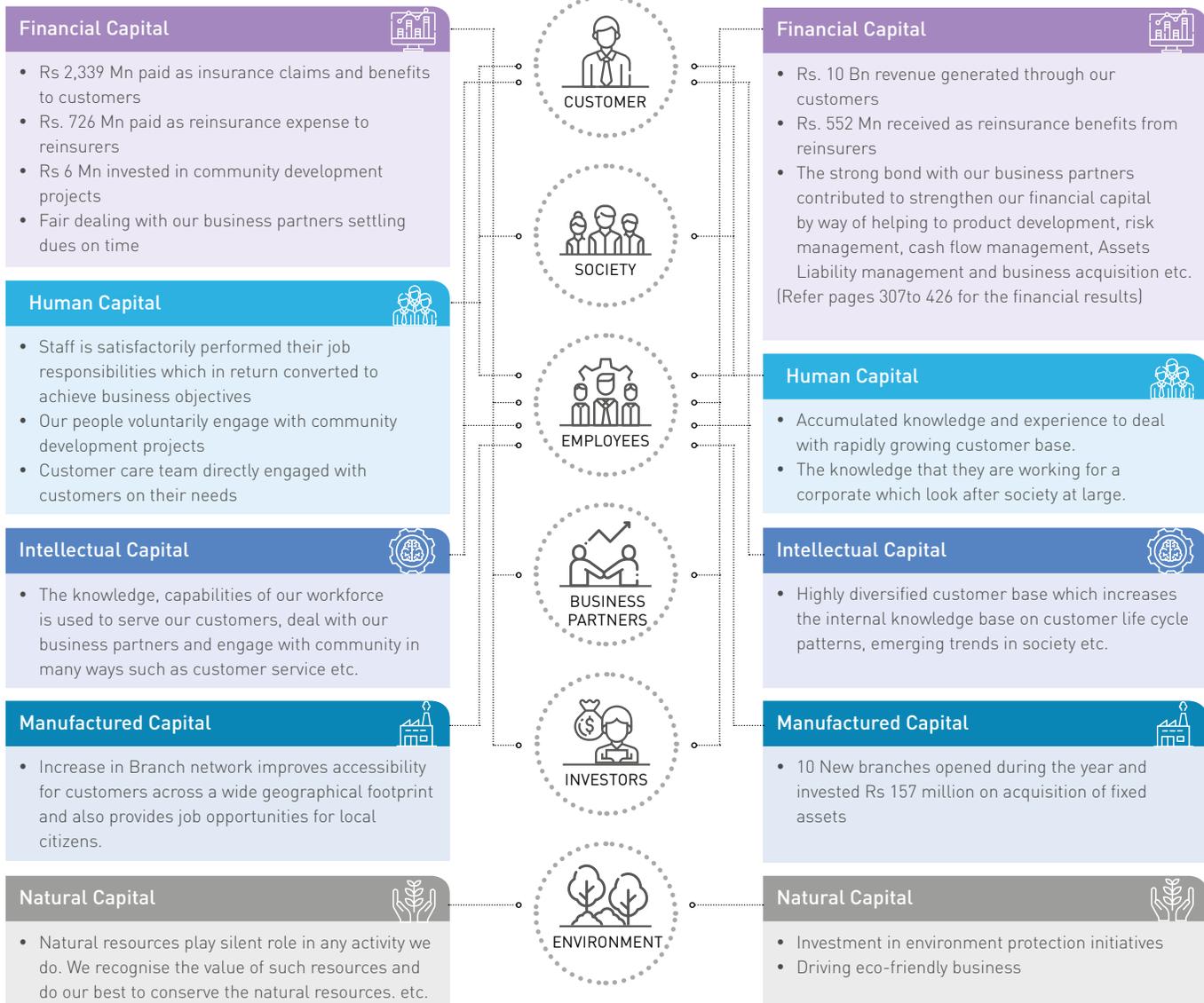
SOCIAL AND RELATIONSHIP CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2018

 Customers	90% One Day Claim Settlement	5 New Insurance Solutions	543,245 New customers	Industry 1st Innovative Solutions
 Community	Rs. 6 Mn Invested in Community Development Projects	WIN <small>YOUTH EMPowerment PROGRAMME</small> 1,002 Beneficiaries	5 Yrs "WIN" project continued	Community Development Projects
 Business Partners	Rs. 2.1 Bn Paid as Commission and Incentives to intermediaries	2,300 Field Staff	87 MDRT members	4 New Reinsurance Partners

Value In

Value Out



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

KEY PRIORITIES FOR 2018 AND ITS PERFORMANCE

Action Planned	2018 Performance	Detailed Information page reference
Customers		
Introduce new products	●	129
Technological Advancement	●	130
Use "Big Data" as next wave	●	131
Improve auto underwriting	●	130
Revamp of customer service propositions by introducing novel concept to take customer service to next level	●	131
Over 50% of new policies through on the spot policy issuance process	●	130
Geographical expansion of branch network	●	131
Community		
Continue "WIN" project	●	151
Continue scholarship pro-gramme	●	154
Helping underprivileged society	●	153
Agile campaigns	●	156
Contribution to national economy	●	155
Business Partners		
Focus on professional qualification of field staff	●	162
Dealing fairly with all business partners	●	160-165
Expansion of reinsurance panel	●	163

KEY CHALLENGES



Rapid change in customer needs require more flexibility in everything we do



Allocation of financial and other resources to correct initiatives which drive our key focus



Intense competition in the market

STRATEGIES EXECUTED

- The Company identified key customer segments within the customer portfolio and built distribution channels / product strategy to cater to specific requirements of each segment without focusing as a whole i.e micro channel to cater low value customer proposition etc.
- Resource allocation is done with proper analysis of the initiatives which are evaluated against short to medium term goals.
- The Company uses innovation as key differentiator to outperform the competitors and embeds innovation in every part of the business model from underwriting, claims settlement, product development customer service, to all stakeholder dealing.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

| 102-7 |

ANALYSIS OF OUR CUSTOMERS

204,547

NEW POLICIES ISSUED IN 2018

462,138

INDIVIDUAL CUSTOMERS

342

CORPORATE CUSTOMERS

921Bn

VALUE OF LIVES INSURED

ENDORSEMENT OF OUR INNOVATIVE CUSTOMER SERVICE

Our continuous effort to provide superior customer service was recognized globally. For the first time in the history of the Sri Lankan Insurance industry, a local company was amongst the "Top 3 Life Insurance Companies of the Year" as adjudged by Asia Insurance Review at the 22nd Asia Insurance Industry Awards 2018. This is a very special award as Softlogic Life was the only life insurance company shortlisted from the South Asian region through a stringent selection process helmed by a bench of 33 judges. In addition, at the Emerging Asia Awards organised by Indian Chamber of Commerce, Softlogic life was awarded "Best service provider".

"THE RECOGNITIONS WE RECEIVED AT THE ASIAN REGIONAL LEVEL REFLECT THE WAY WE TREAT OUR CUSTOMERS."



SHORTLISTED AS ONE OF "ASIA'S TOP THREE LIFE INSURANCE COMPANIES"



<http://www.asiainsurancereview.com/asiaawards2018/Finalists>

Follow above link for more details

“

SOFTLOGIC LIFE WAS RECOGNIZED AS BEST INSURANCE COMPANY AND BEST SERVICE PROVIDER IN THE EMERGING ASIA REGION. FURTHER, SOFTLOGIC LIFE RECORDED THE HIGHEST GROWTH IN THE REGION.



MANAGEMENT APPROACH

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

We are trail-blazing a wave of innovation and technology that will deliver widespread convenience and succeed in the creation of new business avenues.

KEY PRIORITIES FOR 2018 AND ITS PERFORMANCE

1. Introduce new products to cater key customer propositions and address the evolving nature of customer demand to strengthen competitive position as be the "Best value provider" in the market

Analysing ever changing customer demands is regular activity at Softlogic Life as we are "Top of the line of customer needs / propositions". We stay focus on customer's behavioural changes that affect to change insurance needs of our customers. Product development is ongoing key business activity that the management make substantial emphasis as we identified our innovative product portfolio is one of our critical success factor of sustainable compound annual growth of 35 % against the industry average growth of 16 last five years.

During the year we added 05 new products our diversified product portfolio.



SOFTLOGIC LIFE UNIVERSAL LIFE PLAN
SOFTLOGIC LIFE UNIVERSAL SAVINGS PLUS
SOFTLOGIC LIFE CORPORATE PENSION PLAN
SOFTLOGIC LIFE GOOD HEALTH SERIES

Further details on these products and total product portfolio in illustrated on page 136 of this report.

2. Continue to improve the "One-day hospital claims settlement over 80%" and "One-day death claims" payment process as key differentiator of customer service

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.

ONE DAY DEATH CLAIM SETTLEMENT

The Company also introduced one-day death claim settlement process as another industry first initiative which showcase our customer centric culture and commitment to our promise. Accordingly, the Company has decided to settle all straight forward 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.

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.



Our customer centric service mainly driven by prompt claim settlement as well as attention given on customer's concerns was highly recognized on only in Sri Lanka but also at Emerging Asia. Accordingly, Softlogic Life awarded with Best service provider in the region of Emerging Asia.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER



BEST SERVICE PROVIDER IN THE REGION

Softlogic Life was recognized as best service provider at the Emerging Asia region. Our unique customer services such as one-day claim settlement was evaluated with industry peers at region prior to select our self to the award. That also give us comfort that undoubtedly we are the best service provider in Sri Lanka.

3. Use technology as key differentiator to provide enhanced customer experience/ convenience of purchase policy by enabling / improving initiatives such as digital proposals, profile base underwriting, etc.

Innovation is forefront of our winning strategy lead by technological advancements. We always look for ways how technology can be used in combination with innovative ideas to serve customer better. Accordingly, we introduced many innovative solutions as summarised below.



TAB PROPOSALS

One of foremost achievement in our digital strategy is increasing % of policy proposals comes digitally. The tab proposals increased up to 90% supporting auto underwriting as well as the company's digital drive

90% 2018

20% 2017



TELE UNDERWRITING

A novel concept introduced to insurance industry where A specially trained telephone interviewer completes the Life Insured's Statement required for the life insurance application. We understand the busy life style of our customers and this solution provide convenience to customer to obtain the policy with hassle free process.





APP BASE UNDERWRITING

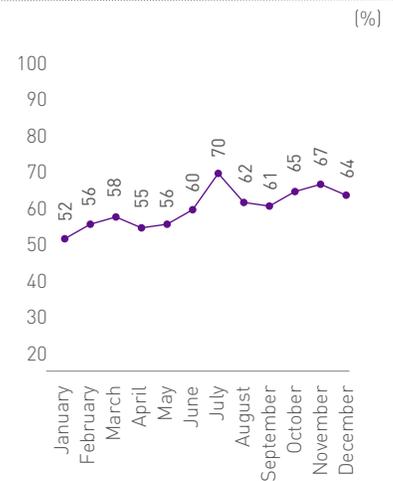
Another industry first innovation of the company allowing customer to obtain insurance policy through popular communication medias such as "Whatsapp", "Viber". As a company alert on the changes in customer behaviours we understood people are increasingly use these applications for their communication need and company identified this as opportunity and capitalized on it.

(Refer page 142 for our more details on above and our industry first innovative solutions)

4. Enhance capabilities and efficiencies of underwriting process to improve percentage of auto underwriting (Rule based underwriting)

Underwriting is key function of our business process value addition activity that ensure we accept risk that are within our risk apatite. We are continuously engaging with our specialized staff in underwriting as well as in house IT experts to digitalize underwriting process. As a result, we were able to significantly increase auto underwriting quantity during the year. The Graph below shows our auto underwriting stats over the year.

AUTO UNDERWRITING STATS



(Refer page 142 for our more details on above and our industry first innovative solutions)

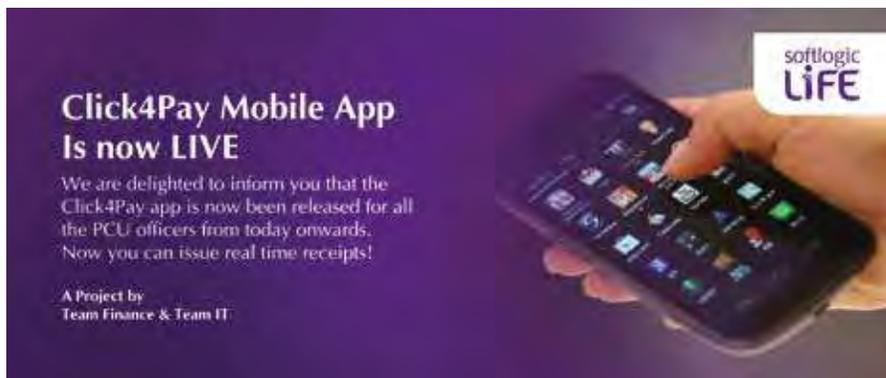
5. Revamp of policy conservation unit (team who collect renewal premium at customer doors step)

A unique customer proposition introduced by the Company where separate team of staff promptly collect renewal premiums from the customer at their door step. The concept was help our field staff concentrate on new business production while existing customer base were served

by Policy Conservation Unit (PCU) by collecting customer dues at customer convenient time and place. During the year the Company decentralised the PCU division by allocating PCU staff to branches with a view of improving efficiency of the process and provide superior customer value.

10 NEW BRANCHES OPENED IN 2018

98 OPERATIONAL FOOTPRINT AROUND THE COUNTRY



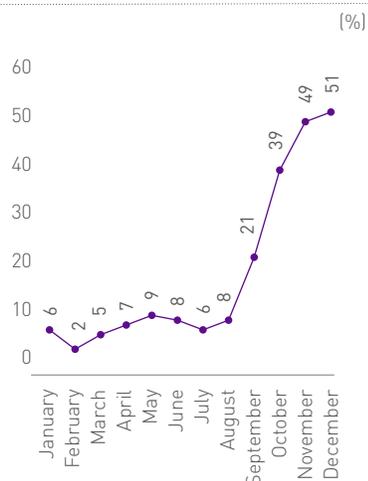
(Refer page 142 for our more details on above and our industry first innovative solutions)

In addition, the Company PCU App enabling PCU staff to raise digital receipt through their mobile. The digital copy of the receipt emailed to customer enhancing their confidence and convenient.

6. Bring 50% of new policies through "On the spot policy" issuance process in 2018 and improve it further.

On the spot policy issuance is also our novel concept introduced first time in the insurance industry. During the year we focus on improving rate of on the spot policy issuance which was supported by the auto under writing and digital proposals.

ON THE SPOT POLICIES



7. Strategic expansion of our geographical footprint by capitalizing on new technologies.

We are consciously evaluating the market for potential for insurance. Under our market penetration strategy, we expand our branch network methodically realizing best value to the company. During the year we opened 10 new branches reaching our customer further.

8. Use "Big Data" - a data mining tool to understand customer behaviour and requirements to provide more focused products and services.

A team was identified having relevant capabilities including IT, strategy etc. to capitalize and use information inside and outside the organization in achieving our milestone.

9. Revamp of customer service propositions by introducing novel concept to take customer service to next level

During the year company carry out many activities focusing on our customers including declaration of customer service month. The main activities carried out are summarized below and detail description is provided on page 141 of this report.

			
Managing Director at customer service desk	Senior Management at Hospital Visit	Senior Management at Customer's Door Step	
			
Recognition of staff who care customer most.	Introduction of Purple Line	Regular email posts to staff with encouraging statements	Introducing Online Receiving System to Policy Conservation Unit

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

KEY PRIORITIES FOR 2019 AND BEYOND

- Focus on improving % settlement of one-day claims settlements including death claims.
- Introduce new products to cater to evolving nature of customer demand / propositions and continue to be the Best Value Provider in the market.
- Use strategic partnership and distribution innovation as key priorities to reach customer segments more conveniently as well as in a more cost effective manner.
- Use technology as key differentiator and introduce technical advancements to business operations to improve productivity, improve the convenience of purchase and all areas of customer touch points underwriting process, claim processing and servicing.
- Use customer care as competitive advantage and improve customer care services
- Strategic expansion of our geographical footprint by capitalizing on new technology

- Use "Big Data" - a data mining tool - to understand customer behaviour and requirements to provide more focused products and services.

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.

As a company, our mantra is to focus on "Top most line to maximize customer perceived value".

$$\text{TOP MOST LINE} = \text{VALUE} - \text{PRICE}$$

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 the customer purchased from us 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 as post-sales services we offer, for example, Assistance for discharge from the hospital without delay etc. 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 in table below;

Table: Value Propositions and Softlogic Life Response

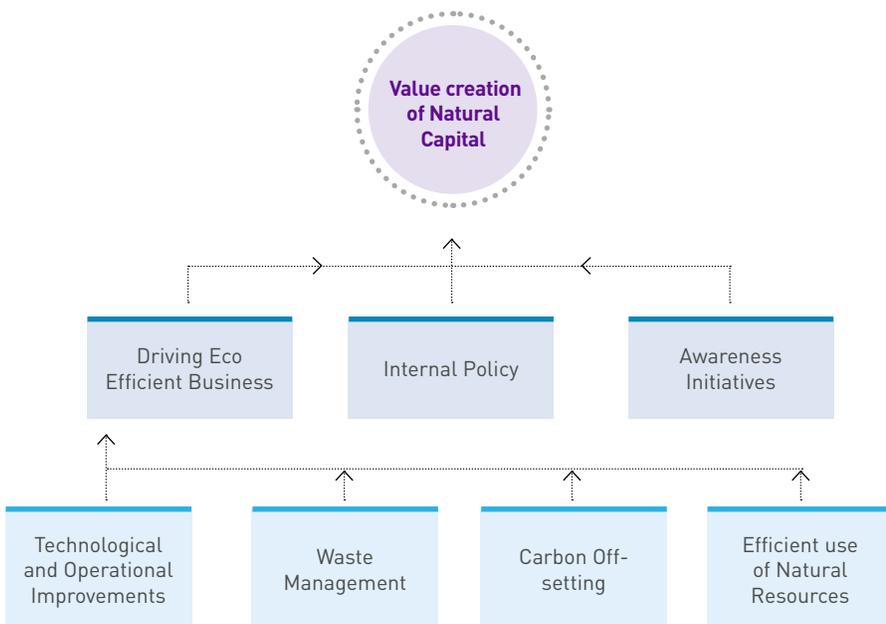
What Customers Expect	What Softlogic Life Offers
Financial security for unexpected life risk/ peace of mind due to financial commitment at a reasonable price.	Offers a range of protection (endowment) based life insurance solutions at a reasonable price.
Enjoy benefits before death maturity from the life policy. /	Offers a medical benefits facility as core benefit to customer other than bundle of value-added services such as assistance during discharge from hospital by fast-tracking the process; 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 on group synergies through the Asiri Hospitals chain as well as worldwide (except US) cashless settlement medical cover
Fair return at maturity.	High annual bonus and dividend to customers through better fund management
Comprehensive coverage from one solution / product	Customer able to customize policy based on requirements. Use innovative ideas to develop products which capture emerging customer needs (i.e: Introducing micro insurance by partnering with Dialog Axiata PLC).

What Customers Expect	What Softlogic Life Offers
Fair / Equitable and speedy claims settlement.	One-day regular claim settlement / one-day death claim settlement.
	Extended cashless claim settlement offer island wide and world wide
	Robust process to track and settlement of claims (Real-time claim meter and work flow based approach).
	Transparency over claim settlement.
Financial stability and better governance (Transparency and Trust).	Strategic support at the time of hospital discharge.
	Strong financial stability and recognition in the form of many accolades received from prestigious institutes locally and globally
Convenience of purchasing policy / use of servicing facilities conveniently, including payment of premiums.	Strong reinsurance coverage and robust risk management process.
	Launch of on the spot policy issuance, through which customers could get policies on the spot, without delay.
	Launch of "Life Up": an App which facilitate customers to obtain any service requirements by themselves, without sending emails / letters
	Team policy conservation unit collects customer premiums at their doorstep to ensure customers benefits are active and that they are covered at all times
	Island-wide footprint with 98 branches; offer service requirement including facilities for claims process
	Online payment scheduling gateway, which facilitates payment scheduling of premium online, without going to bank etc.
	Introducing micro insurance channel to eliminate barriers to obtaining life insurance

CUSTOMER VALUE CREATION

The company uses the following model to create value for its customers:

Figure: Softlogic Life's Customer Value Creation Model



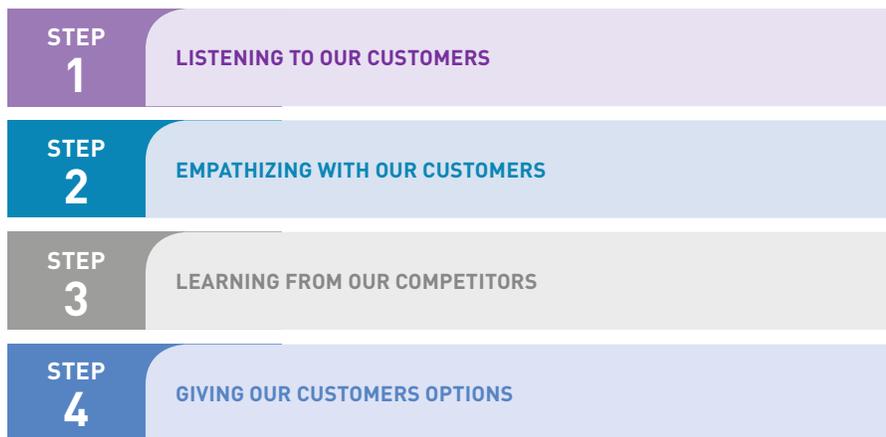
Detailed discussion of each activity above is provided below:

UNDERSTAND OUR CUSTOMERS

We believe that it is imperative that we understand our customers and their needs, so that we can continue to offer solutions which meet those 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:

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER



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.

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 as follows:

- Through direct interaction with customers via Care Center, WhatsApp, Viber etc.
- Listening to customers through our agents
- Welcome call programme
- Use of website and email
- Customer feedback
- Customer research

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

The 'Client Experience' is one of our strategic priorities. This eventually boost customer satisfaction and among the many positive feedbacks we received few are lined up below



Mr. Gihan Amil Abeysekera | Managing Director

Amil Group of Companies [A policyholder from 2009]

"Softlogic Life's prompt action, quick claim settlement and superb customer service is extremely satisfactory."



Dr. Pubudu Liyanage | [A policyholder from 2013]

"I cannot express my gratitude to Softlogic Life for the excellent service they have provided over the years. I was given a great opportunity to spend my vacation with my family at a five-star hotel as a loyalty reward. It showed how Softlogic Life takes care of all of us!"



Mr. Manoj Hiripitiya | TV Cameraman

[A policyholder from 2013]

"I was beside myself with worry when my wife fell sick. But Softlogic Life and settling claims quickly and without any issue. I don't hesitate to say it's a family-friendly life insurer"

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

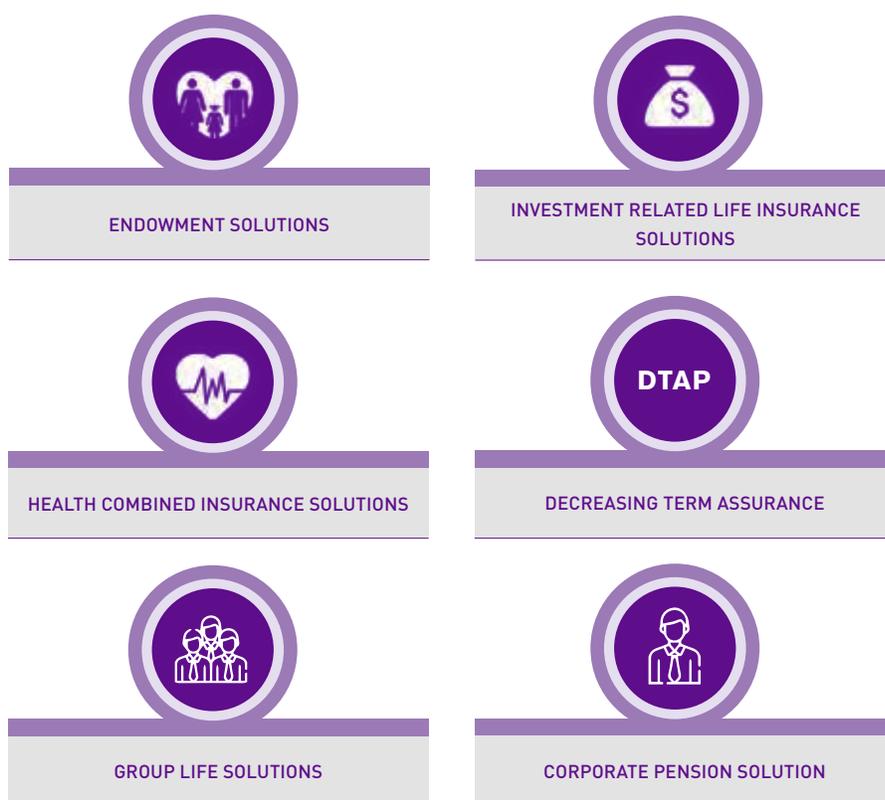
Every week, the senior management meets and analyses the product performance whilst brainstorming new and innovative ideas based on the results of step 1, 2 and 3. The objective here is to match the high standards of our customers' requirements by optimizing our products and services to further suit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

OUR PRODUCTS

Our product philosophy is to create more relevant products which customers feel is value addition over the premium they pay and maintain portfolio of products accurately address to insurance requirement throughout the customer's lifecycle.

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.



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 formalized product introduction process which requires approval from a product development forum before launching new products for customers. The product development process is provided in figure below.



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

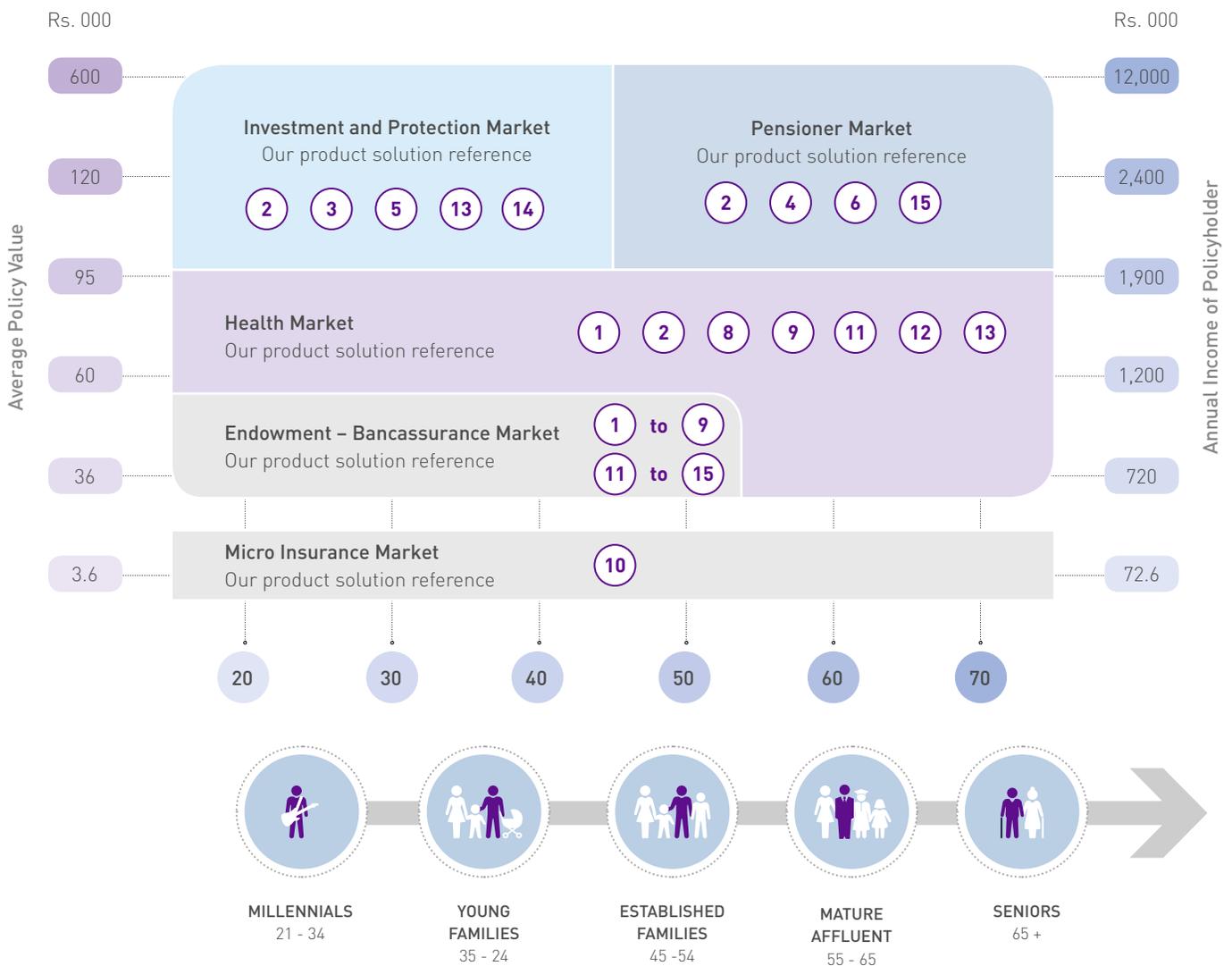
NEW PRODUCTS

The year 2018 was an historical year in terms of product developments, as the company introduced five new products and two rider covers, which offers unmatched benefit to our customers. The product development committee considered customer feedback, with field staff conducting market analysis prior to defining benefit criteria of these products to ensure all needs of our customers are accurately covered through new products. As a result, the company introduced new products having elements of protection, health care, savings and retirement to ensure we will be a lifelong partner. With the addition of these products, we believe we have most balanced and competitive product portfolio in the market.

OUR PRODUCT PORTFOLIO TO CATER THROUGHOUT THE CUSTOMERS LIFE CYCLE

The figure below analyses our product portfolio and the target customer segments we serve in terms of age group and income level of the customers.

Figure: Product mix evaluation against customer segments



Note: Average Policy Value = Disposable income of policyholder computed as 5% of the annual income.

The figure above represent broad distribution of our products among the various customer segments.

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.

PREMIER HEALTH BENEFIT



This is a Comprehensive Health Rider benefit in the Life Insurance Industry, which addresses most of the health insurance needs of a customer as follows;

- Increased annual benefit limits
- Worldwide coverage except US & Canada – Optional
- Dental & Spectacle Covers
- Well-being & Pharmacy Covers
- Maternity expenses cover – Optional

SOFTLOGIC LIFE GOOD HEALTH SERIES



This is a comprehensive health product with overseas coverage on individual basis for high networth customers and employees of corporate, which provides a decent health coverage including overseas hospitalization and medical treatments.

UNIVERSAL LIFE PRODUCTS

SOFTLOGIC LIFE UNIVERSAL LIFE PLAN



The policy encompasses a wide spectrum of features/benefits that provides a great deal of flexibility for policyholders. The policyholder is given the choice to select within the Universal Life framework, his/her preference as regards premium payment term, savings element, protection needs and the proceeds received at maturity. This Product will cater 3 needs of the policyholder - Protection, Savings and Retirement. A vital element in this Universal Life Product is that the policyholder is provided the flexibility in varying policy benefits during the term of the policy, that could depend on the lifestyle situations.

SOFTLOGIC LIFE UNIVERSAL SAVINGS PLUS



This product is exclusively carved out to cater to the needs of the loan borrowing employees of both government and corporate sector. Loan outstanding will be covered in the event of death while also aiming to provide an investment return on survival.

SOFTLOGIC LIFE CORPORATE PENSION PLAN



This product has been designed to cater to the retirement needs of the corporate sector employees. The product is designed to maximize the return on investments aiming to provide a decent retirement benefit at maturity. This product also provides a flexible Life Insurance benefit to meet protection needs of each individual.

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.

Premier Health Benefit

This is a Comprehensive Health Rider benefit in the Life Insurance Industry, which addresses most of the health insurance needs of a customer as follows;

- Increased annual benefit limits
- Worldwide coverage except US & Canada – Optional
- Dental & Spectacle Covers
- Well-being & Pharmacy Covers
- Maternity expenses cover – Optional

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. The consumers will look to partner with an insurance company which offers them convenience, transparency and provides greater value to them in every engagement.

The management went a step further in servicing customers and proving our dedication to provide superior customer service, by declaring a "Customer Service Month", with many activities carried out to internalize a customer-first philosophy for all our employees. These activities were helpful to further strengthen self-discipline of our staff, who naturally act with a customer focused mindset. Accordingly, following key activities were carried out to give 'wow' experience to our customers:



Managing Director at Customer Service Desk

The entire senior management including the Managing Director of the company assumed duties at the customer service desk to feel our customer's sentiments more closely and take prompt action where necessary to increase customer satisfaction. This initiative also boosted employee morale by stressing the importance of our customers.



Hospital Visits by Senior Management

At Softlogic Life we care for our customers. Accordingly the management team visit hospitals to meet our customers falling sick.



Senior Management at Customer's Door Step

Our Senior Management Team went to customer doorstep to have friendly discussions and get an understanding of pros and cons of our service. Customers who have been with us for a reasonable period were randomly picked from our database. This brought many positive insights on which management is working on to provide superlative service to our customers.



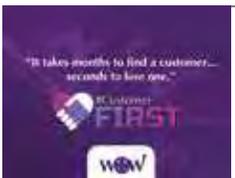
Recognition of staff who care for customers the most

The staff who went the extra mile to make our customers comfortable were recognized at the "Inaugural Service Forum 2018". The heartiest effort they have taken to resolve customers' issues were evaluated by senior management in awarding them



Introduction of Purple Line

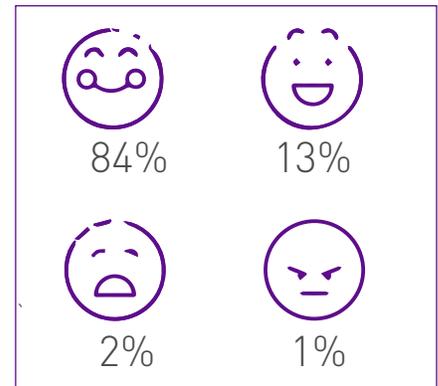
A dedicated contact point was enabled for Senior Management of the company to directly contact the customer care unit without any delay to resolve any issues our customers face.



Regular email posts with encouraging statements

Regular email posts were sent to staff, carrying encouraging statements to focus on our customers.

While we improving our service standards focusing on customers, management also keen to assess customer satisfaction which provide objective evident of how customer feel our customer service. The results of internal customer satisfaction survey is provided 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 continued its unique loyalty campaign called "Purple Christmas 2018" for our loyal customers who have been making the right choices through 2018. 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 a healthy lifestyle amongst its customers.

"Delighting our customers at every engagement they make with us is our secret to coming out on top"

KEY OPERATIONAL INNOVATION AND PERFORMANCE

The Company has undertaken many initiatives to maximize customer perceived value by way of improving Wellness, Nutrition and Fitness. We have revolutionized innovation and technology that is delivering widespread convenience to our customers and creating new business avenues for us.



ONE DAY CLAIMS SETTLEMENT

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.

The concept was repeatedly awarded under "Best in Claims Settlements in Sri Lanka" tag line at in insurance industry awards



TELE UNDERWRITING

A novel concept introduced to insurance industry where A specially trained telephone interviewer completes the Life Insured's Statement required for the life insurance application. Tele-underwriting allows our customers to choose the time and place most convenient for them – in the comfort of their own home, at their workplace or wherever they have their phone.



APP BASE UNDERWRITING

Each messaging app is used effectively, to enable the digitalized underwriting to render a supreme service to our customers and to stay connected with our customers. It has given the ability to increase personalization through direct interaction and tailored customer communications and to efficiently address ad hoc/personalized customer service demands in terms of underwriting.



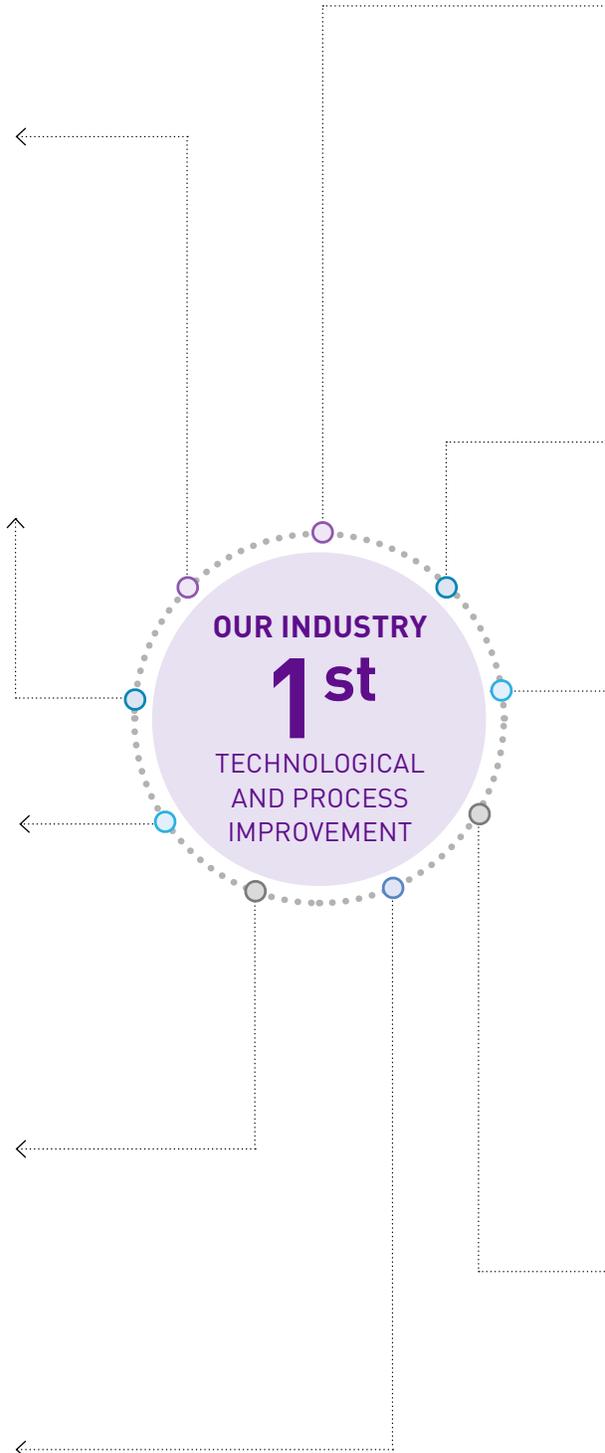
EXPRESS DIGITAL POLICY ISSUANCE

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. A physical customised policy document that is significantly low on paper usage is also delivered to the customer subsequently keeping in line with current regulations.



AUTO UNDERWRITING WITH ENHANCED CAPABILITY

Auto underwriting is supporting function of Express Digital Policy Issuance concept. The rate of Auto underwriting percentage was increased to 64% by introducing simulation process where underwriting criteria's are automatically cross checked with worldwide accepted standards.





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.



ONLINE PAYMENT SCHEDULING

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.



'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.



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.

OTHER INNOVATIVE SOLUTIONS VALUE ADDED SERVICE



MEDICINE DELIVERY TO CUSTOMERS' DOORSTEP

The Company delivers medicines to customer's doorstep in an emergency. The customer can send the medical prescription via "LiFEUP App", Viber or WhatsApp. 24/7 service for greater convenience.



AMBULANCE AT CUSTOMERS' DOORSTEP

In a medical emergency, an Ambulance will be rushed to the requested location which facilitates medical investigations/test at customer's residence for greater convenience and value-addition to our customers. Further, if required, the ambulance will facilitate transport of patient for emergency treatment.



DOCTORS' VISIT TO CUSTOMERS' DOORSTEP

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.



LAUNCH OF 'SUPER BRANCH'

The Company launched a unique concept of 'Super Branch', which is fully equipped with modern technology to provide superior customer experience as "one stop shop". 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.



DTAP SYSTEM

'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.



PROACTIVE MATURITY SETTLEMENT

With the objective of providing a superlative customer service to our policyholders who have been with the company till the maturity, the company taken an initiative to dispatch the maturity cheque 04 Days prior to the maturity due date. This initiative has helped our customers to feel like they have an emotional connection with our brand and to increase the customer loyalty and we firmly believe that customer loyalty is crucial for businesses growth in this era and they help us grow in return.



CUSTOMER DISCHARGE WITHIN ONE HOUR

A dedicated unit is available in the company who will keep in touch with our customers from the admitting to till discharge from the hospital making their mind free from financial burden. Our staff make sure all paper works and settlements are cleared within one hour. The hassle free discharge is always valued by our customers as they feel greater convenience.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

CAPACITY DEVELOPMENT FOR BETTER SERVICE

Field Staff Training



The company opened a fully-fledged training center during the previous year mainly focusing on field staff development. Accordingly, a structured training programme was followed during the year under review, which was developed to improve field staff capabilities on customer engagement, improve knowledge on our product portfolio, usage of newly-introduced applications etc.

Continuous professional development is part of corporate culture and the company produced 87 MDRT qualifiers (2017 – 65) recording second-highest MDRT qualifiers in the industry which is considered as highest % of qualifiers by recording 4% of MDRT producers of field staff of 2,300. This shows quality of customer engagement that customers expect from our field staff.

Development of Customer Care Service Team



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.

In addition, many activities were carried out to internalize the importance of customer service for the company's success, including a Customer Service Week celebration, Implementation of 'work with a smile', Courtesy call campaign etc.

DISTRIBUTION CHANNEL INITIATIVES

Alternate Distribution Channel



The company launched its alternate distribution channel in 2017 to diversify its portfolio into other revenue streams of DTAP, Group Life etc. The channel showed exceptional growth of 82% compared to the previous year, recording 2.2 billion revenue during the year 2018, on completion of its second full year of operations. They also achieved many more historical records including the second-largest single premium provider in the industry, third-largest group life insurance provider etc.

Micro Insurance

The company stepped into the Omni distribution channel platform during the year 2017, which provided access to an over one billion customer base during year 2018. 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 gradually strengthened the Bancassurance channel 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.

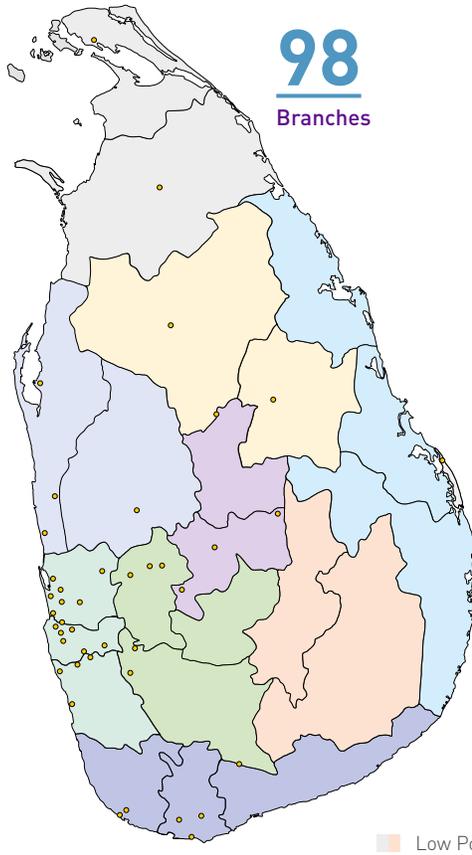
Expansion of Branch Network

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:

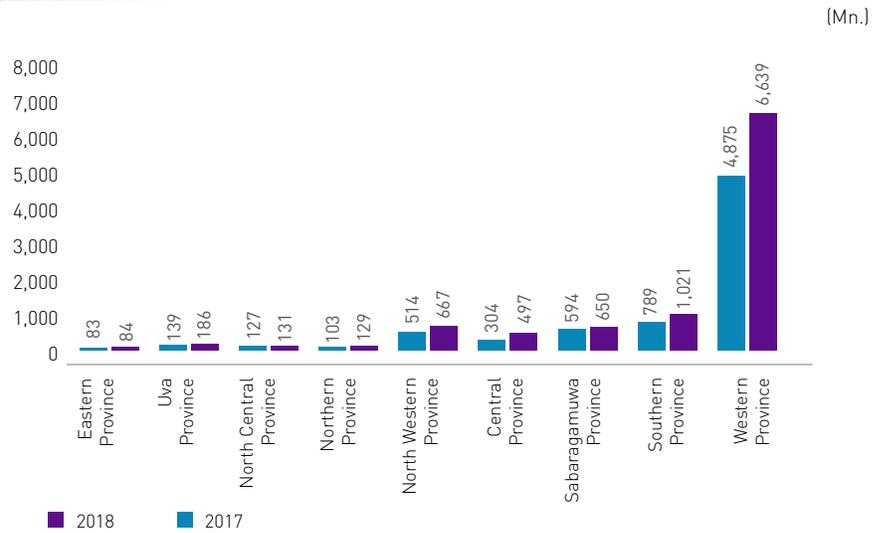
OPERATIONAL FOOTPRINT



No	Branch	
1	Dambulla	●
2	Gampola	●
3	Geliya (Peradiniya)	●
4	Hatton	●
5	Ibbagamuwa	●
6	Kandy	●
7	Kandy - Metro	●
8	Matale	●
9	Matale - Central	●
10	Nawalapitiya	●
11	Nuwara Eliya	●
12	Peradeniya	●
13	Pilinthalawa	●
14	Anuradapura	●
15	Anuradhapura - 2	●
16	Anuradhapura 3	●
17	Polonnaruwa	●

No	Branch	
18	Matara	●
19	Galle East	●
20	Tissa	●
21	Ambalanthota	●
22	Welligama	●
23	Akuressa	●
24	Matara - Central	●
25	Akuressa - RDO	●
26	Matale - Metro	●
27	Tangalle	●
28	Kamburupitiya	●
29	Galle	●
30	Mahiyanganaya	●
31	Badulla	●
32	Monaragala	●
33	Bandarawela	●
34	Mahiyanganaya 2	●
35	Welimada	●
36	Bandarawela Metro	●

GROSS WRITTEN PREMIUM BY MARKETS SERVED



No	Branch	
37	Jaffna	●
38	Jaffna Metro	●
39	Kilinochchi	●
40	Ampara	●
41	Batticaloa	●
42	Trincomalee	●
43	Trincomalee Metro	●
44	Embilipitiya	●
45	Embilipitiya - RDO 2	●
46	Kegalle	●
47	Mawanella	●
48	Rathnapura	●
49	Chilaw	●
50	Anamaduwa	●
51	Chilaw - Metro	●
52	Kuliyaipitiya	●
53	Kurunegala	●
54	Kurunegala Metro	●
55	Kurunegala Western	●
56	Puttalam	●
57	Puttalam	●
58	Vavuniya	●
59	Wennappuwa	●
60	Battaramulla	●
61	Colombo Central SSU	●
62	Gampaha	●
63	Horana	●
64	Ja-Ela	●
65	Kaduwela	●
66	Kaluthara	●
67	Kiribathgoda	●

No	Branch	
68	Kottawa	●
69	Minuwangoda	●
70	Moratuwa	●
71	Negombo	●
72	Nugegoda	●
73	Panadura	●
74	Piliyandala	●
75	Ward Place	●
76	St.Micheals	●
77	Awissawella	●
78	Ragama	●
79	Thalawathugoda	●
80	Makola	●
81	Malabe	●
82	Negombo - North	●
83	Mahabage (Wattala)	●
84	Kirulapana	●
85	Negombo - Province	●
86	Homagama	●
87	Horana West	●
88	Wellisara	●
89	Thalawathugoda - SB	●
90	Seeduwa	●
91	Kiribathgoda - City	●
92	Kadawatha - Metro	●
93	Colombo Central- CB	●
94	Kelaniya	●
95	Koswatte	●
96	Kalutara -Metro	●
97	Kalutara - South	●
98	Maharagama	●

KEY CHALLENGES AND STRATEGIES EXECUTED

The evolving nature of customer requirement was a key challenge during the year, because as a customer oriented organization, we wanted to serve each and every customer to their fullest satisfaction. We understood looking at the total customer base with one perception doesn't help our focus. Therefore, we identified customer segments to which we provide services and built many distribution channels within the company to serve individual customers conveniently and cost-effectively. For example, we have separate units to handle Group Life policies as the customers are corporate clients and a separate unit to serve customers attracted through Micro and Mobile channel.

We acknowledge the importance of resources we have as they are limited. Therefore, stakeholders are expecting us to generate maximum returns possible for resources we utilize. We allocated financial and other resources for initiatives which brought customer convenience. The resource allocation is done via the company's resource allocation strategy as explained in page 56 of this report. The outcomes of these initiatives are monitored regularly to evaluate the success of our initiatives. The customer centric initiatives carried out during the year were explained in detail on page 130 to 131.

Competition is a common challenge for every business in a market with growth potential like the insurance industry has. At Softlogic Life we take healthy

competition as a positive factor which will drive our business to be more vibrant rather than being a conventional business. However, our philosophy of driving business excellence through innovation keeps us more competitive when compared to other industry players. We keep on raising the bar higher to outperform competitors. The strategies executed during the year led us to grow by 33% as discussed in detail on page 72 under Financial Capital. While we work on our innovative strategy, we also cognizant of competitor reactions and impact on our business.

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 our customer complaint management process and established service level agreements within the customer care unit.

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

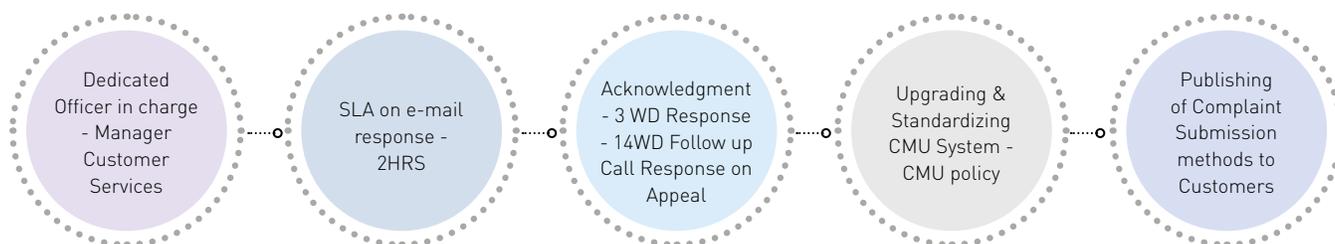
made over the phone, online or in person, many of our customers are now choosing to raise their complaints via social media channels. Statistics on customer complaint received during the year are given below.

Out of 156 complaints received during the year 2018, 154 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 many initiatives to ensure that it is in safe hands.

- Developed comprehensive data privacy policy designed to protect the customer information that we collect.
- The IT department continuously monitors and evaluates the risks affecting customer data privacy. According to the IT threat assessment review, Softlogic Life had no instances reported on breach of data integrity.
- Internally, we hold mandatory privacy training for employees and additional 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.





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 data. Softlogic Life has 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 is 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. Radeon 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 2018, 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 out by 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 lifecycle 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.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

LOOKING AHEAD

Customer support is currently standing at a crossroads: One road leads to exciting automated technologies, and the other to the 'human touch'. Recent technological advancements are many, ranging from Artificial Intelligence (AI) (and related automated tools like virtual assistants, chatbots, etc.) to real-time messaging, simulation, self-service and cryptocurrency.

Softlogic Life being a most innovative insurer in Sri Lanka will be the first to incorporate many such technological enhancements where it benefits our customers. These will be our long-term aspiration where we see a clear shift in customer attitude towards using advanced technology.

However, in the short term, we will focus on customer convenience and protection including wellness, fitness as well as nutrition. The company will take proactive measures to keep our customers

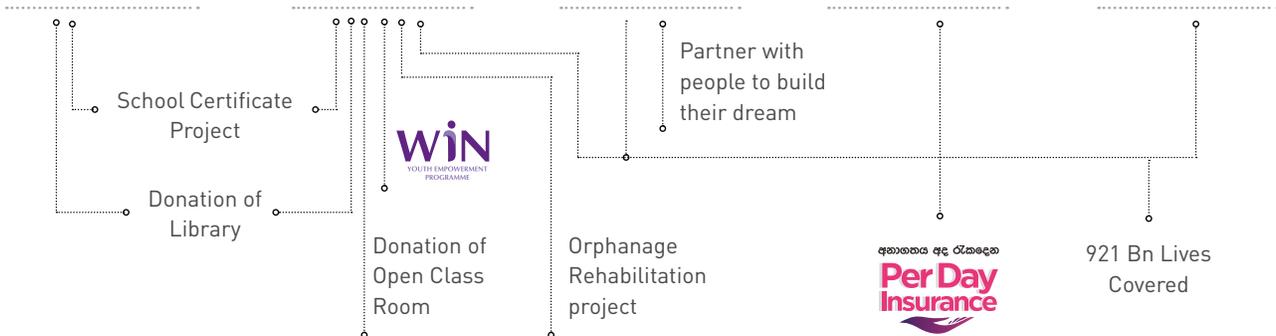
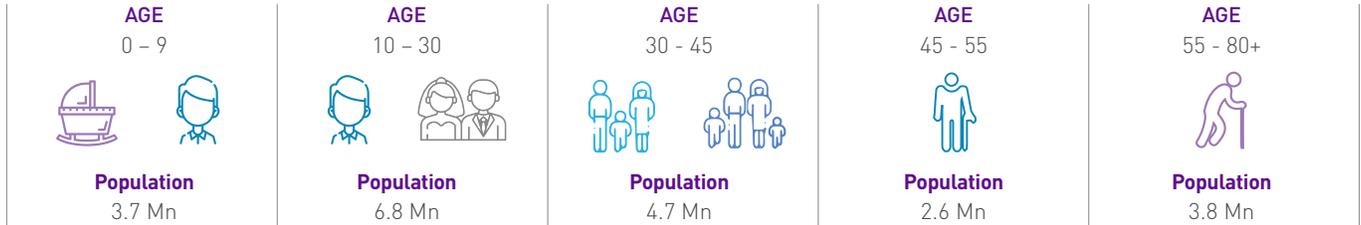
healthier - ranging from awareness programmes to medical screening. Further, we will take serious note of every customer engagement and try to ensure the customer is delighted. These engagements usually take place through our employees or field staff - and as a company we are there to invest further to develop their capabilities to achieve maximum customer satisfaction.

Our ultimate objective is to continue to thrive as a Superior Customer Service Provider in the market and set new benchmarks for the rest of the industry.

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.

SOCIAL AND RELATIONSHIP CAPITAL

COMMUNITY



Our Plan for 2018	Our Achievement for 2018									
WIN CSR projects with island-wide coverage.	<p>BENEFICIARIES OF WIN PROGRAMME</p> <p>09 SCHOOLS</p> <p>1,002 STUDENTS</p>									
Continue Scholarship programme with the University of Kelaniya.	The Company Continue to provide scholarship in 2018									
Helping underprivileged societies around the country and invest in 'Agile' campaigns and increase the number of beneficiaries.	<table border="1"> <thead> <tr> <th>MINI LIBRARY PROJECT</th> <th>ORPHANAGE REHABILITATION PROJECT</th> <th>OPEN CLASS ROOM PROJECT</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>875 BENEFICIARIES</td> <td>30 BENEFICIARIES</td> <td>1,350 BENEFICIARIES</td> </tr> </tbody> </table>	MINI LIBRARY PROJECT	ORPHANAGE REHABILITATION PROJECT	OPEN CLASS ROOM PROJECT				875 BENEFICIARIES	30 BENEFICIARIES	1,350 BENEFICIARIES
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SOCIAL AND RELATIONSHIP CAPITAL COMMUNITY

Our Plan for 2018	Our Achievement for 2018
<p>Helping underprivileged societies around the country and invest in 'Agile' campaigns and increase the number of beneficiaries.</p>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>SCHOOL CERTIFICATE PROJECT</p>  <p>161,307 BENEFICIARIES</p> </div> <div style="text-align: center;"> <p>MANNAR UNBOUND</p>  </div> <div style="border: 1px solid gray; padding: 5px;"> <p>The Company sponsored four authors passionate about wildlife photography to launch 'Mannar Unbound' -a photographic documentation and presentation of the biodiversity and natural landscape of Mannar</p> </div> </div>
<p>Continue our contribution to the national economy</p>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>225 NEW JOB OPPORTUNITIES CREATED</p> </div> <div style="text-align: center;"> <p>Rs. 76 Mn TAXES PAID</p> </div> </div>

KEY PRIORITIES FOR 2019 AND BEYOND

- Continue WIN project to nurture our valuable youth around us, harnessing their full potential for the development of our motherland.
- Empowering youth to reach their dreams so that they may stand on their own feet.
- Contribution to national economy is a better way to take care of all Sri Lankans at large.



VALUE CREATION PROCESS

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

MANAGEMENT APPROACH

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 CSR strategy focuses on a progressive model which enables us to contribute to the society through three core verticals: Community development, Empowering the future generation and Environmental Protection. Accordingly, we invest in

education, focusing 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 2018 are provided as follows:

“In the 21st century, the best anti-poverty programme around is a world-class education”.

(Barack Obama)

INVESTMENT IN COMMUNITY DEVELOPMENT PROGRAMME

Agile programme – Youth empowerment and education



“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 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 they enhance employability by giving youth 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). The graph below shows our progress over past years to reach 2023 goal.

Graph: Project status as of 2018



Agile programme – Youth empowerment and education



WIN PROJECTS 2018

During the year, 9 projects were held covering 04 provinces. Details are provided in the table below:

Table: Provincial distribution of WIN programme

Province	School Name	No of Students
Central Province	Good Shepherd Convent	183
Western Province	Ellakkala MV	42
Western Province	Mahagamasekara MV	96
Uva Province	Welimada MMV	239
Uva Province	Gala-Uda MMV	88
Uva Province	Vishakha Vidyalaya	120
Western Province	Kaluthara Vidyalaya	45
North Central Province	Mahasen Maha Vidyalaya	100
Western Province	St Sebastian College	89
		1002

The company aims to cover all provinces of the country, ensuring all youth are benefited as well as to promote equal opportunity without considering race, ethnic group, religion etc. We are partnering with our stakeholders to provide temporary job opportunities to talented students identified through the programme, which give them insights into corporate culture and shapes their future aspirations. We also provide a one-month training within our company while building their dreams and simultaneously bringing in new talent to the insurance industry.

RECOGNISING AND SPONSORING UNDERGRADUATES

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.

Agile programme – Youth empowerment and education



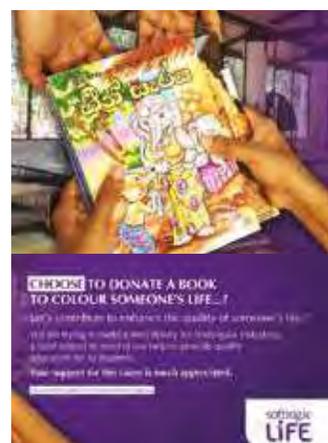
MINI LIBRARY PROJECT

There are thousands of kids scattered around the island whose only hope of a promising future is a good education. These kids have no means of tuition and have to depend on the school and the teachers to show them the way to success. The habit of reading can truly pave the way to success. Softlogic Life makes a giant effort to inculcate this great habit of reading amongst rural schools in the country. We found schools that had rooms that can be built into libraries and others that could host a small cupboard where books can be stored and made available to the students.

The company donated mini libraries to following schools during the year and 875 students are now being benefited on these. Our employees are actively engage in these community activities, as they feel that they can give back to society through their participation. The table below summarizes the library project details for the year 2018.

Table: Mini library projects in 2018

School Name	Students benefited
Walpola Kanishta Vidyalaya	160
Pahala Kolamunna Vidyalaya	175
Amithirigala Maha Vidyalaya	160
Batuwita Maha Vidyalaya	210
Galapitamada Maha Vidyalaya	170



BOOK DONATION CAMPAIGN

Going a step further, Softlogic Life joined hands with Asia Foundation to procure suitable books for school children studying for the scholarship programme, O/L examination and A/L examination, and donated these books to schools around the island using our distribution network and sales force. Our staff joins hands to collect significant number of books in order to strength the company's efforts.



OPEN CLASS ROOM PROJECT

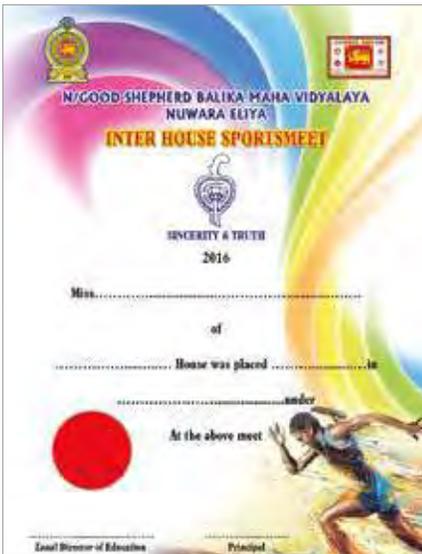
Tanamalwila Central College is situated at Monaragala district, a rural area in Uva province. The school provides secondary education to 1,350 students. We realised these dedicated students had a requirement for a new classroom and some books for their library. After discussions with the school management, we built an open classroom, enabling them to use it as a classroom or a reading room. The concept was well suited to the dry weather conditions existing in the area. Further, we supported them by donating books to the library.

Agile programme – Youth empowerment and education



ORPHANAGE REHABILITATION PROJECT

The company takes part in orphanage rehabilitation projects during the year at the Sucharithodaya Child Development Center, uplifting their standard of living by renovating their home and helping them find donors to provide meals. 30 girls benefited. Under the project, the company renovated their living rooms and brought smiles to their faces.



SCHOOL CERTIFICATE 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 and continue the project for the fourth consecutive year.

In fact, the Company places a steadfast and abiding value on nurturing and developing the potential of the next generation and plays 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 on 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 further; we have sustained our commitment to this project.

Outcomes of the project are summarized below.

	2018	2017	2016	2015
No of Certificates Printed	161,307	109,395	97,823	73,055
No of Schools Benefited	148	91	97	73

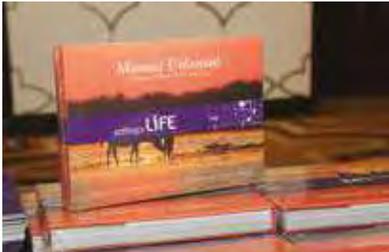


RECOGNISING AND SPONSORING UNDERGRADUATES

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As a responsible corporate in the country, we always look for opportunities to extend our support to individuals or groups who need a helping hand to build their dreams. Our actions on such identified opportunities are listed below:

Agile programme – Youth empowerment and education



MANNAR UNBOUND

2018, Softlogic Life has come forward to support four Sri Lankan professionals—Tilak Jayaratne, Janaka Gallangoda, Tamara Fernando and Nadika Hapuaracchi—whose passion for wildlife photography had become a solid foundation for conserving Sri Lanka’s fauna and flora over the last few years. After five years of extensive fieldwork documenting the flora and fauna of this the little-explored Mannar region, these four passionate Sri Lankans have authored and launched ‘Mannar Unbound’—a photographic documentation and presentation of the biodiversity and natural landscape of Mannar. Mannar Unbound spans a variety of photographic genres including avian photography, landscapes, underwater fauna and architectural ruins.

The grand event was hosted by the company accompanying German Ambassador Mr. Jorn Rohde, Indian High Commissioner Mr. Taranjit Singh Sandhu, Netherland Ambassador Ms Joanne Doornewaard and Softlogic Group Chairmen Mr Ashok Pathirage as chief guest to the occasion.

225
NEW JOB OPPORTUNITIES IN 2018

JOB OPPORTUNITY WITHIN SOFTLOGIC LIFE

Softlogic Life is the fastest growing insurance company in Sri Lanka. It is vital for us to recruit new staff to cater to ever-increasing volumes. However, we always give priority to the local community around our branches from amongst whom we select suitable candidates for job opportunities within our organization. Accordingly, we have recruited 225 new staff during the year of which 58 are from the local community in managerial positions.



SUPPORTING TO BUILD DREAMS OF PEOPLE

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

The Sri Lankan golfer and silver medalist in the Seoul Asian Games 2002, who recorded an outstanding victory at the Karnataka Golf Course in Bengaluru, Mr. Aruna Rohana, pledged to make an impact at the PGTI (Professional Golf Tournament of India) 2019 and The Asian Tour 2019 as a mark of gratitude to his sponsor - Softlogic Life Insurance.

INSPIRE SRI LANKA



As a company which is positioned on the wellness platform, we embarked on another initiative to inspire our community at large through prominent personalities who have achieved fame by choosing a healthy life. Accordingly, the company invited some well-known figures who have exciting life stories and sponsored a TV show with “TV Derana”. In the show, the celebrities explained how they follow a healthy regimen and a wellness routine and how it contributes to success in their lives. This show motivates viewers to pursue the same model for success and choose a healthy life.



Softlogic Life being a life insurance company, strongly believes that the best value we can share with our society is taking care of them in any unfortunate event to promote their peace of their mind. With this view, we support the insurance industry by increasing penetration in Life insurance by growing at double that of industry growth. Our efforts to enhance insurance penetration are listed below:

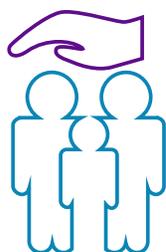
Agile programme – Youth empowerment and education



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.



PROTECTION OF RS 921 BN WORTH OF PEOPLE'S LIVES.

The Company provides life insurance solutions with greater protection coverage for 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 2018, the Company provided protection coverage worth Rs. 921 billion (2017- 530 billion)of peoples 'lives.

Protection of 635,846 policyholders around our community

During the year under review, the company expanded its protection to 203,094 new policyholders, recording 167% increase compared to the previous year. Accordingly, there were 462,480 policyholders under our protection as of 31st Dec 2018.

Providing innovative health solutions free-of-charge

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



NEW PRODUCTS

The company continuously analyses the market to identify shifts in customer behaviour and impacts on the insurance industry. As a leading innovation driven life insurer in the country, we capitalize on evolving customer behaviours by introducing new products. During the year, the company introduced 05 new products to the market with a view of increasing insurance penetration in Sri Lanka as well as supporting our growth.

Ensuring a continuous pipeline to bring professionals into the market is at the core of development of any business around us. Insurance is considered to be a complex operation in conjunction with technical jargon as well as regulatory and legal enforcements. Therefore, having professionals with adequate knowledge and correct attitudes is vital for development of insurance companies. With this in mind, we sponsored the annual conference of the Chartered Accountants of Sri Lanka. Details are provided below:

Agile programme – Youth empowerment and education



SPONSORSHIP FOR 39TH NATIONAL CONFERENCE OF CHARTERED ACCOUNTANTS OF SRI LANKA.

The Company provided a Bronze sponsorship for the national conference of Chartered Accountants of Sri Lanka. The conference, which is Sri Lanka’s biggest annual business summit, is set to take centre stage in inspiring Chartered Accountants to take that all important leap which will help them evolve and thrive despite the increasing business world complexities. The conference, which will revolve around the theme ‘Hyperleap’, will help Chartered Accountants understand the need to embrace challenges, whilst ensuring that they take a bold leap without being shackled by technological, demographic and economic changes. This business summit attracted some 1,700 delegates including business leaders and C-suite executives.

Agile programme – Youth empowerment and education



NURTURING INSURANCE INDUSTRY

The Company has a strong people development process, which ensures industry experts are nurtured within the company. Sharing this knowledge and expertise for the betterment of industry as well as our economy at large is one key aspect of company’s corporate culture. Our employees’ participation in community development activities are listed below:



WORKSHOP ON IFRS 17

Implementation of IFRS 17 hot topic in the insurance industry in Sri Lanka as it expected to have sever impact on operational level. Accordingly, Mr Nuwan Withanage as Chairman of Financial Technical Committee of IASL took the lead to have IFRS 17 awareness programme which was successfully conducted with global industry experts and over 200 industry participants. The team finance at Softlogic Life immensely contributed to the success of the event.



DEVOTING EXPERTISE FOR INDUSTRY BETTERMENT AND TERRITORY EDUCATION

The Head of Finance of the Company, Mr. Nuwan Withanage, serves as Chairman of the Financial Technical Sub Committee of Insurance Association of Sri Lanka. The committee is mainly focusing on technical issues arising out of new development of regulatory and other compliances. Accordingly he participate many industry forum to share his expertise. He cop-orated with University of Kelaniya as mentor to inspire valuable youth at university. Further he share his knowledge under the capacity of industry expertise to syllabus revision of faculty of finance at University of Kelaniya.

SOCIAL AND RELATIONSHIP CAPITAL

COMMUNITY

| 103 | 102-20 | 205-1 | 205-2 | 205-3 | 206-1 |

Softlogic Life is a brand built on three key pillars of Wellness, Fitness and Nutrition, which we promote amongst our customers, employees and community, for a healthier society. We promote proactive measures through social media platforms, as we believe it is the best medium to reach large numbers. Few of our Facebook posts are provide below:

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 investigation emphasize 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 summarizes incidents reported during the year:

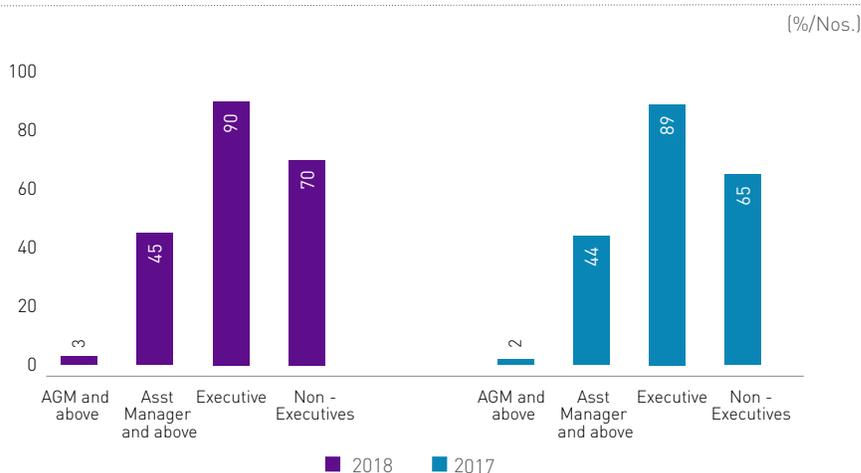
Table: Confirmed incidents of corruption and actions taken

Nature of incident	2018	2017	2016
Misappropriation of funds	25 instances	7 instances	11 instances
Misconduct	23 instances	8 instances	2 instances
Total non-compliance with company procedure	48 instances	15 instances	13 instances

Table Confirmed incidents in which employees were dismissed or disciplined for corruption

Nature of incident	2018	2017	2016
Misappropriation of funds	14 instances	6 instances	9 instances

TOTAL NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVED TRAINING ON ANTICORRUPTION BASED ON EMPLOYEE CATEGORY



ANTI-CORRUPTION INCIDENTS - BUSINESS PARTNERS

During the year company did not have any incidents where 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 took place 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

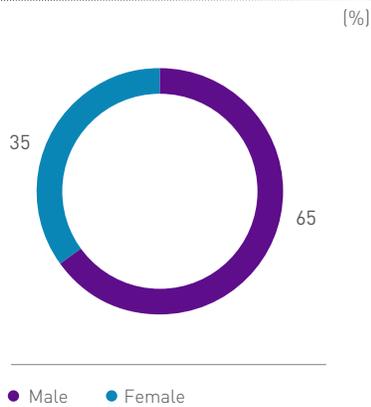
kind of child labour activities by insuring any activity, production, use of, trade in, distribution of or involving such a practice.

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, the company provided anti-corruption training. The figure below shows employee diversity amongst training participants:

TOTAL NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVED TRAINING ON ANTICORRUPTION BASED ON GENDER



OUR ENVIRONMENTAL AND SOCIAL RISK POLICY (ESMS)

This policy aims to develop an understanding of Softlogic Life clients' approach to Environmental and Social Risk Management. Softlogic Life integrates the assessment of Environmental and Social Risks into its existing business-decision making and risk management procedures. We assess and review potential Environmental and Social Risks associated with all transactions to which the ESMS applies.

The policy includes an exclusion list that details harmful industries we do not conduct any business with and it also includes a list of industries, that we can conduct business with but are deemed as high risk. Further, we do not make contributions directly or indirectly to any 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 or 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 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, prepared 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 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; ensure full compliance with all the regulatory requirements; and appropriately participate in industry forums.

LOOKING AHEAD

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

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

ANALYSIS OF OUR BUSINESS PARTNERS

Industry's Best Sales Staff Team



Our Sales staff brought company's growth rate at sky high surpassing competitors not only in Sri Lanka but also in Emerging Asia

World's Leading Re-insurance Panel





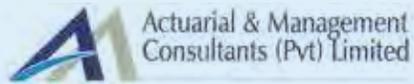


Bancassurance partnerships with Sri Lanka's Leading Banks






Actuarial Resources

Key Priorities for 2018 and its Performance

Our Plan for 2018	Our Achievement for 2018		Ach:
Focus on professional qualifications of our field staff and encouraging their professional advancement.	87 MDRT Qualifiers in 2018	4% Highest MDRT qualifiers in the industry as a % of total sales force	●
Further extend our Bancassurance partnerships to cover all leading banks in Sri Lanka.	33% Revenue growth from Bancassurance channel	We partnered with almost all leading banks in the country.	●
Dealing fairly with all our business partners.	There were no instances reported on legal or any other action from our business partners against the company.		●

KEY PRIORITIES FOR 2019 AND BEYOND

- Sales staff development including professional qualifications will be key priority for us as we believe quality of our sales staff is a reflection of the quality of our business.
- Continuous evaluation of reinsurers we partner with.
- Maintaining positive bancassurance partnerships which are mutually beneficial.
- Dealing fairly with all our business partners.

MANAGEMENT APPROACH

At Softlogic Life, we deem the role of Business Partners to be very important. We always strive to build trust and strong ties with 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 success story of Softlogic Life. 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 business impact and listed in below table.

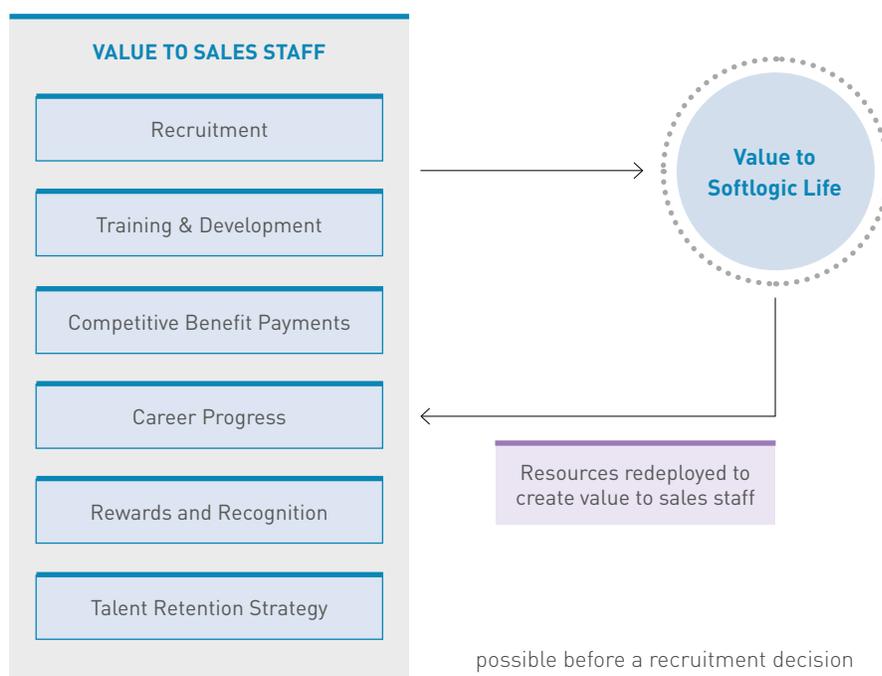
Table: Categorisation of our business partners

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

SALES / FIELD STAFF

Our Sales staff is on the front line and conveys 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. There were 2,300 sales staff at the end of 2018. Below figure shows the value creation process of field staff in which both field staff as well as the company are benefited. Individual value creation activities are discussed in detail below.

Figure: Sales staff value creation process.



RECRUITMENT.

We recruit sales staff who are fresh to the industry as well as those who have a good track record in the industry. The quality of the sales staff in terms of honesty, integrity is measured as far as

New Sales staff recruitment
446

possible before a recruitment decision is made. We treat recruitment as of utmost importance, as any misjudgement in recruiting sales staff might have a negative impact on our brand. Keeping this fact in mind, we take extra effort to select the right candidates to join the best sales team in the country.

TRAINING AND DEVELOPMENT

Training and development is a vital factor of the sales staff development process. Accordingly, the company has set up a separate 'Knowledge and Talent Management Unit', headed by a Deputy General Manager – Training and Knowledge Management. In addition, the company maintains a three-storey training center at Kadawatha, with lodging facility to support training for our island-wide sales force.

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS



Any staff recruited newly to the company has to undergo a set of structured training programmes which ensure sales staff is familiar with the company's unique selling process and customer centric culture. In addition, we support staff to get professional qualifications such as Chartered Insurer etc. During the year under review, we invested Rs 3.5 million in training and development of our sales staff, including 1,792 training hours for 6,708 staff.

Rs. 3.5 Mn
Invested in Training and Development

1,792
Training Hours

6.7Bn
Staff Trained during the year.

IMPACT OF SALES STAFF DEVELOPMENT

The Million Dollar Round Table (MDRT), the Premier Association of Financial Professionals, is a global, independent association of more than 66,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 72 nations and territories. MDRT members demonstrate exceptional professional knowledge,

strict ethical conduct and outstanding client service. MDRT membership is recognized internationally as the standard of excellence in the life insurance and financial services business

4%

Highest MDRT qualifiers in the industry as a % of total sales force



Our continuous effort towards professional development of sales staff further enriches our brand. We became the industry leader by maintaining highest ratio of MDRT qualifiers to total sales staff by developing 87 MDRT qualifiers. MDRT qualifiers include one Top of the Table (TOT) participant, Six Court of the Table (COT) and 80 other qualifiers.

In addition to this, the company produced six IQMA and 13 IQA qualifiers during the year.

COMPETITIVE BENEFITS PAYMENT

At Softlogic Life, we value the contribution received from our sales staff to record sustainable higher growth rate. Accordingly, the company pays competitive benefits to sales staff which is sufficient to motivate and retain them. However, these payments schemes are structured in a way that emphasises the policy portfolio quality, supporting sustainable development of company as well as sales staff.

CAREER PROGRESSION

It is imperative to have a career progression path for sales staff to enhance themselves step by step. At Softlogic Life, the career path we have introduced to our sales staff is achievable based on their performance. We objectively evaluate the performance of our sales staff and make sure they are provided responsibilities and designations they merit. Among the many real life examples within the Company, is the extraordinary achievement of Mr. Chula Hettiarachchi, who joined as Head of Sales, and now serves as an Executive Director of the Company (details in page 117 of this report).

During the year, sales staff promotions were celebrated at a grand ceremony, giving prominence and recognition to the promotions they received.



REWARDS AND RECOGNITION

The Company is willing to reward the outstanding performance of its sales personnel while motivating them to achieve more and boost morale of others to reach the winning mark. Accordingly, the company held its Sales Convention 2018 to reward best performers.



TALENT RETENTION

Our sales staff are valuable assets who always ensure Softlogic Life shines brighter than others. Therefore, the company has taken proactive steps to retain these valuable assets within the company. We believe financial benefit is not the only motivating factor to retain people within the organization, but what is needed is a combination of many factors that are within the control of the Company that ensure higher retention of people. Accordingly, the company carries out many staff bonding activities with specific focus on sales staff. Some of the activities are shown below.



REINSURANCE PARTNERS

Reinsurers are strategically important stakeholders for our business and thus the company takes effort to onboard world's best reinsurers to its reinsurance panel. The Company follows a comprehensive process prior to partnering with reinsurers, such as assessing their track records, credit ratings, financial strength etc. The Company's reinsurance panel represents six of the world's largest reinsurers. The evaluation of individual reinsurer is provided in the table below.

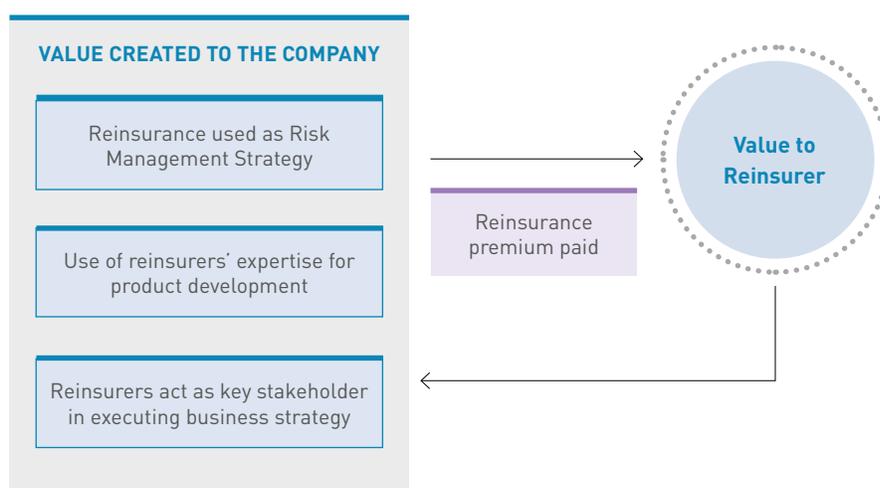
Table: Evaluation of Reinsurance panel.

Reinsurer	Credit rating	Other Information
Munich Re	AA (Fitch)	138 Year in business Total assets 31/12/2017 – Euro 267 million
RGA	AA-(S&P Global)	RGA ranks #234 on the 2018 Fortune 500 list Total assets 31/12/2018 – \$ 64.5 billion Awarded as "Life Reinsurer of the Year" at 2018 Asia Insurance Industry Awards
Scor	AA-(S&P Global)	SCOR is the 5th largest reinsurer in the world Operating in more than 160 countries Total assets 31/12/2017 – Euro 43.2 billion
ToaRe	A+ (S&P Global)	36 Year in business
AmTrust; Lloyd's Syndicate 44	AA-(Fitch)	Total assets 31/12/2017 – \$ 25 million
Assicurazioni Generali SpA	A (A.M Best)	200 Year in business Operating in more than 60 countries Generali ranks #59 on the 2017 Fortune 500 list Total assets 31/12/2017 – Euro 542 billion

The results above show the quality of our reinsurer panel, with some of them having 100+ years of industry expertise. All our reinsurers are maintaining a credit rating of "A" or above, reflecting our emphasis on the financial strength of the reinsurers. We are focused on increasing our goodwill with healthy reinsurance relationships. In some cases, through our good quality relationships, we have benefited our policyholders by paying the claims with a gesture of goodwill (ex-gratia), so that even the reinsurer does not appear as liable.

The value creation process is graphically presented in figure below and discussed in detail.

Figure: Reinsurers' value creation process



REINSURERS AS RISK MANAGEMENT STRATEGY

By nature, Life Insurance is accepting an unforeseen risk of one individual and pooling that risk with the rest of the customer portfolio of the company. Accordingly, the company is vulnerable to many risks. Taking into account this fact, we use reinsurers strategically, as a mechanism of risk mitigation. We transfer a portion of risk we have accepted to reinsurers at a premium and manage our liquidity operational risk within our risk appetite.

USE OF REINSURERS' EXPERTISE FOR PRODUCT DEVELOPMENT

Identifying and responding to rapidly changing customer needs is one of the key success factors for Softlogic Life. Accordingly, we always try to introduce new products on par with today's customer requirement. Product development is a key item on our agenda. The vast knowledge of our reinsurance panel, representing global giants operating in many territories around the world, is used to innovative product development of the company.

REINSURERS ACT AS KEY STAKEHOLDER IN EXECUTING BUSINESS STRATEGY

We share significant portion of our revenue with our reinsurers for the risk they accept on behalf of Softlogic Life. Accordingly, mutually benefiting business partnership should exist to drive our business strategies. These relationships resulted in refund of the premium they collected from us in excess of the risk they experienced during the year, ensuring the company incurs optimal level of reinsurance expense compared to the benefit the company accrues. Therefore, reinsurers are recognized as key stakeholders of the company's business strategy.

VALUE TO REINSURER

The company pays reinsurance premiums for the valuable services they render to us and this is discussed in detail under financial capital on page 72.

KEY INITIATIVES IN 2018

During the year under review, the company changed its reinsurer for Group Life portfolio to avoid additional withholding tax burden due to non-availability of double tax agreements between countries we are operating

CHALLENGES AND STRATEGIES EXECUTED

The challenges we faced in managing reinsurance partners along with the strategies we executed are elaborated under financial capital on page 72.

ACTUARIAL PARTNERS

Actuaries play a vital role in our business, as they review our business critically and give inputs on improvements. Their contribution is pivotal in all our key business activities - from product development to Liability management. Hence, having quality actuaries' partnering us is key to operate a smooth business that is profitable in the long run.

At Softlogic Life, our actuarial consultation is performed by Messrs. Willis Towers Watson global professionals. The global expertise together with an in-house actuarial department contributes to ascertain company's liability, profitability and other key measures accurately and provides valuable insights to develop the company's strategies in short, medium and long term.

Some of the actions undertaken during the 2018 by our actuarial partners are listed below:

- Sharing their expertise on product pricing as well as product development for 05 new products introduced during 2018.

- Carrying out liability valuation on quarterly basis and gave a detailed picture of the performance in life fund
- Conducting liability adequacy test
- Providing valuable insights on moving from IFRS 4 to IFRS 17 - to be enacted from w.e.f 1st January 2022.

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, understanding and reliance are very important for successful growth.

GROUP SYNERGY

Our critical success factors count the group synergies on which we capitalise market opportunities. The Softlogic Group is a giant in the Sri Lankan market, having diversified experience and capabilities throughout its successful journey. The markets that the Softlogic Group operates in and its winning brands are provided in figure below.

Figure: Softlogic Group's Brands



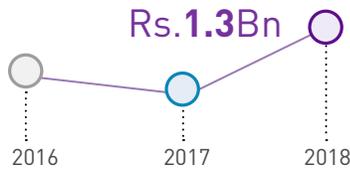
LOOKING AHEAD

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

INTELLECTUAL CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2018

B RAND VALUE



2% MARKET SHARE GROWTH
Highest market share gainer in the industry

5 NEW PRODUCTS INTRODUCED DURING THE YEAR

NEW SYSTEM DEVELOPMENTS



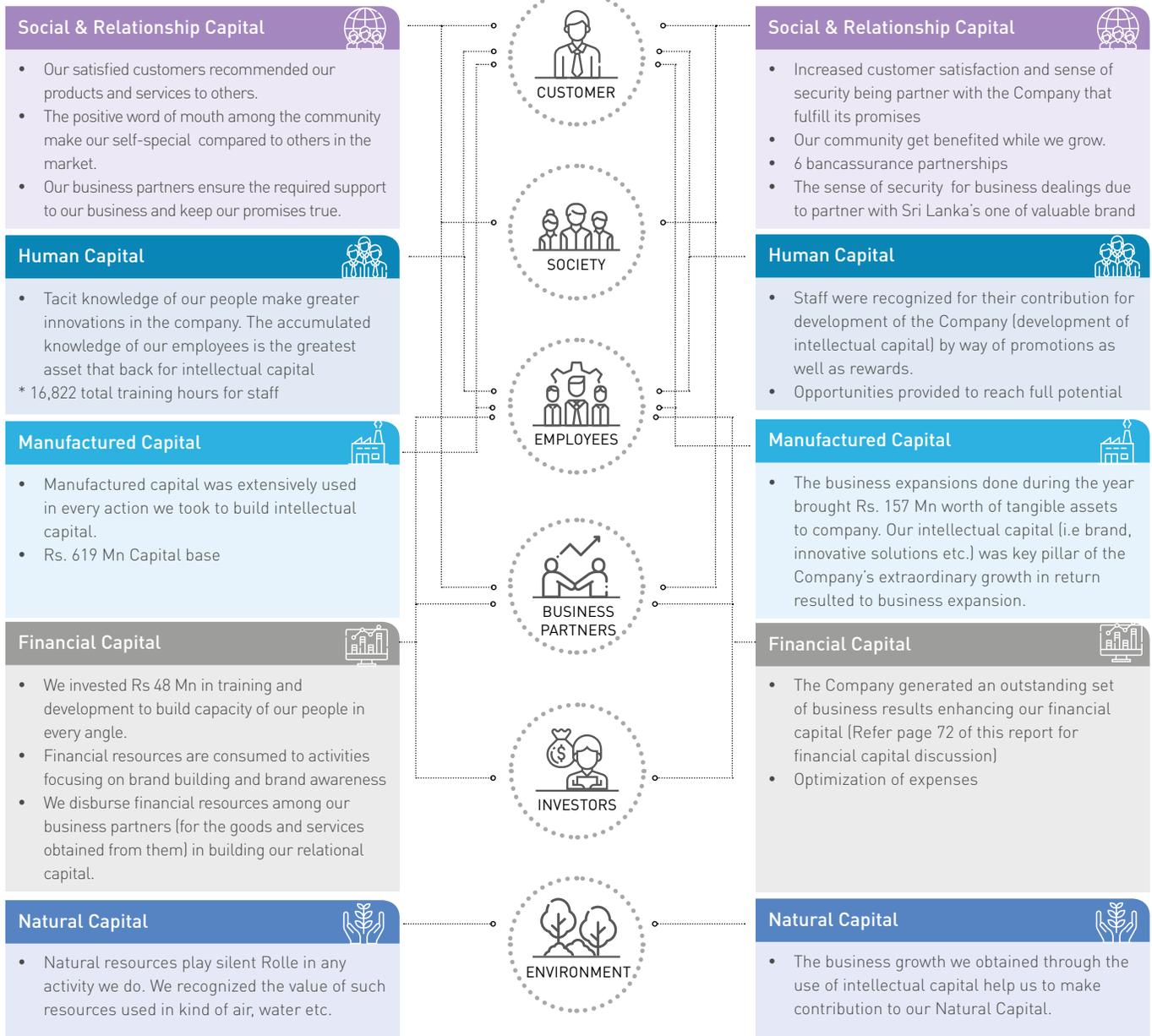
Click for Pay



HR mobile app

Value In

Value Out



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

Key Priorities for 2018 and its performance

Intellectual Capital Goal	Achievement	
Building "Softlogic Life" brand value.	Increase brand value to Rs 1.3 Bn	●
Promote innovation driven culture and introduce at a minimum two new innovations per year.	05 new products introduced in 2018 Refer page 142 for innovative solution of the company.	●
Invest in development of human capital.	Rs. 48 million invested in training and development of our employees. Refer page 115 of Human Capital for more details	●
Expand field staff cadre by 200 who possess qualifications and maintain quality of their work.	Field staff was strengthened by increase by 446 new cadres. 87 MDRT qualifiers, mark the company's sales force as having highest qualifiers ratio.	●
Strong governance framework	Refer page 189 to 306 for our strong governance practices.	

KEY CHALLENGES

Rapid changes in technology

STRATEGIES EXECUTED

- IT governance framework of the company ensure periodical review of existing systems and updating with required features to company's operation. Additional expenses incurred on such update is justified with business impact.

Key Initiatives for 2019 and Beyond

- Human Capital development will be a key pillar of increasing Intellectual Capital value
- Promote innovation driven culture and introduce new innovative solution in products, operation etc.
- Ensure strong corporate governance practices, risk management practices and value-driven culture
- Build "Softlogic Life" brand further on the pillars of Wellness, Fitness and Nutrition.
- Development of our field staff and relationship with business partners to enhance relational capital
- Maintain strong governance framework.
- Expansion of MDRT qualifiers to 100
- Strength bancassurance partnerships

INTELLECTUAL CAPITAL

MANAGEMENT APPROACH

We define our intellectual capital as a combination of a well-positioned brand, our talented human capital, strong governance framework and the relationship with our stakeholders, which drives excellence in business. Another important aspect of our intellectual capital is Softlogic Group synergy, enabling us to stay up to-date with of disruptive change and remain competitive.

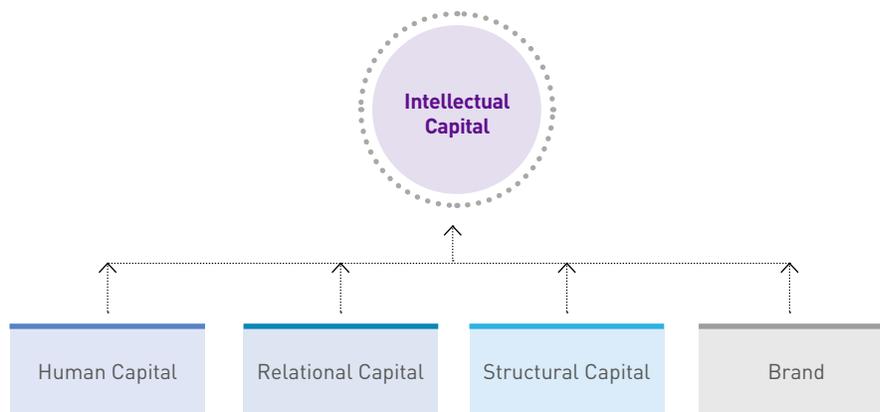
Our intellectual capital differentiates our service offering and provides us with a significant competitive edge. Awards and accolades bear testimony to exceptional growth of our intellectual capital, thereby enhancing our brand capital further.

- Diversified knowledge and experienced Board of Directors
- Well-established brand worth of Rs 1.3 Bn
- Accumulated and professional knowledge and experienced 821 employees
- Highly-qualified field staff
- Industry-first innovations (Refer page 142 for more details)
- Numerous awards we received throughout our journey
- A culture driven by innovation

These factors make our intellectual capital strong.

The company is aware that pursuing GWP growth well above the industry average and its sustainable competitive advantage is not 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, and the process required to transform it into business results. Intellectual capital is the end result of knowledge that is transformed into tangible results. The company's intellectual capital value creation model is provided below:

Figure: - Intellectual capital value creation model



01) HUMAN CAPITAL

The principal sub components of the company's Human Capital (including employees and field staff) are its employees' set of skills and the 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 realize that our success and competitive edge are 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 106.

i) 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. Talent retention ratios are provided on page 106 under Human Capital.

Our Board of Directors comprises 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 are available on pages 198 to 200 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.

ii) 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. Our effort to develop professional qualifications of our staff is discussed in detail under the Human Capital report on page 106.

iii) 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 115 and 116.

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 120 to 123

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 results-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.

- Be the inventor of medical products to the industry.
- First in the industry to launch micro insurance solution.
- Introducing value added services to industry.
- Introducing on the spot policy issuance
- First-ever company to implement tele underwriting, application base underwriting

- First Sri Lankan company to introduce video version of annual report.

In addition, details of recently introduced innovative solutions are listed on pages 142 to 143 of Social and Relationship Capital.

02) 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 need continuous attention and nurturing. The company fulfils its promises 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 discussed further in the 'Customer Section' of this report on pages 128 to 148.

Relation with Intermediaries

Intermediaries such as field agents (sales agents) and brokers play a vital role in the company's journey. We make prompt settlements of commissions to build motivation and loyalty towards the company. Our initiatives to build strong relationships with our field staff are discussed in detail on page 162 under Business Partners.

Relation with Employees

Detailed discussion on this is included in the Human Capital Report on page 106.

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, we ensure that the company strikes the perfect balance. DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH of Germany and Leapfrog Investors hold 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 owns the 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. The Group's diversified business channels and market leading brands are provided on page 165 under Business Partners.

03) 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 186 to 306.

INTELLECTUAL CAPITAL

04) BRAND

Softlogic Life took centre-stage at SLIM Brand Excellence 2018



“Softlogic Life brand included among 50 most prestigious brands in Sri Lanka and valued at Rs. 1.3 Bn”

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 19 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.

After the brand changed in 2016, the Company has increased brand positioning from 61 to 48 in the index of Most Valuable Brands in Sri Lanka, which is a significant achievement in its history.

During the year 2018, the company has increased its brand value to Rs. 1.3 Bn, marking 71% growth compared to the previous year.

[Source: Brand Finance, the world leading independent business valuation and strategy consultancy firm.]

Softlogic Life compete 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 values of Authenticity, Simplicity, Innovation, Care and Courage.

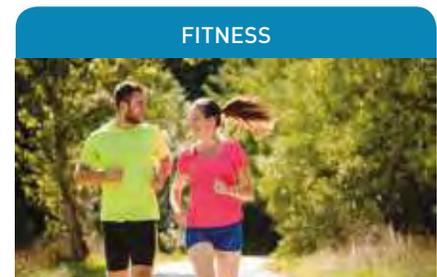
Throughout this journey, we have been continuously taking steps to enhance the quality of life of Sri Lankans. Being part of the Softlogic Group, we have strengthened our capacity, supported by health infrastructure and innovative technology to deliver our brand purpose with world-class solutions. Therefore,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

Fitness and Nutrition. We recognised 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 to give you control to enjoy life so that you can aspire to be the “best



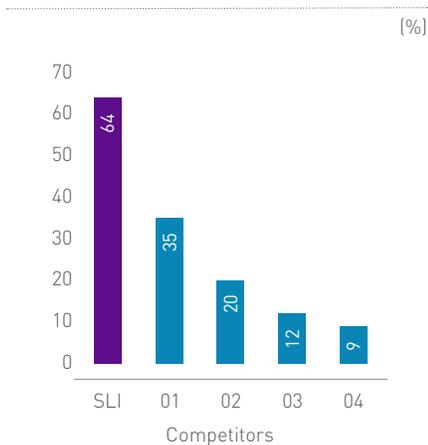
Brand communication

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:

CHANNELS	
<p>Mass Media</p> 	
<p>Digital Channels</p> 	
<p>Outdoor visibility</p> 	

We focus more on digital channels as Sri Lanka’s penetration towards digital media is high. Our performance on digital media against top five insurance companies in the market is analysed in graph below.

HIGHEST DIGITALLY ENGAGED LIFE INSURANCE BRAND



Impact to current and future growth of the company via marketing strategy

The company assessed the business impact of its marketing activity on a yearly basis to assess the achievement of the marketing strategy. Strategic direction

of marketing activities is amended as required, based on the above results. This was carried out by independent research agency Kantar Millward Brown (Lanka marketing & Research Bureau)

A snapshot of the brand performance in terms of revenue generating possibility is assessed and compared with immediate competitor below.

Notable factor is Softlogic Insurance increasing its revenue generating ability due to comprehensive marketing strategies while competitors are showing a decreasing trend. The company is achieving rapid growth, despite being a relatively very young brand in the market, compared to brands with more than 25 years of history, which is in itself a massive win for SLI.

OUR ACHIEVEMENT

While we appreciate unsolicited feedback from customers, we also objectively measure clients’ satisfaction through internal research. Results given by the Customer Satisfaction survey clearly emphasize that the service rendered by Softlogic Life throughout the year has converted to higher satisfaction amongst customers. The results of the research

are provided on page 126 under Social and Relationship Capital.

Further, the company grew by 33% (GWP) 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.

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 the years to come. The brand will carry the unique features of innovativeness and concern on the three pillars of “Wellness, Fitness, Nutrition” and be known as setter of industry benchmarks which will bring the Softlogic Life brand ahead of others. We will emphasize more on development of our human capital- as it is key to our success. Strong governance shapes our winning path and our focus on strengthening governance practices will be high priority in coming years. Our relationships with key stakeholders will be reinforced as we believe the relationships we build give strong support to our journey.

AWARDS

1

CA SRI LANKA ANNUAL REPORT AWARDS

“Only Insurer to Bag Five Awards at the Annual Report Award 2018”

“The second company to win five awards on one stage in the history of CA Annual Report Awards ceremony”



Softlogic Life rewrote the history books recently after it was awarded with five prestigious accolades at the 54th Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), which is the most important corporate awards ceremony in Sri Lanka.

Ending the year on a winning note, Sri Lanka's number one health insured Softlogic Life, has become the country's most awarded life insurance company in 2018 by bringing home a total of five awards including the coveted Insurance Sector Gold Award.

The other awards won were,

- The Bronze award for Corporate Governance Disclosure
- The Bronze award for Management Commentary
- The Bronze award for Integrated Reporting
- The Silver award for Integrated Reporting – Best Disclosure on Business Model.

With these five awards, Softlogic Life became the first insurance company to win five awards in the history of the CA Awards. Prepared under the theme of 'Spirited', Softlogic Life became the first company in Sri Lanka to present its integrated annual report in video format for its key stakeholders via a QR code in the report.

2

ASIA INSURANCE INDUSTRY AWARDS 2018

“Only Sri Lankan company to be shortlisted at Asia Insurance Industry Awards 2018”



Apart from these high-value local awards, Softlogic Life made its presence felt among the Asian insurance giants after making it to the top three insurance companies at the 22nd Asia Insurance Industry Awards 2018. Softlogic Life was the only South Asian Insurance Brand to be shortlisted as a finalist in the prestigious 'Life Insurance Company of the Year' category at this year's ceremony.

3

EMERGING ASIA INSURANCE AWARDS 2018

“Best Life Insurance Company of the Year, Best Service Provider, Best Growth in Insurance”



In June 2018, Softlogic Life bagged the 'Best Life Insurance Company of the Year' and two other country awards at the Emerging Asia Insurance Awards 2018, organised by the Indian Chamber of Commerce.

At the competition organized by the Indian Chamber of Commerce, Softlogic Life received two other awards—Best Service Provider of the Year and Best Growth in Insurance—at a gala awards ceremony held in Bangkok, Thailand. Emerging Asia Insurance Awards honours upcoming insurance companies from India, Thailand, Sri Lanka Bangladesh, Nepal, Bhutan, Myanmar, Laos and Cambodia by acknowledging and recognizing their efforts and encouraging industry players to further contribute more meaningfully towards the growth of the insurance sector.

4

SLIM BRAND EXCELLENCE AWARDS

“Softlogic Life triumphs at the SLIM Brand Excellence 2018 with two silver awards”



At SLIM Brand Excellence 2018, Softlogic Life set new benchmarks for the insurance and corporate sector by winning two Silver awards for ‘Local Brand of the Year’ and ‘Service Brand of the Year’.

These awards were presented to Softlogic Life in recognition of its uniquely compelling brand promise of ‘Choose your Life’, which relates to wellness, fitness and nutrition, and the continuing elevation of Sri Lankan standards through a range of industry-first services as one of the top home-grown brands of Sri Lanka.

While applauding their expertise in disruptive technologies and smart innovations, which have paved a path for state-of-the-art life insurance solutions for Sri Lankans, these industry awards commend the unique brand excellence and fortitude Softlogic Life has displayed during the last few years, ensuring consistency and true commitment for their policyholders countrywide.

5

GREAT PLACE TO WORK IN SRI LANKA

“Great Place to Work for the 3rd Consecutive Year”



Softlogic Life Insurance was ranked as a great place to work in Sri Lanka by the Great Place to Work Institute for the third year. Softlogic Life’s score has displayed remarkable improvement, indicating the improved trust and confidence of its employees.

6

NATIONAL BUSINESS EXCELLENCE AWARDS

“Becomes Sri Lanka’s number one insurance company for the second consecutive year at NBEA 2018”



Stamping its authority in the life insurance sector, Softlogic Life won the esteemed Gold award in the Overall Insurance Sector at the National Business Excellence Awards (NBEA) 2018, becoming Sri Lanka’s number one insurance company for the second consecutive year.

Softlogic Life won the gold award for the insurance sector at the 15th awards ceremony of the National Chamber of Commerce of Sri Lanka (NCCSL), continuing its consistent run of success in Sri Lanka’s life insurance sphere.

7

CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS

“Best Integrated Report Presented in 2018 – Insurance Sector”
“One of the 10 Best Integrated Reports in Sri Lanka”



The company was also recognised at the CMA Excellence in Integrated Reporting Awards 2018, winning two awards as one of the Ten Best Integrated Reports among Sri Lankan corporates and the Best Annual Report from the Insurance Sector.

8

SAFA BEST PRESENTED ANNUAL REPORT AWARDS



Softlogic Life’s Annual report 2017 became the second runner up of the best presented annual report of the insurance sector of South Asian Region at the 2018 organised by South Asian Federation of Chartered Accountants.

NATURAL CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2018

Key Initiatives


90%
 Tele Underwriting Tab Proposals


51%
 App Base Underwriting On the Spot Policy

Waste Management
Save to Environment

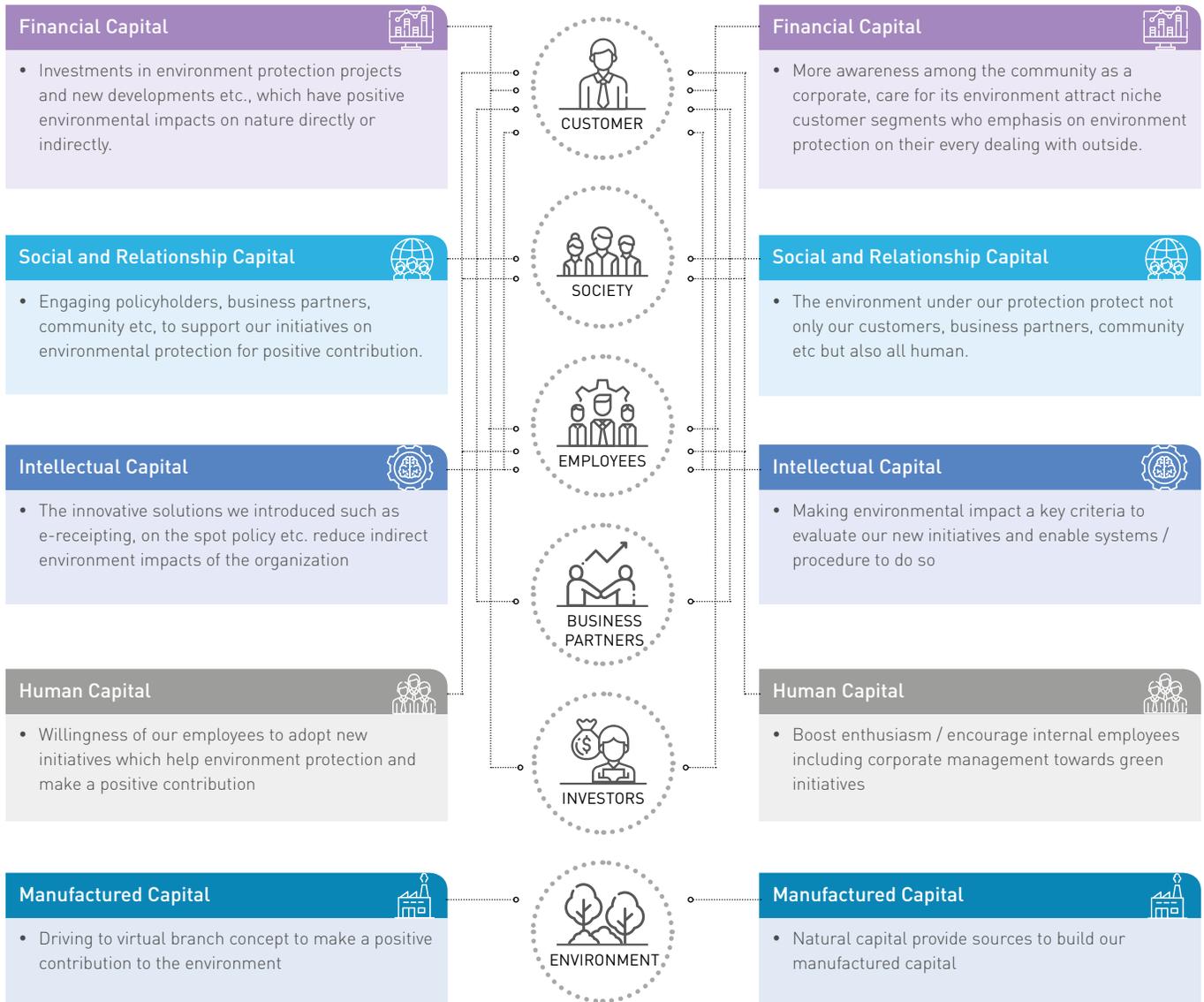
 255
  60,072 KWH
  477,272 l
  15,018 Kg

Waste Management
Inspiring
"Mannar Unbound"



Value In ↑

Value Out ↓



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

Key Priorities for 2018 and its performance

Action Planned	2018 Performance	
Promote and encourage environment protection aspects in everything we do.	<ul style="list-style-type: none"> • Tree planting campaign in schools • Tree for customer campaign • Mannar Unbound project 	●
Introduce recycling practices for e-waste across the organization including industrial disposal.	Company has moved from CFL to LED bulbs over the period by reducing environmental impact.	●
Optimizing usage of technology to reduce usage of paper and printing materials.	We have taken many digital initiatives to reduce environmental impacts which are listed on page 142 of this reports	●
Drive for paperless operation to all strategic business units.	The Company started its paperless drive and more details are available on page 142 of this report.	●

KEY PRIORITIES FOR 2019 AND BEYOND

- Complying with all applicable environmental regulations and best practices for environmental management
- Planting trees to reduce the carbon footprint using carbon credits
- Drive our innovative phase to further reduce environmental impacts

KEY CHALLENGES



Changing behaviour of people in order to implement paperless operation specially being in stringent regulatory and legal compliances

STRATEGIES EXECUTED

- The Company strategised to go paperless step by step. Accordingly, we first digitalized granular level operations and there after spread it across the operation. This take time us to convert in to totally paperless operation but make sure our employees are convenience and no operational inefficiencies occurred. In our way to paperless operation we have made many milestones such as digital policy proposals, auto underwriting, e-receipting etc. which are further explained on page 142 of this report.

“ 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.

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 presented in figure below.

Figure: Activities of value creation to Natural Capital



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, and Carbon off-setting and efficient use of natural resources. Key initiatives are presented in below table.

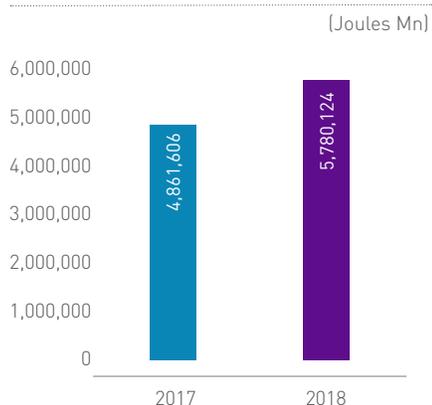
Table: - Key initiatives for Driving Eco-friendly Business

Technological and Operational Improvements	
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.
2. On the Spot Policy	This is another revolutionized 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.
3. Customized Policy Document	The Company introduced a customized 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.
4. 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 2018, there were more than 10,000 customers registered for Life Up.
5. 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.
6. 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%.
7. 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.
8. Tele Underwriting	Underwriting a policy in a conventional insurance process is depends on the many printed documents such as NIC copy, Copy of medical certificates etc. We converted this process in to Tele underwriting where all information's are digitally collect by specially trained tele underwriters over the phone. The mandatory documents are collected in digital form by eliminating printed papers throughout the process.
9. App base underwriting	This is a novel concept of Softlogic Life where we contact customers through Whatsapp, viber apps collect their information and documents. This also help to eliminate printed papers from the process while creating customer convenient.

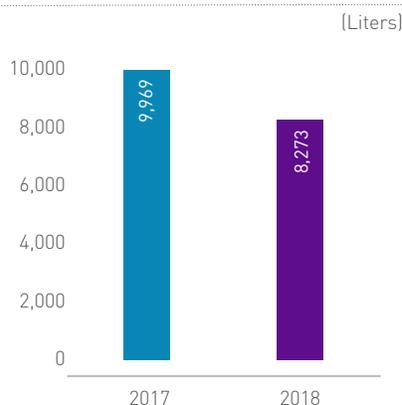
Table: - Key initiatives for Driving Eco-friendly Business

Waste management																			
	<p>The main form of waste generated as a result of our business operations tend to be paper. We have already set up mechanisms to create a “paperless” work environment. Accordingly, waste management and management of paper consumption of the company were prioritized as in the previous year. The Company boosted our savings of greenhouse gas emissions by partnering with Neptune Recycles Private Ltd.</p> <p>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.</p> <p>Our paper recycling efforts delivered substantial savings while positively contributing to the environment. Results of the paper recycle process are provided below. Table: -Results of paper recycle</p> <div style="display: flex; justify-content: space-around; align-items: flex-end; text-align: center;"> <div style="text-align: center;">  255 Grown Tree </div> <div style="text-align: center;">  26,357 l Oil </div> <div style="text-align: center;">  60,072 Kwh Electricity </div> <div style="text-align: center;">  477,272 l Water </div> <div style="text-align: center;">  45 m3 Land Fill </div> <div style="text-align: center;">  15,018 Kg GHGS reduced </div> </div>																		
Carbon off-setting	<p>Carbon off-setting, an internationally recognized way to use carbon credits to enable companies to compensate for unavoidable emissions, meet carbon reduction goals and support the move to a low carbon economy is known as “Carbon offsetting”. More specifically, offsetting one tonne of carbon means there will be one less tonne of carbon dioxide in the atmosphere than there would otherwise have been. By removing the equivalent amount of carbon dioxide in various ways, this makes the only way to achieve “Carbon Neutral” as well as the fastest way to achieve emissions reductions. By using the carbon offsetting indicator, we identify and quantify the impact of the environment as a responsible business.</p> <p>With the objective of reducing dependence on fuels and carbon emissions we have continued to drive the use of renewable energy. Further our day-to-day business operations depend on electricity and we comprehend the magnitude of the need to consume this resource in a responsible manner.</p> <p>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 Litres from www.convertunits.com and www.rapidtable.com respectively.</p> <p>Table : Renewable and Non-renewable energy consumption</p> <table border="1"> <thead> <tr> <th>Energy</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Non Renewable Sources</td> <td></td> <td></td> </tr> <tr> <td>Non Renewable fuel consumption(Units in Kilo joules)</td> <td>838</td> <td>1,010</td> </tr> <tr> <td>Electricity Consumption (Units in Kilo joules Mn.)</td> <td>5,780</td> <td>4,862</td> </tr> <tr> <td>Electricity Sold</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Total Energy (units in kilo Joules Mn.)</td> <td>5,780</td> <td>4,862</td> </tr> </tbody> </table>	Energy	2018	2017	Non Renewable Sources			Non Renewable fuel consumption(Units in Kilo joules)	838	1,010	Electricity Consumption (Units in Kilo joules Mn.)	5,780	4,862	Electricity Sold	N/A	N/A	Total Energy (units in kilo Joules Mn.)	5,780	4,862
Energy	2018	2017																	
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Total Energy (units in kilo Joules Mn.)	5,780	4,862																	

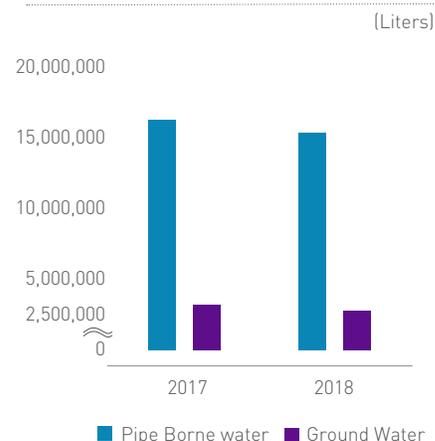
ELECTRICITY CONSUMPTION



NON RENEWABLE FUEL ENERGY CONSUMPTION



WATER WITHDRAWAL BY SOURCE



Efficient use of natural resources

Usage of Water

Our facilities management teams are continuously working to monitor and measure efficiency in water consumption from all sources which include ground water and pipe borne water from the national Water supply and Drainage Board. The company withdrew a total of 16,261 m³ units of water during the year 2018.

Further, Softlogic Life supplies mineral water to the employees through a third party supplier. In 2018, the company consumed 17,924 units of water for drinking purposes.

Resource Utilization

As a commitment towards environmental protection we have taken initiatives to improve efficiency of the resources we are using under the sustainability practices of the company.

- 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

The company moved in to rent agreement for all the photocopy machines used within the company and under the agreement the vendor will replaces the printer cartridge. Accordingly, they refill the cartridge and use maximum possible indirectly reducing the e-waist.

AWARENESS INITIATIVES

Wildlife and Biosecurity Awareness

Sri Lanka is blessed with a rich heritage going back centuries, apart from verdant nature. However, many of these deeply important religious cultural and environmental sites under threat from overuse and pollution. Recognizing the value of 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 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'.

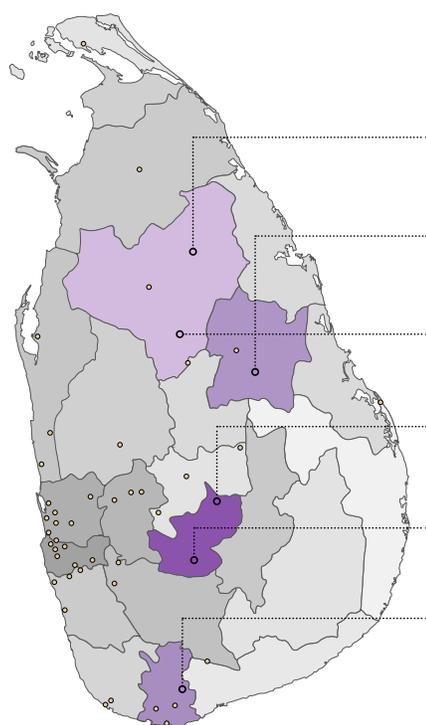
The Company erected 71 boards along the stretch of road between Batticaloa and Polonnaruwa road to Manampitiya, Hurulu Eco Park on the Habarana-Trincomalee road to Minneriya and Yala in 2015 and continued its maintenance during the year 2018. The banners are in all three languages and carry slogans instructing "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 key issues which were prevailing, where a number of wild animals faced danger due to accidents while crossing the main road which is being developed across the forest.

Details of projects are shown in table below and island wide coverage in 2018 is shown as follows as we managed to maintain and continue these awareness initiatives.

Table: Biodiversity Projects

Project Name	Province	No.of Hoarding
Minneriya Project	North Central Project	13
Habarana Project	North Central Project	15
Yala Project	Southern Province	17
Polonnaruwa Project	North Central Project	18
Galle Project	Southern Project	8
Total		71



Protect your beautiful world campaign Project 2 - Hurulu Eco Park, Habarana 2,670 sq. ft.

Protect your beautiful world campaign Project 1 - Manampitiya Floodplains Park 1,100 sq. ft.

Protect your beautiful world campaign Project 2 - Minneriya

Horton Plain's Bags project - Nuwara Eliya

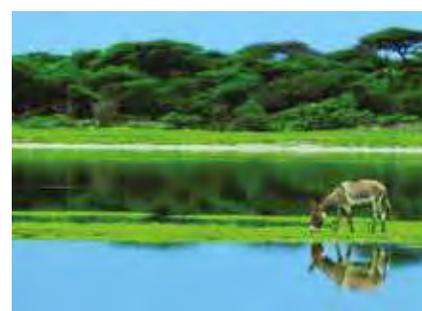
Free distribution of tourist guide book

Protect your beautiful world campaign Project 3 - Galle 4,150 sq.

MANNAR UNBOUND: A JOURNEY THROUGH HISTORY AND NATURE

Sri Lanka is globally recognised for being a bio diversity hotspot. Yet, in the hustle and bustle of our daily lives it is easy to forget that we share this island with a plethora of other incredible beings, both flora and fauna alike, surroundings and appreciate our rich Sri Lankan heritage. Identifying the reality, Softlogic Life has now taken steps to change the reality and focus on the need to inspire and encourage Sri Lankans to follow their passion that truly support to enhance quality of our natural resources.

Building up momentum the company has proactively come forward to support four Sri Lankan professionals— Dr. Thilak Jayaratne, Dr. Janaka Gallangoda, Tamara Fernando and Nadika Hapuarachchi— whose passion for wildlife photography and conserving Lanka's flora and fauna. After five years of exploration, these four Sri Lankans have authored and with partnership of our Company launched their creation 'Mannar Unbound'—a photographic documentation and presentation of the biodiversity and natural landscape of Mannar.





We are fiercely proud to be part of this project as a company who always look in to the environment precise as well as adopt innovative processes of catering to our customers' needs to enthusiastically follow their passion and to their live life to the fullest.

The Company as a committed Sri Lankan corporate with a dedication towards conserving natural resources, it has further strengthened its sustainability efforts by not only inspiring these authors to launch 'Mannar Unbound' but also re-emphasize the commitment towards conserving what is rare and beautiful for the future generations of the country.



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:

Through our environmental and social initiatives, our principles are not just a set of words on a piece of paper but a concept in practice integrated to core business activities that pave the way towards a more sustainable way of doing business. It allows the top management down to the ground level staff to define key metrics and identify and implement projects particularly that have a closer link to operations and thus, reduce the corporate's carbon footprint. As we are incorporating our environmental standards into supplier engagements, our programme extends beyond the boundaries of the Company.

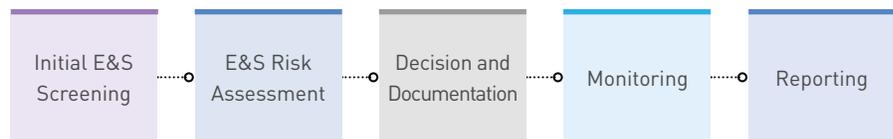
Operating as an insurance entity we understand that our business activities, may be limited in some cases in our ability to influence the environmental performance or behaviour of our clients. We will nonetheless engage with our

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

LOOKING AHEAD

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

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.



MANUFACTURED CAPITAL

KEY INDICATORS OF VALUE GENERATED IN 2018



98

Island Wide Branch Network



10

New Branches



619 Mn

Investment in New Fixed Assets

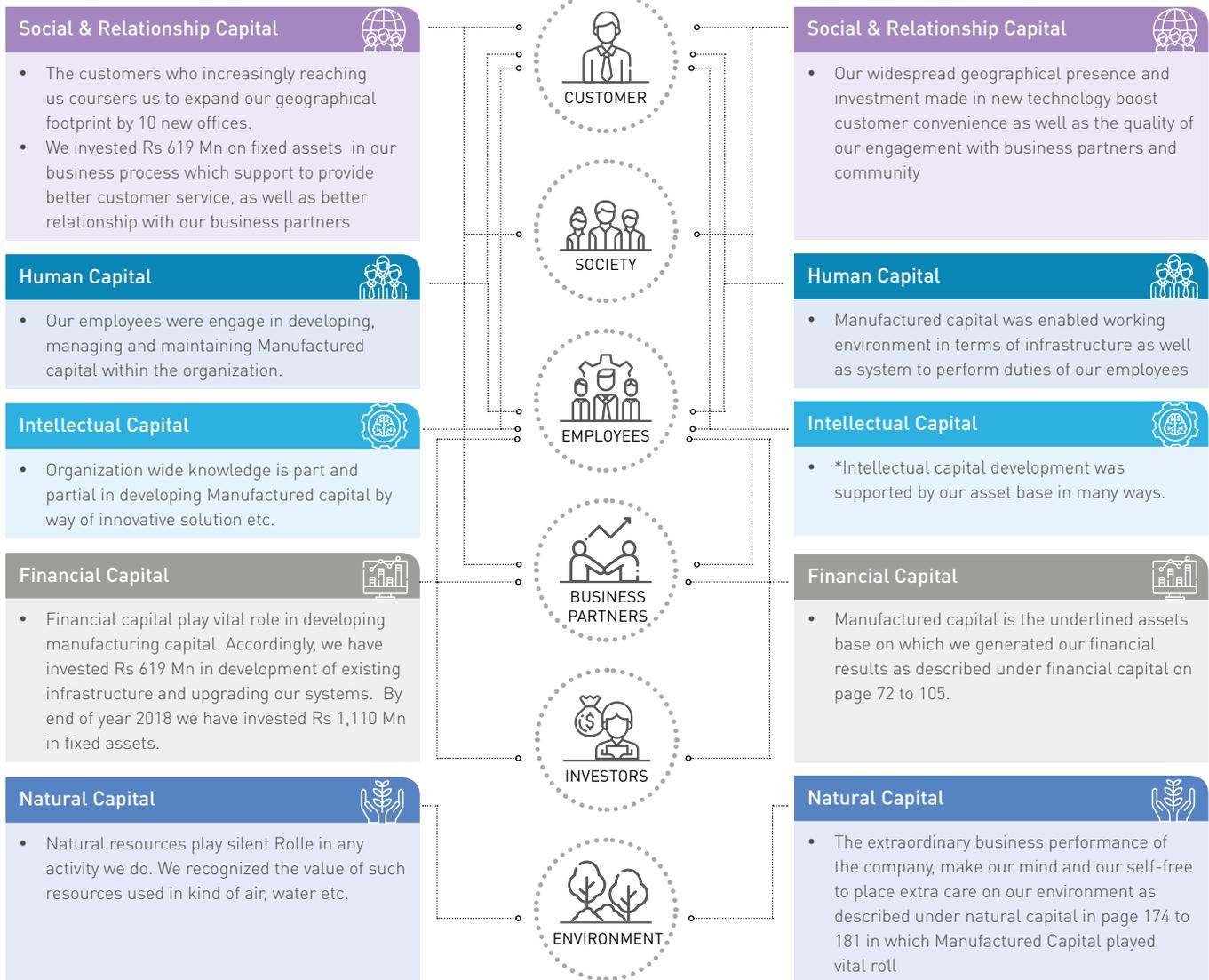


04

Relocations

Value In

Value Out



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

KEY PRIORITIES FOR 2018 AND ITS PERFORMANCE

Key Priority	Our Performance
Improve efficiency of Manufactured Capital	<p>16%²⁰¹⁸ Fixed Assets Turnover</p> <p>13%²⁰¹⁷ Fixed Assets Turnover</p>

Key Initiatives for 2019 and Beyond

- We expect to maintain the fixed assets efficiency in coming years with compared to expansion plans for short to medium term future.
- The major investment has been schedule with a view of enhancing our visibility reflecting the brand value created over the years by moving to high technological improved working environment.

KEY CHALLENGES



Ensuring infrastructure sufficiency supports growth ambitions



Balance cost and benefits of the investments

STRATEGIES EXECUTED

- Capital expenditure is forecasted in the Company's budgeting process. Management prepare detailed action plan which is cascaded down from sort term strategy and assess capital assets requirements accordingly. This process ensure company is rich with resources to support its growth potential where necessary.
- Cost benefit analysis is pre requisite for any capital expenditure of the company. However, we regularly monitor cost benefit of an investment and take strategic moves to ensure our resources are not underutilized. Accordingly, we did four branch relocations during the year where we merge non performing branches with performing once to benefit both by shared resources.

MANUFACTURED CAPITAL

MANAGEMENT APPROACH

In line with our customer- centric culture, we manage our collection of physical, material and technological objects that are available to us 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.

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 analyses information to make strategic decisions which bring a competitive edge over other Companies.

“Look and feel of our manufactured capital is about to change”

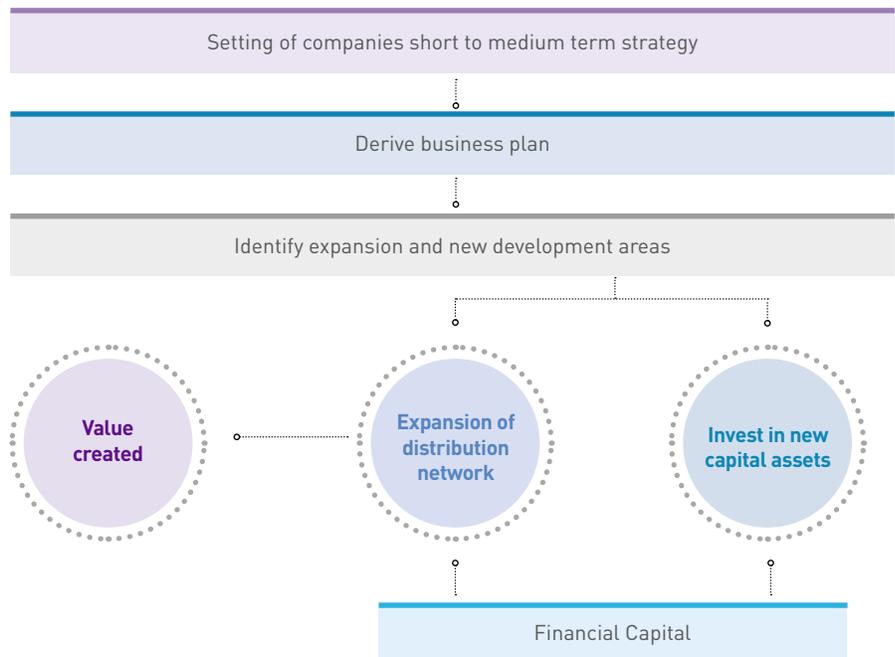
The fact that we plan to move bigger and better spaces that are consistent with our efforts to provide improved working environment to our employees as well as maintain the brand perception. This includes better amenities within the company operating premises that cater to employees in terms of work space, facilities for extra-curricular activities and so on. These also help create greater attachment to the company and is in line with our philosophy that a good work-life balance should start at the workplace.

Further our new office premises will support the status core of our customers and stake holders feeling the Company as the way we treat them with superior service.



Picture: Proposed new corporate office at Galle face one.

The Company’s Manufactured Capital building process is illustrated in figure below:



BUILDING MANUFACTURED CAPITAL

During the year, the Company opened 10 new branches expanding our geographical presence to 98 island-wide. We invested Rs 157 million in capital assets including Rs 15.8 Mn for computer equipment, Rs 39 million on office furniture, Rs. 69 million on fixtures and fittings and equipment and Rs. 33 million on furniture and fittings. 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	2018	2017
New Branch additions to network	10	32
Conversions (Upgrades)	10	6
Relocations	4	4
Closed	0	1

Our geographical presence is provided in detail on page 145 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 2018 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 tele underwriting 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.15.8 million was invested in developing the technological infrastructure of the company.

Details of all our customer-centric innovations are provided on pages 142 to 143 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.

FUTURE OUTLOOK

Softlogic Life Insurance has much to be optimistic about after delivering an exceptional top line of Rs. 10 Bn during 2018. The company can now leverage on this performance as a springboard to further grow operational efficiencies, product and service innovations and maximize group synergies in conjunction with parent Softlogic Holdings to deliver an irresistible value proposition that cannot be replicated by competitors and retains its uniqueness in the industry. The company's employees are considered one of the most professional teams in the local insurance field and are fiercely dedicated to taking the organization ahead as the most foremost insurance company in Sri Lanka. Softlogic Life has built a strong reputation for pioneering innovations and harnessing latest digital technologies to enhance speed, efficiency and convenience for customers, which go a long way in ensuring the company's relevance to future generations as well. Our robust governance and risk frameworks meet not only the local governance requirements but also those of our reputed shareholders who are more than satisfied with our compliance standards in this regard.

The Life insurance industry in Sri Lanka reflects low penetration which implies there is ample scope for growing and expanding our Life business. Our optimism is further mirrored by overseas shareholders who have invested in Softlogic Life as the company with the most promise in the local insurance industry. Now that our fundamentals are in place, we remain hopeful that the economy shakes off lethargy to move ahead at an accelerated pace in 2019.

Softlogic Life approaches its business with a sustainable mindset which enables us to track the impact of our business across all our key stakeholders, at any given time. The company is firing on all cylinders and our strategy for the short, medium and long term envisions an impressive growth momentum for the company.

INDEPENDENT ASSURANCE REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
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Internet : www.kpmg.com/lk

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 2018. The Sustainability Indicators are included in the Softlogic Life Insurance PLC’s Integrated Annual Report for the year ended 31 December 2018 (the “Report”).

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

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	14 to 15

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non Financial Highlights	16
Information provided on following capitals	
Financial Capital	72 to 105
Human Capital	106 to 125
Social and Relationship Capital	126 to 165
Intellectual Capital	166 to 173
Natural Capital	174 to 181
Manufactured Capital	182 to 185

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 2018 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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 2018, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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 Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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.

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 FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.L. Perera FCMA(UK), LL.B., Attorney-at-Law, H.S. Goonewardene ACA



We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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 Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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

5th March 2019

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BOARD OF DIRECTORS



MR. ASHOK PATHIRAGE
CHAIRMAN



MR. PAUL RATNAYEKE
DEPUTY CHAIRMAN



MR. RAY ABEYWARDENA
DIRECTOR



MR. HARESH KAIMAL
DIRECTOR



MR. CHULA HETTIARACHCHI
DIRECTOR



MR. IFTIKAR AHAMED
MANAGING DIRECTOR



MR. SUJEEWA RAJAPAKSE
DIRECTOR



MR. RUDIGER WILL
DIRECTOR



MS. FERNANDA LIMA
DIRECTOR

BOARD OF DIRECTORS

MR. ASHOK PATHIRAGE

Chairman

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 10,000 employees. Mr. Pathirage gives strategic direction to the Group which has a leading market presence in four vertical sectors – Retail & Telecommunications, Healthcare Services, Financial Services and IT, Leisure & Automotive. The Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation in Sri Lanka's private healthcare. He is the Chairman / Managing Director of Softlogic Holdings PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC. He also serves as the Chairman of Softlogic Capital PLC and Softlogic Finance PLC in addition to the other companies of the Group. He is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited.

MR. PAUL RATNAYEKE

Deputy Chairman

Mr. Paul Ratnayeke is a leading commercial lawyer and the 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.

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 University of Wales, UK.

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 also was a Board member of NDB Bank PLC. He is currently a board member of Haycarb PLC, Dipped Product PLC and Hayleys Agriculture Holdings Ltd. Mr. Rajapakse was a member of the National Pay commission. Also he was a Council Member of the University of Sri Jayewardenepura.

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 32 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, Guardian Acuity Asset Management Ltd, the Colombo Stock Exchange and the Central Depository Systems (Pvt) Ltd, and is a Director of Lanka Ventures PLC, LVL Energy Fund PLC, The Associated Newspapers of Ceylon Ltd, Lake House Property Development (Pvt) Ltd, Observer Jobs (Pvt) Ltd and Lake House Connect (Pvt) Ltd.

Mr. Abeywardena is a past Chairman of the Colombo Stockbrokers Association, is a member of the Chartered Institute of Marketing (UK) and holds a master's degree in business administration from the University of Wales.

MR. HARESH KAIMAL

Director

Mr. Hareesh Kaimal is a co-founder of Softlogic and a Director since its inception. With over 30 years of experience in IT and Operations, he currently heads the IT sector of the Softlogic Group and has been instrumental in driving advancements in Information Technology and Enterprise Resource Management within Softlogic. Prior to taking over this role, he was heading a joint venture of Softlogic's overseas subsidiary. He is also a Director of Odel PLC and Softlogic BPO Services (Pvt) Ltd.

MR. RÜDIGER WILL

Director

Mr. Rüdiger Will counts over 25 years of experience in the insurance field both in Germany and internationally. For many years he has held senior executive management positions as Chief Financial Officer or Chief Operating Officer at a number of life insurance companies in Germany and other European countries.

He also garnered international experience as business consultant and member of the supervisory boards of investment and insurance companies alike.

Mr. Rüdiger Will has studied business administration as well as law at the Westfälische Wilhelms-University of Münster, Germany. He is licensed as an Attorney at Law in Germany and for many years he was also licensed as a CPA (Certified Public Accountant) in the United States of America.

MS. FERNANDA LIMA

Director

Ms. Fernanda Lima has over 20 years of experience in financial services and investing in emerging markets. She has hands-on experience in growing inclusive financial institutions across Asia and has held a number of Board and senior roles in Investee companies. She is currently Director of Investments for Leapfrog Investments based out of Singapore.

Ms. Lima joined LeapFrog after 9 years as Managing Director Developing World Markets. She has extensive portfolio management expertise including portfolio investments in Sri Lanka, Cambodia, China, India and Indonesia. Earlier, Ms Lima was Vice President for AIG Global Investment Group in London and with venture capital firm AFLA/CVC in Sao Paulo, Brazil having started her career with Brazil-based Unibanco/ITAU.

She holds a Master of Science in Environment and Development from the London School of Economics and a Master in Business Administration from the University of London and Imperial College. She was a British Chevening Scholar and speaks fluent Portuguese and Spanish.

MR. CHULA HETTIARACHCHI

Director

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 36 years, 23 of which is in the life insurance field. He spearheads the Life distribution operations in an astute and professional manner.

THE SENIOR MANAGEMENT

CORPORATE MANAGEMENT TEAM



IFTIKAR AHAMED
MANAGING DIRECTOR



CHULA HETTIARACHCHI
EXECUTIVE DIRECTOR



THILANKA KIRIPORUWA
CHIEF CORPORATE SERVICES OFFICER



SURANGA WADUGE
GENERAL MANAGER - ACTUARIAL



NUWAN PUSHPAKUMARA
HEAD OF FINANCE



PIYUMAL WICKRAMASINGHE
DEPUTY GENERAL MANAGER -
ALTERNATE CHANNEL



ROSHENI WICKRAMARATNE
HEAD OF LEGAL & COMPLIANCE



RUSHIKA BEMUNUGE
HEAD OF RISK



KAVINDRA RAJAPAKSHA
HEAD OF MARKETING



DILAN CHRISTOSTOM
CHIEF STRATEGY OFFICER



INDU ATTYGALA
CHIEF OPERATING OFFICER



AMAL DHARMAPRIYA
GENERAL MANAGER -
ICT



DAYAN RANASINGHE
HEAD OF TREASURY



INDIKA BAMUNUSINGHE
HEAD OF HUMAN RESOURCES



RUWANTHA ARUKWATTA
HEAD OF INTERNAL AUDIT



SARANGA WIJAYARATHNE
ASSISTANT GENERAL MANAGER -
INNOVATION



PRELAN REISS
HEAD OF LIFE OPERATIONS (ACTING)

THE SENIOR MANAGEMENT

SALES MANAGEMENT TEAM



KAPILA SURIYARACHCHI
GENERAL MANAGER - LIFE SALES



SANDAMAL HETTIARACHCHI
GENERAL MANAGER - LIFE SALES



SUSANTHA ABEYTUNGE
GENERAL MANAGER - LIFE SALES



SOMA HETTIARACHCHI
DEPUTY GENERAL MANAGER -
LIFE SALES



SUSIL ATAPATTU
ASSISTANT GENERAL MANAGER -
LIFE SALES



VIRANGA GUNATHILAKA
ASSISTANT GENERAL MANAGER -
LIFE SALES



LAL HETTIGE

DEPUTY GENERAL MANAGER -
CUSTOMER RELATIONSHIP
DEVELOPMENT



HIRAN GUNAWARDENA

DEPUTY GENERAL MANAGER -
TRAINING & KNOWLEDGE
MANAGEMENT



PRIYASHANTHA SIRIWARDENA

DEPUTY GENERAL MANAGER -
LIFE SALES



CHAMINDA WEERAKKODY

ASSISTANT GENERAL MANAGER -
LIFE SALES



RAMAYARATHNA WIJESEKARA

ASSISTANT GENERAL MANAGER -
LIFE SALES

THE SENIOR MANAGEMENT

MR. IFTIKAR AHAMED

Managing Director

Refer page 192 for the detailed profile.

MR. CHULA HETTIARACHCHI

Executive Director

Refer page 193 for the detailed profile.

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 18 years' experience in Human Resources, Customer Service, Logistics, Administration, Facilities Management, Retail and General Operations. He overlooks the Corporate Services Function which focuses on Micro & Mobile Insurance Sales Channel, Customer Care, Office Administration & Services, Premises management & Projects & Legal 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 17 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. INDU ATTYGALA

Chief Operating Officer

MBA-University of Northampton, UK

Indu joined Softlogic Life as the General Manager of Business Development in 2017. Indu began his career as an Underwrite for Fire Insurance at CTC Eagle Insurance in 1993. He also worked in P.T Vitasia – Indonesia - General Insurance Brokers from 2000 to 2001. After returning from Indonesia, he re-joined AVIVA NDB Insurance and in 2002, as Manager – Direct Sales and was promoted to Head of Sales in General Insurance in the Agency Development Unit, until moving to Life Distribution in 2012, with a promotion as Deputy General Manager. He holds a Master's in Business Administration (MBA) from the university of Northampton UK. Indu has also successfully completed the Comprehensive Technical Program in General Insurance at the National Insurance Academy in Pune, India, and has also completed the Advanced Agency Management Program conducted by AIA Hong Kong and was awarded a Master-Class by LIMRA Europe Limited.

MR. AMAL DHARMAPRIYA

General Manager – ICT

B.Sc. (Applied science), M.Sc. (Computer Science), MBA

Mr. Dharmapriya has more than 15 years' experience in the insurance and technology industries, including top management and senior technical positions. In his career, He possesses a proven track record of delivering quality IT solutions and driving complex system integrations in order to build superior customer experience in both Life and General insurance business space in the local insurance industry. Mr. Dharmapriya has guided and nurtured a dynamic innovative team performance culture in the Softlogic Life IT, which results in creating a competitive advantage to the company.

Mr. Dharmapriya is a Certified Information Security Manager (CISM) – ISACA and a Member of the Australian Computer Society(MACS). He is also a visiting lecture of the University of Sabaragamuwa and holds a BSc in Applied Sciences from the University of Sri Jayewardenepura, MSc in Computer Science from the University of Colombo and an MBA from the University of Sri Jayewardenepura.

MR. SURANGA WADUGE

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 10 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) and Munich Re in Germany. At present, he is working towards becoming an Associate Member of the Institute and Faculty of Actuaries(UK).

MR. NUWAN PUSHPAKUMARA

Head of Finance

FCA, MBA PIM (USJP), Bachelor of Business Management Finance Special, ACMA

A Fellow of the Institute of Chartered Accountants of Sri Lanka and the member of Certified Management Accountants of Sri Lanka. He holds a Master's in Business Administration from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura and Business Management Finance Special Degree from University of Kelaniya Sri Lanka. Nuwan joined Softlogic Life in January 2014, and currently serves as Chief Financial Officer (CFO) of the Company. He also serves as a Chairman of the Finance Technical Committee of the Insurance Association of Sri Lanka (IASL). He counts over 14 years of management experience in fields of insurance, finance, strategy, audit and general Management. He started his career at KPMG Sri Lanka before join to Union Assurance PLC.

He is a member of IFRS 17: Insurance contracts implementation, Continuous Professional Development Committee (CPD) and member relation committees at Institute of Chartered Accountants of Sri Lanka. He served as an industry expert of drafting the degree syllabus for the Department of Finance - University of Kelaniya and drafting statement of recommended practice of Insurance contracts for the Insurance Industry of Sri Lanka and currently served as industry advisor to the department of Accountancy, University of Kelaniya.

MR. PIYUMAL WICKRAMASINGHE

Deputy General Manager - 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. DAYAN RANASINGHE

Head of Treasury

BA, ACMA, CGMA

Dayan commenced his career in the field of auditing, and over a span of nearly two decades has acquired experience in several fields within the financial sector including audit, leasing and hire purchase and asset management. He joined Softlogic Life in 2007 and rapidly revamped the investment portfolio and processes to create a diversified and balanced fund which combined with active management, resulted in profitable and sustainable returns that 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 respective points of launch in Sri Lanka.

Dayan graduated from the University of Colombo and is 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 13 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

Head of Internal Audit

ACA, IIA

Ruwantha joined Softlogic Life Insurance PLC in 2014 and is an Associate Member 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 12 years varying both public accounting practice and internal audit, he also has more than 9 years experience in the finance and insurance industry.

THE SENIOR MANAGEMENT

MS. ROSHENI WICKRAMARATNE

Head of Legal & Compliance Officer

LL.M (Masters in Law), Attorney-at Law

Rosheni joined Softlogic Life in April 2016 and currently heads the Legal & Compliance functions. She has been instrumental in designing and establishing a compliance framework for the Company including anti-money laundering and related party transactions. Prior to joining Softlogic Life she worked at AIA Insurance Sri Lanka. She also possesses experience in capital market policy initiatives and regulations and corporate law and litigation having worked at the Securities & Exchange Commission of Sri Lanka and prior to which at Varners Law Firm.

An Attorney-at Law by profession, she 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.

She counts over 12 years of legal and management experience in the fields of Commercial Law & Transactions, Capital Market Regulations, Regulatory Compliance and Company Secretarial Practice. For her outstanding performance towards business excellence she was awarded the AIA Managing Director's Special Award in 2015 from AIA Insurance and has received specific trainings in insurance industry mergers & acquisitions and capital market enforcement actions.

MS. RUSHIKA BEMUNUGE

Head of 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).

MS. KAVI RAJAPAKSHA

Head of Marketing

MBA (Cardiff Metropolitan University), BSc (Hons) Chem.Spl (UOC), BSc (Hons) Chem Spl (Institute of Chemistry)

Given her passion for analytics combined with creativity and superlative communication skills, Kavi joined marketing after having completed two first class Chemistry special degrees from University of Colombo and Institute of Chemistry. She started off her career as a management trainee at the leading multinational FMCG, Unilever Sri Lanka where she went on to practice her expertise in building iconic brands such as Vaseline, Astra and Dove for over five years. She has extensive experience in leading both local and international cross functional teams, steering brands under crisis conditions and innovating on ATL and BTL fronts which has made her a key stakeholder in many award winning marketing campaigns. She joined Softlogic Life in 2017 and now functions as the head of the marketing team. Kavi Rajapaksha holds a MBA from Cardiff Metropolitan University and has undergone both local and international training on the aspects of brand building and leadership.

MR. SARANGA WIJAYARATHNE

Assistant General Manager-Innovation MBCS, PgISM

Mr. Wijayarathne has a post graduate diploma in Information Systems from the University of Colombo and currently he is reading for Masters in Information Systems at University of Colombo. Mr. Wijayarathne is a member of the British computer society (BCS). His career spans over 15 years of widespread experience in the field of IT, covering areas such as Application designing & Development, Project Management, implementation of insurance & ERP systems with experience and award-winning mobile application solutions such as Click2Claim, LifeUP. He has participated in many foreign and local training programmes on IT. The high point of his career in Softlogic Life was in spearheading the in-house development of award winning, complete insurance solution for the company.

MR. PRELAN REISS

Head of Life Operations (Acting) ACII, Chartered Insurer

Prelan Reiss is the Acting Head of Life Operations and he has over 23 years of experience in the insurance industry. Prior to joining Softlogic Life Insurance PLC in 2018, he was at AIA Insurance Lanka PLC where he had played multiple roles in operations since 1996. Prelan is currently overseeing the Life Operations of the Company and also serves as the Specified Officer of Softlogic Life Insurance PLC. Prelan is a Chartered Insurer and an Associate of the Chartered Insurance Institute, UK (ACII). Currently he is reading for his Masters of Business Administration (MBA) at University of Wales Trinity Saint David, UK.



CORPORATE GOVERNANCE IS THE PROMOTION AND MAINTENANCE OF RESPONSIBILITY, ACCOUNTABILITY, TRANSPARENCY, RELIABILITY AND IMPARTIALITY AT ALL LEVELS OF THE ORGANISATION. THIS IS A BELIEF THAT IS GROUNDED DEEP WITHIN THE SOFTLOGIC LIFE VALUE SYSTEM.

54th Annual Report Awards organised by CA Sri Lanka as the Company walked away with the highest number of awards (five) in the history of the awards ceremony. Among these accolades was the Bronze award for the Corporate Governance report in the 2017 Annual Report, which along with the rest of the awards highlight the Company's dedication towards presenting a true and fair view of its financial and non-financial information.

The other important milestone from a corporate governance aspect in 2018 is the investment in the Company by LeapFrog Investments, profit and social impact driven American investor. The significance of corporate governance for emerging market investors is of extreme importance especially in a political environment marked with such instability and this investment in a way exhibits the trust and the faith the investor has kept on the Company's governance structures and processes as well as the long-term value generation potential of the Company.

Our Philosophy

In its essence, corporate governance is the promotion and maintenance of responsibility, accountability, transparency, reliability and impartiality at all levels of the organisation. This is a belief that is grounded deep within the Softlogic Life value system and these guiding principles are well embedded within the governance structures of the organisation as well as within the job roles of the employees so that it can sustain its reputation as an effective, truly sustainable corporate

citizen. This philosophy truly enables the Company to strike a perfect balance between its entrepreneurial risk taking along with prudent management at all levels of the organisation which is evidenced by "twice the industry" growth maintained by the Company over a continuous period of more than five years.

Tone from the Top

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. During the year the Board has taken the initiative to further enhance its composition by appointing four new Directors who are expected to bring fresh perspective to the Board. It should also be noted that the Board now contains variety in terms of gender with one of the newly-appointed Directors being female. The Board's effectiveness also relies on having a culture that encourages exchange of alternate views and as the Chairman I ensure that sufficient time is set aside at Board meetings for open and constructive discussion of significant issues. Further, the governance structure facilitates the Board to delegate authority to the relevant Board Committees and the Management with clearly-defined mandates and authority, while preserving its accountability. The Board fully supports the Management team, which takes accountability in running the day to day operations of the Company, keeping in mind the agreed strategy. The Board also monitors performance to ensure that the Company is in line with achieving this set strategy.

CHAIRMAN'S MESSAGE

At Softlogic Life, our commitment to corporate governance is a journey of continuous prudent as well as timely improvements towards achieving the highest standards of governance by taking into account the developments in the regulatory, business and internal company environments alike. This stance of our Board, Management and all the employees across the Company enables us to ensure that the organisation carries out its business in a responsible manner leading to long-term sustainability of the Company. Our take on governance which is a one beyond a mere ticking of boxes is showcased by this report. This section includes an overview of the Corporate Governance Framework within Softlogic Life and the initiatives taken during the year to further strengthen governance.

A Testament to Effective Governance

During the year the Company was recognised for its quality reporting at the

CORPORATE GOVERNANCE

Way Forward

In 2018 December, the Insurance Regulatory Commission of Sri Lanka (IRCSL) issued an important directive to the insurance companies with respect to corporate governance. The directive is effective from the 1st of January 2019 and it recommends that the insurance companies comply with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka. This report goes on to show our early adoption of the said directive.

Further the new accounting standard for insurance contracts, "IFRS 17", introduced for the insurance industry across the world will be effective from the start of year 2022. This standard is expected to have implications on the financial as well as operational aspects of the business. The significant impact the standard is expected to have on the Company's governance processes has warranted high level attention of the Board which is why it will be keeping a close eye on the IFRS 17 implementation process at Softlogic Life.

Our Promise

We will continue to stay focused on improving the effectiveness of the Board and in responding appropriately to stay current with regard 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 be 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 business conduct and ethics for directors.



ASHOK PATHIRAGE

Chairman

05th March 2019

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'.

ANNUAL CORPORATE GOVERNANCE REPORT

Our annual Corporate Governance Report consists of several pillars to explain the Compliance and Governance Framework, the initiatives taken to strengthen corporate governance, setting up long-term objectives on governance practices, guidance from competent and ethical leadership, effective control framework of the Company and its assurance, regulatory and statutory governance and stakeholder engagement.

We summarise all our governance practices under the following pillars.

Figure: Our approach to Corporate Governance



1. STATEMENT OF COMPLIANCE

The Company 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 the Company wishes to confirm that the Company has been fully compliant, during the year under review with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka, Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto issued by the 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 its 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.

Further the Statement of Directors' Responsibility to Financial reporting is provided on pages 266 to 267.

Refer the table below for the mandatory and voluntary adoption of codes of governance and compliance by the Company and references to the pages in the report that show compliance in detail.

Table: Mandatory and Voluntary Compliance

Requirement	Mandatory/ Voluntary Status	Reference	Compliance Status
Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.	Voluntary	Pages 273-292	Complied
IRCSL Directive on Corporate Governance for Insurance companies effective from 1st January 2019.	Voluntary	Pages 293-294	Complied
Requirements on Corporate Governance as per rule No. 7.10 of the Listing Rules of the CSE.	Mandatory	Pages 270-272	Complied
Requirements on Related Party Transactions as per rule 9 of the listing rules of CSE.	Mandatory	Page 272	Complied
Requirements mentioned in Section 168 of the Companies Act No. 07 of 2007 with respect to Content of the Annual Report.	Mandatory	Pages 255-256	Complied

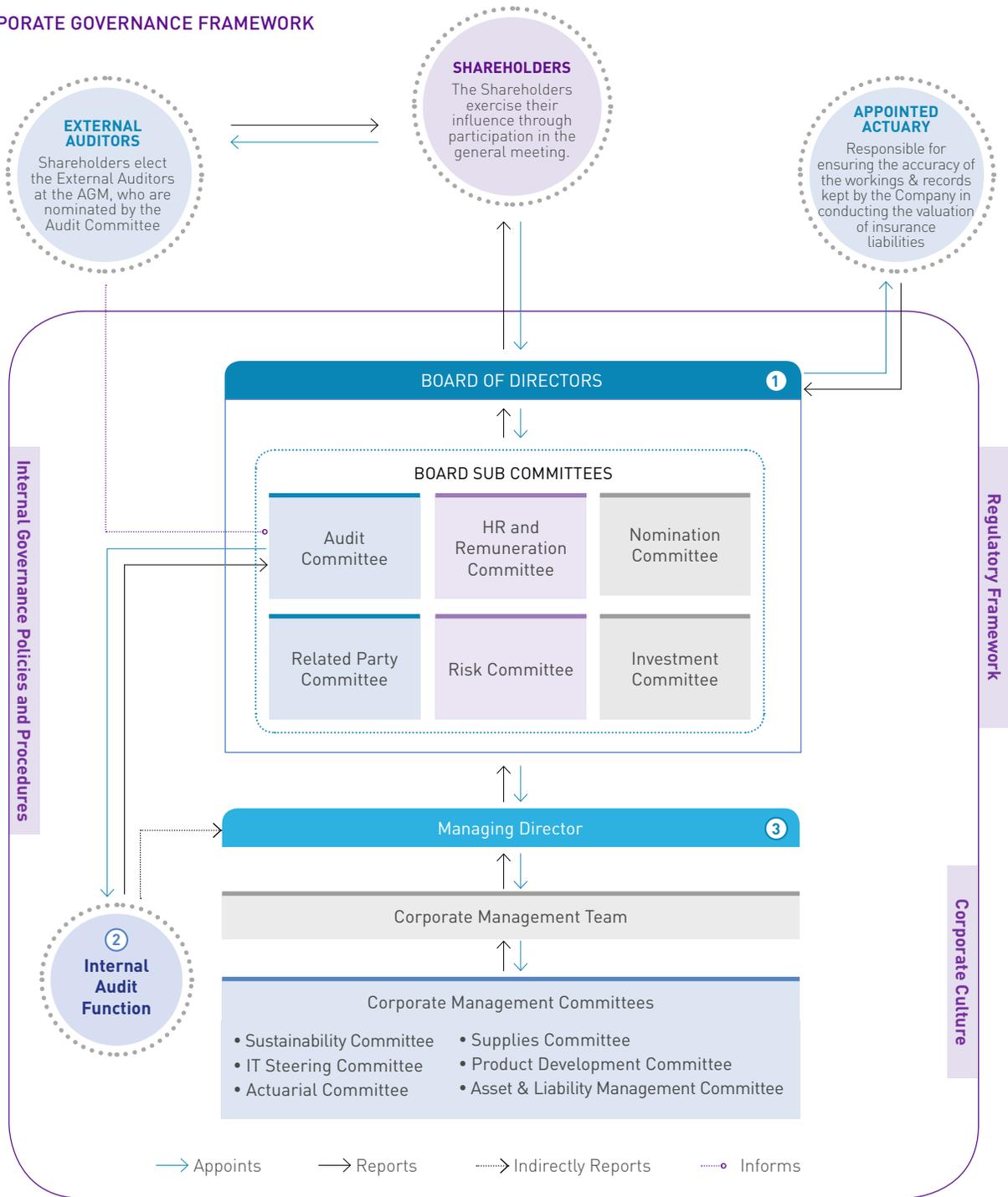
HIGHLIGHTS

THE INSURANCE REGULATORY COMMISSION OF SRI LANKA ISSUED THE DIRECTION 17 ON CORPORATE GOVERNANCE FOR INSURANCE COMPANIES IN 2018 WHICH WAS TO BE EFFECTIVE FROM 01ST JANUARY 2019.

SOFTLOGIC LIFE HAS ALREADY COMPLIED WITH THE REQUIREMENTS OF THE SAID DIRECTIVE. DETAILED COMPLIANCE STATUS OF THE DIRECTIVE IS SHOWN ON PAGES 293-294.

CORPORATE GOVERNANCE

2. CORPORATE GOVERNANCE FRAMEWORK



- ① The Nominations Committee nominates suitable candidates to appoint to the Board. Shareholders elect the Board of Directors at the AGM. The Board has overarching responsibility for managing Softlogic Life's affairs in the interests of the Company and shareholders.
- ② Internal Audit Function reports directly to the Board Audit Committee while also indirectly reporting to the MD.
- ③ Managing Director is responsible for execution of the Board Strategy within the external rules and regulations

3. CORPORATE GOVERNANCE INITIATIVES AND FUTURE OUTLOOK

3.1 KEY CORPORATE GOVERNANCE INITIATIVES 2018

SURPLUS ANALYSIS

The Company has taken initiatives to analyse the different components contributing to the surplus/ profit arising within Softlogic Life. Surplus arising is defined as the change in the value of assets over the change in the value of liabilities over a period of time. This has been analysed by demographic factors such as mortality, morbidity and persistency as well as expenses and investment experiences. This process will be reviewed by the Company engaged Messrs. Towers Watson India Private Limited.

This analysis provides insight on performance of the underlying business and potential improvements and financial impact of writing new business, which enhances the quality of products that we offer to the customers whilst charging fair premiums from the customers.

RESTRICTED REGULATORY RESERVE

The Company has taken initiatives to ring – fence the investment assets supporting the Restricted Regulatory Reserve, in line with Directive No 16 issued by Insurance Regulatory Commission of Sri Lanka (IRC SL) on 20th March 2018 on “Guidelines/ Directions for Identification and Treatment of One – off Surplus”.

Based on the new guideline, Life Insurance Companies were directed to transfer one – off surplus attributed to Policyholder Non – Participating Fund to Share Holder Fund as at December 2017 through the Income Statement. This has led to the creation of a separate reserve in the Statement of Financial Position as “Restricted Regulatory Reserve”.

UNIVERSAL LIFE SEGMENT IMPLEMENTATION IN ORACLE SYSTEM FOR FUND LEVEL ACCOUNTING

The Company has implemented Universal Life segment in Oracle accounting system in 2018 which enables the Company to keep separate ledgers facilitating the segregation of insurance funds as required by Insurance Regulatory Commission of Sri Lanka.

A salient feature of the “Universal Life” product is to pay dividends based on the performance of the underlining assets of the fund. The initiative of implementing a new oracle segment in Oracle strengthened the governance practices of the Company as it permitted the Company to maintain underlining assets as well as the liabilities separately.

PUBLICATION OF QUARTERLY AUDITED FINANCIAL STATEMENTS

The Company has published audited Interim Financial Statements in Colombo Stock Exchange for all four quarters in 2018. The Company has established a robust financial reporting process to achieve this initiative.

The Company wishes to bring greater transparency to its Financial Reporting process and this initiative will result a positive impact on long term corporate governance aspects and it has strengthened the best governance practices during the year.

EXPENSE STUDY FRAMEWORK

Expense allocation framework has been certified by Messrs. Towers Watson India Private Limited, a global actuarial firm. The Company has applied the result of this study consistently throughout the year.

The Expense allocation framework provides guidance on the allocation of expenses between participating and non - participating segments by further categorising into acquisition and maintenance categories.

This enables the Company to comply with draft guidelines on management of insurance funds issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL), which requires expenses to be attributed to the insurance fund against which expenses are incurred.

RING-FENCING OF INVESTMENT ASSETS

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.

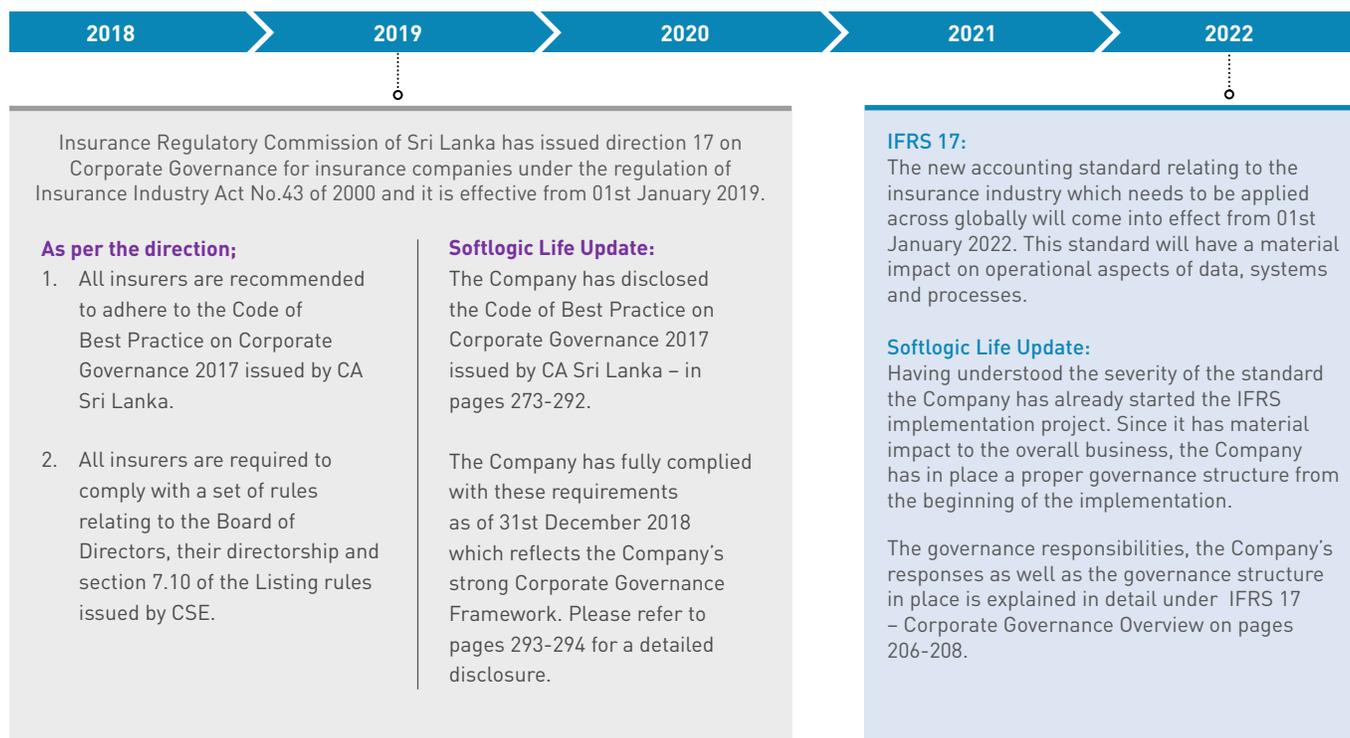
The transparency of the fund level investment activities has been further improved in year 2018 by introducing fund level Bank accounts linking with Central Depository System.

This has enabled the Company to record dividend and coupon (debt) receipts in the respective funds where the underlining asset is originally invested.

CORPORATE GOVERNANCE

3.2 FUTURE OUTLOOK ON GOVERNANCE FRAMEWORK

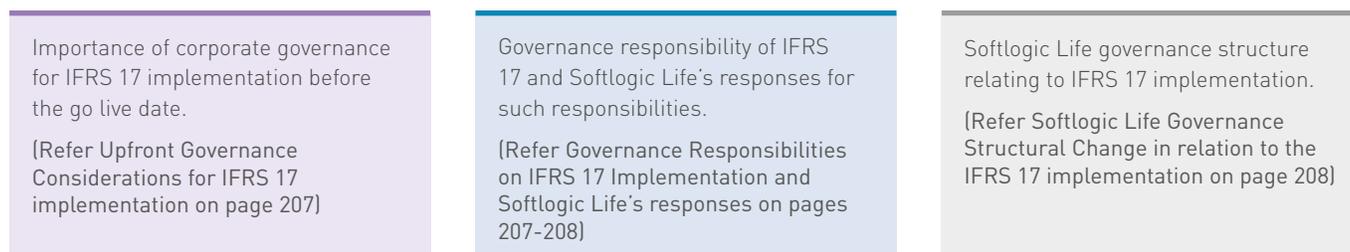
The Company proactively takes necessary action to ensure highest levels of governance by considering the short to medium term developments in the insurance industry as well as regulatory and statutory environments. The Company has identified the following critical developments and taken action to comply with the requirements by embedding such in our Governance Framework. Please refer below for a summary of such developments and the approach taken by the Company.



3.3 IFRS 17 – CORPORATE GOVERNANCE OVERVIEW

IFRS 17 is a very important accounting standard for the whole insurance industry across globe. Its dynamics will not only have implications on the Financial disclosures but also have material impact on operational aspects of data, systems and processes.

Having understood the criticality of the standard, Softlogic Life believes there should be an appropriate governance approach from the outset of the implementation process of IFRS 17. Therefore, the governance approach build up for IFRS 17 has been discussed under the following areas.



A. Upfront Governance Considerations for IFRS 17 implementation

The major change program required will extend beyond finance and actuarial teams and its impact will need to be communicated to a broad range of internal and external stakeholders and the implementation of IFRS 17 will have a profound impact on all aspects of the organization including governance and risk compliance. Therefore, as a key action to kick-start IFRS 17 implementation, we conducted business and technology briefing sessions and reported findings and implementation approach to the Board, Senior Management team and key stakeholders. Discussed findings with the External Auditor and now we are in the stage of performing Gap Analysis.

Under IFRS 17, reported profit will be directly impacted by the risk adjustment and any discounting rate applied to claims liabilities, and more detailed reserving outputs will be disclosed publicly for the first time.

These factors may drive closer management scrutiny and tighter governance over these new public disclosures – especially immediately after implementation. Possible impact on the processes:

- Reserving committees may want to review more extensive use of management judgement such as discounting rates, risk-adjusted reserves, assumptions used at a granular level.
- There should be a strong system of governance, with effective and prudent controls to assess and manage risks, which is central to helping an organization to anticipate and adapt to changing IFRS 17 requirements and it will reflect the integrity of the new disclosure requirements.
- There should be a comprehensive data management approach to ensure data governance, lineage and transparency across the entire reporting chain.

Therefore, it is critical to structure governance framework of the company to ensure that proper controls are appropriately designed and implemented in order to obtain reliable output from these models and other systems. Since IFRS 17 will heighten model risk and operational risk, protocol for Senior management and the Board reliance on experts might be strengthened. Therefore, stronger supervisory oversight over these risks may be warranted.

Governance framework of the Company will have to face a challenge of carrying out business as usual, whilst undertaking a radical transformation of financial and actuarial systems. Management of the company has a vital role to play in avoiding manual interventions in critical workings and stipulated controls, which could be a possible outcome due to the time constraint over the implementation.

B. Governance Responsibilities on IFRS 17 Implementation and Softlogic Life's responses

No	Governance Responsibility	Softlogic Life Implications
1	It is the governance responsibility to consider treatment for IFRS 17 as it is not purely an accounting development, therefore the Board should ensure that relevant action is taken to identify and address issues upfront in relating to the data, system and processes restructuring.	All departments heads participated in a two-day session which was conducted by IFRS 17 consultant of the Company and identified the upfront considerations and required changes to be done in data, systems and processes with regard to the IFRS 17 implementation.
2	There is a need to set up an in house implementation team which comprise of the relevant expertise from finance, actuarial, capital management, tax, operational to IT in order to ensure smooth implementation.	Softlogic Life has build up an in house project team named as "Team Spirited" with the required expertise to implement IFRS 17.
3	Governance framework should be able to interpret and understand the new standard since governance has a responsibility to communicate major changes of financials to broad range of internal and external stakeholders.	CFO has presented the new changes in the standard to the Audit committee and the Board. Further conducted briefing sessions on the standard and plan to share educational material and training materials with the Board in order to create awareness among them on the new standard.
4	Governance framework should ensure that required training to the Management is in place in order to enhance the effective implementation of IFRS 17.	Softlogic life has arranged an IFRS 17 seminar in coordination with IASL. All the department heads, entire finance team, actuarial team participated to it. In addition to that the Management ensure that project members participate to training programs which are organised by other institutions.

CORPORATE GOVERNANCE

No	Governance Responsibility	Softlogic Life Implications
5	Allocate adequate budget for IFRS 17 implementation since this IFRS change will affect to change entire business model.	The Company has budgeted adequately for IFRS 17 and obtained relevant approval from the Board.
6	Board committees should develop separate charter describing their own responsibilities and duties in the relating to the IFRS 17 implementation.	A separate charger for IFRS 17 is to be developed.

C. Softlogic Life Governance Structural Change in relation to the IFRS 17 implementation

Softlogic Life Management has taken actions to build up an in house project team to implement the IFRS 17. Therefore, company governance framework has to equipped with additional duties and responsibilities as per the following diagram. There is a separate committee to govern the IFRS 17 implementation project team by providing required strategic leadership. This committee is directly accountable to the Board of directors to facilitate required platform for IFRS 17 implementation.

Working group will perform at ground level to analyse the GAP and draft project plan to implement IFRS 17. The working group should submit a status report to the Steering Committee on a monthly basis. Steering committee will work as the 1st level decision making body and act as a final approval authority for key decisions and deliverables. Finally steering committee will provide a periodic report to the Board of Directors and the Board will update the audit committee about the status of the IFRS 17 implementation.

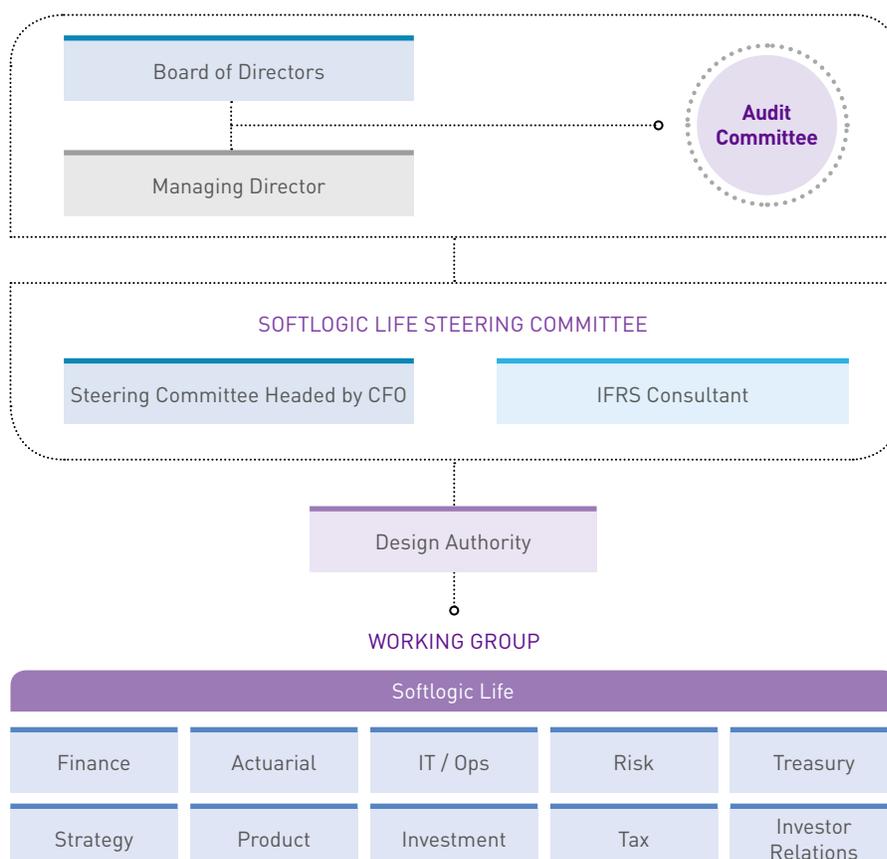
Governance of the Company furnished with following additional duties and responsibilities with IFRS 17 implementation project

1. Ensure that adequate processes are in place to escalate issues and that material risks, including project risks, are brought to the attention of the Board on a timely basis
2. Be willing to have hard discussions with project working group and board about the status of IFRS 17 projects implementation.

3. Understand the extent to which key resources are being diverted to the IFRS 17 project and any attendant risks
4. Understand proposed post implementation organizational changes and their impact on organizational culture, routine operations etc.
5. Evaluate processes surrounding key IFRS 17 policy decisions and judgements and, in particular, management's consideration of the advice of experts, such as actuaries.
6. Ensure that external advisors are truly independent since there is little self-review threat.

Following diagram demonstrate the Softlogic Life Governance structure in relevance to the project implementation and roles and responsibilities at each level of the hierarchy.

Figure: IFRS 17 implementation Governance Structure



4. CORPORATE GOVERNANCE BENCHMARKS

 External Governance Benchmarks-Mandatory Compliance	 External Governance Benchmarks -Voluntary Compliance	 Internal Governance Benchmarks
<ul style="list-style-type: none"> Code of Best Practice on Corporate Governance - Section 7.10 of the Listing Rules of Colombo Stock Exchange (Pages 270-272). 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 (Pages 461-462). Related Party Transactions - Section 9 of the Listing Rules of the CSE (Page 272). Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments. 	<ul style="list-style-type: none"> The Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka (Pages 273-292) which came in to effect from 01st January 2018. Direction on Corporate Governance Framework for Insurance companies issued by the IRCSL (Direction 17 effective from 01st January 2019). Please refer pages 293-294. 	<ul style="list-style-type: none"> Articles of Association Terms of Reference and Charters of Board and Management Committees Organisational Structure Code of business conduct and Ethics Risk Management policies and procedures Internal control processes and Procedures Manual of Financial Authority Business Continuity Plan Finance related policies IT governance policies Compliance policy Whistleblower policy Anti-Money Laundering and Suppression of Terrorist Financing Policy Fraud Risk Management Policy Human Resources Policies and Manuals Complaint Handling Policy Supplier and Procurement policy Treasury policy Reinsurance administration policy Life underwriting, claims management and Servicing policies Other Board approved policies on all major operational aspects

5. COMPETENT AND ETHICAL LEADERSHIP

5.1 BOARD OF DIRECTORS

A. Board Dynamics

A.1 Main Function of the Board

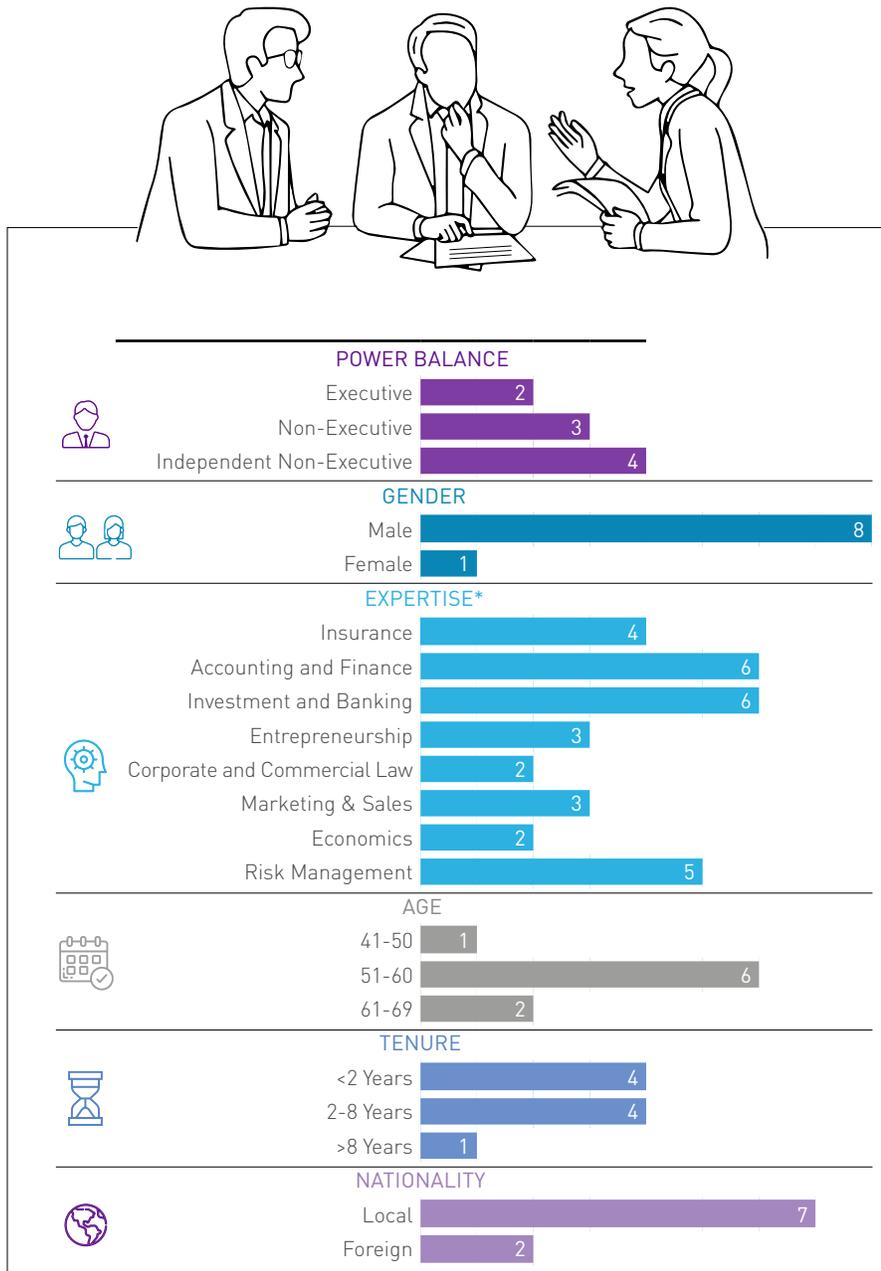
The primary function of the Board of Directors which acts as representatives of the shareholders is to provide strategic entrepreneurial direction within a prudent and effective control framework which enables risk to be assessed and managed within the risk appetite set by itself. It is however the responsibility of the corporate management team led by the Managing Director to execute these strategies while ensuring that the Company operates within the set risk appetite. The Board in turn oversees the management and the performance of the organization on a regular basis to ensure that it continues to operate optimally, ethically as well as within the regulatory boundaries in the best interests of all stakeholders so that there is sustainable value generation.

A.2 Composition of the Board

The Board consists of nine Directors of whom seven are Non-Executive Directors including the Chairman while the other two inclusive of the Managing Director (MD) hold the office in an Executive capacity. 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. Non-Executive Directors are eminent professionals in their respective fields, bringing diverse perspectives to Board deliberations and constructively challenging management on matters set before the Board. The Board is also strengthened by the fact that among the seven Non-Executive Directors are four Independent Non-Executive Directors (Including one past president of CA Sri Lanka) with strong collective experience at the board, who bring invaluable unbiased judgement on corporate matters while also factoring in the dynamic DNA of the Company. The enhanced composition of the Board coupled with the strong leadership provided by the Chairman further eliminates the room for a single individual or a small group to dominate the decisions of the Board.

Figure: Board Composition



* An individual director may fall into several expertise areas.

A.3 Skills and Experience of the Board

The Board members display a wide, rich array of skills, experience, 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 strength of the board in terms of this diverse viewpoints allow it to explore matters from Insurance, entrepreneurial, investor, and regulatory perspectives to facilitate long-term value creation.

The expertise, experience and qualifications of the Board are mentioned in their respective profiles in pages 192-193.

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 of the Company 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. All Directors bring independent judgement to bear, in discharging their duties and responsibilities on matters relating to the Board of the Company and this is reviewed by the Board from time to time.

The Board appoints Sub-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
Setting, reviewing, directing, approving and monitoring the corporate strategies.	Providing guidance to Director/MD and senior management and ensuring they possess the relevant skills, experience and knowledge to implement the strategies.
Setting strategic targets and implementation plans.	Ensuring the effectiveness of internal controls and risk management via review of internal audit reports, compliance reports and management letters (external auditors).
Determine the Company's risk appetite.	Effective succession planning for MD and Key Management Personnel (KMPs).
Discharging its duties through various sub committees of the main Board.	Reviewing company's values and standards that are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
Being responsive to the needs of the society.	Selecting, appointing, and evaluating the performance of the Chief Executive Officer/ MD. Appointing and overseeing the External Auditors' Responsibilities. Approval of budgets and major capital expenditure. Ensuring all stakeholder interests are considered in corporate decisions.
Continuous Monitoring	Reporting and Compliance
Monitoring how strategy is executed on a periodic basis and how the related risks unfold.	Compliance with laws, regulation (IRCSL) and statutory payments via review of compliance reports. Reporting to shareholders on their stewardship
Monitoring performance against budgets on a regular basis via monthly review of financial performance reports.	Ensuring the integrity of financial information, internal controls, risk management and financial statements.
Assess effectiveness of the Board through self-evaluation.	Reviewing & approving interim and annual financial statements for publication.

*The Company has obtained a suitable Insurance Cover to the Board, Directors and the Key Management Personnel (KMP).

Role of Chairman

The roles of the Chairman and the Chief Executive Officer (Managing Director) are separate which ensures a balance of power and authority, such that no one individual has unfettered powers of decision. The Chairman provides firm and objective leadership to the Board by preserving order and facilitating the effective discharge of the duties of the Board. The Chairman presides over Directors' and shareholders' meetings such that the overall board proceedings are carried out properly by ensuring effective participation of all Directors as well as the smooth functioning of the Board. This enables the Chairman to carry out his crucial role in the best interests of good corporate governance. It is also the responsibility of the Chairman to initiate the self-assessment of the Board to further improve the effectiveness of the Board as a whole.

As per the requirement of the Code, the Board has also appointed a Senior Independent Director since the Chairman is a Non-Independent Non-Executive Director. Please refer page 217.

Role of Independent Non-Executive Director

Independent Non-Executive Directors bring invaluable independent judgement to the Board and take an unbiased stance in matters where conflicts of interest may arise. These Directors having reached the pinnacles of government institutes or commercial organisations, bring their robust expertise and experience in also providing strategic guidance to the board. Further information on the determination of independence of directors and declarations of independence are given on pages 213 and 214.

Role of Board Secretary

P. R. Secretarial Services (Pvt) Ltd, which serve as the Board Secretary, assist the Directors with respect to their duties and responsibilities while facilitating good corporate governance at Board level. Their main responsibilities are summarised below;

- Support the Chairman, the Board and its Sub-committees by ensuring a proper flow of information.
- Ensure that the Board, Board Sub-Committee and General Meetings are conducted in accordance with the Articles of Association, the Board Charter, and relevant legislations.
- Formulate meeting agendas with the Chairman, MD and the other directors.
- Coordinate with the management on Board papers, memoranda or presentations for the meetings.
- Ensure that all proceedings of the Board and Board Sub-Committee meetings are duly recorded in the minutes.
- Maintain statutory registers and filing statutory returns.
- Prompt communication to regulators & shareholders facilitating a healthy relationship with the Company.
- Facilitate access to legal advice in consultation with the Board, where necessary.

CORPORATE GOVERNANCE

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 appointment and removal of the Company Secretary is a matter for the Board as a whole.

A.5 Appointment and re-election of Board members

New Board appointments are governed by the Articles of Association and the Company policy that is reviewed annually. The Nominations Committee evaluates the Board's combined expertise, experience, and diversity annually with regard to the Company's strategic direction in order to identify additional attributes and experience required to ensure the Board's continuous effectiveness. The Nominations Committee evaluates suitable candidates and makes recommendations to the Board for nomination through the set formal and transparent procedure. The candidate's other Directorships and commitments are also considered to ensure sufficient time is available to discharge their duties and responsibilities effectively. Appointments are formal, transparent and subject to Board and shareholder approval as well as regulatory approval.

Appointments of new Directors are communicated to the CSE and shareholders through press releases which typically include a brief resume of the Director, shareholding and his status of independence.

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.

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 as governed by the Articles of Association.

It is also required that the longest serving Director in the Board offer himself/herself for re-election by the shareholders at the Annual General Meeting as governed by the Articles of Association. While the period of service is considered from the last date of re-election or appointment, the proposed re-election of the Director is subject to prior board approval.

For details of the Directors coming up for re-election at the AGM to be held on the 29th March 2019, please refer the Notice of the Meeting on page 474.

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 facilitating the Director's familiarization on the Company's strategy, risk appetite, operational and internal controls. The Company Secretary is responsible for ensuring that each Director receives an induction on joining the Board. During the year newly appointed Directors attended the Company Strategy Meetings and were presented by the Management on key areas ranging from Actuarial, Sales Distribution, Finance, Life Operations and all the other critical areas, thereby enhancing the Directors' knowledge about the Company and how it operates. When new Directors are appointed to the Board, they are apprised of the:

- Values and the culture of the organization.
- The Code of Conduct demanded by the Company.

- Directions issued by the Insurance Regulatory Commission of Sri Lanka.
- Operations of the Company and its strategies.
- Articles of Association, Charters, Policies and procedures, and governance framework.
- Responsibilities as a Director in terms of prevailing legislation.

On access to information and professional development, it is essential that the Directors are up-to-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.
- Regular presentations carried out by the Corporate Management and external experts on the business environment of the Company.
- 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.

Key Trainings & Knowledge enhancement exercises carried out for the Board during the year;

- IFRS 17, its Implications & the Implementation Road Map.
- Anti-Money Laundering Presentation.

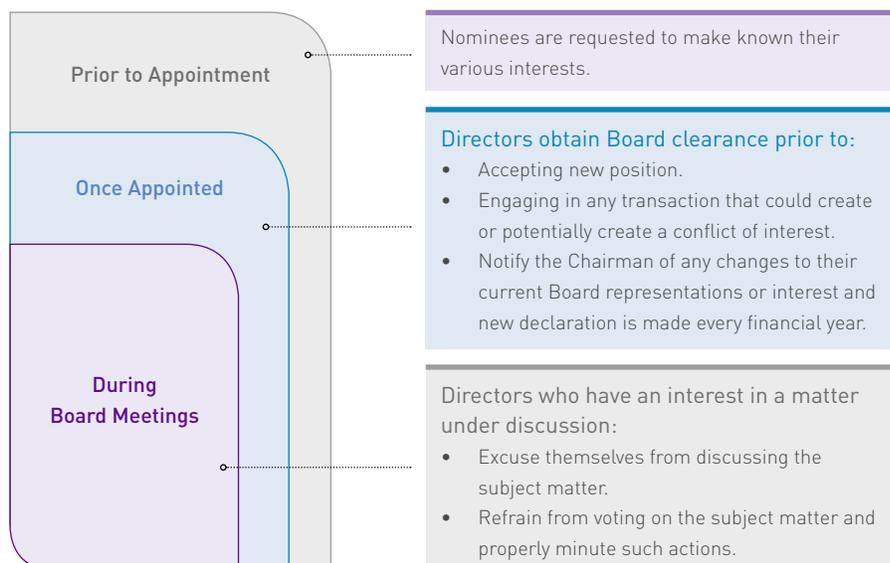
B. Maintaining the Independence of Director

B.1 Independence of the Directors

Each Board member has a responsibility to determine whether he/she has a potential or actual conflict of interest arising from external associations, interest in material matters and personal relationships which may influence his/her unfettered and independent judgement. Such potential conflicts are reviewed by the Board from time to time to determine whether the director is independent in character and judgement.

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 214.

Table: Independence of the Directors

	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. Haresh Kaimal	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Rudiger Will	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Fernanda Lima	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Chula Hettiarachchi	✗	✓	✓	✓	✓	✓	✓	✓

✓ 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 his judgement will be exercised in the same manner as a qualified independent director.

CORPORATE GOVERNANCE

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 2018. The Board evaluates these annual declarations along with the other information at its disposal to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

C. Board Sub-committees

While the entire Board remains accountable for the performance and affairs of the Company, it delegates

certain functions and authority to sub committees and the management to assist it in discharging its duties. This allows the Board to deal more effectively with complex or specialized issues while strengthening the governance aspect. At Softlogic Life, the Board has established six (6) Sub-Committees considering the business, regulatory, governance and risk management needs of the Company. The Sub-Committee Chairpersons are accountable for effective functioning of the respective Sub-Committees and report to the Board on the Sub-Committee activities, highlighting matters for the Board attention. The Board Secretary acts as the Secretary to each of the Sub-Committees as well.

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 tables:

Audit Committee		
Audit Committee- Governance, Financial Reporting, Internal Audit, External Audit, Internal Controls		
Membership	Composition	Meeting Frequency- Bi-Monthly Agenda and Paper Circulation- One week in advance Invitees- MD, COO, CFO, CSO, GM-Operations, Group Head Audit & Risk, Head of Legal & Compliance Officer, Head of Internal Audit, Representatives of FMO/DEG, GM IT, Representatives of External Auditors
CHAIRMAN Sujeewa Rajapakse (INED)	Executive 00 Independent Non-Executive 03 Non-Independent Non-Executive 00	of FMO/DEG, GM IT, Representatives of External Auditors (1) Rudiger Will was appointed to the Board w.e.f 03rd July 2018. (2) Johannes Richters & Jatinder Mukhi resigned from the Board w.e.f 19th December, 2018 and 19th April, 2018 respectively.
MEMBERS Ray Abeywardena (INED) Rudiger Will (INED) ⁽¹⁾ Johannes Richters (INED) ⁽²⁾ Jatinder Mukhi (INED) ⁽²⁾	Age below 55 years 01 Age above 55 years 02 Tenure below 2 years 01 Tenure between 2 to 8 years 02 Tenure more than 8 years 00	

Risk Committee



Design and Implementation of an effective Risk Management Framework, Risk measurement, monitoring and management, Compliance with regulatory and internal prudential Requirements

Membership



CHAIRMAN

Rudiger Will (INED) ⁽¹⁾

MEMBERS

Iftikar Ahamed (ED)
Ray Abeywardena (INED)
Fernanda Lima (INED) ⁽¹⁾
Johannes Richters (INED) ⁽²⁾
Jatinder Mukhi (INED) ⁽²⁾

Composition



Executive	01
Independent Non-Executive	02
Non-Independent Non-Executive	01
Age below 55 years	02
Age above 55 years	02
Tenure below 2 years	02
Tenure between 2 to 8 years	02
Tenure more than 8 years	00

Meeting Frequency- Quarterly

Agenda and Paper Circulation- Two weeks in advance

Invitees- COO, CFO, CSO, GM-Operations, GM Actuarial, GM-IT, Head of Group Audit & Risk, Head of Internal Audit, Head of Legal & Compliance Officer, Head of Risk, Manager IT Security & Risk

(1) Rudiger Will and Fernanda Lima were appointed to the Board w.e.f 03rd July, 2018 and 21st December, 2018 respectively.

(2) Johannes Richters & Jatinder Mukhi resigned from the Board w.e.f 19th December, 2018 and 19th April, 2018 respectively.

HR and Remuneration Committee



Organization values and code of conduct, Compliance with labour laws, Organizational Structure, HR policies on recruitment, remuneration, benefits and talent management of the Company's employees.

Membership



CHAIRMAN

Paul Ratnayeke (INED)

MEMBERS

Ashok Pathirage (NED)
Sujeewa Rajapakse (INED)
Ray Abeywardena (INED)

Composition



Executive	00
Independent Non-Executive	03
Non-Independent Non-Executive	01
Age below 55 years	02
Age above 55 years	02
Tenure below 2 years	00
Tenure between 2 to 8 years	03
Tenure more than 8 years	01

Meeting Frequency- Yearly

Agenda and Paper Circulation- One week in advance

Invitees - Managing Director

Investment Committee



Design an appropriate Investment strategy, Evaluate Investment performance daily

Membership



CHAIRMAN

Ashok Pathirage (NED)

MEMBERS

Iftikar Ahamed (ED)
Sujeewa Rajapakse (INED)
Rudiger Will (INED) ⁽¹⁾
Fernanda Lima (NED) ⁽¹⁾
Johannes Richters (INED) ⁽²⁾
Jatinder Mukhi (INED) ⁽²⁾

Composition



Executive	01
Independent Non-Executive	02
Non-Independent Non-Executive	02
Age below 55 years	02
Age above 55 years	03
Tenure below 2 years	02
Tenure between 2 to 8 years	03
Tenure more than 8 years	00

Meeting Frequency- Quarterly

Agenda and Paper Circulation- One week in advance

Invitees- Head of Treasury, Head of Investments- Softlogic Holdings Limited, CFO, CSO

(1) Rudiger Will and Fernanda Lima were appointed to the Board w.e.f 03rd July, 2018 and 21st December, 2018 respectively.

(2) Johannes Richters & Jatinder Mukhi resigned from the Board w.e.f 19th December, 2018 and 19th April, 2018 respectively.

CORPORATE GOVERNANCE

Related Party Transactions Review Committee



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.

Membership



CHAIRMAN

Sujeewa Rajapakse (INED)

MEMBERS

Ray Abeywardena (INED)
Rudiger Will (INED) ⁽¹⁾
Johannes Richters (INED) ⁽²⁾
Jatinder Mukhi (INED) ⁽²⁾

Composition



Executive	00
Independent Non-Executive	03
Non-Independent Non-Executive	00
Age below 55 years	01
Age above 55 years	02
Tenure below 2 years	01
Tenure between 2 to 8 years	02
Tenure more than 8 years	00

Meeting Frequency- Quarterly

Agenda and Paper Circulation- One week in advance

Invitees- MD, CFO, Head of Legal & Compliance Officer, CSO

(1) Rudiger Will was appointed to the Board w.e.f 03rd July 2018.

(2) Johannes Richters & Jatinder Mukhi resigned from the Board w.e.f 19th December, 2018 and 19th April, 2018 respectively.

Nomination Committee



Selection and appointment of Directors and KMPs, Expertise gaps, succession planning

Membership



CHAIRMAN

Ashok Pathirage (NED)

MEMBERS

Paul Ratnayake (INED)
Ray Abeywardena (INED)

Composition



Executive	00
Independent Non-Executive	02
Non-Independent Non-Executive	01
Age below 55 years	02
Age above 55 years	01
Tenure below 2 years	00
Tenure between 2 to 8 years	02
Tenure more than 8 years	01

Meeting Frequency- As and when Required

Agenda and Paper Circulation- One week in advance

Invitees- N/A

D. Board Meeting

D.1 Attendance of the Board members in Board and Board Sub-committee meetings

The Board met four (4) times during the year. The Board is aware of other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities at Softlogic Life effectively. Directors who are unable to attend a meeting are briefed on the proceedings through the circulation of board minutes which happens within two (2) weeks from the Board Meeting.

Please refer to the table below for Board meeting and Board Sub-Committee meeting attendance.

Table: Attendance and Status of the Directors

Name of the Director	Board Meeting												
	Board Sub-committee												
	Audit Committee		Risk Committee		HR and Remuneration Committee		Investment Committee		Related Party Transactions Committee		Nomination Committee		
Status	Attendance	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	N/A	Member	1/1	Chairman	4/4	N/A	N/A	Chairman	3/3
Mr. Hareesh Kaimal ⁽¹⁾	Member	2/2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ms. Fernanda Lima ⁽²⁾	Member	N/A	N/A	Member	N/A	N/A	N/A	Member	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Director													
Mr. Paul Rathnayake	Deputy Chairman/Senior Independent Director	2/4	N/A	N/A	N/A	Chairman	1/1	N/A	N/A	N/A	N/A	Member	3/3
Mr. Sujeewa Rajapakse	Member	4/4	Chairman	5/5	N/A	Member	1/1	Member	4/4	Chairman	4/4	N/A	N/A
Mr. Ray Abeywardena	Member	3/4	Member	5/5	Member	3/4	Member	1/1	N/A	Member	4/4	Member	3/3
Mr. Rudiger Will ⁽¹⁾	Member	2/2	Member	2/2	Chairman	1/1	N/A	Member	1/1	Member	1/1	N/A	N/A
Mr. Johannes Richters ⁽³⁾	Member	4/4	Member	4/5	Member	3/4	N/A	Member	4/4	Member	4/4	N/A	N/A
Mr. Jatinder Mukhi ⁽⁴⁾	Member	1/1	Member	0/1	Past Chairman	1/1	N/A	Member	1/1	Member	0/1	N/A	N/A
Executive Director													
Mr. Iftikar Ahamed ⁽⁵⁾	Managing Director	4/4	N/A	N/A	Member	4/4	N/A	Member	4/4	N/A	N/A	N/A	N/A
Mr. Chula Hettiarachchi ⁽²⁾	Member	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Attendance = Attended / Eligible to Attend

⁽¹⁾ Mr. Hareesh Kaimal and Mr. Rudiger Will were appointed to the Board w.e.f 3rd July 2018.

⁽²⁾ Ms. Fernanda Lima and Mr. Chula Hettiarachchi were appointed to the Board w.e.f 21st December 2018 and 25th January 2019 respectively. Therefore, the two Board members have not attended any of the Board meetings or Board Committee meetings during 2018.

⁽³⁾ Mr. Johannes Richters resigned from the Board w.e.f 19th December 2018

⁽⁴⁾ Mr. Jatinder Mukhi resigned from the Board w.e.f 19th April 2018

⁽⁵⁾ Mr. Iftikar 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. Iftikar Ahamed holds membership is disclosed.

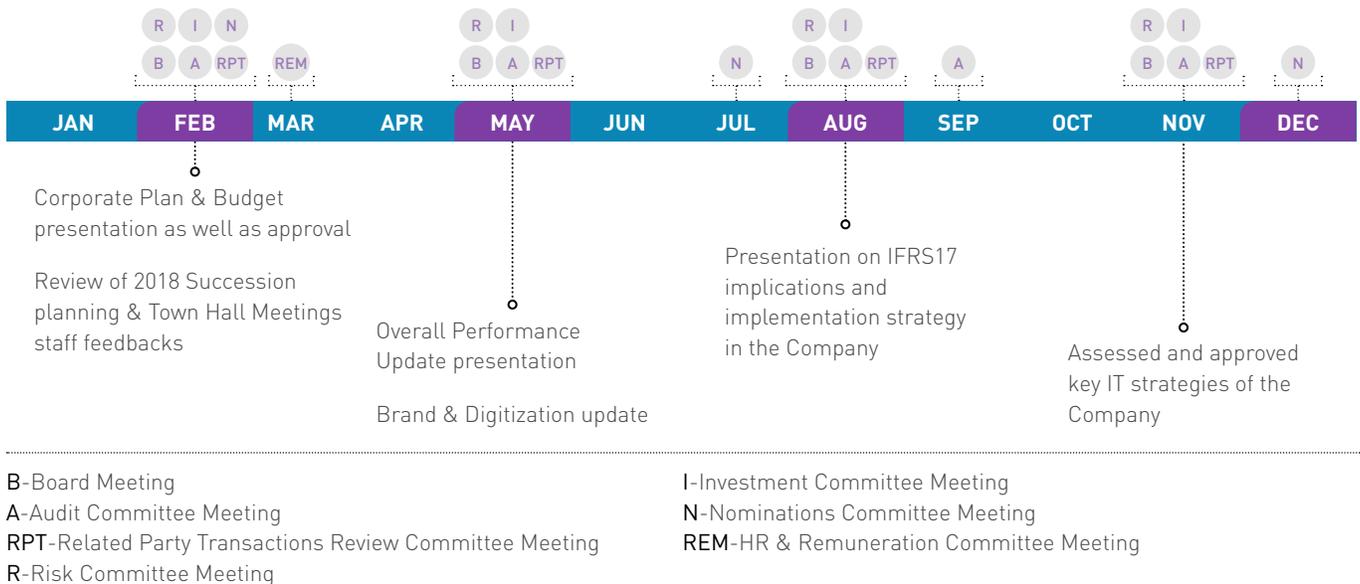
CORPORATE GOVERNANCE

D.2 Board Oversight and Key Focus

STRATEGY	OPERATIONAL PERFORMANCE	FINANCE
<ul style="list-style-type: none"> • Setting up corporate budget and strategy • Frequent updates on new product initiatives, strategic decisions and market gaps are reviewed • Review of Competitor Analysis 	<ul style="list-style-type: none"> • Discussion on the frequent updates by the COO and DGM-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. 	<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 are reviewed and authorised to be released. • Financial performance of the Company is regularly monitored and discussed at the Board.
HR	<ul style="list-style-type: none"> • Review of the proposed new IT initiatives and their progress. • Review regular compliance reports and legal reports. 	
<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 aspect. 	IT AND LEGAL COMPLIANCE	

* In enabling the Board to continuously focus on the above mentioned key areas, operational management uploads relevant information reports on a monthly basis to the Board Pack provided to the Company Directors.

D.3 Key Activities of the Board during 2018



D.4 Ensuring the effectiveness of Board meeting

PRIOR TO BOARD MEETING

- 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 of corporate concern on the agenda.
- The Chairman draws up the agenda in consultation with the MD, Directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance.
- All Board and Board Sub-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 I pads of Directors at least 7 days in advance of the Board meeting. This ensures that the directors have sufficient time prior to the meetings to review the information and call for any additional information required to sufficiently discuss matters on the agenda.
- Directors have independent access to the Company Secretary and the discretion to obtain external advice.

DURING BOARD MEETING

- The Chairman facilitates constructive dialogue between all directors at board meetings while maintaining a balance of power between executive and non-executive directors.
- The Chairman ensures effective participation and contribution from all the directors within their respective capabilities.
- Board Sub-committee Chairpersons provide updates on matters discussed at the 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 development.
- 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.
- The Directors views on issues under consideration are determined and recorded in the minutes.
- Directors can also participate by telephone or video conference.

E. Board Competency Review and Reward

E.1 Board Performance Evaluation

The role played by the Board and its Sub-Committees collectively in providing a strong strategic direction as well as prudent risk management is critical for the realization of the long-term vision of the Company while generating sustainable value for all its stakeholders. This means that its highly important that the Board should periodically appraise its own performance in order to ensure that it adequately meets its responsibilities as set out in the Board Charter as well as to facilitate continuous improvement individually and collectively in the performance of the Board. Further, each member of the Board carries out a self-

assessment of his / her own effectiveness as an individual as well as effectiveness of the Board as a team. During the year, the Board conducted a self-evaluation of its performance, using a checklist which covered a range of areas including, but not limited to, the composition of the Board, skills and experience of the members, adequacy of Sub-committees, proceedings of meetings and quality of reports and materials submitted.

The below figure shows the formal and rigorous process adopted at Softlogic Life in the annual self-evaluation carried out by the directors with respect to the Board and its Sub-Committee performance.

Figure: Board Evaluation Process



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 continued this process of evaluating the Audit Committee to a 360-degree appraisal in 2018, 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 regulatory requirements.

Remuneration procedure

The Company has established a formal and transparent procedure on remuneration for individual Directors. Accordingly, the Remuneration Committee consisting exclusively of four (04) Non-Executive Directors has been set up to make recommendations to the Board, within agreed terms of reference, on the remuneration of executive directors and the Non-Executive Directors. The Remuneration Committee consults the MD regarding the same and seek professional advice whenever it is deemed necessary with respect to setting the Executive Directors' remuneration. However, the remuneration of the members of the Remuneration Committee

are determined by the Board thereby eliminating any potential for conflict of interest to arise. These processes ensure that no Director is involved in deciding his/her own remuneration. The Remuneration Committee also recommends and monitors the level and structure of remuneration for the Senior Management.

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. The Remuneration Committee should also ensure that the remuneration paid is sufficient to attract high calibre professionals to the Board as well as retain them. The Remuneration Committee seeks the assistance of professionals in structuring the remuneration and benchmarking with market on a regular basis to ensure this whilst balancing the interests of the shareholders. Remuneration and benefits of the Executive Directors and KMPs are however determined in accordance with the remuneration policies of the Company which are designed to be attractive, motivating and capable of retaining high performing, qualified, and experienced

employees of the Company. For further details regarding the Remuneration policy and other key aspects in the remuneration of the Directors, KMPs and other employees of the Company, please refer to the Human Resources and Remuneration Committee Report on pages 249-250.

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.

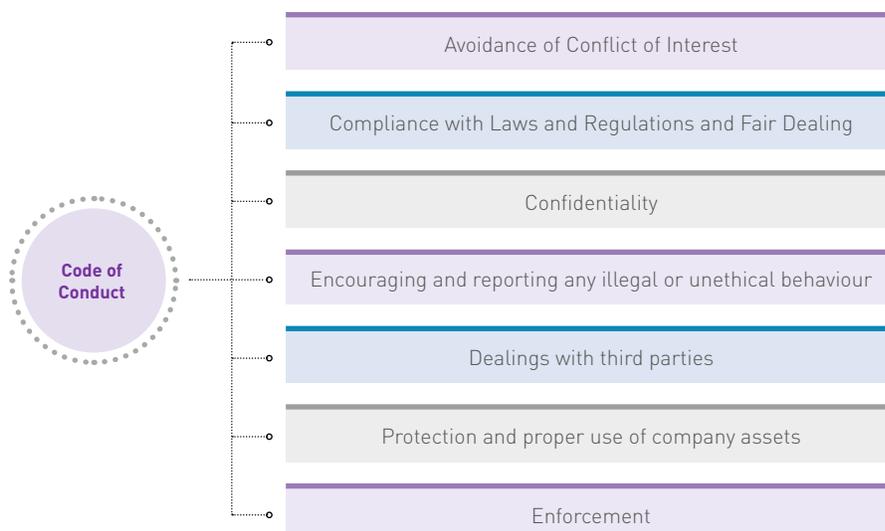
Disclosure of remuneration

The breakdown of remuneration paid to Non-Executive Directors is disclosed among the other disclosures regarding remuneration on page 378 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 Business Conduct and Ethics



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.

5.2 EXECUTIVE MANAGEMENT

A. Managing Director/Chief Executive Officer

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 Team.

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 during the 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 2018 were:

- Market Share
- Gross Written Premium
- Underwriting results
- Profitability
- Premium persistency
- Dividend payout
- Remuneration of employees
- Sustainability

The Board monitored the achievement of these targets throughout the year and provided guidance to the MD/CEO where necessary.

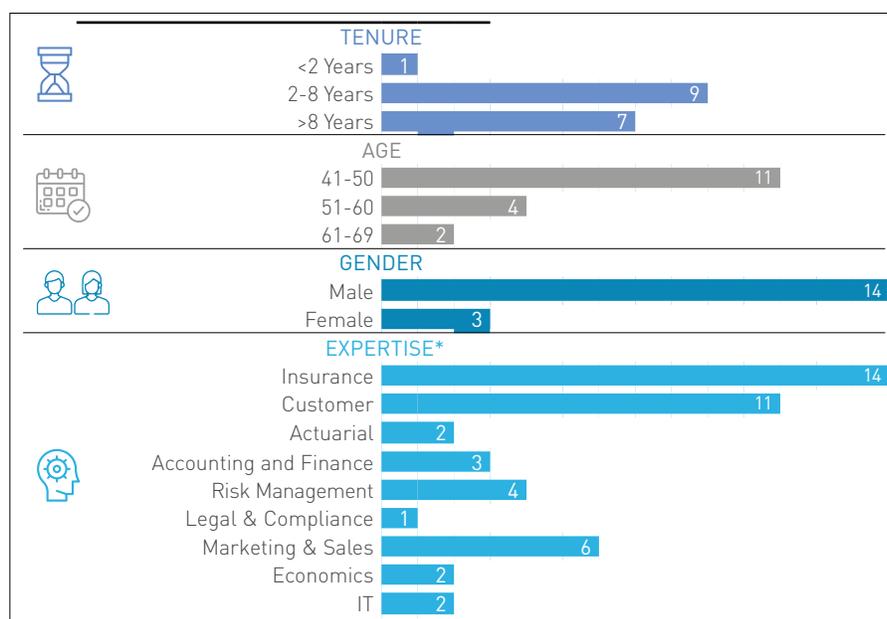
A.3 Performance Evaluation of the MD/CEO

The performance of the MD/CEO is evaluated by the Board as a whole at the end of each year, based on the agreed objectives described above. In assessing the performance of the MD/CEO, the Board of Directors also takes in to account the operating environment. Remuneration for the MD/CEO is determined based on the achievement of these set targets and the remuneration of the MD/CEO consists of a fixed component as well as a variable component. The Chairman discusses the evaluation with the MD/CEO and responses received are given due consideration prior to approval of the same. The Board is supported by the Remuneration Committee in this process.

B. Corporate Management Team

The composition of the Corporate Management Team at Softlogic Life is diverse in every aspect ranging from the expertise, age, tenure, and gender as well. This diversity plays a key role in enabling the Company to embark on a sustainable growth journey.

Figure: Management Composition



*An individual may fall in to several expertise areas.

CORPORATE GOVERNANCE

C. Management Committee

Summary of key objectives, members and frequency of the meetings

In order to achieve the strategic objectives, the Company has formed various management committees to maintain and enhance the performance governance under the leadership of the Managing Director.

Table: Management Committee Dynamics

Description	Objective	Members	Frequency of meetings planned and held
IT Steering Committee	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.	MD, COO, GM IT, CSO	Quarterly
Supplies Committee	Selecting the right supplier considering the quality, price, delivery date.	COO, CSO, CCSO, CFO	Bi Annually
Actuarial Committee	Continuously monitor performance of life fund, product portfolio, and valuation of life fund, expense allocation and regulatory requirements.	MD, Consultant Actuary, GM- Life Operations, COO, CSO, GM – Actuarial, CFO	Bi Annually
Product Development Committee	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.	GM – Actuarial, GM-Life Operations, CSO, CFO, Head of HR, Head of Marketing, Head of Legal & Compliance	Quarterly
Sustainability Committee	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.	MD, COO, CFO, Head of HR, GM- Life Operations, Head of Marketing	Quarterly
Asset and Liability Management Committee	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.	MD, COO, GM-Life Operations, GM Actuarial, Head of Treasury, Head of Risk, CSO, CFO	Quarterly

6. CONTROL FRAMEWORK AND ITS ASSURANCE

6.1 CONTROL FRAMEWORK

A. Actuarial Governance

Actuarial Governance Principles

Softlogic Life Insurance PLC has focused on the following actuarial aspects throughout the year which help strengthen the overall governance of the Company.

Life Fund Valuation	Dynamic Solvency Testing	Experience Analysis
2018: Quarterly valuation was certified by Messrs. Towers Watson India Private Limited.	2018: A capital projection framework has been developed for the first time in the Company's history and the capital projection module is now being implemented in-house.	2018: Expense allocation framework has been developed and certified by Messrs. Towers Watson India Private Limited, a global Actuarial firm.
Precise Bonus Allocation to Policyholders	Profitability Analysis	Product Designing and Pricing
2018: Development of initial asset share for participating business and certified by Messrs. Towers Watson India Private Limited.	2018: The Company has decided to change the re-insurance panel in 2018 which will contribute to its sustainable growth.	2018: Continuous evaluation has been performed and relevant changes are affected. In order to mitigate the ALM risks, products on the Universal Life platform have been introduced.
Asset Liability Management Framework	Initiatives on IFRS 17	Surplus Analysis
2018: Development of an in-house Asset Liability Management Framework to aid with the investment decisions made by the company and the position will be closely monitored.	2018: The company has initiated gap analysis on IFRS 17 enabling it to identify areas that require major changes.	2018: Analysis of the different components that are contributing to the surplus are analysed and quantified.

Valuation of Insurance Contract Liabilities

Valuation of Insurance contract liabilities is performed to assess the future benefits to be paid to policyholders. Softlogic Life performed the actuarial valuation on quarterly basis in 2018. Actuarial Valuation is carried out by the actuarial division and reviewed and certified by the Appointed Actuary, Messrs. Towers Watson India Private Limited. The quarterly and annual certification has been done on following dates by Messrs. Towers Watson India Private Limited.

The comprehensive disclosure of Insurance contract liabilities is disclosed in pages 410 to 417 and year end actuarial valuation report is provided on page 310.

Table: Actuarial Valuation and Certification Dates;

Quarter	Certified Date
Q1.2018 (31. Mar. 2018)	9th May 2018
Q2.2018 (30. Jun. 2018)	27th July 2018
Q3.2018 (30. Sep. 2018)	30th October 2018
2018 year end valuation (31. Dec. 2018)	1st February 2019

Dynamic Solvency Testing

The Company 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 2018 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. Towers Watson India Private Limited to conclude the capital projection framework.

The Company is planning to continuously improve the process in the following manner.

- Perform experience analysis regularly to validate and improve the projection of "CAR".
- Stress and scenario testing will be performed to understand the critical factors affecting the projections in the long term.

The capital projection module is now being implemented in-house.

Experience Analysis

The Company is performing several experience analyses to update the assumptions on regular basis. This 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.

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 to ensure the Participating policyholders are receiving maximum benefit on their policies.

CORPORATE GOVERNANCE

The Company took an extra step to ensure the transparency of this process by the development of an initial asset share for participating business by engaging Messrs. Towers Watson India Private Limited 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 reinsurance 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.

In order to arrest the ALM issues we have introduced products on the Universal Life platform.

Asset Liability Management Framework

Asset-liability management can be defined as an ongoing process of

formulation, implementing, monitoring and revising strategies related to assets to match liabilities in an attempt to achieve financial objectives for a given set of risk tolerances and constraints. The main aim of the Asset Liability Management Framework is to derive an appropriate investment strategy that accounts for the company's asset liability relationships, its overall risk tolerance and risk and return requirements, solvency position and liquidity requirements. It lays down the framework to ensure that Softlogic Life invests its assets in a manner which would enable it to meet its cash flow needs and capital requirements at a future date.

Surplus Analysis

The Company has taken the initiative to analyse the different components contributing to the surplus arising within Softlogic Life. Surplus arising is defined as the change in the value of assets over the change in the value of liabilities over a period of time. We have analysed this by demographic factors such as mortality, morbidity and persistency as well as expenses and investment experiences. We have further analysed

these components by product type to gain a better understanding as to which products are contributing to the surplus. This process will be reviewed by the Company engaged Messrs. Towers Watson India Private Limited. By performing an analysis of surplus we are able to provide insight to the Management on performance of the underlying business and potential improvements, financial impact of writing new business, provide a check on the valuation assumptions and ideas for product development and show the financial effect of divergences between valuation assumptions and actual experience.

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 emphasizes the reduction of risk in making investment decisions. The Investment governance policy of our Company provides a framework for governance decisions that are in the best interest of both the policyholders and shareholders.

Table: 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 the Asset and Liability Management Committee and presented to the Board Investment Committee for approval.
Investment Risk Management	Investment decisions are duly analysed by the Risk Management division in terms of compliance rules set by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and the Company Treasury Middle Office Policies, before execution of the investment.

Investment Governance principle	Application at Softlogic Life
Review of Investment performance on a regular basis	Performance of investments and review of the Investment strategy is done by the Board Investment Committee at least on a quarterly basis
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.

C. Operations Governance

Be it charging the fair premiums to its customers or accepting claims that do not violate the set rules under its policy terms and conditions, Operations division of a life insurance company has a significant responsibility towards doing justice to the pool of customers that is under its protection. Life Operations governance plays a key role in ensuring this fairness to its customers, all other stakeholders as well as the successful progress of the Company in enabling it to maintain the whole concept of Insurance effectively.

In understanding the importance of the role played by its Life Operations division, Softlogic Life has focused on the following key aspects in ensuring proper governance;

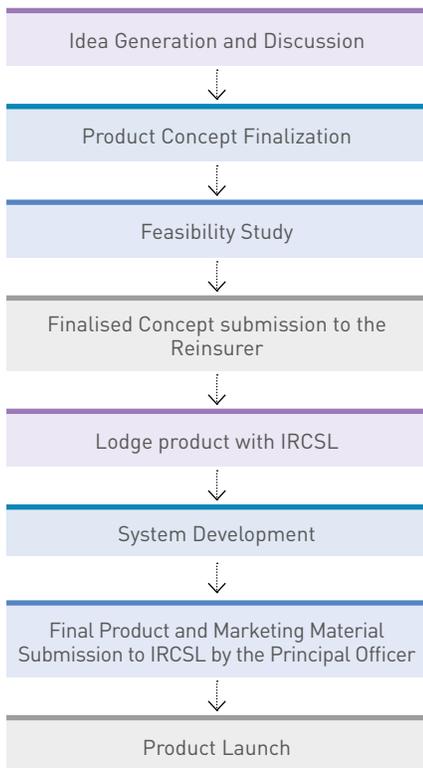
Table: Life Operations governance execution at Softlogic Life

Function	Key Objective	Governance Execution
Reinsurance	Optimization of Reinsurance Contracts to enhance stakeholder returns by sharing the insurance risk.	<ul style="list-style-type: none"> Regular review of prudent Underwriting, Claims and Servicing Policies by the Head of Life Operations. Reinsurance treaties are in place with the world-renowned reinsurers such as Munich Re, Generali and many more such reinsurers.
Underwriting	Effective and accurate identification of risk values that are relevant to its policies by minimizing adverse selection.	<ul style="list-style-type: none"> Advanced rules-based systems that complement employee performance by minimizing room for error. Separation of the critical functions in the Life Operations department in to separate sub-departments.
Claims	Assessing cases and ensuring fair and prompt payment of claims while minimizing fraudulent claims.	<ul style="list-style-type: none"> Spot audits carried out by the department as well as the Reinsurer. Existence of a fraud investigation function that ensures the genuineness of the Claims applied by the Policyholders thereby protecting the Insurance principle of Indemnity as well as general laws in the Country.
Servicing	Timely Customer Centric responses to its policyholders	<ul style="list-style-type: none"> Robust procedures to ensure the integrity of information used in underwriting, claims and servicing decisions. Highly knowledgeable technical staff equipped with industry recognised qualifications. Enabling continuous professional development through training carried out locally as well as abroad. Underwriting and Claims decision authority levels are governed by the MOFA limits in the Company. Continuously updated procedure manuals that ensure operational decisions can always be cross checked in case of any doubt. Clear segregation of duties in the work processes that minimises the room for fraud and error.

Responsible Product Development

There is a considerable potential for irresponsible financial innovation to adversely impact economies and society at transnational and intergenerational scales as witnessed under the financial crises faced by the world during the last few decades. At Softlogic Life, product innovation is a process that is well governed by the following steps and the Product Development Committee plays a key role in it. There are key gate keepers at each of the important milestones in the process that ensures the Company move to the following stage only upon the satisfaction of the requirements in the current stage.

Figure: Stages of Product Development



D. 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 295 to 306 and relevant financial disclosures are stated in Note 6 on pages 337 to 356.

E. IT 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 principles

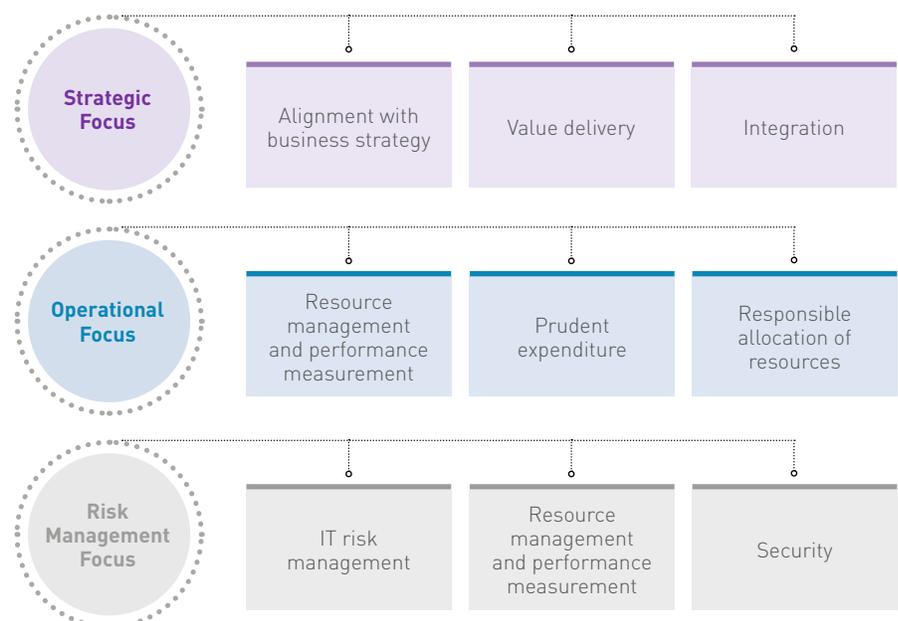


Table: IT Governance principle and its execution at Softlogic Life Insurance PLC

Focus Area	Governance Principal	Execution at Softlogic Life Insurance PLC
Strategic focus	Alignment with business strategy	The Company's 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.
	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 and Guidelines are developed as per the ISO 27001:2013 standard.
- All IT Policies are reviewed and signed off by the IT Steering Committee and Audit Committee depending on the relevance to each committee.
- 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 companies such as Yahoo, Facebook, Uber, British Airways as well as many other giants in the corporate world. 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 creating an overall awareness across the Company with regard to cyber security. 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. Two third party independent consultancy firms perform information security assessments for Softlogic Life on an annual basis. Both parties provide consultancy reports to the IT Department and remedial actions are taken by the IT Security and Technical units accordingly. The progress of these remedial actions are evaluated by a post implementation review by the third party consultancy firms which are then presented to the Management.
3. In the event a cyber-security risk emerges, the IT security division of the Company takes necessary preventive actions to send a special communication across the Company wide employee base to enhance awareness as well as to inform the precautionary actions that are needed to be followed by each individual to safeguard the integrity of data and the continuity of operations. Parallel to that, necessary IT security mitigation actions are exercised by the IT Security unit in coordination with the IT technical teams.
4. 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.
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. Spam filtering features are enabled in the Group Firewall and also in Office 365 Email service.
7. 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.
8. 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.

F. Human Resource Governance

The Company competes with the best for skills and strives to attract, motivate and retain people of the right calibre. 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 recognising 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 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 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

- a. Chairman of the Board Audit Committee
- b. Group Director-Human Capital & Taxation
- c. Corporate Management Team
- d. Head of Internal Audit
- e. 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.

Management of the Company 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 2018.

- Invested in 04 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 07 branches during the year of 2018, 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 07 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 2nd and 4th week 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 08 instances of whistle blowing incidents reported during the year of 2018. These instances were resolved and appropriate actions were taken.

G. Sales Governance

Sales governance is of paramount importance in an industry that was historically troubled by issues such as mis selling, misrepresentation and misappropriation. A right structure of governance is therefore crucial to ensure that the Company image is not tarnished as well as the policyholder interests are being protected. Softlogic Life, having understood the vitality of the proper functioning of its sales arm for its overall long-term success, has focused on the following means to ensure governance aspect of sales.

Elements that drive Sales Governance at Softlogic Life as follows;

- **Compensation and Incentives**
A right compensation scheme driving sustainable growth of business ensures that the customer's needs are always at the core of our hearts. Having important factors such as retention and average case size as determinants of Compensation plays a huge role in governing the behaviour of our sales advisors as those factors reflect the quality of the service provided by the sales advisors. This is further governed by IRCSL Determination 10 and its subsequent amendments, which shows the significant importance of Sales compensation schemes in Life Insurance companies.
- **Recruitment of quality Sales Advisors**
The Company complies with the IRCSL "Insurance Agent Qualifications Rules" issued in 2002 and its subsequent amendments with respect to the recruitment of sales advisors. Further the Company also complies with directives issued by the IRCSL such as the directive requiring insurance companies to avoid recruiting individuals whose service have been terminated due to financial misappropriation or fraud. The recruitment process at Softlogic Life has robust controls at

multiple points to ensure that the Company hires advisors who have not been blacklisted by the IRCSL as well as possess sufficient technical knowledge about Life Insurance.

- **Training and Knowledge Management**

A proper structured training program is in place that ensures the advisors are able to well explain product features and to cater to customer's needs by keeping the Company values at heart. At Softlogic Life, before the sales advisor receives the license to sell life insurance policies, he/she is required to go through 3 training programs on top of the IRCSL requirement to sit for its exam. The training syllabus at Softlogic Life covers a wide spectrum of topics ranging from Principles of Insurance, Products and Services, Company Selling Process and Code of Conduct. IRCSL. This is evident from the fact that Softlogic Life being the 2nd highest MDRT producer in Sri Lanka for second consecutive years.

- **Sales Operational processes, guidelines, rules and regulations**

At Softlogic Life, the sales process is unique in that it consists of Sales policies and procedures which ensures that the customer is given the right guidance in designing his/her benefit specifications as well as the customer's privacy and consent is always fully respected by the Company. The Company has also introduced various initiatives as controls to ensure that the premium collection process is transparent and accurate. Introduction of a Payment Collection app to the Policy Conservation Unit employees which allocates the customer payment immediately to the customer's policy that directs an SMS to the customer, facility to view premium updates on the LifeUp app by the customer on top of the premium statements that are sent to the customer are some of these initiatives taken by Softlogic Life.

- **Separate unit to investigate advisor related Complaints**

In Life Insurance companies, advisors act as the main bridge between the Company and the customers. In this context, the integrity and the professionalism of the sales advisor is highly important for the business to sustain in the long run as well as for the customer to reap true benefits of Insurance. Identifying this, the Company has a special unit that deals with the complaints on advisors and it complies with the requirements of IRCSL regarding advisor related complaint handling.

H. 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 considers GRI Guidelines in reporting for sustainability. Refer Sustainability section for more details on pages 62 to 188.

Sustainability Integration

"We have fashioned and are executing our CSR activities under the pillars of Sustainable Environment Protection and development of a knowledge platform that will uplift both our industry and our rural youth, whom we consider to be the future life-blood of our Country. Our contribution to the socio economic development of our Country is consistent with the nature and size of our operations." – Iftikar Ahamed – Managing Director

Our corporate sustainability approach

Corporate Responsibility (CR) is integrated within our strategy. It is about sustainable value creation, where we aim to create sustainable value for each of our main stakeholder groups by focusing on what we do best and on the enablers of business success – actions we need to take to achieve our strategic objectives.

Hence, we strive to promote a culture where the culmination of insurance should be sustainable growth, which delivers long lasting economic, environmental and social benefits to our stakeholders. Therefore, for Softlogic Life, sustainability management means minimising 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 subcommittees, 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 in page 232, 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 214 to 216.

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

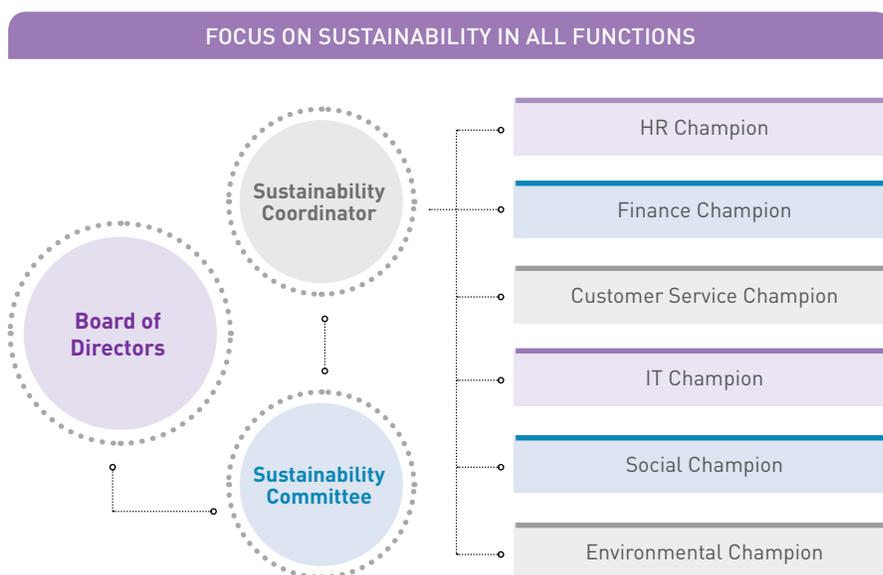
The Sustainability and CSR Committee is formed to integrate corporate responsibility into our everyday business operations.

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.

Figure: Structure of CSR and Sustainability Committee

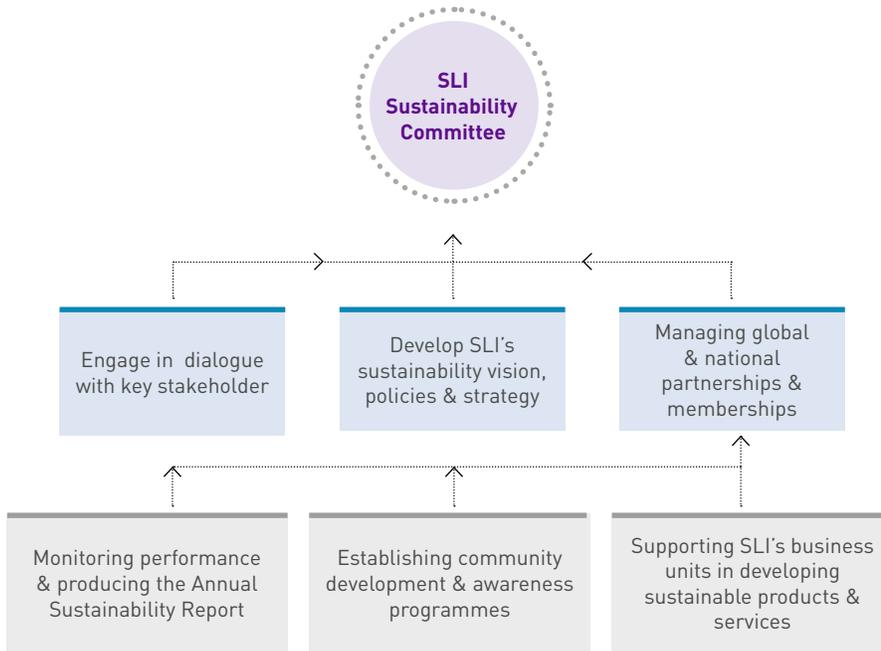


Softlogic Life's Sustainability Champions

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, the Company has appointed sustainability champions representing each department in 2018. 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.

Figure: Sustainability Incorporation at Softlogic Life



“ 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.

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

Sustainability champions of Softlogic Life



6.2 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. The internal audit function assists accomplish SLI's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. 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. However having said that the primary responsibility for providing assurance on the adequacy of internal controls and risk management lies with the management.

Internal audit function of SLI has a risk based 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 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.

The Internal Audit Function of SLI PLC operates as two primary units namely "Audit and Assurance Unit" and "Fraud and Forensic Unit". Audit and Assurance Unit primarily carries out planned reviews with the objective of assessing the appropriateness and effectiveness of the internal controls environment of SLI whilst the Fraud Forensic Unit focuses more on spot /surprise reviews in order to assist the management to detect and deter potential frauds and misappropriations. Specialty of the Fraud and Forensic Unit is that most of the reviews carried out are based on Computer Aided Auditing Techniques or commonly known as CAATs and the team is equipped with specialist software and a dedicated IT audit specialist.

A key function within the primary objective 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. Currently the Company maintains a ratio between 90% to 95% in implementing audit recommendations per quarter.

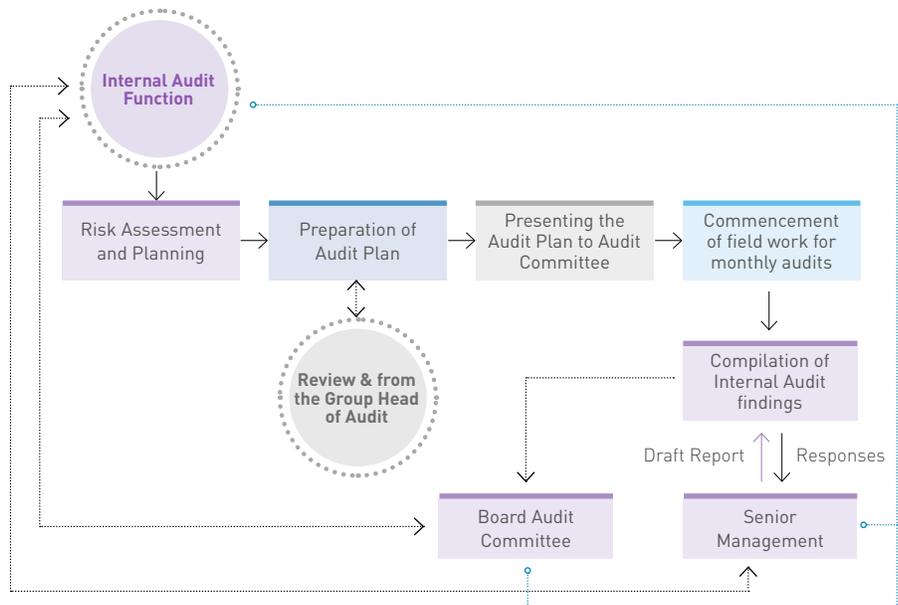
The Internal Audit Function is a front runner in creating awareness of fraud prevention and whistleblower initiatives of the Company. Internal Audit Function manages the Whistleblower hotline and co-ordinate with HR department to host a quarterly training to employees of the Company in addition to sending a monthly poster detailing important aspects of the Whistleblower and fraud prevention policies of the Company.

Internal audit function reports to the Audit Committee on each meeting with the progress of the Internal audit strategy and key findings based on the work carried out including extent implementing audit recommendations as explained in the previous paragraph. 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.

Table: Audits completed during the year

Department/Work Area	No. of Audits completed for the year	
	Audit and Assurance Reviews	Fraud and Forensic Reviews
Operations	9	28
Sales	3	18
Support services	10	14
ITC	2	3
Other	2	-

Figure: Internal Audit Process



Legend: Communication between relevant parties are shown from the following connectors

- ⬅️➡️ Special purpose assignments and investigations
- ➡️ Monthly regular audit performance
- ⋯ Follow up Audit(s)

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. The Audit Committee recommends to the Board of Directors on the appointment of the External Auditors and their remuneration subject to the approval of the shareholders. The External Auditors are responsible for reporting to the Board Audit Committee on whether the financial statements prepared by the Management are fairly presented in conformity with SLFRs and LKAs as well as prescribe any corrective measures that need to be taken by the Company based on the audit findings. The Board Audit Committee also carries out an annual evaluation with respect to the independence and the objectivity of its External Auditor which is a crucial aspect for the manifestation of the true purpose of external audit. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit services. During the year Messrs KPMG carried out 4 audits including the annual audit.

7. 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 engages the services of an in-house Compliance Officer in relation to regulatory and statutory governance as required under the Financial Transaction Reporting Act No. 6 of 2006.

The Compliance Officer has a direct reporting to the Managing Director and dotted line reporting to the Group Head of Compliance.

Figure: Compliance Process at Softlogic Life

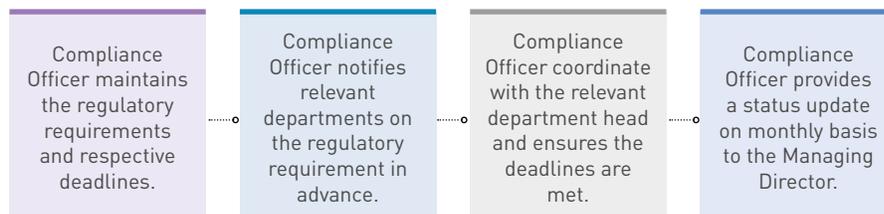
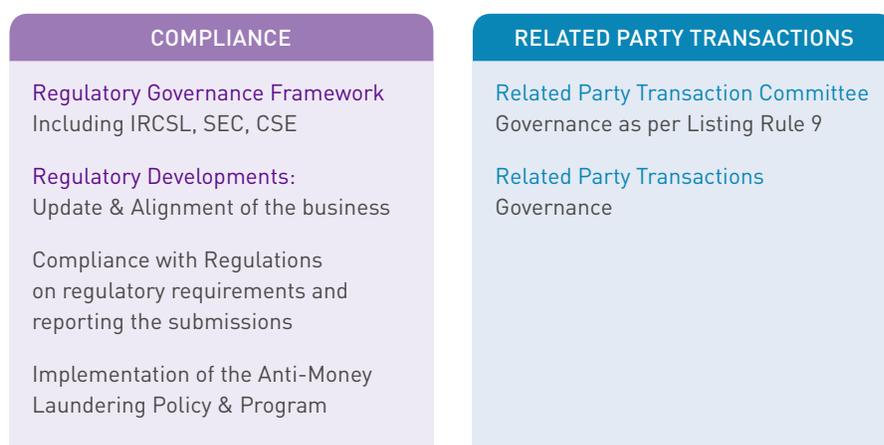


Figure: Functions of Regulatory and Statutory Compliance



Compliance Certification

A quarterly certification is done by the Chief Executive Officer, Chief Financial Officer and Principal Officer & Compliance 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.

CORPORATE GOVERNANCE

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 to investment in approved assets

Further the Company has invested the balance asset in the approved asset categories and maintain the determination ratio above 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 96.

Compliance related to meet Risk assessment requirements

IRC issued the format of the new Risk Assessment Report during the year 2017 which was applicable from year 2018. This is required to be furnished to IRC along with the Annual Returns on or before 30th April of each year.

Actuarial Valuation of Insurance Liabilities

Life Insurance liabilities have been validated by an independent external actuary in accordance with the RII Act. The Actuary's report is available on page 310.

Compliance with Rules on Treatment of One-off Surplus

Insurance companies are required to adopt Direction #16 – 20.03.2018 with regard to the identification, transferring, maintenance and distribution of the surplus created due to changes in the regulatory solvency regime from Net Premium Valuation to a Risk-Based Gross Premium Valuation regime referred to as "One-off Surplus".

The transferred One-off Surplus is recorded as the "Restricted Regulatory Reserve" in the Balance-sheet and must be maintained without making any distribution unless approved by IRCSL.

In terms of the said Direction "Restricted Regulatory Reserve" must be matched with specified class of assets (at market value) equal to said reserved amount on a continuing basis.

Reinsurance Arrangements

The IRCSL has stipulated that insurance companies must enter into reinsurance arrangements with companies which at a minimum having a rating of BBB. As per details on page 342, 100% of our reinsurance placements are with reinsurance companies that have been assigned with and meet the regulatory criteria on rating by specified international rating agencies.

8. 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 62 to 66). 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)

The AGM provides a forum for all shareholders to participate in decision-making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007. Separate resolutions are proposed for each substantially separate issue.

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 19th Annual General Meeting (AGM) of the Company held on 27th of April 2018, 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 on the state of affairs of the Company and the audited financial statements for the year ended 31st December 2017 and the Report of the Auditors thereon.
- To re-elect Mr. Ray Abeywardene 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 477 for the feedback form.

Enquiries by shareholders

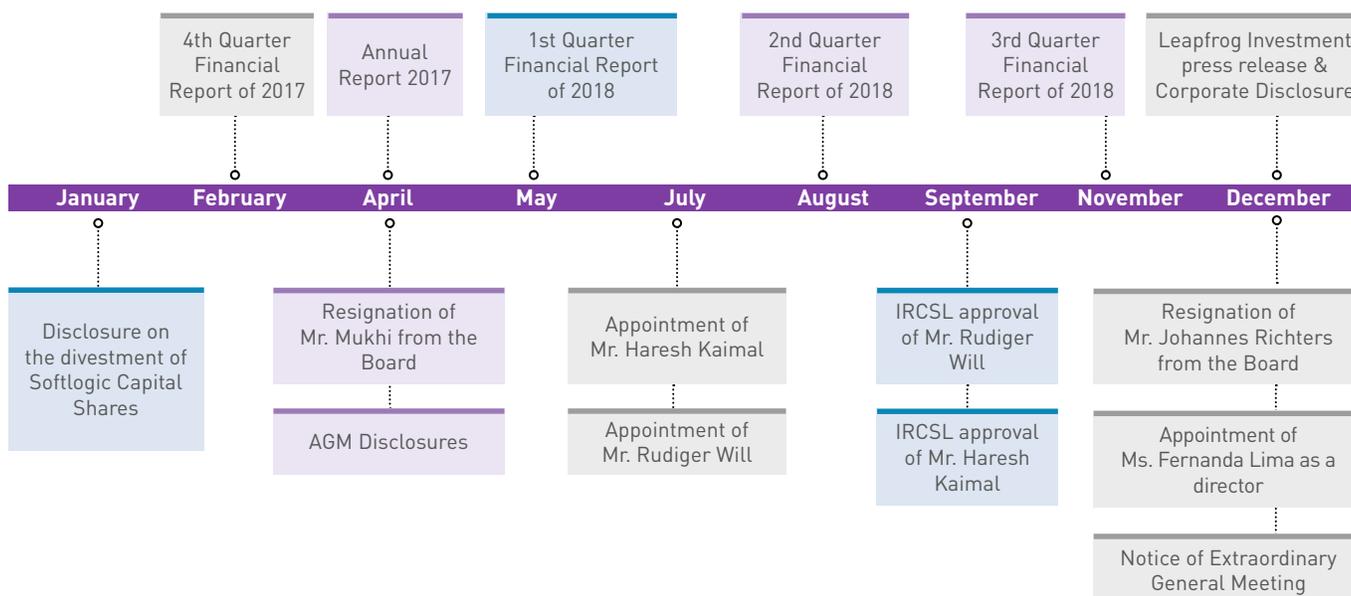
Shareholders are encouraged to maintain direct communication with the Company. They may raise inquiries and concerns with the Board by contacting the Company Secretary, P. R. Secretarial Services (Pvt) Ltd, through the following channels:

 +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.

Figure: Timeline of the Shareholder Communications



Customers

Softlogic Life operates in an industry where the products and services tend to have significantly long-life durations as well as complex in nature unlike the products in most of the other industries. This calls for a level of trust between the policyholder and the Company which is beyond the level required by many other industries.

As with any exercise of building and sustaining trust, governance becomes an integral aspect which is why Softlogic Life has created a transparent, effective omni channel approach to its engagement with the customer that involves the engagement of senior management to the operational staff, electronic mediums of communication to one on one personal interactions. This ensures that the customer is provided with the required high-quality information and assistance as and when required, minimizing the adverse outcomes of poor customer engagement to the Company as well as the customer.

Complaint Management

Complaints are an important way for the management of an organisation to be accountable to its customers and the wider public, as well as providing valuable prompts to review organisational performance and the conduct of people that work within and for it. At Softlogic Life a Complaint management policy is in place which was defined and approved by the Board of Directors who are responsible for the implementation and monitoring compliance within the policy. In order to be in line with the policy, a complaint management unit was also established by the Company as per the guideline issued by the IRCSL.

Modes through which complaints can be lodged;

A. Verbally

- i. ☎ 0112 333 888
- ii. 📍 No. 283, R.A De Mel Mawatha, Colombo 03

B. In writing

- i. ✉ info@softlogiclife.lk
- ii. 📞 011 2678 751
- iii. 📍 No. 283, R.A De Mel Mawatha, Colombo 03
- iv. 📺 Social Media

Company Service Levels as compared with the minimum service levels

Action Point	Softlogic Life	Regulatory Minimum Requirement
Acknowledgement Time	Within 1 day	Within 3 days
Acknowledgement Communication	Call, SMS, Letter	Letter
Resolution Time: Non-Advisor Related	Within 3 days	Within 14 days
Resolution Time: Advisor Related	Within 7 days	Within 3 months
Resolution Communication	Call, Letter	Letter

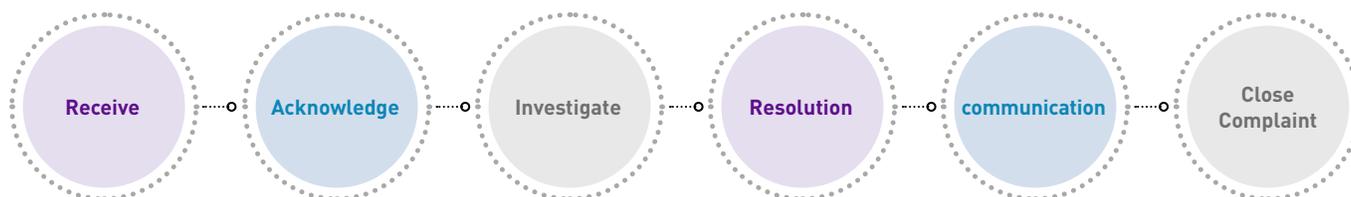
Analysis of Information and Reporting

The Company maintains a register of complaints which contains all necessary information on the complaints ranging from date of receiving the complaint, complaint category, date of acknowledging the complaint, outcome and other fields as required by the IRCSL guidelines. The management of the Company pays special attention to the areas where complaints tend to recur on a frequent basis as well as the other areas that it deems require improvement based on the complaint information. The Complaint Management unit carries out root cause analysis to scrutinize the issues in depth and corrective measures are taken by the organization to prevent identified recurring issues. Furthermore, the Information on complaints handling and related performance of the company is submitted to IRCSL on a bi-annual basis (within 30 days of the end of each bi-annual period) in a format specified by the IRCSL.

Alternate Dispute Resolution Mechanisms

If the Complainant is not satisfied with the resolution provided by the Company, he/she can look for alternative resolution modes such as Arbitration, Insurance Ombudsman, IRCSL to further seek appeal for the complaint raised.

Figure: Complaint Management Process at Softlogic Life



PERFORMANCE GOVERNANCE

“
SOFTLOGIC LIFE
PRIDES ITSELF
ON ITS ETHICAL
OPERATIONS AND
REMAINS COMMITTED
TO STRENGTHENING
ITS GOVERNANCE
FRAMEWORK IN
LINE WITH SHIFTING
BUSINESS NEEDS.

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.

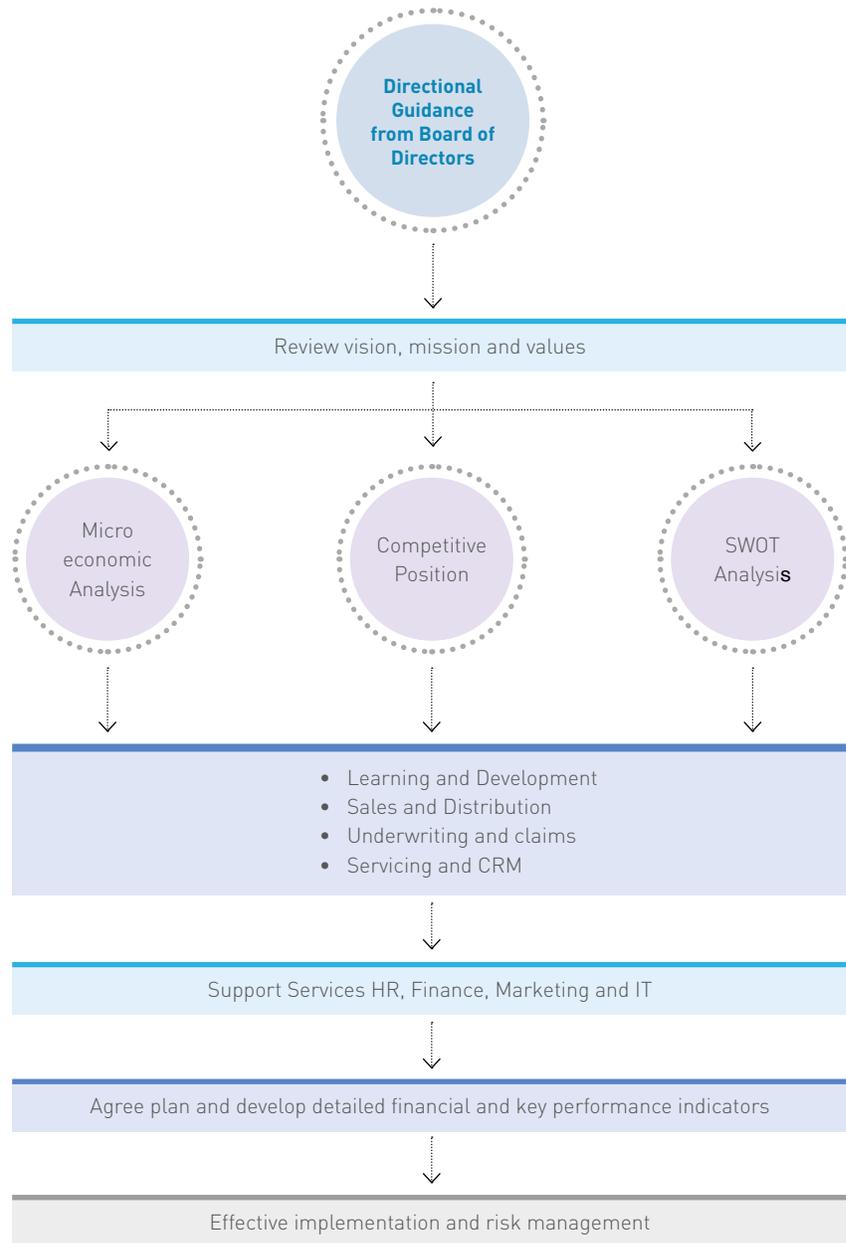
Performance Governance at Softlogic Life is derived from the strategic planning processes to set organisational direction and objectives aimed at successfully managing business risk.

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



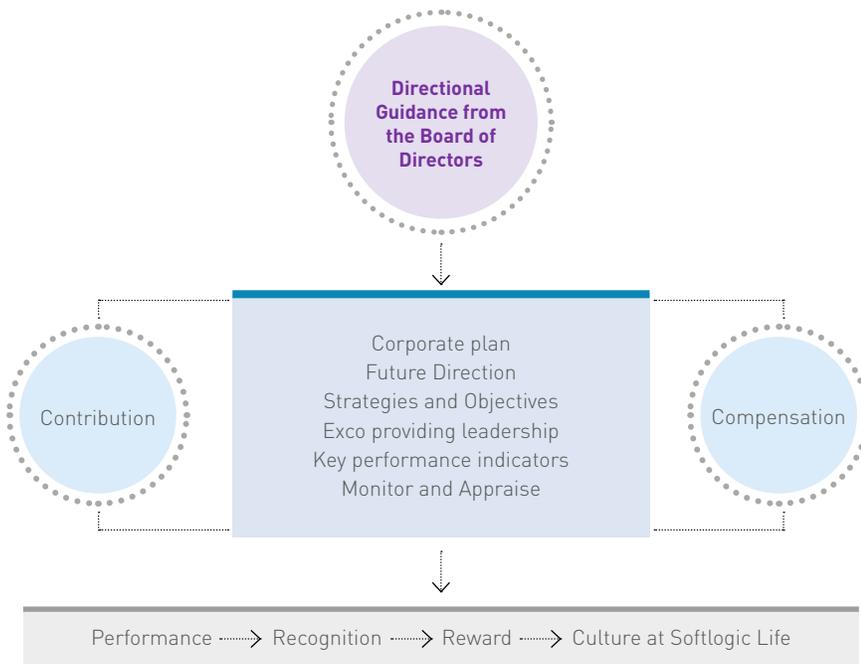
Simultaneously, the Company conducts planning meetings at regional/ distribution channel level. The strategic plans derived from these workshops are synchronised with the objectives determined by the Management Committee at a broader planning forum comprising the Management Committee and key representatives from the functional/ distribution channels.

CORPORATE GOVERNANCE

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



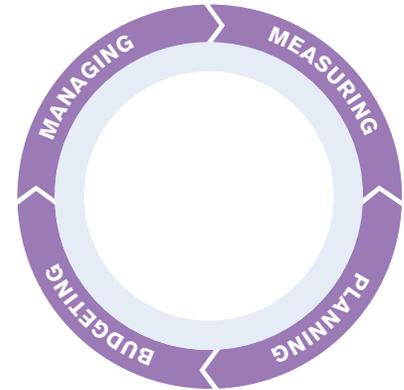
Rewards are strongly linked to performance. Some mechanisms used to evaluate performance are stated below:

- 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: Performance driven culture at Softlogic Life Insurance PLC



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 59 to 60.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

| 417-2 | 417-3 |

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).

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, independence, resources 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 243 to 246.
- 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

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

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 247 to page 248 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 Management Committee, Internal Investment Committee, the Information Technology Steering Committee, Internal Risk Management Committee, Actuarial 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 Company. These in turn were observed and checked by the internal audit department for suitability of design and effectiveness on an ongoing 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
05th March 2019

AUDIT COMMITTEE REPORT



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

COMMITTEE COMPOSITION AND ATTENDANCE

Active Status	Name	Directorship Status	Attended/Eligible to Attend
Active	Mr. Sujeewa Rajapakse (Chairman)	INED	5/5
Active	Mr. Ray Abeywardena	INED	5/5
Active	Mr. Rudiger Will ⁽¹⁾	INED	2/2
Resigned	Mr. Johannes Richters ⁽²⁾	INED	4/5
Resigned	Mr. Jatinder Mukhi ⁽³⁾	INED	0/1

INED- Independent Non-Executive Director

- (1) Appointed w.e.f 03rd of July, 2018
- (2) Resigned w.e.f 19th December, 2018
- (3) Resigned w.e.f 19th April, 2018

The Board Audit committee (“the Committee”) appointed by and responsible to the Board of Directors comprises of three (3) Independent Non-Executive Directors.

Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange” and “Code of Best Practice on Corporate Governance”, issued by The Institute of Chartered Accountants of Sri Lanka further regulate the composition, roles and functions of the Committee.

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.

EXPERTISE OF THE COMMITTEE

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.

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. The Committee members also bring a multitude of varied expertise and knowledge to the Audit Committee, which enables the effective conduct of operations. More information on the Committee members including the experience, qualifications and expertise may be sourced through the brief profiles on pages 192 to 193 of the Annual Report.

COMMITTEE MEETINGS

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 below. The minutes of the Audit Committee meetings

were tabled at each Board Meeting, on a regular basis.

Any individual member of the Committee has the opportunity to raise specific issues at the meetings. The undersigned was in regular contact with the management including the Chief Financial Officer and Head of Internal Audit during 2018 on the matters coming under the purview of the Committee.

SECRETARY TO THE COMMITTEE

The Company’s Board Secretary Messrs PR Secretarial Services (Pvt) Ltd functions as the secretary to the Audit Committee.

REGULAR ATTENDEES BY INVITATION

- Managing Director
- Chief Financial Officer
- Group Head-Audit and Risk

The Corporate Management team, Compliance Officer, the External Auditors, the Chief Manager- Internal Audit attended meetings as and when required.

COMMITTEE CHARTER

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,

AUDIT COMMITTEE REPORT

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 Charter of the Committee was last reviewed and approved by the Board in August 2018.”

The effectiveness of the Committee is assessed annually by each member of the Committee and the results are conveyed to the Board.

OBJECTIVES

The Committee is empowered by Board of Directors to:

1. Ensure that the financial reporting system is able to present accurate and timely financial information to the Board of Directors, regulators and shareholders,
2. 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.
3. Monitoring the company's internal controls including controls relating to financial statement reporting; and
4. Liaise with Risk Management Committee and the management to ensure that the risk management framework of the Company Group is implemented effectively to avoid, mitigate or transfer current and evolving risks.
5. Review the design and implementation of the internal control systems and to take steps to strengthen them where necessary
6. 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

7. Monitoring and reviewing the activities and performance of the internal, external and outsourced auditor/s, including monitoring their independence and objectivity.
8. To evaluate ability to continue as a going concern into the foreseeable future.
9. 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 whilst reserving the right to meet the external/internal auditors exclusively as and when required. Furthermore, the Committee is authorised to retain independent legal, accounting or other advisors 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.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

1. 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
- Developments 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 2018 of the Company prior to its publication,
- Reviewed the impact of new Accounting standards
- Reviewed of new audit report format and implications to the Company

2. 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.

The Committee ensured that the Internal Audit Function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care.

The Committee annually evaluates the independence and resources of the Internal Audit Function and every quarter assesses the progress of Internal Audit Strategy which comprises of progress, key audit findings, results of the implementation of audit recommendation and other key initiatives by the Internal Audit Function;

High risk audit findings are discussed in detail at each Committee meeting with the associated recommendations and the response from the management.

During the period 26 internal audit assurance reports were summarized and 63 forensic review were completed. And operational deficiencies, risk along with recommendations were discussed at the Audit Committee.

3. 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 Committee also followed up action points

taken by the Management in improving the financial reporting based on the 2017 Management Letter by the external auditor Messrs KPMG.

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 two times during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and auditor's independence.

The Committee 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 2018;

- 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 review the Auditors' Management Letter before it was submitted to the Board and Insurance Regulatory Commission of Sri Lanka.

The Committee members evaluated the Scope, Deliverables, Resources and Quality Assurance Initiatives for the year of the External Auditor, Messrs KPMG.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITOR

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 2017 issued by CA Sri Lanka and the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka. This Letter of Independence Confirmation was issued by the Messrs KPMG.

In addition, as the policy of the Company, the lead Audit Partner is rotated for every five years.

PROVISION OF NON AUDIT SERVICE

The committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence. The Committee sets out guidelines for the engagement of the External Auditor to provide non-audit services, taking into account:

- The External Auditor's skills and experience for providing the particular non-audit service.

AUDIT COMMITTEE REPORT

- The nature of non-audit services, the related fee levels individually and in aggregate relative to the audit fee.

The Board Audit Committee reviewed these guidelines for engagement of the external auditor to provide non-audit services. Further, the Committee was of the view that such services were not within the category of services identified as prohibited under the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

RE-APPOINTMENT OF EXTERNAL AUDITORS

The Board Audit Committee has the primary responsibility for making recommendations to the Board on the appointment, reappointment or removal of the External Auditor in-line with professional standards and regulatory requirements. The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as Auditors for the financial year ending 31st December 2019 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

The Committee examines the systems and procedures that are in place to ensure compliance with applicable regulatory requirements via the Compliance Report prepared by the Compliance Officer. The Compliance Officer's report details the extent of Compliance with the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, the Directions of the Insurance Regulatory Commission of Sri Lanka and any other regulatory and statutory requirements applicable to the Company.

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.

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 247 to 248.

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 2017 issued by CA Sri Lanka.

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 and adherence to the Company's Code of Ethics 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.

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
05th March 2019

RISK COMMITTEE REPORT



Mr. Rudiger Will counts over 25 years of experience in the insurance field both in Germany and internationally. For many years he has held senior executive management positions as Chief Financial Officer or Chief Operating Officer at a number of life insurance companies in Germany and other European countries.

Mr. Rudiger Will
Chairman - Risk Committee

COMMITTEE COMPOSITION AND ATTENDANCE

Active Status	Name	Directorship Status	Attended/Eligible to Attend
Active	Mr. Rudiger Will (Chairman) ⁽¹⁾	INED	1/1
Active	Mr. Iftikar Ahamed	ED	4/4
Active	Mr. Ray Abeywardena ⁽²⁾	INED	3/4
Active	Ms. Fernanda Lima ⁽³⁾	NED	0/0
Resigned	Mr. Jatinder Mukhi (Previous Chairman) ⁽⁴⁾	INED	1/1
Resigned	Mr. Johannes Richters ⁽⁵⁾	INED	3/4

INED- Independent Non-Executive Director
NED- Non-Executive Director
ED- Executive Director

(1) Appointed w.e.f 03rd July, 2018

(2) Mr. Abeywardena was appointed Protém Chairman upon resignation of Mr. Jatinder Mukhi, until the appointment of Mr. Rudiger Will.

(3) Appointed w.e.f 21st December, 2018

(4) Resigned w.e.f 19th April, 2018

(5) Resigned w.e.f 19th December, 2018

All members of the committee shall be Directors and membership shall be composed of Non-Executive Directors as well as Executive Directors. The Chairman shall be one of the Non-Executive Directors.

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

The Risk Committee is a subcommittee of the Board of Director and 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.

EXPERTISE OF THE COMMITTEE

All members shall possess high level of integrity, commitment and discipline. The Chairman should also have a good understanding of insurance business.

SECRETARY TO COMMITTEE

PR Secretarial Services (Pvt) Ltd functions as the secretary to the Committee.

REGULAR ATTENDEES BY INVITATION

- Managing Director
- Chief Operating Officer
- Chief Strategy Officer
- Chief Financial Officer
- Chief Corporate Services Officer
- GM - Actuarial
- GM - ITC
- Head of Risk
- Head of Life Operations
- Head of Treasury
- Head of Legal and Compliance
- Head of Internal Audit
- Manager - IT Risk
- Head of Group Risk & Audit

FREQUENCY OF MEETINGS

The committee shall meet at least four times a year and committee met 4 times during the year. The quorum necessary for the transaction of business shall be 3 members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee. Attendance at a meeting may include attendance via teleconferencing facilities.

TERMS AND REFERENCE OF THE COMMITTEE

This Committee shall have supervisory functions over the risk management, the risk profile, and the enterprise wide risk management framework, of the Company and any other risk related matters determined by the board. The main functions of the Committee shall be to;

RISK COMMITTEE REPORT

- Assist in the oversight of the review and approval of the company's risk management policy including risk appetite and risk strategy;
 - Review the adequacy and effectiveness of risk management and controls;
 - Oversee management process for the identification of significant risks across the company and the adequacy of prevention, detection and reporting mechanisms;
 - Review the company's compliance level with applicable laws and regulatory requirements;
 - Review changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile;
 - Review reinsurance treaties annually and advise the board on their sustainability or otherwise.
- Review of the adequacy and effectiveness of the Company's existing risk management controls.
 - Review of 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.
 - Review and provide feedback on the identified significant risks across the Company and the adequacy of identification, prevention and reporting mechanisms.
 - Review and provide feedback on processes implemented with regards to Product Development
 - Review and approval of reinsurance treaties and disseminated advice on applicable strategies.
 - Review of changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile.

REPORTING

- The Committee chairman will report formally to the Board on its proceedings whenever there are major decisions taken
- The Committee shall deliver a report with recommendations to the Board upon conclusion of the review of the reinsurance treaties annually
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its terms of reference where action or improvement is needed

KEY FUNCTIONS PERFORMED DURING THE YEAR

- Approval of the Company's risk management strategy, risk policy and risk appetite
- Review and approval of the Company's Treasury Middle Office Policy, Business Continuity Plan, Operational Risk Policy, Environmental and Social Responsibility Policy and all other policies under the purview of the Committee.

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.)

RUDIGER WILL

Chairman - Risk Committee

Colombo, Sri Lanka
05th March 2019

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

COMMITTEE COMPOSITION AND ATTENDANCE

Active Status	Name	Directorship Status	Attended/Eligible to Attend
Active	Mr. Paul Ratnayake (Chairman)	INED	1/1
Active	Mr. Ashok Pathirage	NED	1/1
Active	Mr. Sujeeva Rajapakse	INED	1/1
Active	Mr. Ray Abeywardena	INED	1/1

INED- Independent Non-Executive Director
NED- Non-Executive Director

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 192 to 193 of the Annual Report.

The Committee met once during the year 2018 and the minutes of the meeting were circulated among all Board members. Attendance at the meetings is given in the table below. Other Board members may attend meetings on invitation.

SECRETARY TO THE COMMITTEE

The Head of Human Resources functions as the secretary to the Committee.

REGULAR ATTENDEES BY INVITATION

- Managing Director

The Managing Director took part in all deliberations except when his own interest, performance and compensation were discussed.

COMMITTEE CHARTER

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.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

- 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

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

- Based on the succession plan, the Committee interviewed suitable candidates to fill the vacancies in the Corporate Management and such recommendations from the Committee were accordingly approved by the Board. In all promotions to the Corporate Management grade, the Committee applied previously approved leadership competency frame work to judge the suitability of the candidates.
- Bonus payable for 2018 performance was determined by the Committee according to the Variable Pay Plan (VPP) for Executive staff.
- The Committee also approved the annual increments to the Executive staff based on their performance during 2018.
- The Committee reviewed the performance of the Corporate Management members including that of the Managing Director's and Chief Operating Officer's for the financial year ended 2018. Key Performance Indicators of the Corporate Management members for 2019 were carefully examined and assessed by the Committee and agreed on at the end of the review process for 2018.

HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

POLICY

The Remuneration Policy of the Company aims to attract, motivate and retain Executive Directors, Key Management Personnel and other employees with appropriate professional, managerial and operational expertise necessary to achieve the Company's 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 PACKAGE OF DIRECTORS

a. Remuneration 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.

b. Retirement Benefits

Non-Executive Directors are not entitled to retirement benefits.

c. Share Option Plans for Directors

The Company does not have a share option plan for Directors.

d. Personal Loans for Directors

No Director is entitled to Company loans.

Total fees and remuneration paid to all Directors including the Managing Director and the Chairman is disclosed on Note 20 on page 378 in this report.

PERSONAL LOANS FOR DIRECTORS

No Director is entitled to Company loans.

REMUNERATION PACKAGE 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.

The Managing Director's remuneration is decided by the Board annually on the recommendation of the Remuneration Committee based on the achievement of Company objectives and individual performance. Managing Director is entitled to retirement benefits but not company loans. The Company also does not have a share option plan for Managing Director.

REMUNERATION PACKAGE OF 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
<ul style="list-style-type: none"> Basic Salary 	<ul style="list-style-type: none"> Annual bonus 	<ul style="list-style-type: none"> Insurance Benefits Professional Membership Subscription Scheme
<ul style="list-style-type: none"> Traveling Allowance 	<ul style="list-style-type: none"> Production and Quality incentive for Sales and Distribution Management Team 	<ul style="list-style-type: none"> Examinations Loans

a. 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.

b. 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.

c. Other Employee Benefits

Benefits provided to employees include examination loans and various insurance benefits.

d. Retirement Benefits

There are no retirement benefits to employees other than gratuity. There are also no Employee Share Schemes for employees.

COMMITTEE EVALUATION

The Committee completed the evaluation process with self-assessment in 2018, which was conducted by the Chairman and Committee members and was deemed to be satisfactory.

PROFESSIONAL ADVICE

The Committee has the authority to engage independent professional advisors on matters within its purview.

THE YEAR AHEAD

The Committee will continue to review the Remuneration Policy, Remuneration structures for its Executive Director, Key Management Personnel and its other employees and make recommendations on the above mentioned in order to ensure the Company is in a position to attract, motivate and retain the best of human resources.

(Sgd.)

PAUL RATNAYEKE

Chairman – Human Resource and Remuneration Committee

Colombo, Sri Lanka
05th March 2019

INVESTMENT COMMITTEE REPORT

COMMITTEE COMPOSITION AND ATTENDANCE

Active Status	Name	Directorship Status	Attended/Eligible to Attend
Active	Mr. Ashok Pathirage (Chairman)	NED	4/4
Active	Mr. Iftikar Ahamed	ED	4/4
Active	Mr. Sujeewa Rajapakse	INED	4/4
Active	Mr. Rudiger Will ^[1]	INED	1/1
Active	Ms. Fernanda Lima ^[2]	NED	0/0
Resigned	Mr. Johannes Richters ^[3]	INED	4/4
Resigned	Mr. Jatinder Mukhi ^[4]	INED	1/1

INED- Independent Non-Executive Director

NED- Non-Executive Director

ED- Executive Director

[1] Appointed w.e.f 03rd July, 2018

[2] Appointed w.e.f 21st December, 2018

[3] Resigned w.e.f 19th December, 2018

[4] Resigned w.e.f 19th April, 2018

The Committee consists of 4 Non-Executive Directors, of which 2 are Independent while the Chairman remains Non-Independent. The other Director being the MD is Executive and Non-Independent.

The Committee formally met four times during the year under review and the attendance as well as committee membership is mentioned in the following table.

EXPERTISE OF THE COMMITTEE

The committee possess in depth expertise and knowledge in Investments, Finance, Risk Management as well as the Insurance Industry which would be vital in performing its functions. Additional information on the committee members may be sourced through the profile descriptions on pages 192 to 193 of this report.

SECRETARY TO THE COMMITTEE

PR Secretarial Services (Pvt) Ltd functions as the secretary to the Committee.

REGULAR ATTENDEES BY INVITATION

- Head of Treasury
- Head of Investments – SHL
- Chief Strategy Officer
- Chief Financial Officer
- Head of Risk

COMMITTEE CHARTER

The Investment Committee works in accordance with the Board approved Investment Policies while its responsibility lies in overseeing investment activities by evaluating the strategic relevance and financial viability of various investment proposals. The Committee has the authority to engage independent professional advisors on matters within its purview. The Committee works closely with the Board of Directors in relation to the matters referred to it by making appropriate and suitable recommendations.

TERMS OF REFERENCE OF THE COMMITTEE

- Recommend policy for approval by the Board, to ensure that investments are undertaken as per the said policy and monitor performance on a quarterly basis.
- Review, amend and approve investment policies
- 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.
- Ensure compliance with internal investment policy and procedures, and external investment regulations.
- Evaluate investment performance by considering 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.

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.

THE YEAR AHEAD

The Committee would continue to make decisions and recommendations which meet the risk, ALM and other applicable parameters for investments and ensure acceptable implementation of risk/reward strategies to achieve budgeted returns for the year. The Committee focus during the year will be on product and fund wise asset and liability management while maximizing the yields on the investments.

[Sgd.]

ASHOK PATHIRAGE

Chairman – Investment Committee

Colombo, Sri Lanka

05th March 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMMITTEE COMPOSITION AND ATTENDANCE

Active Status	Name	Directorship Status	Attended/Eligible to Attend
Active	Mr. Sujeewa Rajapakse (Chairman)	INED	4/4
Active	Mr. Ray Abeywardene	INED	4/4
Active	Mr. Rudiger Will ⁽¹⁾	INED	1/1
Resigned	Mr. Johannes Richters ⁽²⁾	INED	4/4
Resigned	Mr. Jatinder Mukhi ⁽³⁾	INED	0/1

(1) Appointed w.e.f 03rd July, 2018

(2) Resigned w.e.f 19th December, 2018

(3) Resigned w.e.f 19th April, 2018

INED- Independent Non-Executive Director

The Related Party Transactions Review Committee which is appointed by the Board of Directors of the Company, consists of the following Independent Non- Executive Directors who possess in depth expertise and knowledge in Finance as well as Insurance Industry. Additional information on the committee members may be sourced through the profile descriptions on pages 192 to 193 of this report.

The Committee met four (04) times during the financial year ended December 31, 2018, and the attendance of committee members at meetings is stated in the table below. The proceedings of the Committee meetings have been regularly reported to the Board of Directors during the financial year.

On the invitation of the Committee, the Managing Director and Chief Financial Officer attends meetings.

SECRETARY TO THE COMMITTEE

The Company's Board Secretary Messrs PR Secretarial Services (Pvt) Ltd functions as the secretary to the Related Party Transactions Review Committee.

COMMITTEE CHARTER

The Related Party Transactions Review Committee was established by the Board of Directors to assist the Board in reviewing all related party transactions carried out by the Company in terms

of the CSE Listing rules that required mandatory compliance with effect from 1st January 2016.

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

Terms of Reference (TOR) covers the responsibilities of Related Party Transactions Review Committee in terms of the CSE Listing Rules.

The TOR mentions the constitution and the composition of the Committee; that the Chairman should be a Non - Executive Independent Director; at least once in every quarter the Committee should meet, and these are in conformity with the provisions of the said Section in the Listing Rules. It sets out the guidelines on Related Party transactions and its reporting.

The Terms of Reference (TOR) of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually as per regulatory and operational requirements.

The core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules.

The Related Party Transactions Review Committee conducts its activities as per its 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.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

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.
6. Updating the Board of Directors on the RPT of the Company on a quarterly basis.
7. Advising the Board in making immediate market disclosures on applicable RPT as required by

Section 9 of the Continuing Listing Requirements of the CSE.

8. Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the CSE.
9. Monitoring compliance with the Code of Best Practices on Related Party Transactions issued by the SEC.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

During the year 2018, 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.

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.

METHODOLOGY OF THE COMMITTEE

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 confirm 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.

PROFESSIONAL ADVICE

The Committee has assessed and/or ensured that they have 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.

THE YEAR AHEAD

The Committee will continue to review related party transactions in order to ensure the Company is in compliance with its stipulated framework governing related party transactions.

{Sgd.}

SUJEEWA RAJAPAKSE

Chairman – Related Party Transactions Review Committee

Colombo, Sri Lanka
05th March 2019

COMMITTEE COMPOSITION AND ATTENDANCE

Active Status	Name	Directorship Status	Attended/Eligible to Attend
Active	Mr. Ashok Pathirage (Chairman)	NED	3/3
Active	Mr. Paul Ratnayeke	INED	3/3
Active	Mr. Ray Abeywardena	INED	3/3

INED- Independent Non-Executive Director
NED- Non-Executive Director

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. Attendance by the Committee members at the meetings is given in the table below. The following Directors serve on the Nomination Committee during the year under reference.

Brief profiles of the members of the Committee are given on pages 192 to 193 of the Annual Report.

SECRETARY TO THE COMMITTEE

The Board Secretary functions as the Secretary to the Nomination Committee.

REGULAR ATTENDEES BY INVITATION

- Managing Director

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference states the purpose of the Committee, its composition, authority, scope and scheduling of meetings. The Nomination Committee was established to 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 review and recommend any appointment of new Directors to the Board of Directors of the Company.
- 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
- To set the criteria such as qualifications, competencies, experience, independence, conflict of interest and key other attributes required for eligibility to be considered for appointment or promotion to the post of and key management positions.
- 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.

- To make recommendations on any other matter/s referred to the Committee by the Board of Directors.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

In terms of Article 98 of the Articles of Association Mr. Paul Ratnayeke will be coming up for re-election at the 20th AGM to be held on 29th March 2019, and the Committee has recommended the said re-election followed by the approval of the Board.

Furthermore, during the year, the Committee reviewed the appointment of three Directors to the Board of Directors. In the process, the Committee was conscious of board compositions and striking the ideal balance in terms of expertise and experience on boards.

METHODOLOGY OF THE COMMITTEE

The Committee meets as and when necessary in order to assess the suitability of individuals for appointment as directors and Key Management Personnels as well as to conduct such other affairs which the Charter of the Committee mandates the Committee to carry out.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

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.)

ASHOK PATHIRAGE

Chairman – Nomination Committee

Colombo, Sri Lanka
 05th March 2019

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 Integrated Annual Report of Softlogic Life PLC together with the Audited Financial Statements of the Company for the year ended 31st December 2018 and the Independent 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 2019. 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 (The Company) 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 38.79% as at 31st December 2018.

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 2018;

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 item 2.2 on 'Principal Business Activities, Nature of Operations of the Company and Ownership on page 324.
(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 2018 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 317 to 432 form an integral part of this Report.
(iii) Auditors' Report on the Financial Statements of the Company	Section 168 (1) (c)	Refer pages 313 to 315 for the "Independent Auditors' Report".
(iv) Any changes in Accounting Policies of the Company	Section 168 (1) (d)	Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 324 to 426. There were no changes to the Accounting Policies used by the Company during the year.
(v) Particulars of the entries made in the Interests Register of the Company during the accounting period.	Section 168 (1) (e)	The Company maintain Interests Registers. All Directors have made declarations as required by Sections 192 (1) and (2) of the Companies Act aforesaid and all related entries were made in the Interests Registers during the year under review. The Interests Registers are available for inspection by shareholders or their authorised representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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) Remuneration and other benefits paid to Directors of the Company during the accounting period	Section 168 (1) (f)	Refer Note 20.1 and 48.2 to the Financial Statements on pages 378 and 424. Also refer the Human Resources and Remuneration Committee Report on pages 249 to 250.
(vii) Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Refer Item 29 on page 261.
(viii) Information on Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Refer Item 16.1 on page 258.
(ix) 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 20 to the Financial Statements on page 378.
(x) 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 261.
(xi) Acknowledgement of the contents of this Report/Signatures on behalf of the Board	Section 168 (1) (k)	Refer Item 53 on page 263.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission Statements are exhibited on page 4 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 Act No. 7 of 2007.

2.3 Review of Operations of the Company

The Company's sense of innovation has brought in a lot of momentum into its business, further driving brand loyalty amongst customers and stakeholders who feel pride in associating with Company. Distribution channels performed admirably during the year. Agency

channel continues to be the main revenue earner, whilst also achieving substantial diversification by foraying into new distribution channels. By the end of 2018, the Company reduced dependence on the agency channel from an erstwhile figure of 90% to 77% presently. Nevertheless, sales force of 2,300 agents is reputed as the most productive in the field and maintained highest average premium value high of Rs. 128,887 which is two and-a-half times the industry average.

During 2018, the Company introduced five new products with unique benefits to cater to precise needs of each target group. The Premier Health Rider is a special product we structured along with our new reinsurance partners, Score and Toa Re, experts in the health insurance arena. This product is unique and targeted at the broad market, whilst we also introduced a high end product leveraging on the expertise of global reinsurance giant. The Company's customer centric approach to doing business has helped to achieve integrated growth and Company will continue to build loyalty by adding value to existing products.

Continuous innovation inspires Company to pursue better ways to do things, which is why we have pioneered an array of firsts in the industry, such as one-day claim settlements. The Company is consistent in settling over 90% of claims within a single day whilst a small minority requires further information and perhaps investigation to protect overall policyholder's interests. The Company is starting to reap significant economies of scale with its centralized operations as the lean structure is able to process multiple distribution lines without a requirement to increase resources and thereby benefiting from a lower operating cost ratio.

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 317 to 432 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 266 to 267 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 324 to 426 comply with section 168 (1) (d) of the Companies Act. The Company has consistently applied Accounting Policies in 2018 and there were no changes.

4. FUTURE DEVELOPMENTS

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. Softlogic Life plays a crucial role of a disruptor in the industry by harnessing technology and process improvements that deliver speed, efficiency and convenience to customers. The Company's thirst for innovation will push to explore new channels for growth while leveraging strongly on the latest technology platforms. The Company already laid the solid foundation with proven business strategies to sustain the present rapid growth momentum, ensuring the delivery of all KPIs that generate the best value to all stakeholders. The Company's dream mission is to be the market leader in the Life industry.

5. GROSS INCOME (GROSS WRITTEN PREMIUM)

The gross written premium (GWP) of the Company for 2018 was Rs. 10,006 million. (Rs. 7,531 million in 2017)

A Detailed Analysis of the total GWP recorded by the Company is given in Note 09 to the Financial Statements on pages 365 to 367.

6. RESULTS AND APPROPRIATIONS

6.1 Performance of the Company and Transfers to Reserves

The net profit before tax of the Company amounted to Rs. 1,095 million. (Rs. 1,905 million in 2017) and this was a decrease of 43%. Further, the net profit after tax of the Company amounted to Rs. 3,336 million in 2018 (Rs. 2,325 million in 2017) and this was an increase of 44% in 2018. The Company's total comprehensive income net of tax was Rs. 2,785 million. (2017 Rs. 2,734 million)

A synopsis of the Company's performance is presented below.

Financial Results	2018 Rs. '000	2017 Rs. '000
Profit Before Taxation (PBT)	1,094,762	1,904,521
Income Tax Reversal/(Expenses)	2,241,483	420,000
Profit After Tax (PAT)	3,336,245	2,324,521
Un-appropriated Profit Brought Forward	3,740,249	2,223,276
Profits Available for Appropriation	7,076,479	4,547,797
Appropriations		
Net actuarial gains/(losses) on defined benefit plans	(3,073)	2,452
Dividend Paid	-	(810,000)
Un-appropriated Profit Carried Forward	7,073,421	3,740,249

6.2 Dividends on Ordinary Shares

The Directors declared an interim dividend of Rs. 1.45 per share (subject to regulatory approval) which will be paid out of exempt/ taxable profits of the Company. Dividends to be paid out of profits will be subject to withholding tax.

Details of Information on dividends are given in Note 23.3 to the Financial Statements on page 385.

The Board of Directors provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of Interim dividend of 2018 in terms of Section 56 (2) of the Companies Act No 07 of 2007.

The Board of Directors also fulfilled the requirement of the Solvency test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividend of 2018.

6.3 Reserves

A summary of the Company's reserves is given below:

Financial Results	2018 Rs. '000	2017 Rs. '000
Stated Capital	1,062,500	1,062,500
Revaluation Reserve	48,436	48,436
Available-for-Sale Reserve	(1,513,394)	(965,056)
Restricted Regulatory Reserve	798,004	798,004
Retained Earnings	6,275,417	2,942,245
Total	6,670,963	3,886,129

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Information on the movement of reserves is given in the Statement of Changes in Equity on page 320 and Notes 33 to 36 to the Financial Statements on pages 408 to 409.

7. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The CSR initiatives of the Company are detailed under 'Management Discussion and Analysis' under Social and Relationship capital in the Annual Report on pages 126 to 165.

8. PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSETS

Capital Expenditure

Information on Property, Plant & Equipment and Intangible assets of the Company are given in Notes 24 and 25 to the Financial Statements on pages 385 to 393 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 25 to the Financial Statements on pages 392 to 393.

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 25 to the financial statements respectively.

10. STATED CAPITAL

The Stated Capital of the Company as at 31st December 2018 was Rs. 1,062,500,000 comprising 375,000,000 fully paid ordinary shares. The details are provided in Note 32 to the financial statements on page 407. There was 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 (2017 - 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. 7,828 million as at 31st December 2018 which is well above the minimum requirement. Details of the TAC is given on page 356 and in Note 6.3 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 456 to 462.

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 457. 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 pages 456 to 462.

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 456 and 462.

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 2018

The Board of Directors of the Company as at 31st December 2018 consisted of eight Directors (seven Directors as at 31st December 2017) with wide financial and Commercial knowledge and experience as detailed in the 'Board of Directors Profiles' on pages 192 to 193.

The Names of the Directors of the Company who held the office during the year and as at the end of 2018, 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. Ashok Pathirage (Chairman)	Non-Executive	Non-Independent
Mr. Paul Ratnayake (Deputy Chairman)	Non-Executive	Independent
Mr. Iftikar Ahamed (Managing Director)	Executive	Non-Independent
Mr. Sujeewa Rajapakse - Director	Non-Executive	Independent
Mr. Ray Abeywardena - Director	Non-Executive	Independent
New Appointment during the year 2018		
Mr. Rudiger Will	Non-Executive	Independent
Mr. Haresh Kaimal	Non-Executive	Non- Independent
Ms. Fernanda Lima	Non-Executive	Non- Independent
Cessations during the year 2018		
Mr. Jatinder Mukhi	Non-Executive	Independent
Mr. Johannes Richters	Non-Executive	Independent

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 Articles of Association 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. Paul Ratnayake
- Directors who served on the Board for over 9 years: Mr. Paul Ratnayake

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 page 217.

16.4 Review of Performance of Board

The performance of the Board is evaluated through a formalised process and details are discussed in page 280.

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 Committee and the 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	243-246
Risk Management Committee	247-248
Human Resources and Remuneration committee	249-250
Investment Committee	251
Related Party Transaction Review Committee	252-253
Nomination Committee	254

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 214 to 216 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 the Director	2018 Rs. '000	2017 Rs. '000
Ashok Pathirage	Nil	Nil
Paul Ratnayake	Nil	Nil
Iftikar Ahamed	Nil	Nil
Sujeewa Rajapakse	Nil	Nil
Ray Abeywardena	Nil	Nil
Johannes Richters (Resigned with effect from 19th December 2018)	Nil	Nil
Jatinder Mukhi (Resigned with effect from 19th April 2018)	Nil	Nil
Haresh Kaimal (Appointed w.e.f 03rd July 2018)	Nil	Nil
Rudiger Will (Appointed w.e.f 03rd July 2018)	Nil	Nil
Fernanda Lima (Appointed w.e.f 21st December 2018)	Nil	Nil

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 on pages 264 to 265 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.

Directors also refrain from voting on any contract or matter in which they have a material interest as a practice of good governance during the course of business.

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 pages 424 to 426 for those transactions disclosed by the Directors. These interests have been declared quarterly at Board meetings.

Directors have no direct or indirect interest in any other contract or proposed contract with the Company other than disclosed in the Director's interest in contracts with the Company on pages 264 to 265.

21. DIRECTORS FEES AND REMUNERATION INCLUDING POST EMPLOYMENT BENEFITS

The amount of the Directors fees and Remuneration paid during the year is Rs. 79.76 million.

Directors are not entitled to obtain loans of any kind from the Company. Further details are provided on page 250 of the Human Resource and Remuneration Committee report 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 of the company 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 requires adjustments to the Financial Statements, has occurred subsequent to the Reporting period, other than those disclosed in Note 44 to the Financial Statements on pages 422 to 423.

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 pages 424 to 426 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 2018 amounted to Rs. 12,065 million (2017 - Rs. 9,984 million). A detailed description of the financial investments is enclosed in Note 26 to the Financial Statements on pages 393 to 402.

28. INTANGIBLE ASSETS

The carrying value of intangible assets as at the Reporting Date amounted to Rs. 2.09 million (2017 - Rs. 7.15 million). Movement of intangible assets from the balance as at 01st of January 2018 to the balance as at 31st of December 2018, additions and disposals made, together with the amortisation charge for the year, are set out in Note 24 to the Financial Statements on pages 385 to 387.

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

Details of Capital commitments as at 31st December 2018 are provided in note 42 on page 421.

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 Note No 41 on pages 420 to 421 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 33 to 36 to the Financial Statements on pages 408 to 409 and in the Statement of Changes in Equity on page 320 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% (2017 - 28%). The Company is 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 on 27th April 2018 to carry out the audit of the Company for the year ended 31st December 2018.

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 29th March 2019.

Expenses incurred in respect of Audit Fees and Fees for other services rendered during the accounting period are given in Note 20 to the Financial Statements on page 378.

36. AUDITORS' INDEPENDENCE

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 2018 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).

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Compliance Reports also have been submitted to the Audit Committee on a quarterly basis confirming same.

The Audit Committee Report is disclosed in pages 243 to 246.

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 461 to 462.

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 Committee. Specific steps taken by the Company in managing risks are detailed in the Section on pages 295 to 306, in the 'Risk Committee Report' on pages 247 to 248 and in Note 06 to the Financial Statements on pages 337 to 356.

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 241 to 242 and 313 to 315.

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 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 2017 issued by CA Sri Lanka are given in on pages 273 to 292.

41. FOCUS ON NEW REGULATIONS

The Company has evaluated the implications on adoption of the Sri Lanka Accounting Standard – SLFRS 16 on "Leases" effective from January 1, 2019 and developed the required financial models to assess the right of use asset under the new framework. Further Company has started the impact analysis of SLFRS 17 Insurance contracts and SLFRS 9 Financial Instrument and their implications to the business process and planning to implement by 2022.

42. 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.

43. 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 174 to 181.

44. HUMAN RESOURCES

A brief description of the Company's HR Policy and the Remuneration Methodology given in the Remuneration Committee Report on pages 249 to 250.

45. 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 2018 was 821. (2017 - 736). 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.

46. 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.

47. 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.

48. 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.

49. EMPLOYEE SHARE OWNERSHIP/ OPTION PLANS

The Company does not have any employee share ownership/option plans.

50. 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.

51. SUSTAINABILITY

The Company is an early champion of adopting sustainability practices and sustainability reporting. The Company has considered the sustainability aspects when formulating its business strategies and details of which are presented on pages 72 to 188.

52. 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 29th March 2019 at 10.00 a.m. The notice of Annual General Meeting is given on page 474.

53. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

(Sgd.)

P.R. SECRETARIAL SERVICES (PVT) LTD

Company Secretary

On behalf of the Board;

(Sgd.)

ASHOK PATHIRAGE

Chairman

Colombo

05th March 2019

(Sgd.)

IFTIKAR AHAMED

Managing Director

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

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	Position	Company	Relationship
Ashok Pathirage	Chairman / Managing Director	Softlogic Holdings PLC	Ultimate 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	Softlogic Retail (Private) Limited	Group Company of Softlogic Holdings PLC
	Chairman / Managing Director	Ceysands Resorts Limited	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Finance PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Chairman	Softlogic 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
	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	Softlogic Retail Holdings (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Healthcare Holdings Limited	Group Company of Softlogic Holdings PLC
	Chairman	NDB Capital Holdings Limited	Director Related Entity
	Deputy Chairman	National Development Bank PLC	Director Related Entity
	Paul Ratnayake	Chairman	Asia Fort Sri Lanka Direct Investment Fund Limited
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		Rose Hills Hotel (Private) Limited	Director Related Entity
Chairman		Cal Solar (Private) Limited	Director Related Entity
Chairman		Asia Capital PLC	Director Related Entity
Chairman		Fairway City Hotels (Private) Limited	Director Related Entity
Chairman		Asia Leisure Holdings (Private) Limited	Director Related Entity
Chairman		P.R Corporate Services (Private) Limited	Director Related Entity
Director		Nuwara Eliya Hotels Limited	Director Related Entity
Alternate Director		Allied Export and Import Agencies (Private) Limited	Director Related Entity
Alternate Director		Colombo Agencies Limited	Director Related Entity
Alternate Director		Jims Farm (Private) Limited	Director Related Entity
Senior Partner	Paul Ratnayake Associates	Director Related Entity	

Name	Position	Company	Relationship
Paul Ratnayake	Shareholder	Domain Design (Private) Limited	Director Related Entity
	Shareholder	HVA Foods PLC	Director Related Entity
	Shareholder	Healthscan Services (Private) Limited	Director Related Entity
Iftikar Ahamed	Managing Director	Softlogic Capital PLC	Group Company of Softlogic Holdings PLC
	Executive Director	Softlogic Stockbrokers (Pvt) Limited	Group Company of Softlogic Holdings PLC
	Non-Executive Director	Softlogic Corporate Services (Pvt) Ltd	Group Company of Softlogic Holdings PLC
	Non-Executive Director	Softlogic Asset Management (Pvt) Ltd	Group Company of Softlogic Holdings PLC
Sujeewa Rajapakse	Director	Haycarb PLC	Director Related Entity
	Director	Dipped Products PLC	Director Related Entity
	Director	Hayleys Agriculture Holding Limited	Director Related Entity
Ray Abeywardena	Chairman	Colombo Stock Exchange	Director Related Entity
	Chairman	Acuity Stockbrokers (Private) Limited	Director Related Entity
	Chairman	Acuity Securities Limited	Director Related Entity
	Chairman	Guardian Acuity Asset Management Limited	Director Related Entity
	Chairman	Central Depository System (Private) Limited	Director Related Entity
	Managing Director	Acuity Partners (Private) Limited	Director Related Entity
	Director	Lanka Ventures PLC	Director Related Entity
	Director	LVL Energy Fund PLC	Director Related Entity
	Director	Associated News Paper of Ceylon Limited	Director Related Entity
Haresh Kaimal	Director	Softlogic Holding PLC	Group Company of Softlogic Holdings PLC
	Director	Softlogic International (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Information Technologies (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Australia (Pty) Limited	Group Company of Softlogic Holdings PLC
	Director	Softlogic Computers (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic BPO Services (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Mobile Distribution (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Finance PLC	Group Company of Softlogic Holdings PLC
	Director	Softlogic Retail Holdings (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Restaurants (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic City Hotel (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Supermarkets (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Softlogic Corporate Service (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	ODEL PLC	Group Company of Softlogic Holdings PLC
	Director	Softlogic Brands (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	ODEL Properties one (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Cotton Collection (PVT) LTD	Group Company of Softlogic Holdings PLC
	Director	Saber Travel Network Lanka (PVT) LTD	Director Related Entity
	Director	Silk Route Foods (PVT) LTD	Director Related Entity

Related party disclosures as per the Sri Lanka Accounting Standard – LKRS 24 on “Related Party Disclosures” is disclosed in Note 48 to the Financial Statements on pages from 424 to 426 of this Annual Report. In addition, the Company carries out transactions in the ordinary course of business on an arm’s length basis with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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 pages 313 to 315.

In terms of Sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Board of 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 2018, 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 2018; 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 324 to 426 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent Judgements and estimates 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 2018, 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)
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

- 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 pages 243 to 246. 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 241 and 242 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, prior to declaring a interim dividend of Rs. 1.45 per share (subject to regulatory approval) for this year.

- 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. 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) (b) of the Companies Act No. 07 of 2007 and also have been signed by two Directors of the company on page 319 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements;
- n. 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 pages 313 to 315.
- o. 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.

By Order of the Board;

{Sgd.}
ASHOK PATHIRAGE
 Chairman

{Sgd.}
IFTIKAR AHAMED
 Managing Director

Colombo
 05th March 2019

MANAGING DIRECTOR'S/CEO AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Softlogic Life Insurance PLC (the Company) as at 31st December 2018 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);
- Listing Rules of the Colombo Stock Exchange (CSE) and ;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed in the SORP. 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 judgement 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 pages 313 to 315. 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 243 to 246.

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 43 on page 422 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 2018 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.)

IFTIKAR AHAMED

Managing Director / Chief Executive Officer

(Sgd.)

NUWAN PUSHPAKUMARA

Chief Financial Officer

Colombo
05th March 2019

MANDATORY COMPLIANCE REQUIREMENTS

The Company has disclosed the status of compliance of the following mandatory rules issued by the Colombo Stock Exchange ("CSE") and relevant provisions of Companies Act.

- 1) Content of the Annual Report as per rule 7.6 of the listing rules of CSE in pages 461 to 462.
- 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 270 to 272.
- 4) Requirements on Related Party Transactions as per rule 9 of the listing rules of CSE in page 272.

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	Refer Board Composition on page 217.
7.10.2	Independent Directors		
7.10.2(a)	One-third of the Non-Executive Directors.	Compliant	Refer Board Composition on page 217.
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	Each Non-Executive Director has submitted the annual declaration in the specimen format declaring of his/her independence or non- independence against the specified criteria.
7.10.3	Disclosures relating to Directors		
7.10.3 (a)	The names of Non-Executive Directors determined to be 'independent'.	Compliant	The Board has made a determination for the financial year as to the independence or non-independence of each non-executive director based on such declaration and other information made available to the Board. The names of Non-Executive Directors determined to be 'independent' is on page 213.
7.10.3 (b)	In the event a Director does not qualify as 'independent' against any criteria set out in the Rules, however, if 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 213.
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 192 to 193.
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.	Compliant	A brief resume of each new director was published along with the announcement of appointment on CSE
7.10.4	Criteria for defining independence		
7.10.4 (a to h)	Requirements for meeting the criteria for an Independent Director.	Compliant	Please refer pages 213 to 214.

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	Please refer the Remuneration Committee Report on pages 249 to 250.
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 249 to 250.
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 249 to 250. Please refer Annual Report of the Board of Directors on the Affairs of the Company on page 260.
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	Please refer the Audit Committee Report on pages 243 to 246. 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)	Functions: 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 243 to 246.

MANDATORY COMPLIANCE REQUIREMENTS

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 243 to 246.
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 252 to 253.
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 252 to 253.
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 252 to 253.
9.3.2 (c)	Report by the Committee.	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 252 to 253.
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 260.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The Company has voluntarily adopted the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka. We have disclosed the status of compliance with each requirement of the code and how the Company is complied in pages 273 to 292. The revised code came in to effect from 01st January 2018.

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	<p>The Board should meet regularly - at least once every quarter and the Board should be provided information on a regular basis.</p> <p>Information to be reported to the Board on a regular basis;</p> <p>Financial and operational results, impact of risk factors, forecast for the next period, compliance with laws and regulations, internal control breaches or frauds, share trading of the Company and related party transactions, and other matters board should be aware of.</p>	Compliant	<p>During the year the Board met four (4) times. For details of the frequency of Board and Board Sub-Committee meetings, please refer page 217.</p> <p>Please refer Board Oversight and Key Focus on page 218.</p>
A.1.2	<p>Responsibilities of the Board</p> <ul style="list-style-type: none"> Responsibility 1 : Ensure formulation and implementation of a sound business strategy. Responsibility 2 : Appointing the chair and the senior independent director if relevant. Responsibility 3 : Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy. Responsibility 4 : Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy; Responsibility 5 : Approving budgets and major capital expenditure. 	Compliant	<p>2019 – 2021, a 3-year plan has been approved by the Board in 2018 end.</p> <p>Please refer to page 217 for the composition of the Board.</p> <p>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 198 to 200.</p> <p>Succession plans are in place for all key positions of the Company. Please refer page 218 for details of Succession planning.</p> <p>All major decisions regarding the Company such as approval of budgets require Board approval.</p> <p>Please refer Key Activities of the Board during 2018 on page 218.</p>

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.1.2	<ul style="list-style-type: none"> Responsibility 6 : Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation. 	Compliant	While the Board decides on the matters expressly reserved to the Board such as setting the strategy and risk appetite, it also overlooks the delegated operational functions. Determining matters delegated to the Management such as Manual of Financial Authority (MOFA), which is revised by the Board on an annual basis also falls within the purview of the Board.
	<ul style="list-style-type: none"> Responsibility 7: Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management. 		<p>The Company has placed 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.</p> <p>Please refer to following sections for further details</p> <ul style="list-style-type: none"> Internal Assurance (Internal Audit) – Page 234. Information Technology Governance – Pages 226 to 229. Integrated Risk Management report – Pages 295 to 306.
	<ul style="list-style-type: none"> Responsibility 8 : Ensuring compliance with laws, regulations and ethical standards. 		<p>The Company has placed a compliance process to comply with all relevant regulations.</p> <p>Please refer pages 235 to 236 for regulatory and statutory governance as well as pages 229 to 230 for HR Governance.</p>
	<ul style="list-style-type: none"> Responsibility 9 : Ensuring all stakeholder interests are considered in corporate decisions. 		<p>The Board considers the views/impact on all Stakeholders when making decisions.</p> <p>Please refer to Management Discussion & Analysis on pages 62 to 66.</p>
	<ul style="list-style-type: none"> Responsibility 10 : Recognising sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting “integrated reporting”. 		<p>The Corporate strategy is designed for 3 years and discuss the performance regularly at Board Meetings.</p> <p>The Company adopts “Integrated Reporting” in the Annual Reports.</p> <p>Please refer to Management Discussion and Analysis on pages 36 to 186.</p>

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.1.2	<ul style="list-style-type: none"> Responsibility 11 : Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. 	Compliant	<p>The Board of Directors are responsible for the preparation of financial statements of the Company whilst the Audit Committee ensures the compliance with the financial regulations of those financial statements.</p> <p>Please refer Audit Committee Report on pages 243 to 246 and the MD & CFO statement on pages 268to 269 for detailed information on this objective.</p>
	<ul style="list-style-type: none"> Responsibility 12 : Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks. 		Please refer Board Oversight & Key Focus on page 218.
	<ul style="list-style-type: none"> Responsibility 13 : Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company. 		<p>The Company issues and uploads quarterly and annual financial statements together with the relevant disclosures in the CSE website.</p> <p>Please refer to page 308 for a list of such disclosures released during the year.</p>
	<ul style="list-style-type: none"> Responsibility 14 : Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. 		<p>The Board is capable of providing right direction and the Board comprises of members who has the expertise in different areas.</p> <p>Please refer page 210 for details of expertise of the Board and pages 192 to 193 for the profiles.</p>
A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the Country 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	Please refer to the Role of Board Secretary on pages 211 to 212.
	The Company should obtain appropriate insurance cover as recommended by the nominations committee for the board, directors and key management personnel.	Compliant	Please refer to page 260.
A.1.5	All Directors should bring independent judgement to bear, in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.	Compliant	Please refer to the Role of the Board on pages 210 to 211.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A. 1.6	Every Director should dedicate adequate time and effort to matters of the Board and company.	Compliant	Directors dedicate time and effort by attending Board meetings and Board Sub-Committee meetings. Please refer to the : 1. Board and Board Sub Committee Meetings on pages 217. 2. Ensuring the Effectiveness of the Board meetings on pages 219.
A. 1.7	One third of directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.	Compliant	The Procedures relating to Directors matters is governed by the Articles of Association of the Company.
A. 1.8	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 212 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 Managing Director is segregated. Chairman of the Company is Mr. Ashok Pathirage and MD of the Company is Mr. Iftikar Ahamed.
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	The Chairman of the Company is a Non-Executive Director. The Chairman's role encompasses: <ul style="list-style-type: none"> Ensuring that the Board Members are given appropriate induction, covering terms of appointment, duties and responsibilities. Leading the Board and managing the business of the Board while taking full account of the issues and concerns of the Board.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A. 3.1	The Chairman's role in the conduct of Board meetings.	Compliant	<ul style="list-style-type: none"> Approving the agenda for each meeting prepared by the Board Secretary. Ensuring that the Board Members receive accurate, timely and clear information, in particular about the Company's performance to enable the Board to take sound decisions, monitor efficiently and provide advice to promote success of the Company. Ensuring regular meetings, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors. Facilitates and encourages discussions amongst all Directors where decisions are needed on matters of risk and strategy. Encouraging effective participation of all Directors in the decision-making process to optimise contribution Representing the views of the Board to the public Initiates the process for self-assessment of the Board from its members and uses the meaningful feedback to further improve the effectiveness of the Board. <p>Please refer to Role of the Chairman on page 211 and Ensuring the effectiveness of the Board Meetings on page 219.</p>
A.4	Financial Acumen		
A.4	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>

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.5	Board Balance		
	Balance of Executive and Non-Executive Directors		
A.5.1	The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	Compliant	Please refer pages from 209 to 210 for composition of the Board.
	In the event the Chairman and CEO is the same person, or if the Chairman is not an independent director, Non-Executive Directors should comprise a majority of the Board.	Compliant	Please refer page 210 and 217 for composition of the Board.
A.5.2	Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three Non-Executive Directors should be 'independent'. In all other instances three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	Compliant	Please refer page 210 for composition of the Board.
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 page 213 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 pages 213 to 214 for independence determination of each director.
A.5.6	Appointment of Alternate Director by a Non-Executive Director and appointment of an 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, or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO, the Board should appoint one of the independent Non-Executive Directors to be the "Senior Independent Director" (SID) and disclose this appointment in the Annual Report.	Compliant	Mr. Paul Ratnayake is the Senior Independent Director.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.5.8	The Senior independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board	Compliant	All concerns with regard to the Board are sufficiently discussed at the meetings.
	Senior Independent Director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the company secretary	Compliant	All the directors of the Company participate in the General Meetings which are the shareholder meetings.
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 in the frequency in which meetings are held. In addition, information is provided whenever requested by the Board/ Board Sub-Committees.
A.6.2	The minutes, agenda and papers required for Board meetings should be provided at least seven (7) days before the meeting and the minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	Compliant	The minutes, agenda and all other information required for Board and Board Sub-Committee meetings are circulated no less than seven (7) days before the meetings. The meeting minutes are also circulated within 14 (days) from the meeting date.
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 254 of this report.
	A separate section of the Annual Report should describe the work of the Nomination Committee including the process it has used in relation to Board appointments.	Compliant	Please refer to page 212 for Appointment and re-election of Board members. Please Refer page 254 for Nomination Committee Report.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Principle	Requirement	Status of Compliance	Application by Softlogic Life
A.7.2	The Nomination Committee should annually assess Board-composition	Compliant	Please refer to page 212 for Appointment and re-election of Board members.
A.7.3	Appointment of a new Director to the Board should be forthwith disclosed to shareholders	Compliant	All new appointments have been disclosed in the CSE. Please refer pages 236 to 238 for Stakeholder Engagement.
A.8	Re-election & Resignation		
	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 of director and their re-appointment should not be automatic.	Compliant	As per articles of association, 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. Please refer page 212 for appointment and re-election of Board members.
A.8.3	A Director who resign before the completion of his/her appointment term, should provide written communication to the board.	Compliant	All the directors who resigned during the year have provided such communication to the Board.
A.9	Appraisal of Board Performance		
	Boards should periodically appraise their own performance		
A.9.1	The Board should have a formal and rigorous process for annually appraising the board and its committees and should address any matters that may arise from such review.	Compliant	Please refer to pages 219 to 220 for details of the performance evaluation of the Board and its Sub-Committees.
A.9.2	The Board should undertake an annual self-evaluation of its own performance and of its Committees. The evaluation should be carried out by each director individually.	Compliant	Please refer to page 219 for details of the performance evaluation of the Board and its Sub-Committees.
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	All Board re-elections are subject to Board approval on the recommendation of the Nomination Committee evaluation.
A.9.4	The Board should state how performance evaluations have been conducted, in the Annual Report.	Compliant	Please refer to page 219 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 whether in an executive or non-executive capacity; Names of Board Committees in which the Director serves as Chairman or a member; and Number/percentage of committee meetings attended during the year 	Compliant	<p>Please refer pages 192 to 193</p> <p>Please refer pages 192 to 193 and 210</p> <p>Please refer page 213</p> <p>Please refer page 217</p> <p>Please refer page 217</p> <p>Please refer pages 264 to 265</p> <p>Please refer pages 264 to 265</p> <p>Please refer pages 264 to 265</p> <p>Please refer page 217</p> <p>Please refer page 217</p>
A.11	Appraisal of Chief Executive Officer (CEO)/MD		
	The Board should be required, at least annually, to assess the performance of the CEO/MD		
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 during the year	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 221 or details of the performance evaluation of the MD.</p>
A.11.2	The performance of the CEO/MD 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.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

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 the Human Resource and Remuneration Committee Report on pages 249 to 250.</p>
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director and should be appointed by the Board.	Compliant	Please refer to the Human Resource and Remuneration Committee Report pages 249 to 250.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report.	Compliant	Please refer to the Human Resource and Remuneration Committee Report pages 249 to 250.
B.1.4	The Board should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee.	Compliant	<p>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 a Committee. They do not receive any performance related incentive.</p> <p>Please refer to Board Compensation on pages 220.</p>
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 Board Compensation on Page 220.</p>

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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	The Board is mindful of the fact that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Company. The remuneration package of the MD is structured to link rewards to corporate and individual performance. For details of the Remuneration policy of the Company, please refer the Remuneration Committee Report on pages 249 to 250.
B.2.2	Executive directors' remuneration should be designed to promote the long-term success of the company.	Compliant	Please refer to the Remuneration Committee Report on pages 249 to 250.
B.2.3	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 entitled in his job.
B.2.4	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.2.5	The performance-related elements of remuneration of Executive Directors should be designed and tailored 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.2.6	Executive share options should not be offered at a discount	Not applicable	There is no executive share option scheme in the Company.
B.2.7	In designing schemes of performance-related remuneration, the Committee should follow the provisions set out in this Code. The schemes should include provisions that enable the Company to recover sums paid or withhold a portion of such performance related remuneration and specify the circumstances in which a company may not be entitled to do so.	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. Please refer to Remuneration Committee Report on pages 249 to 250 for details of B 2.7 to B 2.10.
B.2.8	The Committee should consider what compensation commitments in the Directors' contracts of service, if any, entail in the event of early termination.	Compliant	

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Principle	Requirement	Status of Compliance	Application by Softlogic Life
B.2.9	Where the initial contract does not explicitly provide for compensation commitments, the Committee should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	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.2.10	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role.	Compliant	Please refer to Remuneration Committee Report on pages 249 to 250 for details of B 2.7 to B 2.10.
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 249 to 250. Remuneration paid to the Board of Directors is disclosed (in aggregate) is in Note 20 in the Financial Statements on page 378.
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	Companies should arrange for the Notice of the AGM and related papers sent to shareholders as determined by statute, before the meeting.	Compliant	The Company ensures that the notice period required by the Companies Act and the Articles of the Association is strictly observed and shareholders are served with all related papers to make informed decisions. Notice of the AGM is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM.
C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	Compliant	All substantial matters are proposed as separate resolutions. Please refer to page 237 for details on AGMs. Please refer to pages 474 to 476 for the Company's Notice of Meeting and Proxy Form.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
C.1.3	<p>The Company should ensure that all valid proxy appointments are properly recorded and counted.</p> <p>For each resolution, where a vote has been taken on a show of hands, the Company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the Company "the number of shares in respect of which proxy appointments have been validly made;</p> <ul style="list-style-type: none"> the number of votes for the resolution; the number of votes against the resolution; and the number of shares in respect of which the vote was directed to be withheld. When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the Board should take steps to understand the reasons behind the vote results and determine if any actions are required. 	Compliant	At the Annual General Meeting of the Company, the Secretary to the Board keeps a proper record of all valid proxy appointments. Please refer the Company website for more information.
C.1.4	The Chairman of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director where such appointment has been made, should be available to answer questions at the AGM.	Compliant	All the Directors of the Company including the Chairman of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees as well as the Senior Independent Director are present at AGMs and are available to answer questions.
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. Please refer pages 474 to 476.
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	<p>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.</p> <p>Please refer Stakeholder Engagement in Pages 236 to 238 for more information.</p>
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 456 to 461 and 62 to 66.
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 237 in Inquiries by Shareholders for more information.

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Principle	Requirement	Status of Compliance	Application by Softlogic Life
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 237.
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		
	Complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, 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.
C.3.2	The company should comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission (SEC) and by the Colombo Stock Exchange (CSE).	Compliant	The Company's policy on shareholder communications addresses the need to disclose major and material transactions to shareholders as required by the rules and regulations of the SEC and the CSE.
D	ACCOUNTABILITY AND AUDIT		
D.1	Financial and Business Reporting		
	The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		
D.1.1	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Compliant	The Board has taken every effort to ensure that the Annual Report presents a fair and balanced view of the Company's financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. All statutory requirements have been complied within the Annual Report and the interim financials have been reviewed and approved by the Board Audit Committee, prior to publication.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
D.1.2	The Board's responsibility to present a balanced assessment extends to interim and other price-sensitive public reports and reports to regulators as well as the information required to be presented by statutory requirements	Compliant	The Board takes responsibility for the Company's published financial statements, public announcements and returns filed with the regulator and other statutory bodies.
D.1.3	The Board should, before it approves the Company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.	Compliant	Please refer to Managing Director's and Chief Financial Officer's Responsibility Statement on pages 268 to 269.
D.1.4	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 pages 255 to 263.
D.1.5	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 266 to 267, pages 313 to 315 and pages 241 to 242 respectively.
D.1.6	The Annual Report should contain a "Management Discussion & Analysis"	Compliant	Please refer the Management Discussion and Analysis on pages 36 to 186.
D.1.7	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 of the position and of remedial action being taken and progress of the remedial action should report periodically	Not applicable	Not Applicable.
D.1.8	The Board should adequately and accurately disclose related party transactions in the Annual Report	Compliant	Please refer to; i) Note 48 - Related Party Disclosures in Notes to the Financial Statements on page 424. ii) Related Party Committee Report on pages 252 to 253.

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Principle	Requirement	Status of Compliance	Application by Softlogic Life
D.2	Risk Management and Internal Control		
	The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.		
D.2.1	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report.	Compliant	The Board is responsible for establishing sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis. Through such 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 authorized unauthorized use or disposition. Please refer to the Director's Statement on Internal Controls on pages 241 to 242.
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, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Compliant	Please refer to; i) the Risk Committee Report on pages 247 to 248. ii) The Risk Management section on pages 295 to 306.
D.2.3	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.2.4	Audit Committee should ensure reviews on the effectiveness of risk management and internal controls are carried out and subsequently document to the Board.	Compliant	The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management & internal control system including the internal controls over financial reporting. Please refer to Internal Assurance section on page 234.
D.2.5	Responsibility of Directors in maintaining a sound system of internal controls & the content of statement of controls.	Compliant	Please refer Directors' Statement on Internal Controls on pages 241 to 242.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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 board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. Chairman of the Audit Committee should be an Independent Non-Executive Director.	Compliant	All members of the Audit Committee are Independent Non-Executive Directors. Mr. Sujeewa Rajapakse acts as the Chairman of the Audit Committee who is a renowned professional in the field of accounting. Please refer to the Audit Committee Report on pages 243 to 246.
D.3.2	The Audit Committee should have a written Terms of Reference, dealing with its authority and duties		
D.3.3	A separate section of the annual report should describe the work of the committee in discharging its responsibilities.		
D.4	Related Party Transactions Review Committee		
	The Board should establish a procedure to ensure that the Company does not engage in transactions with “related parties” in a manner that would grant such parties “more favourable treatment” than that accorded to third parties in the normal course of business.		
D.4.1	A related party and related party transactions will be as defined in LKAS 24.	Compliant	Please refer to the Related Party Transactions Review Committee Report on pages 252 to 253.
D.4.2	The committee should consist exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. Chairman should be an Independent Non-Executive Director appointed by the Board.		
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board.		
D.5	Code of Business Conduct & Ethics		
	Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel & and all other employees		
D.5.1	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 pages 220 to 221 for a brief description of the Code of Business Conduct & Ethics.
D.5.2	The company should have a process to identify & report, material and price sensitive information in accordance with the relevant regulations.	Compliant	The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Principle	Requirement	Status of Compliance	Application by Softlogic Life
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 involved in financial reporting.	Compliant	Refer to Shareholder Information on pages 456 to 461 .
D.5.4	The Chairman must affirm in the Annual Report that a code of conduct and ethics has been introduced company wide and the procedure for disseminating, monitoring and compliance with that code & he is not aware of any violation of the code.	Compliant	Please refer to Chairman's Statement on pages 201 to 202.
D.6	Corporate Governance Disclosures		
	Directors should be required to disclose the extent to which the Company adheres to established principles of good Corporate Governance		
D.6.1	The Annual Report should include a Corporate Governance Report	Compliant	This part forms a part of the Corporate Governance Report, which commences from page 190 to 306.
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 key transactions. Please refer to Stakeholder Engagement section in pages 236 to 238.
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 DEG and Leapfrog Investments (which are internationally renowned financial 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. Please refer to Annual Financial Statements on pages 317 to 432.

Principle	Requirement	Status of Compliance	Application by Softlogic Life
F.2	Shareholder Voting		
	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	Compliant	All shareholders are given adequate notice of General Meetings and provided with all the necessary information to make informed decisions at Meetings. Please refer to Notice of the Meeting on page 474.
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 expertise, 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. For more information please refer IT Governance in pages 226 to 229.
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	Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber risk management.	Compliant	Cyber security related concerns are discussed and verification of the required controls is done during the Board, Audit Committee as well as the Risk Committee Meetings.
G.4	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance.	Compliant	Third party consultants perform periodic reviews relating to Cyber security as per an agreed schedule. Please refer to IT Governance on pages 226 to 229.
G.5	The process to identify and manage Cyber security Risk should be disclosed in the Annual Report.	Compliant	Please refer to IT Governance on pages 226 to 229.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Principle	Requirement	Status of Compliance	Application by Softlogic Life
H	ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)		
H.1	Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported		
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.	Compliant	Please refer to; i) Management and Discussion Analysis on pages 36 to 186. ii) Risk Management on pages 295 to 306. iii) Corporate Governance on pages 190 to 306.
H.1.2	Environmental Factors		Please refer to;
H.1.2.1	Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities.	Compliant	i) Management and Discussion Analysis on pages 36 to 186. ii) Risk Management on pages 295 to 306. iii) Corporate Governance on pages 190 to 306.
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 the organization's business model.	Compliant	
H.1.4	Governance		
H.1.4.1	Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of ESG.	Compliant	
H.1.5	Board's role on ESG Factors		
	ESG reporting is a Board's responsibility to take place on regular basis and it should link sustainable issues more closely with strategy.	Compliant	Please refer Management Discussion & Analysis on pages 36 to 186.

IRCSL DIRECTION 17 ON CORPORATE GOVERNANCE FOR INSURERS

Insurance Regulatory Commission of Sri Lanka has issued direction 17 on Corporate Governance for insurance companies under the Regulation of Insurance Industry Act No.43 of 2000 and it is effective from 01st January 2019. The Company has already complied with the directive as can be seen from the below mentioned table.

Aspects covered in Direction No 17		
Code of Best Practice on Corporate Governance, 2017	Insurers are recommended to adhere the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka	Compliant Refer Table: Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka on pages 273 to 292.
Board Composition	<p>Minimum of 2 Directors who are citizens of Sri Lanka and also resident in Sri Lanka;</p> <p>Total period of service of a director of an insurer (other than an executive director) shall not exceed 9 years and shall be inclusive of the total period of service served by such director upto 1st Jan 2019</p> <p>Transitional Provisions: A director who has completed 9 years as at 1st Jan 2019 or who completed such term at any time prior to 31st Dec 2019, may continue for a further maximum period of 2 years from 1st Jan 2019</p>	Compliant
Age	<p>Age of a director who serves on the Board shall not exceed 70 years</p> <p>Exemption:</p> <ul style="list-style-type: none"> • If over 75 as at 1st Jan 2019, may continue upto 31st Dec 2019 and deemed vacated afterwards • If between 70 -75 years as at 1st Jan 2019, can continue upto 31st Dec 2020 and deemed vacated afterwards • If 70 years is reached by 1st Jan 2019, can continue upto 31st Dec 2021 and deemed vacated afterwards 	Compliant
CSE Listing Rule 7.10	To adhere to the CSE Corporate Governance Rules	Compliant
Appointments in other Boards	<p>A Director cannot be on more than 20 companies/entities/institution including subsidiaries of the insurer.</p> <p>Out of 20 such companies, such director cannot serve on more than 10 companies classifies as Specified Business Entities under the SLAAB Act</p> <ul style="list-style-type: none"> • Companies licensed under the Banking Act No.30 of 1988. • Companies authorized under the Control of Insurance Act, No.25 of 1962, to carry on insurance business. • Companies carrying on leasing business. • Factoring companies. Companies registered under the Finance Companies Act, No.78 of 1988. • Companies licensed, under the Securities and Exchange Commission Act, No.36 of 1987, to operate unit trust. • Fund Management Companies. • Companies licensed under the Securities and Exchange Commission Act, No.36 of 1987, to carry on business as stock brokers or stock dealers. 	Compliant

CORPORATE GOVERNANCE

Aspects covered in Direction No 17

<p>Appointments in other Boards</p>	<ul style="list-style-type: none"> • Companies licensed under the Securities and Exchange Commission Act, No.36 of 1987, to operate a Stock Exchange. • Commission Act, No.36 of 1987. Companies not listed in a stock exchange licensed under the Securities and Exchange Commission Act, No.36 of 1987 <ul style="list-style-type: none"> (a) which have a turnover in excess of the prescribed limit; (b) which at the end of the previous financial year, had shareholders equity in excess of the prescribed limit; (c) which at the end of the previous financial year had gross assets in excess of the prescribed limit; (d) which at the end of the previous year, had liabilities to banks and other financial institutions, in excess of the prescribed limit. (e) which have a staff in excess of the prescribed limit. <ul style="list-style-type: none"> • Public Corporation engaged in the sale of goods or the provision of services. • A group of companies, any one of which falls within any of the above categories. For the purpose of this Schedule, "a group of companies" means a holding company and its subsidiaries, the accounts of which have to be consolidated under the Companies Act. 	<p>Compliant</p>
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INTEGRATED RISK MANAGEMENT

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. The risk culture has been inculcated and is driven across the organization through the Risk Governance Structure as seen on page 296.

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 broadly categorize risk exposures into following 2 categories.

Figure: Broad risk categories

Risks can be managed and monitored by the Company (Internal Risk Environment)	Risks cannot be managed by the Company but monitored by the Company (External Risk Environment)
<ul style="list-style-type: none"> Strategic Risk Insurance Risk Market Risk Operational Risk Reputational Risk <p>(Detailed information in respect of the identification of risk, risk assessment, risk responses and mitigation strategies are defined in pages 299 to 306.)</p>	<ul style="list-style-type: none"> Macroeconomic risk Regulatory risk <p>(Risk and challenges applicable to macroeconomic, regulatory and legal risks and the applicable Softlogic Life responses are demonstrated in pages 50 to 54).</p>

RISK STRATEGY

Risk Strategy Component	Link to Business Strategy
<p>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.</p> <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) 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. 	<ul style="list-style-type: none"> The Company's strategic plan, "Strategy 2021", is based on six strategic objectives and an ambitious financial target. "Strategy 2021" 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.

INTEGRATED RISK MANAGEMENT

RISK MANAGEMENT OBJECTIVES

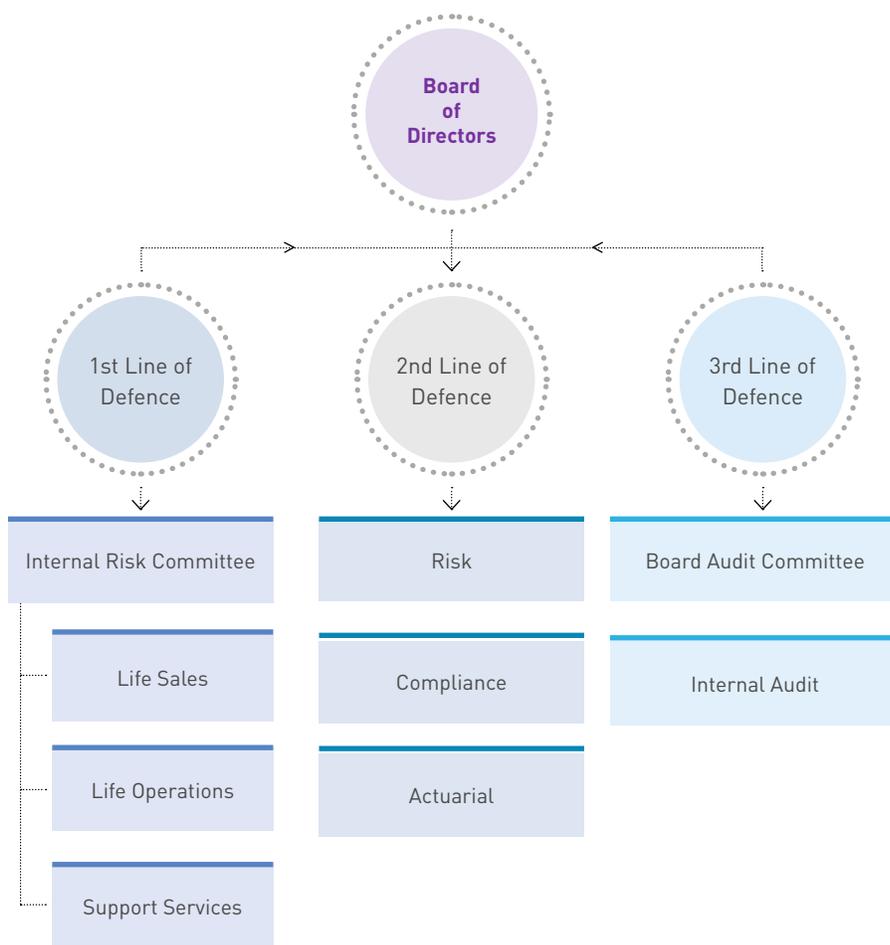
The Company's risk management objectives to ensure the efficient management of risks are as follows;

- 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 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



RISK HIGHLIGHTS IN 2018

Strengthening of Operational Risk Management

- The Business Continuity Plan of the Company was strengthened by the addition of a detailed Health and Safety Plan. The Health and Safety Plan was drafted by type of event and the relevant safety procedures required under each event.
- A Geographical Risk Matrix was also designed to further evaluate the natural risks posed at each of the Company's locations. The grid is updated on a bi-annual basis.
- Disaster recovery simulations were carried out on all critical systems and servers as identified in the Business Continuity Plan and were successfully retrieved within the stipulated Recovery time objectives.
- External penetration testing was carried out on selected servers of the Company by TechCert through the year. Vulnerabilities assessed were reported to the Risk Committee and mitigated through the year.

Strengthening of Market Risk Management

- The Treasury middle office policy was reviewed and strengthened further during 2018.
- The Asset and Liability Management Policy reviewed and refined and accepted by the Risk Committee in 2018.
- Asset and Liability Risks of the Company were also thoroughly assessed, in order to further understand how it could be mitigated with the challenges posed through the operating environment.

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

An Independent Risk Function	Driving and ingraining a Risk Culture at Softlogic Life
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.	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.
A Comprehensive approach to all risks	Linking Risk Appetite to Strategy
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. 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.	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. 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. 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.
Regular review and monitoring	Regular reporting and adapting best practices
Reviewing the risk profile and comparing it with the limits set in the risk appetite is quarterly exercise in the Company. 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.	Frequent (at least quarterly) reporting to the Board Risk Committee is considered an important aspect of the Risk Management process at Softlogic Life. 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.

INTEGRATED RISK MANAGEMENT

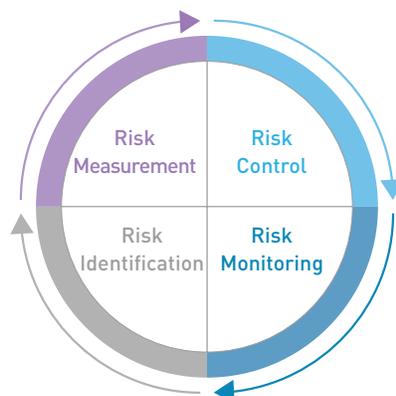
RISK MANAGEMENT POLICY

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 was based on the ISO 31000:2009 International Standard in 2018 and subsequently updated to reflect the latest standards detailed in ISO 31000:2018. 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

The Company has a comprehensive process to ensure the risk management objectives. The following diagram reflect the 04 main pillars of the risk management process of the Company.

Figure: Risk Management Process



RISK IDENTIFICATION

Identification of risks may occur in one or more ways listed below;

- Direct Observations
- Incident Analysis
- Scenario Analysis
- 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;

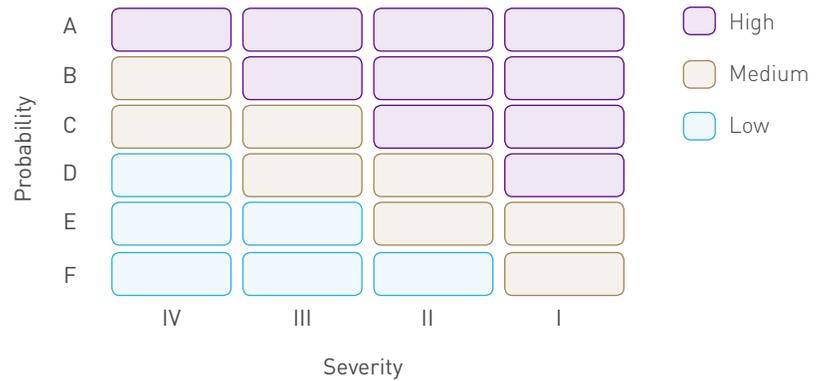
	Risks that affect Business Continuity			
	IV – Marginal	III – Significant	II – Critical	I – Catastrophic
Life Operations	< 1 Hour	1 Hours < x < 5 Hours	5 hours < x < 1 Day	x > 1 Day
Call Centre	< 5 Minutes	> 5 Minutes < 15 Minutes	> 15 Minutes < 30 Minutes	> 30 Minutes
Critical Systems	As defined in the BCP and IT DR Plan			

	Other Risks			
	IV – Marginal	III – Significant	II – Critical	I – Catastrophic
Profit	x < Rs. 50 Mn	Rs. 50 Mn < x < Rs.100 Mn	Rs. 100 Mn < x < Rs. 500 Mn	x > Rs. 500 Mn
Loss of Market Share	x < 0.5%	0.5% < x < 1.5%	1.5% < x < 2.5%	x > 2.5%
Stakeholder Faith impacted and lasts	x < Rs. 3,500 Mn	Rs. 3,500 Mn < x < Rs. 5,000 Mn	Rs. 5,000 Mn ≤ x < Rs. 6,300 Mn	x ≥ Rs. 6,300 Mn

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;

The rating, severity and probability applicable for each risk is defined under ratings of risk landscape in page 299.

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



RISK CONTROL AND MONITORING

The ownership of the identified risks lie with the heads of relevant functions and the responsible personnel are required to provide the action plans on how the high rated risks will be improved and the timeliness to achieve these targets.

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 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.

RISK REGISTER

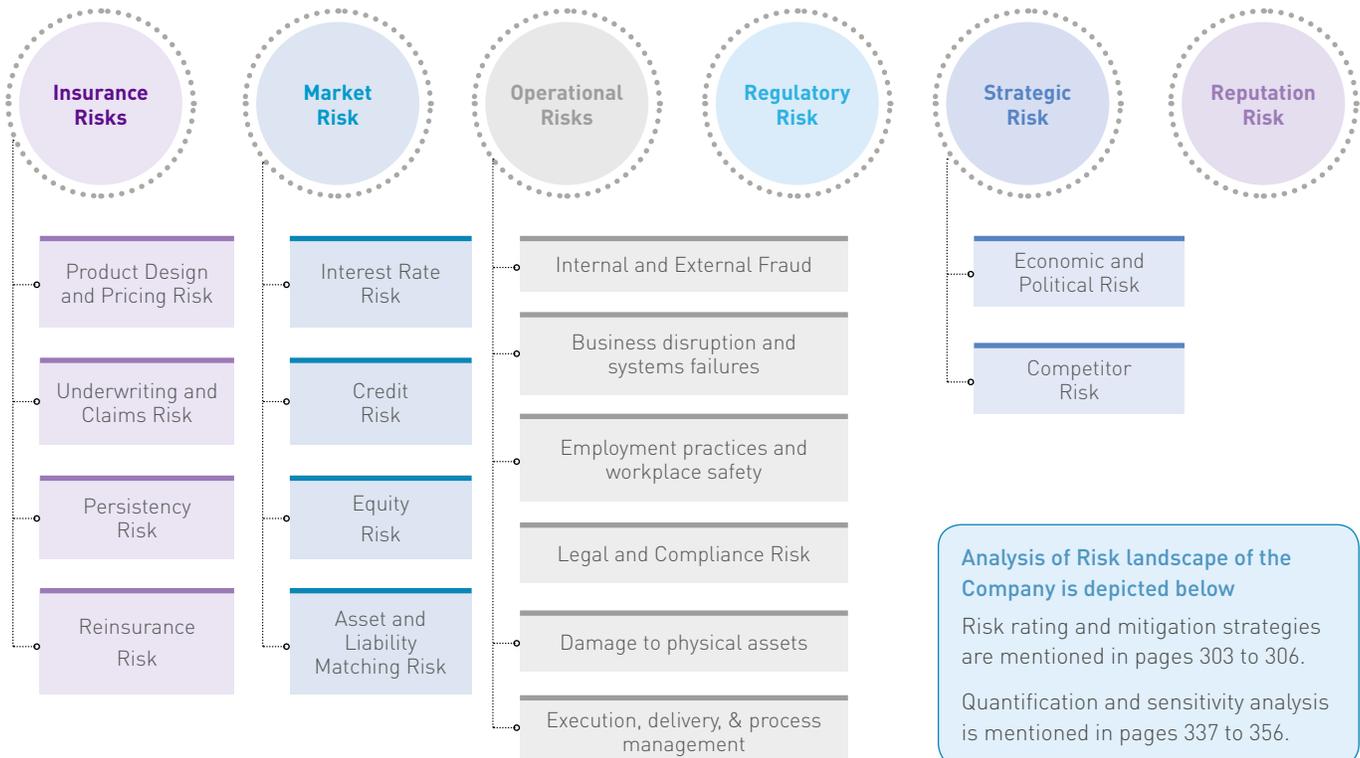
The risk register comprises of all identified risks that if materialise, would have a material impact on the company.

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 limits are set considering global best practices, regulatory requirements, industry benchmarks and internal benchmarks based on the Company's strategic business objectives and is reviewed annually.

RISK LANDSCAPE OF THE COMPANY



INTEGRATED RISK MANAGEMENT



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.

RISK DISCLOSURE AND SENSITIVITY TESTING

The Company performs risk analysis, quantification and sensitivity testing for 3 key areas. These quantifications help the Company to understand the business impact from each risk and the sensitivity thresholds to manage such areas in appropriate manner.

- Analysis of Insurance Risk
- Analysis of Financial Risk
- Determination of Life Insurance Contract Liabilities

A. ANALYSIS OF INSURANCE RISK

Key Risk Area	Risk Analysis by Softlogic Life
Product design risk	<p>The product design risk has several sub components. Mortality, morbidity, longevity, investment return, expense and concentration risks are the key sub risk related to the product design risk.</p> <p>The Company issues participating, Non Participating and Universal Life insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities.</p> <p>A description of each risk, applicable assumptions and risk response and are provided in the note 6 to the financial statement in pages 337 to 356.</p>
Underwriting risk	<p>Underwriting risk is arising of the inaccurate assessments of risk entailed when underwriting the policy. Underwriting risk is mainly comprised of the risk transferred from policyholder to the company, policyholder's behaviour risk and expense risk.</p> <p>On the other hand, it is important to look at the concentration of underwriting risk. The Company analyses concentration of underwriting risk based on the issued province of the contract. The top 3 provinces which has the highest concentration is Western, Southern and Sabaragamuwa respectively.</p> <p>A description of underwriting risk, management of underwriting risk and the risk responses are detailed in note 6 to the financial statement in pages 337 to 356.</p>
Reinsurance risk	<p>Reinsurance risk arises from a new or continuing reinsurance contracts which the Company is entered. Reinsurance risk is measured by the Company based on the credit rating of each reinsurer. Based on such analysis the Company has following risk exposures in Reinsurance receivable as of 31 December 2018.</p> <p>Credit rating of "AA" – Rs. 135.1 Mn (2017 – Rs. 145.4 Mn) Credit rating of "AA- or lesser" – Rs. 19.7 Mn (2017 – Rs. 4.1 Mn)</p> <p>In 2018, "AA" credit rating represents 87% of total portfolio where as it was 97% in 2017. "AA- or lesser" represent 13% of the total portfolio in 2018 and it was 3% in 2017.</p> <p>A description of reinsurance risk and risk responses are provided in note 6 to the financial statement in pages 337 to 356.</p>
Claim Risk	<p>The total claim represents the Company's liability form all insured events and the any variance with the assumptions made in relation to such claim risks.</p> <p>A description of claims risk and the risk response provided in note 6 to the financial statement in pages 337 to 356.</p>

INTEGRATED RISK MANAGEMENT

B. ANALYSIS OF FINANCIAL RISK

Key Risk Area	Risk Analysis by Softlogic Life															
Interest rate risk	<p>Interest rate risk arises primarily due to change in market interest rate. The Company has performed a sensitivity analysis of such and the impact is as follows. As the Company is having both FVPTL and AFS instruments, impact to the profit/ (loss) before tax and equity is provided as follows.</p> <table border="1"> <thead> <tr> <th>Sensitivity</th> <th>PBT impact in 2018 (Rs. Mn)</th> <th>Equity impact in 2018 (Rs. Mn)</th> <th>PBT impact in 2017 (Rs. Mn)</th> <th>Equity impact in 2017 (Rs. Mn)</th> </tr> </thead> <tbody> <tr> <td>+ 100 bps</td> <td>(15.8)</td> <td>(171.7)</td> <td>(32.8)</td> <td>(201.1)</td> </tr> <tr> <td>- 100 bps</td> <td>18.1</td> <td>191.3</td> <td>37.3</td> <td>226.6</td> </tr> </tbody> </table> <p>A description of interest rate risk, risk responses and exposure to the interest rate by asset category is given in note 6 to the financial statement in pages 337 to 356.</p>	Sensitivity	PBT impact in 2018 (Rs. Mn)	Equity impact in 2018 (Rs. Mn)	PBT impact in 2017 (Rs. Mn)	Equity impact in 2017 (Rs. Mn)	+ 100 bps	(15.8)	(171.7)	(32.8)	(201.1)	- 100 bps	18.1	191.3	37.3	226.6
Sensitivity	PBT impact in 2018 (Rs. Mn)	Equity impact in 2018 (Rs. Mn)	PBT impact in 2017 (Rs. Mn)	Equity impact in 2017 (Rs. Mn)												
+ 100 bps	(15.8)	(171.7)	(32.8)	(201.1)												
- 100 bps	18.1	191.3	37.3	226.6												
Foreign exchange risk	<p>Foreign exchange risk is not significant to the Company as Company's principle operation is based on Sri Lanka. There is no foreign currency dominated instruments as of 31 December 2018.</p> <p>Please refer Note 06 to the Financial Statement in pages 337 to 356.</p>															
Equity Risk	<p>Investment in equity securities of the Company is exposed to the equity risk. The equity portfolio of the Company diverse amount different sectors. The Company invest in 81% of the total portfolio in banks, finance and insurance sector in 2018 (76% in 2017) and 8% in diversified holdings sector in 2018 (11% in 2017).</p> <p>A sensitivity analysis is performed with this regard and the Company understand 10% decline in stock market has a Rs. 65.5 Mn negative impact for FVTPL securities and Rs. 142.7 Mn negative impact for AFS. (In 2017 the negative impact is Rs 59.1 Mn and Rs. 129.9 Mn respectively)</p> <p>A description of equity risk, risk response and a risk analysis is provided in the note 6 to the financial statement in pages 337 to 356.</p>															
Credit Risk	<p>Credit risk is a risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company has credit risk exposure to the asset categories of Financial investment, Reinsurance receivable, loans to policyholder, premium receivable, cash at bank and other receivable.</p> <p>The Company is concerned on the credit rating of the counter party and in 2018, 29% out of the total Financial investments are invested in government guaranteed instruments and 68% is invested in instruments which has a rating. Only 3% is invested in non-rated instruments. In 2017 these investments represent 36%,61% and 3% respectively.</p> <p>A detailed disclosure including credit risk analysis for all the assets which has a credit risk, risk responses, assessment of impairment losses is provided in note 6 to the financial statement in pages 337 to 356.</p>															
Liquidity Risk	<p>Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due.</p> <p>The maturity profiles of the assets classes and liabilities are analysed using the maturity profiles of less than 1 year, 1-3 years, more than 3 years and no maturity.</p> <p>A detailed disclosure of maturity profiles of assets and liability, mitigation strategies are provided in Note 06 to the Financial Statement in pages 337 to 356.</p>															

C. DETERMINATION OF LIFE INSURANCE CONTRACT LIABILITIES AND APPLICABLE SENSITIVITIES

The Company uses a discounted cash flow approach equivalent to a gross premium valuation has been used for calculating the liabilities.

The Company performs sensitivity analysis on mortality, morbidity, risk free rate etc. The 10% up in mortality

rates (policyholder's death experience is different from expected) caused to Rs. 187Mn increase in insurance contract liabilities whereas Rs. 188Mn reduction reflects when the mortality rate is down by 10% (in 2017 Rs. 137Mn increase and Rs 138Mn reduction respectively).

Morbidity rates (policyholder's health experience is different from expected) caused to Rs. 270Mn in insurance contract

liabilities whereas Rs. 269 Mn reduction reflects when the mortality rate is down by 10% (in 2017 Rs. 379 Mn increase and Rs 374 Mn reduction respectively).

A detailed disclosure of all the applicable sensitivities and methodologies implement for the consistency and completeness of the data are provided in note 6 to the financial statement in pages 337 to 356.

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 2018 and 2017 and the mitigation strategies adopted have been provided to depict how Softlogic Life responds to such risks.

Key Risk	Risk Rating 2018	Risk Rating 2017	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. The analysis details economic performance as well as expected economic performance and expected 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 forum 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"> A close watch is kept on all potential regulatory directions by the Risk Unit as well the Compliance Unit. The Compliance Unit also informs of regulatory developments to the relevant business units for purposes for supporting such business teams to align business activities or reporting requirements with such regulatory developments. It also reports on the compliance status with relevant regulatory requirements to the Audit Committee on a quarterly basis.

● Low Risk ● Medium Risk

INTEGRATED RISK MANAGEMENT

Key Risk	Risk Rating 2018	Risk Rating 2017	Mitigation strategies
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 are also carried out annually for teams identified as critical and ensure that Recovery Time Objectives can be fulfilled in the event of a disaster. The Company is also equipped with an independent Disaster Recovery Site for its servers. Disaster Recovery Simulation exercises are also conducted for all systems considered critical. Testing was carried out successfully through 2018 and revealed that systems were recoverable well within the stipulated recovery time objectives.
Business Continuity of Critical Systems	●	●	
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 in 2017 and has been updated bi-annually since.

● Low Risk ● Medium Risk

Key Risk	Risk Rating 2018	Risk Rating 2017	Mitigation strategies
Internal Controls	●	●	<ul style="list-style-type: none"> The Company's Internal Control environment is reviewed on a continuous basis as per the plan 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; <ul style="list-style-type: none"> Claims Monitoring Unit A Fraud Detection Unit Implementation of ACL, to strengthen fraud detection and other preventive mechanisms The completion rate / adoption rate of all suggestions and recommendations was 95% as at the above date.
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. Utilising the Town Hall Sessions conducted as a tool to identify issues faced by the staff and to provide the relevant solutions.
REPUTATION RISK			
Reputation Risk	●	●	<ul style="list-style-type: none"> Operational Risk Policy clearly dictating the methodology to measure and evaluate reputation risks was also formulated. The Company's social media page is also 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 RISK			
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 programmes are conducted continuously for Sales staff on motivation and leadership
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. Claims servicing rates and acceptance of policies rates completed within a day have been maintained at above 85%.
Expense Risk	●	●	<ul style="list-style-type: none"> Refer Note 06 to the Financial Statement in pages 337 to 356.

● Low Risk ● Medium Risk

INTEGRATED RISK MANAGEMENT

Key Risk	Risk Rating 2018	Risk Rating 2017	Mitigation strategies
Morbidity Risk	●	●	<ul style="list-style-type: none"> Refer Note 06 to the Financial Statement in pages 337 to 356.
Mortality Risk	●	●	<ul style="list-style-type: none"> Refer Note 06 to the Financial Statement in pages 337 to 356.
MARKET AND INVESTMENT RISK			
Interest and Equity Risk	●	●	<ul style="list-style-type: none"> The Treasury Middle Office (TMO) continues to identify, measure and manage all Investment and Market Specific Risks on a day to day basis. The Treasury Middle Office has established market risk limits in line with the overall risk appetite of the Company by asset category and values the investment portfolio on a daily basis and carries out daily monitoring and reporting of the portfolio and all loss limits. The adherence to the set guidelines are adopted in a stringent manner and require approvals from the Risk Committee and the Board of Directors in the event of exceeding the limits/ guidelines set in the TMO Policy. The TMO Policy was also reviewed during the year, to establish a clearer risk profile by distinguishing risk limits applicable to strategic and non-strategic investments. 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.
Investment Concentration 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. 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.
Asset Quality	●	●	<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.

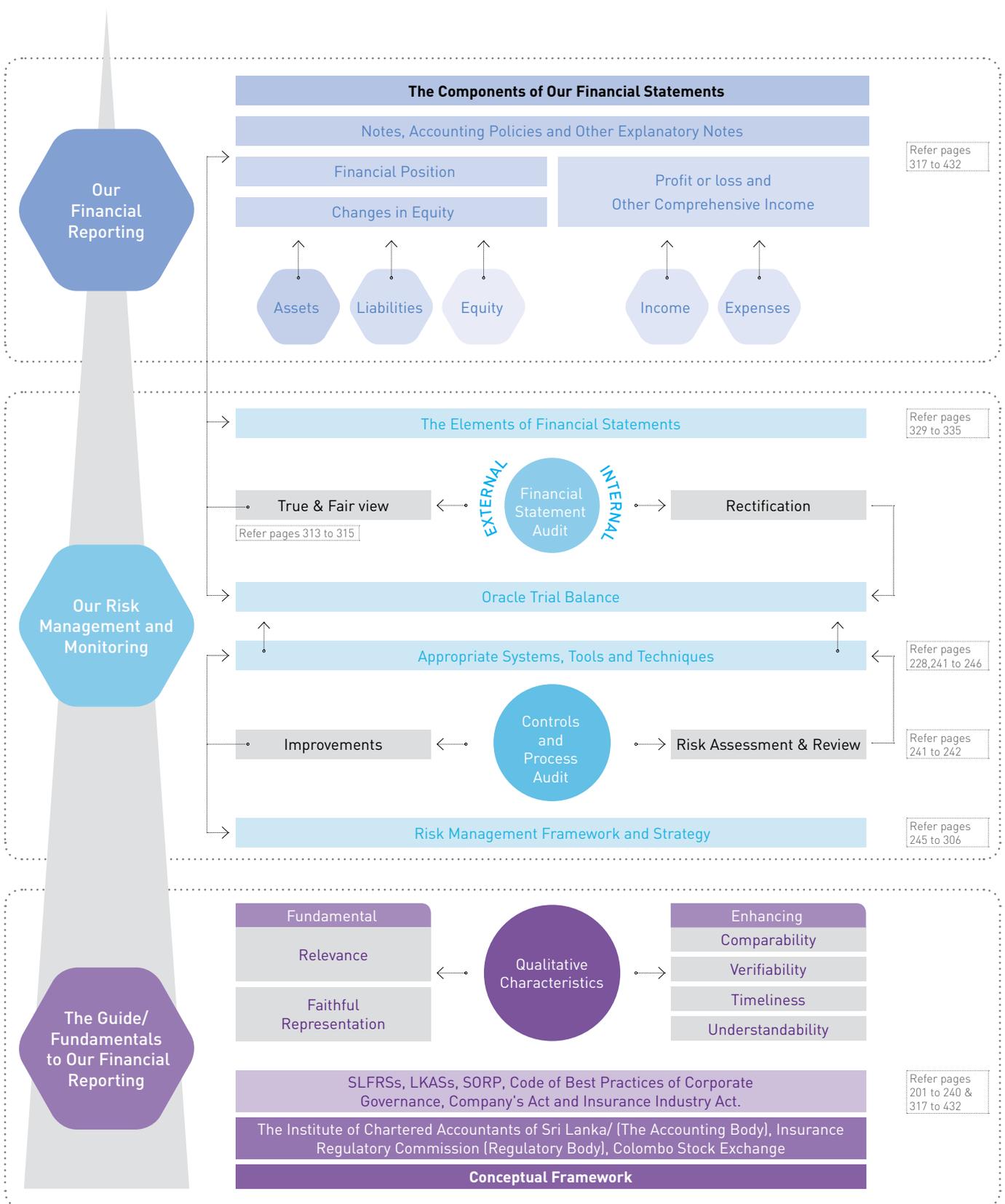
● Low Risk ● Medium Risk

TOPPING IT ALL OFF

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FINANCIAL REPORTING MATRIX



FINANCIAL PLANNER

Financial Calendar	Target date in 2019/20	Achievement in 2018/19
Submission of the Interim Financial Statements in Terms of the Rule 7.4 of the Colombo Stock Exchange		
1st Quarter (Audited)	May 2019	May 2018
2nd Quarter (Audited)	August 2019	August 2018
3rd Quarter (Audited)	November 2019	November 2018
4th Quarter (Audited)	February 2020	February 2019
Annual Report and Financial Statement to Shareholders		
2018		07th March 2019
2019	March 2020	
Annual Report and Financial Statement to Shareholders		
20th Annual General Meeting to be Held		29th March 2019
21st Annual General Meeting to be Held	March 2020	



WillisTowersWatson

21 February 2019

The Board of Directors of Softlogic Life Insurance Plc
283, R. A De Mel Mawatha,
Colombo 3,
Sri Lanka

Certificate of the Actuary for the Actuarial valuation of the Long term Business

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;
- (d) that I have complied with provisions of the Solvency Margin (Risk Based Capital) Rules, 2015 and guidance notes / guidelines prescribed by the IRCSL there under in the determination of the net amount of liabilities as at 31 December 2018;
- (e) that the Surplus amount distributed / approved to transfer from the non-participating fund to shareholder fund for the quarter ended 31 March 2018 amounted to LKR 585 million and for the period 1 April 2018 to 31 December 2018 amounted to LKR 466 million (total for year 2018 - LKR 1,051 Million); and
- (f) that the Surplus amount distributed to life insurance policyholders who share in the profits as provided in the Regulation of Insurance Industry Act, No 43 of 2000, amounted to 250 million as at 31 December 2018

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India,
Willis Towers Watson

Signature:

Place:

Date:



Gurgaon, India

21 February 2019

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CIN- U67190HR1996PTC051336

REPORT ON THE LIABILITY ADEQUACY TEST (LAT)

Willis Towers Watson

21 February 2019

The Board of 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 IRCSL, 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 2018.
- 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 prescribed risk 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 2018 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 Watson

Signature:



Place:

Gurgaon, India

Date:

21 February 2019

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CIN- U67190HR1996PTC051336

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INDEPENDENT AUDITORS' REPORT



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TO THE SHAREHOLDERS OF SOFTLOGIC LIFE INSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Softlogic Life Insurance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 317 to 432.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most

significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities

Key Audit Matter	Our Response
<p>Softlogic Life Insurance PLC has recognized insurance contract liabilities amounting to Rs. 9.02 billion as at 31st December 2018.</p> <p>The Company's insurance contract liabilities represents 85 per cent of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. Economic assumptions, including risk free rate, inflation, and operating assumptions including mortality, morbidity, expenses, fund yield, bonus rate, dividend rates and lapse ratio (including consideration of policyholder behaviour) are the key inputs used to estimate these long term liabilities.</p> <p>Further 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.</p> <p>See note 3 for Use of Judgments and Estimates and note 37 for accounting policy and information</p>	<p>We used an actuarial specialist to assist us in performing our procedures in this area.</p> <p>Our procedures among others included;</p> <ul style="list-style-type: none"> Assessing the competence, capabilities and objectivity of management's external actuarial expert and company's staff involved in the policy holders liability valuation process. Assessing the controls adopted (including IT related controls) by the Company in providing accurate and complete information to the independent appointed actuary for the purpose of the policy holders liability valuation. Assessing the Company's methodology for calculating the policyholder liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015). Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds. Assessing and challenging the key assumptions and reserving methodologies driving the value of the insurance liabilities by, <ul style="list-style-type: none"> Comparing the assumptions to expectations based on, current trends and our own industry knowledge Evaluating the level of prudence applied and compared this to prior periods; Applying our industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses, and Reviewing sensitivity analyses over key judgments and assumptions Assessing adequacy of the disclosures in the financial statements.

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.H. Mular FCA
T.J.S. Rajapakse FCA
Ms. S.M.B. Jayasinghe ACA
S.A.L. Koonarathna FCA
R.H. Rajan FCA
Principals - S.R.A. Perera FCA(UK), L.L. Adameyab-Lata,
R.Y.S. Perera FCA
W.F.J.C. Perera FCA
W.F.D.C. Abeysinghe FCA
R.M.D.B. Rajapakse FCA
M.N.M. Seneviratna ACA
S.D.S. Jayathilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.S. Rodrigo FCA
Ms. C.T.R.H. Perera ACA
Principals - H.S. Gooneratne ACA

INDEPENDENT AUDITORS' REPORT



Recoverability of Deferred Tax Assets

Key Audit Matter	Our Response
<p>Softlogic Life Insurance PLC has recognized deferred tax assets amounting to Rs. 2.75 billion as at 31st December 2018</p> <p>The Company has recognized deferred tax assets in respect of the accumulated tax losses which management considered would probably be utilized or recovered in the future through the generation of future taxable profits by the Company.</p> <p>The recognition of deferred tax assets is based on the significant judgments made by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated.</p> <p>We identified the recognition of deferred tax assets as a key audit matter because of its significance to the Company's financial statements and significant management judgment involved and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.</p> <p>See note 3 for Use of Judgments and Estimates and note 22 for accounting policy and information</p>	<p>Our audit procedures among others included;</p> <ul style="list-style-type: none"> • Reviewing the correspondence with the Company's tax consultant with regard to the ability to utilize the carried forward tax losses reported in the tax returns, against the future taxable profits. • Assessing and challenging the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions in future taxable profits forecasts for the Company with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future gross written premium, claims and operating expenses with the historical performance of the Company, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures. • Assessing adequacy of the disclosures in the financial statements.

IT Systems and controls

Key Audit Matter	Our Response
<p>Many financial reporting controls depend on the correct functioning of operational and financial IT systems. For example interfaces between policy administration and financial reporting systems, or automated controls that prevent or detect inaccurate or incomplete transfers of financial information etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the dependency and complexity of the IT infrastructure.</p>	<p>Our audit procedures among others included;</p> <p>Testing general IT controls around system access and change management and testing controls over computer operations within specific applications which are required to be operating correctly to mitigate the risk of misstatement in the financial statements. With the support of our own IT specialists tested these controls through examining the process for approving changes to the systems and assessing the restrictions placed on access to core systems through testing the permissions and responsibilities of those given that access.</p> <p>Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above

when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment

and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

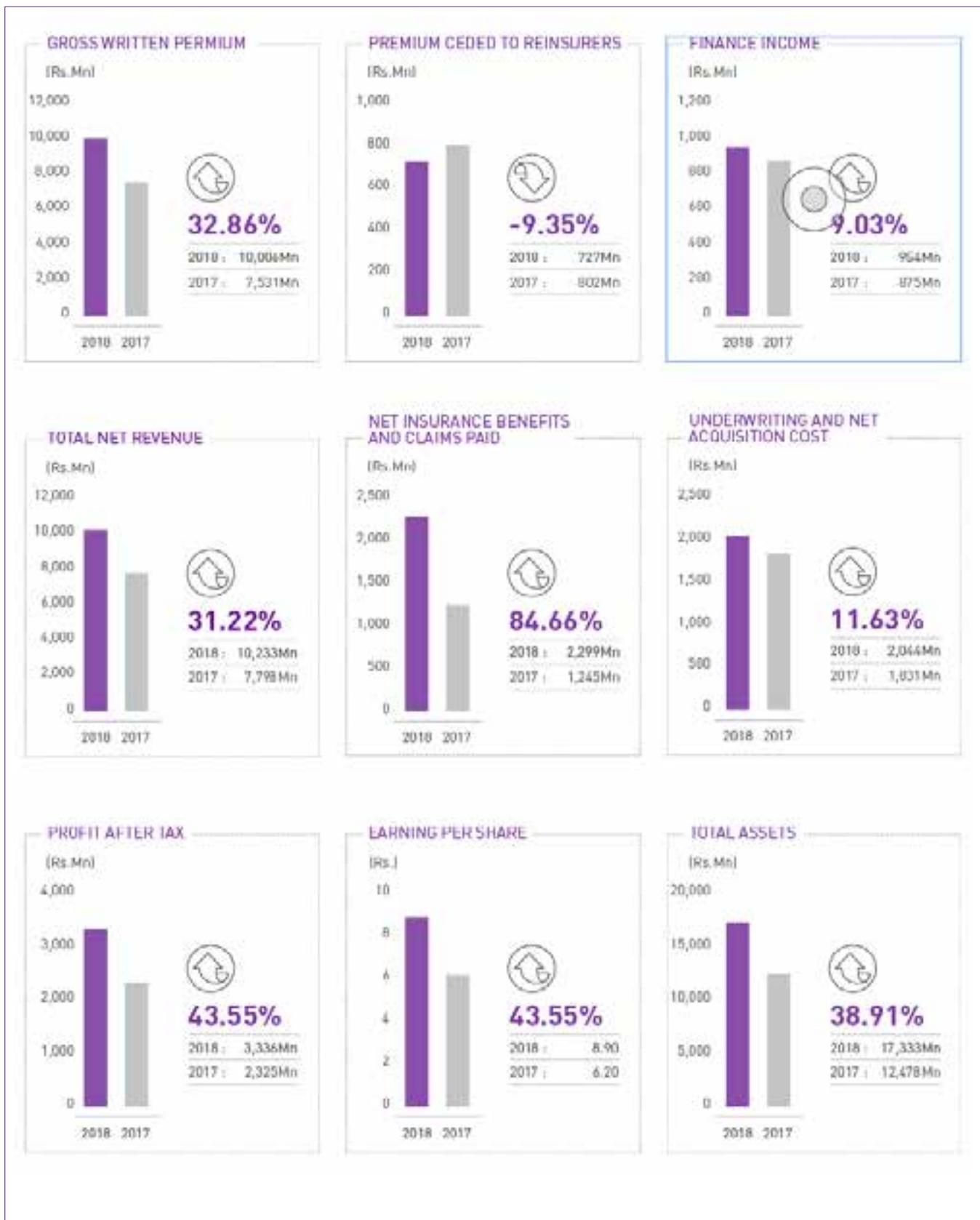
Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

KPMG
Colombo, Sri Lanka
5th March 2019

FINANCIAL HIGHLIGHTS



INCOME STATEMENT

For the Year ended 31st December			2018	2017	Change
	Note	Page	Rs. '000	Rs. '000	%
Gross Written Premium	9	365	10,005,733	7,530,935	33
Premiums Ceded to Reinsurers	10	367	(726,558)	(802,462)	(9)
Net Earned Premium	11	368	9,279,175	6,728,473	38
Other Revenue					
Net Finance Income	12	368	954,253	874,997	9
Net Realised Gains	13	371	96,073	51,181	88
Net Fair value (Losses)/Gains	14	372	(97,996)	95,978	(202)
Other Operating Income	15	372	1,053	47,023	(98)
			953,383	1,069,179	(11)
Total Net Revenue			10,232,558	7,797,652	31
Net Benefits, Claims and Expenses					
Net Insurance Benefits and Claims Paid	16	373	(2,299,012)	(1,245,257)	85
Net Change in Insurance Claim Outstanding	17	374	(39,992)	22,756	(276)
Change in Insurance Contracts Liabilities Life Funds	18	376	(1,500,589)	(1,315,369)	14
Change in Contract Liability due to Transfer of One-off Surplus		409	-	798,004	(100)
Underwriting and Net Acquisition Cost	19	377	(2,044,220)	(1,830,773)	12
Other Operating and Administration Expenses	20	377	(3,187,482)	(2,299,406)	39
Finance Cost			(66,501)	(23,086)	188
Total Benefits, Claims and Expenses			(9,137,796)	(5,893,131)	55
Profit Before Tax			1,094,762	1,904,521	(43)
Income Tax Expenses	21	380	2,241,483	420,000	434
Total Profit for the Year			3,336,245	2,324,521	44
Profit Attributable To;					
Owners of the Parent			3,336,245	2,324,521	
Non Controlling Interest			-	-	
			3,336,245	2,324,521	44
Basic / Diluted Earning Per Share (Rs.)					
Basic / Diluted Earning Per Share (Rs.)	23	384	8.90	6.20	
Basic / Diluted Earning Per Share [Excluding One-off Surplus] (Rs.)			8.90	4.07	
The Notes appearing on pages 324 to 426 form an integral part of these Financial Statements.					

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st December			2018	2017
	Note	Page	Rs. '000	Rs. '000
Profit for the Year			3,336,245	2,324,521
			3,336,245	2,324,521
Other Comprehensive Income				
Items that will not be Reclassified to Income Statement				
Remeasurement of Defined Benefit Liability	38.2.(c)	419	(3,073)	2,452
Revaluation of Land and Buildings			-	23,533
			(3,073)	25,985
Items that are or may be Reclassified Subsequently to Profit or Loss				
Available for Sale Financial Asset - Net Change in Fair Value			(197,669)	(122,510)
Available for Sale Financial Asset - Net Change in Fair Value - Life Fund			(368,963)	499,354
Available for Sale Financial Asset Reclassified to Income Statement			18,294	6,613
			(548,338)	383,457
Total Other Comprehensive (Loss)/Income			(551,411)	409,442
Total Comprehensive Income for the year			2,784,834	2,733,963
Total Comprehensive Income Attributable to:				
Owners of the Company			2,784,834	2,733,963
Non - Controlling Interests			-	-
			2,784,834	2,733,963

The Notes appearing on pages 324 to 432 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Page	2018 Rs. '000	2017 Rs. '000
Assets				
Intangible Assets	24	385	2,089	7,145
Property, Plant and Equipment	25	387	619,059	577,705
Deferred Tax Assets	22	381	2,750,962	420,000
Financial Investments	26	393	12,065,241	9,994,488
Loans to Life Policyholders	27	403	161,001	140,385
Reinsurance Receivables	28	403	154,802	149,548
Premium Receivables	29	405	507,434	290,821
Receivables and Other Assets	30	406	691,109	579,409
Cash and Cash Equivalents	31	407	381,270	318,945
Total Assets			17,332,967	12,478,446
Equity and Liabilities				
Equity				
Stated Capital	32	407	1,062,500	1,062,500
Retained Earnings	33	408	6,275,417	2,942,245
Available for Sale Reserve	34	408	(1,513,394)	(965,056)
Revaluation Reserve	35	408	48,436	48,436
Restricted Regulatory Reserve	36	409	798,004	798,004
Total Equity			6,670,963	3,886,129
Liabilities				
Insurance Contract Liabilities	37	409	9,021,521	7,438,592
Employee Benefits	38	417	107,404	86,693
Reinsurance Payable	39	420	320,824	236,265
Amounts due to Related Companies	40	420	4,167	4,615
Other Liabilities	41	420	837,666	749,412
Bank Overdraft	31	407	370,422	76,740
Total Liabilities			10,662,004	8,592,317
Total Equity and Liabilities			17,332,967	12,478,446
Net Asset per Share (Rs.)			17.79	10.36
Net Asset per Share (Rs.) - Excluding One-off Surplus			15.66	8.24
The Notes appearing on pages 324 to 432 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 are responsible for the preparation and presentation of these Financial Statements.				
Signed for and on behalf of the Board By				
[Sgd.]		[Sgd.]		
Ashok Pathirage		Iftikar Ahamed		
Chairman		Managing Director		
Colombo				
5th March 2019				

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December	Stated Capital	Retained Earnings	Available for Sale Reserve	Revaluation Reserves	Restricted Regulatory Reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2017	1,062,500	2,223,276	(1,348,513)	24,903	-	1,962,166
Profit for the Year	-	1,526,517	-	-	798,004	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	-	2,452	-	-	-	2,452
Revaluation of Land and Buildings	-	-	-	23,533	-	23,533
Total Other Comprehensive Income Net of Tax	-	2,452	383,457	23,533	-	409,442
Total Comprehensive Income for the Year	-	1,528,969	383,457	23,533	798,004	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	2,942,245	(965,056)	48,436	798,004	3,886,129
Balance as at 01st January 2018	1,062,500	2,942,245	(965,056)	48,436	798,004	3,886,129
Profit for the Year	-	3,336,245	-	-	-	3,336,245
Other Comprehensive Income for the Year						
Available For Sale Financial Asset - Net Change in Fair Value	-	-	(197,669)	-	-	(197,669)
Available For Sale Financial Asset - Net Change in Fair Value - Life Fund	-	-	(368,963)	-	-	(368,963)
Available For Sale Financial Assets Reclassified to Income Statement	-	-	18,294	-	-	18,294
Remeasurement of Defined Benefit Liability	-	(3,073)	-	-	-	(3,073)
Total Other Comprehensive Income Net of Tax	-	(3,073)	(548,338)	-	-	(551,411)
Total Comprehensive Income for the Year	-	3,333,172	(548,338)	-	-	2,784,834
Transaction with the Owners of the Company, Distributions						
Balance as at 31st December 2018	1,062,500	6,275,417	(1,513,394)	48,436	798,004	6,670,963

The Notes appearing on pages 324 to 432 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31st December		2018	2017
		Rs. '000	Rs. '000
Cash Flows from Operating Activities			
Profit Before Taxation		1,094,762	1,904,521
Adjustments for :			
Depreciation of Property, Plant and Equipment		115,375	91,493
Amortization of Intangible Assets		5,056	6,282
Provision for Employee Benefits		26,522	20,651
Net Realized Gains		(96,073)	(51,181)
Net Fair value Losses/(Gains)		97,996	(95,978)
Impairment on Receivable of Disposal of Subsidiary		105,763	12,196
Additional Consideration on Disposal of Subsidiary		-	(34,904)
		1,349,401	1,853,080
Change in Operating Assets	Note A	(549,425)	(284,843)
Change in Operating Liabilities	Note B	1,755,294	678,345
Cashflows from Operating Activities		2,555,270	2,246,582
Gratuity paid		(8,884)	(4,942)
Net Cash Generated from Operating Activities		2,546,386	2,241,640
Cash Flows from Investing Activities			
Consideration Received from Disposal of Subsidiary		-	34,904
Acquisition of Financial Securities		(19,460,223)	(11,955,013)
Consideration Received from Disposal of Investments		16,839,209	10,709,428
Net Acquisition of Property, Plant and Equipment		(156,729)	(160,651)
Net Acquisition of Intangible Assets		-	(191)
Net Cash used in Investing Activities		(2,777,743)	(1,371,523)
Cash Flows from Financing Activities			
Dividend Paid		-	(729,000)
Net Cash used in Financing Activities		-	(729,000)
Net (Decrease)/Increase in Cash and Cash Equivalents		(231,357)	141,117
Net Cash and Cash Equivalents as at the Beginning of the year		242,205	101,088
Net Cash and Cash Equivalents as at the End of the Year	Note C	10,848	242,205

STATEMENT OF CASH FLOWS

For the Year ended 31st December	2018 Rs. '000	2017 Rs. '000
Notes to the Cashflow Statement		
A. Change in Operating Assets		
(Increase) / Decrease in Loans to Life Policyholders	(20,616)	17,921
Increase in Reinsurance Receivables	(5,254)	(63,608)
Increase in Premium Receivables	(216,613)	(198,503)
Increase in Receivable and Other Assets	(306,942)	(40,653)
	(549,425)	(284,843)
B. Change in Operating Liabilities		
Increase in Insurance Contract Liabilities	1,582,929	503,545
Increase in Reinsurance Payables	84,559	97,003
Increase in Other Liabilities	87,806	77,797
	1,755,294	678,345
C. Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents	381,270	318,945
Bank Overdrafts	(370,422)	(76,740)
Net Cash and Cash Equivalents as at 31st December	10,848	242,205
Net Cash and Cash Equivalents as at the Beginning of the period	242,205	101,088
(Decrease)/Increase in Cash and Cash Equivalents	(231,357)	141,117

INSURANCE REVENUE ACCOUNT

For the year ended 31st December	2018	2017
	Rs. '000	Rs. '000
Life Insurance - Policyholder Fund		
Gross Written Premium	10,005,733	7,530,935
Premiums Ceded to Reinsurers	(726,558)	(802,462)
Net Written Premium	9,279,175	6,728,473
Finance and Other Income	758,357	969,444
Net Benefits and Claims	(2,339,004)	(1,222,501)
Change in Insurance Contract Liabilities	(1,500,589)	(1,315,369)
Change in Contract Liability due to Transfer of One-off Surplus	-	798,004
Underwriting and Net Acquisition Costs (Including Reinsurance)	(2,044,220)	(1,830,773)
Expenses	(3,102,719)	(2,312,274)
Surplus from Life Insurance Fund	1,051,000	1,815,004
Shareholder Fund		
Finance and Other Income not Attributable to Policyholders	195,026	99,735
Expenses not Attributable to Policyholders	(151,264)	(10,218)
Profit Before Tax	1,094,762	1,904,521
Income Tax not attributable to Policyholders	2,241,483	420,000
Profit for the year Company	3,336,245	2,324,521

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Softlogic Life Insurance PLC ("The Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. 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.

1.2 Number of Employees

The staff strength of the Company as at 31st December 2018 was 821 (2017 was 736).

Corporate information is given in pages 472 to 473 of this Annual Report.

1.3 Principal Activities and Nature of Operations of the Company

Softlogic Life Insurance PLC

The principal business activity of the Company is Life Insurance Business. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration for premium payments made by the insured. 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 Board 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 to 263 and 319, respectively.

These Financial Statements include the following components:

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 317 and 318);

Statement of Financial Position

Providing the information on the financial position of the Company as at the year-end (Refer page 319);

Statement of Changes in Equity

Depicting all changes in shareholders' Equity during the year under review of the Company (Refer page 320);

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 pages 321 and 322).

Notes to the Financial Statements comprising accounting policies and other explanatory information (Refer pages 324 to 426).

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31st December 2018 (including comparatives for 2017), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 5th March 2019.

2.4 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 328 to 426.

2.5 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	Basis of measurement	Note	Page reference
Assets	Non-derivative financial instruments at fair value through profit or loss	At fair value	26.4	400
	Available for Sale Financial Assets	At fair value	26.3	397
	Land and Building	At fair value	25.13.4	393
Liabilities	Employee Benefit	Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation.	38	417
	Policyholders' liabilities	Appointed Actuary-determined values based on the guidelines issued by Insurance Regulatory Commission of Sri Lanka (IRCSL)	37	409

2.6 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.

2.7 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.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.8 Supplementary Statements - Statement of Financial Position

Supplementary Statement of Financial Position of Life Insurance Fund together with notes are disclosed in pages 427 to 432 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

NOTES TO THE FINANCIAL STATEMENTS

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'.

2.15 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.

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 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 4.1.3.1.2 on page 330.

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 26.1 on page 394.

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 2018 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 2018 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited based on the assumptions set out in Note 37.3 to the Financial Statements on page 412.

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 37.7 to the Financial Statements on page 414.

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 7 on page 356.

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 26.3.c on page 399 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 4.8.h on page 332 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. Last 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 25.13 to on page 392. Most recent valuation has been performed in 31st December 2017.

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 38.2.b to the Financial Statements on page 418.

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

NOTES TO THE FINANCIAL STATEMENTS

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 22 on page 381 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 Reference
Going Concern	2.6	325
Insurance Contract Liabilities and Key Actuarial Assumptions	3.2/37.3	326/412
Liability Adequacy Test (LAT)	37.7	414
Deferred Tax Assets and Liabilities	3.9/22	327/381
Valuation of Employee Benefit Obligation - Gratuity	3.8/38.2.a	327/418
Assessment of Impairment	3.4/3.5/4.8	327/433
Determination of the Fair Value of Financial Instruments	3.3/7	327/356
Provisions for Liabilities and Contingencies	3.10/43	328/422
Valuation of Land and Buildings	25	387

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 - Recognition of Assets and Liabilities		
Financial Instruments – Initial Recognition, Classification and Subsequent Measurement	4.1	329
Classification and Subsequent Measurement of Financial Liabilities	4.2	331
Reclassification of Financial Assets and Liabilities	4.3	331
Derecognition of Financial Assets and Financial Liabilities	4.4	331
Offsetting of Financial Instruments	4.5	332
Amortised cost measurement	4.6	332
Fair Value of Financial Instruments	4.7	332
Identification and measurement of impairment	4.8	332
Impairment of Non - Financial Assets	4.8.h	333
Non-current Assets Held for Sale and Disposal Groups	4.9	334
Intangible assets	4.10	334
Property Plant and Equipment	4.11	334
Leased Assets-Lessee	25	387
Inventories	4.12	334
Equity Movement	4.13	334
Insurance and Investment Contracts	9.1	365
Insurance Contract Liabilities	37	409

Significant Accounting Policies	Reference to the Note	Page Reference
Actuarial Valuation of Life Fund	37.2	411
Employee Benefits	38	417
Other Liabilities	41	420
Capital Commitments	42	421
Contingencies	43	422
Event after the Reporting Date	44	422
Non Current Assets held for Sale and Disposal Groups	4.9	334
Operating Leases	46	423
Operating Segments	8	364
Significant Accounting Policies - Recognition of Income and Expenses		
Gross Written Premium (GWP)	9	365
Premium Ceded to Reinsurers	10	367
Net Finance Income	12	368
Net Realized Gains	13	371
Net Fair value Gains and Losses	14	372
Other Operating Income	15	372
Reinsurance Commission Income	4.18	334
Benefits, Claims and Expenses	16	373
Reinsurance Claims	16	373
Expenditure Recognition	20	377
Finance Cost	4.20	334
Income Tax Expense	21	379
Significant Accounting Policies - Shareholder Related		
Basic Earning Per Share (EPS)	23	384
Diluted Earning Per Share (EPS)	23.2	384
Dividend Per Share (DPS)	23.3	385
Significant Accounting Policies - Statement of Cash Flows		
Cash Flow Statements	4.24	335
New Accounting Standards Not Effective at the Reporting Date	5	335

Significant Accounting Policies - Recognition and Measurement of Assets and Liabilities

4.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

4.1.1 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.

4.1.2 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 Note 4.1.3 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.

4.1.3 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.

NOTES TO THE FINANCIAL STATEMENTS

Please refer Note 26 on pages 393 to 402 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 Receivables		✓		
Term Deposits		✓		
Cash and Cash Equivalents		✓		
Reinsurance Receivables		✓		
Premium Receivables		✓		
Unit Trusts	✓			
Other Receivables		✓		

* Corporate Debt - The Company classifies quoted Corporate Debt under Loans and Receivables category since there is no active market for these instruments even though such instruments are listed.

4.1.3.1 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 4.1.3.1.1 and 4.1.3.1.2 below:

4.1.3.1.1 Financial Assets – Held-for-Trading

Details of 'Financial assets – Held-for trading are given in Note 26.4 on pages 400 to 402.

4.1.3.1.2 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.

4.1.3.2 Loans and Receivables

Details of Financial assets classified under Loans and Receivables are given in Note 26.2 on pages 395 to 397.

4.1.3.2.1 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 395.

4.1.3.2.2 Other Financial Investments Classified as Loans and Receivables

Details of 'Financial investments - Loans and receivables' are given in Note 26.2 on pages 395 to 397.

4.1.3.3 Financial Investments – Held-to-Maturity

Details of 'Financial investments – Held-to-maturity' are given in Note 26.1 on pages 394 to 395.

4.1.3.4 Financial Investments – Available-for-Sale

Details of 'Financial investments – Available-for-sale' are given in Note 26.3 on pages 397 to 399.

4.2 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.

4.3 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'.

4.3.1 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.

4.3.2 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.

4.3.3 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.

4.4 Derecognition of Financial Assets and Financial Liabilities

4.4.1 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

NOTES TO THE FINANCIAL STATEMENTS

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.

4.4.2 Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

4.5 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.

4.6 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.

4.7 Fair Value of Financial Instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Notes 7 and 7.1 on pages 358 to 360.

4.8 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.

NOTES TO THE FINANCIAL STATEMENTS

4.9 Non-current Assets Held for Sale and Disposal Groups

The company intends to recover the value of Non - current Assets and disposal company classified as held for sale as at reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal company is available for immediate sale in its present condition. Management has committed to the sale and the sale is expected to be completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard - SLFRS 5 on 'Non-current Assets held for Sale and Discontinued Operations', these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a company of investment is impaired. The company recognizes an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset only to the extent to the cumulative impairment losses that has been recognised previously. As a result once classified, the company neither amortises nor depreciates the assets classified as held for sale.

4.10 Intangible Assets

Details of 'Intangible assets' are given in Note 24 on pages 385 to 387. 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.

4.11 Property, Plant & Equipment

Details of 'Property, Plant & Equipment' are given in Note 25 on pages 387 to 393.

4.11.1 Depreciation

Details of 'Depreciation' are given in Note 25 on pages 389 and 392.

4.11.2 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.

4.12 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.

4.13 Equity Movement

4.13.1 Ordinary Shares

The Company has issued ordinary shares that are classified as equity instruments.

4.13.2 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

4.14 Gross Written Premium (GWP)

Details of 'Gross Written Premium' are given in Note 9 on pages 365 to 367.

4.15 Reinsurance Premiums

Details of 'Reinsurance premiums' are given in Note 10 on page 367.

4.16 Finance Income, Realised and Fair Value Gains/Losses

Details of 'Finance Income, Realised and Fair Value Gains/Losses' are given in Notes 12, 13 and 14 on pages 368 to 372.

4.17 Other Income

Other income is recognised on an accrual basis. Details of 'Other Income' are given in Note 15 on pages 372 to 373.

4.18 Reinsurance Commission Income

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

4.19 Benefits, Claims and Expenses

Details of 'Benefits, Claims and Expenses' are given in Note 16 on pages 373 to 374.

4.20 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.

4.21 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.

4.22 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 23.3 in page 385)

4.23 Income Tax Expense

4.23.1 Current Tax

Details of 'Income Tax Expense' are given in Note 21 on pages 379 to 381.

4.23.2 Deferred Tax

Details of 'Deferred Tax' are given in Note 22 on pages 381 to 383.

4.23.3 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 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Significant Accounting Policies – Statement of Cash Flows

4.24 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 31 on page 407.

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

NOTES TO THE FINANCIAL STATEMENTS

- 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.

Consequent to the Global deferment of IFRS 17 - Insurance contract effective date from January 2021 to January 2022, the Company is expecting the temporary exemption to be deferred until 2022 January.

Accordingly, An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

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

- 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

- the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is:
 - greater than 90 per cent; or
 - 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 450 as part of the supplementary section.

SLFRS 16 - Leases

The Company is required to adopt SLFRS 16 - Leases from 1 January 2019. The Company is assessing the estimated impact the initial application of SLFRS 16 will have on its financial statements.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16, replace existing leasing guidance, including LKAS 17 lease, IFRIC 4 Determining whether an arrangement contains a lease, SIC -15 Operating leases – Incentives and SIC-27 Evaluating the Substance of transactions involving the legal form of a lease.

i. Lease in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will not change because the Company will recognise a depreciation charge for the right-of-use assets and interest expenses on lease liabilities.

Previously, the Company recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assessed to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases.

The Company is in the process of assessing the potential impact on its Financial Statements with the consultation of external consultants.

ii. Leases in which the Company is a lessor

The Company will reassess the classification of sub-leases in which the Company is a lessor.

No significant impact is expected from this hence the Company does not hold any lease contract in which the Company is a lessor.

iii. Transition

The Company plans to apply SLFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SLFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, without no restatements of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SLFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with LKAS 17 and IFRIC 4.

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.

6. RISK AND CAPITAL MANAGEMENT

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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.

NOTES TO THE FINANCIAL STATEMENTS

6. RISK AND CAPITAL MANAGEMENT (CONTD.)

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 Integrated Risk Management Section on pages 295 to 306 for more information on the Risk Management Framework of the Company.

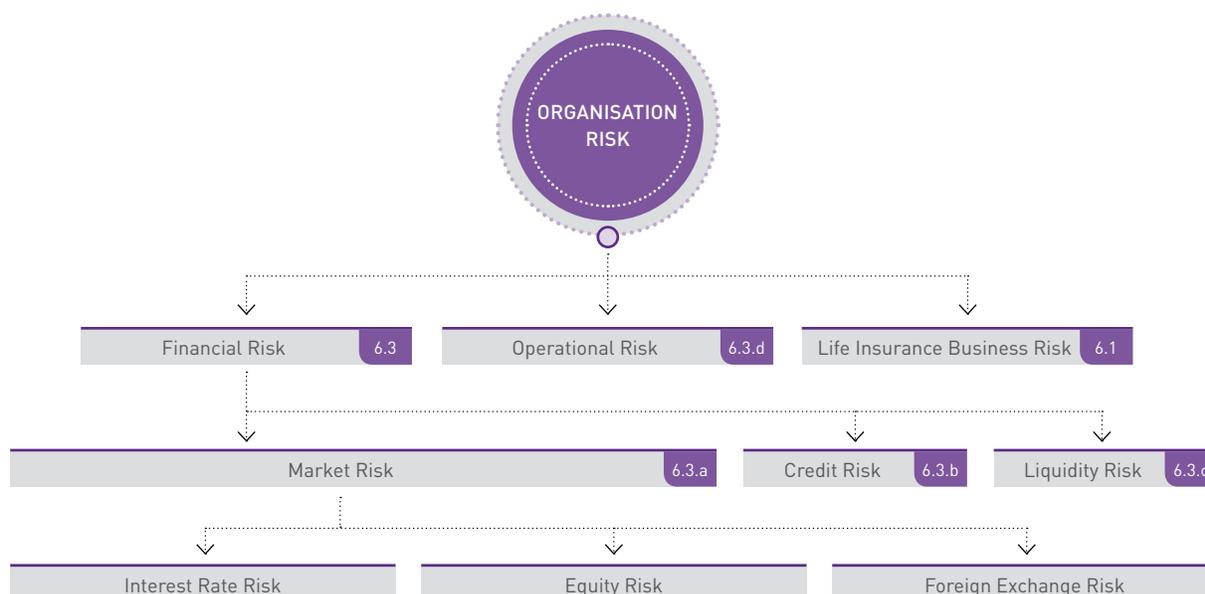
Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

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 integrated risk management report in page 295 to 306 of this Report.

Risk Landscape of Softlogic Life Insurance PLC

The risk landscape of the Company encompasses risk arising from Life Insurance Business, Market risks, Credit risks, Liquidity risk, Operational risks and Other risks are provided in following:



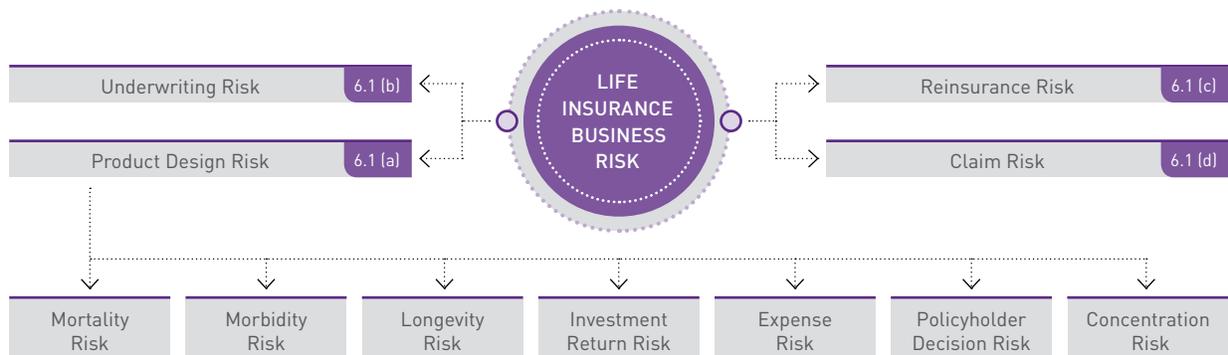
6.1 Life Insurance Business Risk

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.



6.1.(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 condition 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 (a person who receives and annuity payment) 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.

NOTES TO THE FINANCIAL STATEMENTS

6.1.(A) Product Design Risk (Contd.)

Risk	Description	Assumptions used / risk response
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 2018 based on the expenses incurred during 2018 (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.

Key Risks Arising From Contracts Issued

The Company issues participating, Non Participating and Universal Life insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

6.1.(B) Underwriting Risk

Underwriting risk arising from an inaccurate assessment of the risk entailed in underwriting the policy. As a result, the policy may cost the Insurers much more than it as earned in premiums.

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.

Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitise a contract earlier or later than expected.

Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

Management of underwriting risk

The board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by the Company's Head of underwriting -Life Operations. The board continuously reviews its underwriting strategy in light of evolving market pricing and loss conditions and as opportunities present themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Company's experience with industry experience and benchmarking of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Company allows senior management to select reinsurers from a list of reinsurers approved by the Company. The aggregation of risk ceded to individual reinsurers is monitored at Company level.

Policyholder behaviour risk is considered when designing products – e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at company level and experience is benchmarked against local market information.

Expense risk is managed at local entity level through the annual budgeting process and regular expense analyses. Further detail expense studies was conducted by Wills Towers Watson India Private Limited.

Concentrations of underwriting risk

The following table sets out the carrying amounts of the Company's insurance contracts by province of issue.

Province	2018 Rs. Mn	2017 Rs. Mn
Western Province	6,639	4,765
Southern Province	1,021	789
Sabaragamuwa Province	650	597
Central Province	497	414
North Western Province	667	514
North Province	130	102
North Central Province	132	127
Uva Province	186	140
Eastern Province	84	83
Total	10,006	7,531

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.
- Use of systematic underwriting limits

6.1.(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.

NOTES TO THE FINANCIAL STATEMENTS

6.1.(C) Reinsurance Risk (Contd.)

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 Annually.
- 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.
- Review of Reinsurance credit worthiness regularly.

Accordingly the Company's Reinsurers for 2018 are given below.

Name of the Reinsurer	Credit Rating	Name of Rating Agency	Reinsurance Receivable	
			As at 31 December 2018	As at 31 December 2017
Munich Re	AA	Fitch	135,119	145,406
RGA	AA-	S&P Global	8,335	4,142
SCOR	AA-	S&P Global	6,183	-
Toa Re	A+	S&P Global	5,165	-
Assicurazioni Generali S.P.A.	A	A.M Best	-	-
AmTrust; Lloyd's Syndicate 44	AA-	Fitch	-	-
Total			154,802	149,548

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. 154.8 million (2017 - Rs. 149.5 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 103.6 million (2017 - Rs. 101.6 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 51.2 million as at 31st December 2018. (2017 - Rs. 47.9 million).

6.1.(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 possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

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.

6.2 Determination of the Life Insurance Contract Liability

Gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2018. 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 2018		31st December 2017	
	Insurance Contract Liabilities	% Share	Insurance Contract Liabilities	% Share
Description	Rs. '000		Rs. '000	
Participating Fund	5,717,952	66.39	5,262,821	73.64
Non-participating Fund	2,873,069	33.36	1,884,160	26.36
Universal Life Fund	21,546	0.25	-	-
Total	8,612,567	100	7,146,981	100

NOTES TO THE FINANCIAL STATEMENTS

6.2 Determination of the Life Insurance Contract Liability (Contd.)

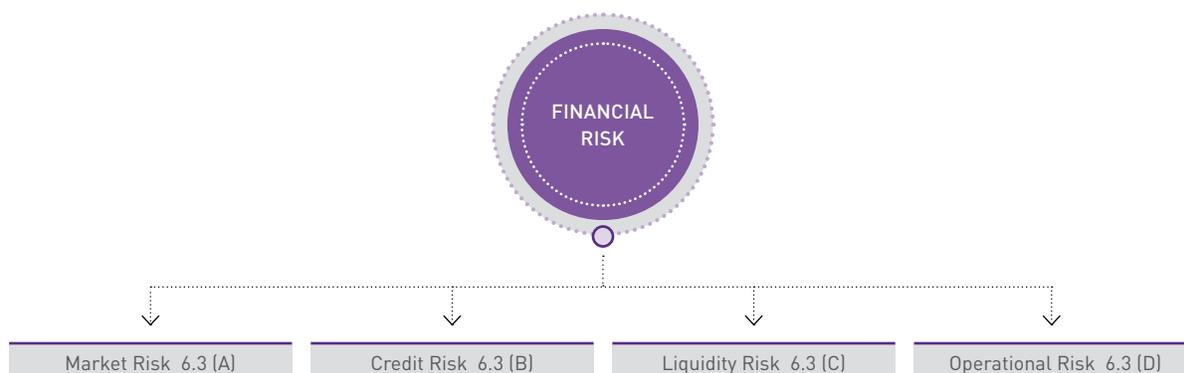
Sensitivity to the Assumption Change of the Insurance Contract Liabilities

Based on Gross Premium Valuation (GPV)	Change in Assumptions	31st December 2018	31st December 2017
		Impact on Liabilities Rs. '000	Impact on Liabilities Rs. '000
Mortality	+10%	187,034	137,208
	-10%	(188,229)	(137,885)
Morbidity	+10%	269,970	379,082
	-10%	(266,948)	(373,643)
Discount Rate (Risk Free Rate)	+50 basis points	(49,971)	(45,191)
	-50 basis points	57,035	51,331
Expense Ratio	+1%	41,780	36,718
	-1%	(41,780)	(36,718)

6.3 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.

6.3.(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. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk. Market risk comprises three types of risks are given below;



Market risk principally arises on the Company's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, although these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Company's insurance and reinsurance contracts and financial instruments means that it is exposed to market risk on net assets representing shareholders' equity. Interest rate risk and equity price risk also arise from interest rate in the Company's insurance and investment contracts to the extent that they are not economically hedged or borne by contract holders.

Management of market risk

The board of directors sets the Company's strategy for managing market risk and delegates responsibility for overseeing the implementation of this strategy and the asset and liability management (ALM) framework to the Company's asset and liability committee (ALCO). The ALM framework seeks to match the cash flows arising from the Company's financial investments with the cash flows arising from its insurance and investment contracts while achieving the optimum long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk. ALCO seeks to achieve this by setting limits both for each type of risk in aggregate across the Company and for individual portfolios. On a day-to-day basis, responsibility for monitoring market risk exposures rests with Treasury Middle office who monitors the Risk policy of the Company.

a) Interest Rate Risk

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of a change 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.

Most of the annuity, universal life, and traditional participating contracts issued by the Company contain interest rate guarantees.

NOTES TO THE FINANCIAL STATEMENTS

6.3.(A) Market Risk (Contd.)

Risk Response

The Company has adopted the following policies to manage interest rate risk

The Company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed every quarter.

- 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

The following table summarises the exposure to the interest rate risk by the Company.

Change in Variables	2018				2017			
	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	-	245,115	-	245,115	-	238,803	-	238,803
Loans & Receivable	-	5,614,236	-	5,614,236	-	2,957,396	-	2,957,396
Available for Sale	-	2,598,070	1,796,800	4,394,870	-	2,503,037	1,668,576	4,171,613
Fair Value through Profit & Loss	-	221,584	1,589,436	1,811,020	-	458,728	2,167,948	2,626,676
Cash and Cash Equivalent	-	-	381,270	381,270	-	-	318,945	318,945
Total Financial Assets	-	8,679,005	3,767,506	12,446,511	-	6,157,964	4,155,469	10,313,433

As at 31st December 2018 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	2018		2017	
	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	(15,790)	(171,728)	(32,819)	(201,098)
- 100 basis points	18,113	191,280	37,290	226,594

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. All reinsurance arrangement are agreed with LKR equivalent terms. Hence there are no foreign exchange risk arised.

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

	2018		2017	
	Amount in foreign currency	LKR Amount	Amount in foreign currency	LKR Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
USD Assets*	Nil	Nil	Nil	Nil

	2018		2017	
	Impact on PBT	Impact on Equity	Impact on PBT	Impact on Equity
	Rs. '000	Rs. '000	Rs. '000	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

The Company's exposure to equity price risk arises from its investments in equity securities and collective investment schemes that invest in equities.

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 2018 with the comparatives are as follows;

NOTES TO THE FINANCIAL STATEMENTS

6.3.(A) Market Risk (Contd.)

Listed Equity Investment

As at 31st December	2018 Rs. Mn	2017 Rs. Mn
Policyholder Fund	1,146	1,031
Shareholder Fund	937	859
Total	2,083	1,890

Portfolio Diversification of Equity Investments (Sector Analysis)

As at 31st December	2018		2017	
	Rs. '000	%	Rs. '000	%
Banks Finance and Insurance	1,694,014	81.34	1,442,737	76.34
Diversified Holdings	165,431	7.94	202,509	10.72
Telecommunications	36,144	1.74	-	0.00
Healthcare	139,692	6.71	138,106	7.30
Power & Energy	13,117	0.63	8,343	0.44
Manufacturing	34,125	1.64	98,208	5.20
Total	2,082,523	100	1,889,903	100



Sensitivity Analysis of Equity Risk

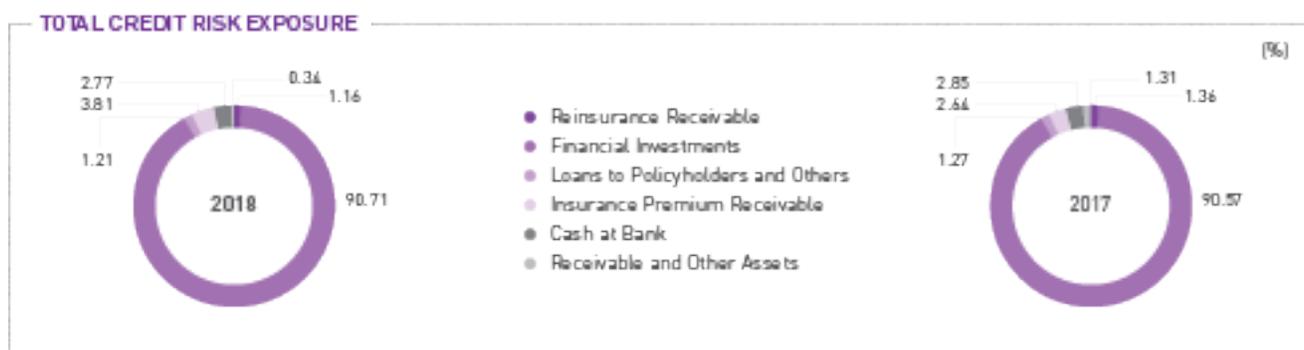
	Type of Classification	2018 Rs. '000	2017 Rs. '000
10% decline in stock markets Investments	AFS	(142,710)	(129,888)
	FVTPL	(65,542)	(59,103)
Net impact on profit before tax		(65,542)	(59,103)
Net impact on other comprehensive income		(142,710)	(129,888)

6.3.(B) Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations, and arises principally from the Company's reinsurance contract assets and investments in debt securities.

The Company is exposed to credit risk through the following.

	2018 Rs. '000	2017 Rs. '000
Reinsurance Receivables	154,802	149,548
Financial Investments	12,065,241	9,994,488
Loans to Life Policyholders and Others	161,001	140,385
Premium Receivables	507,434	290,821
Cash at Bank	369,092	314,584
Receivable and Other Assets	45,357	144,663



Risk Response

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorisation limits are allocated to business units.
- Reviewing and assessing credit risk.
- Limiting concentrations of exposure to counterparties, industries, and by issuer, credit rating band and market liquidity.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

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. 154.8 million (2017 - Rs. 149.5 million). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 103.6 million (2017 - Rs. 101.6 million) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs. 51.2 million as at 31st December 2018. (2017 - Rs. 47.9 million).

As at 31st December 2018, Rs. 154.8 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.

NOTES TO THE FINANCIAL STATEMENTS

6.3.(B) Credit Risk (Contd.)

Credit Risk of Reinsurance Receivables by Rating Class

Reinsurer	Rating	2018		2017	
		On Paid Claims		On Paid Claims	
		%	Rs. '000	%	Rs. '000
Munich Re	AA	93	96,890	98	100,104
RGA	AA-	7	6,772	2	1,561
Total		100	103,661	100	101,665

Age analysis of reinsurance receivable

As at 31st December 2018	Up to 180 days		181 to 365 days		Over 365 days		Total	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Reinsurance receivable on paid claims	103,661	100	-	-	-	-	103,661	100

As at 31st December 2017	Up to 180 days		181 to 365 days		Over 365 days		Total	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Reinsurance receivable on paid claims	101,665	100	-	-	-	-	101,665	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 2018 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.

FINANCIAL ASSET ANALYSIS BASED ON CREDIT RATINGS



6.3.(B) Credit Risk (Contd.)

Credit quality analysis

Financial Investments Based on Credit Rates	Government Guaranteed	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BB+	BB	B+	BBB-	CC	Not rated	Total
31-Dec-18	Rs. '000																
Held to Maturity	245,115	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245,115
Loans & Receivable	518,554	409,141	26	801,209	1,035,737	1,516,236	904,280	227,940	61,011	-	-	-	-	140,102	-	-	5,614,236
Available for Sale	2,998,070	-	-	1,184,620	-	-	-	-	105,472	369,700	-	-	-	-	-	137,008	4,394,870
Fair Value through Profit & Loss	221,584	36,144	-	105,325	106,938	111,043	-	948,372	-	66,256	-	-	-	-	-	215,358	1,811,020
Cash at Bank	-	1,568	8,890	6,564	2,401	330,179	15,640	114	-	26	-	-	-	2,402	-	1,308	369,092
Total Financial Assets	3,583,323	446,853	8,916	111,889	910,548	2,661,579	1,531,876	1,852,766	227,940	61,011	171,754	369,700	-	2,402	140,102	353,674	12,434,333

Financial Investments Based on Credit Rates	Government Guaranteed	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BB+	BB	B+	BBB-	CC	Not rated	Total
31-Dec-17	Rs. '000																
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	2,503,037	-	-	-	-	1,164,676	-	-	-	-	369,700	-	-	-	-	134,200	4,171,613
Fair Value through Profit & Loss	458,728	145,113	82,402	98,792	-	-	-	1,594,281	-	57,396	79,508	-	-	-	-	110,456	2,626,676
Cash at Bank	-	-	2,905	2,744	372	245,254	1,077	493	-	-	22	-	-	58,436	-	3,281	314,584
Total Financial Assets	3,679,809	26	148,018	148,199	770,599	1,983,328	214,249	1,844,614	229,726	266,491	79,530	369,700	-	112,220	186,009	276,554	10,309,072

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.

NOTES TO THE FINANCIAL STATEMENTS

6.3.(B) Credit Risk (Contd.)

Credit Risk Relating to Loans to Life Policyholders

The credit risk exposure arising from loans granted to life policyholders are as follows.

Loan Category	2018 Rs. '000	2017 Rs. '000
Life policyholders	161,001	140,385
Total	161,001	140,385

The Company issued loans to life policy holders considering the surrender value of the life policy as collateral according to the policy condition. As at the reporting date, the value of policy loans granted amounted to Rs. 161 million (2017 - 140 million) and its related surrender value is Rs. 248 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 regularly reports the largest exposures by rating category to the Risk Committee of the Board.

Premium Receivables

In life insurance, credit risk is minimal, since premium is collected before the policy is issued.

See Note 29 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. 369 million at 31st December 2018. (2017- Rs. 314.5 million).

Assessment of Impairment Losses

The 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 4.8 to these financial statements.

Based on the assessments made there was no provision has been made for impairment in the financial statements.

6.3.(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
- Maintaining a diversified funding base and appropriate contingency facilities
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.
- 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.

Treasury maintains a pool of short-term liquid assets that is intended to provide sufficient liquidity in the Company as a whole to cover short-term fluctuations in the liquidity requirements of any business. Longer-term funding is used to manage structural liquidity requirements.

Regular liquidity stress-testing is conducted under a variety of scenarios, covering both normal and more severe market conditions. The scenarios are developed taking into account both Company specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, natural disasters or other catastrophes).

Maturity Profiles

As at 31st December	2018					2017				
	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	-	-	245,115	-	245,115	-	-	238,803	-	238,803
Loans & Receivables	-	3,277,344	551,431	1,785,461	5,614,236	-	1,637,548	395,315	924,533	2,957,396
Available For Sale										
Financial Assets	1,796,800	-	-	2,598,070	4,394,870	1,668,576	-	-	2,503,037	4,171,613
Financial Assets at FVTPL	1,589,436	-	-	221,584	1,811,020	2,167,948	-	-	458,728	2,626,676
Life Policyholder Loans	-	-	-	161,001	161,001	-	-	-	140,385	140,385
Reinsurance Receivables	-	154,802	-	-	154,802	-	149,548	-	-	149,548
Premium Receivables	-	507,434	-	-	507,434	-	290,821	-	-	290,821
Other Financial Assets	-	45,357	-	-	45,357	-	144,663	-	-	144,663
Total	3,386,236	3,984,937	796,546	4,766,116	12,933,835	3,836,524	2,222,580	634,118	4,026,683	10,719,905

NOTES TO THE FINANCIAL STATEMENTS

6.3.(C) Liquidity Risk (Contd.)

Maturity Profiles (Contd.)

As at 31st December	2018					2017				
	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
Liabilities										
Reinsurance Payable	-	320,824	-	-	320,824	-	236,265	-	-	236,265
Insurance Contract Liabilities - Maturity	-	466,079	460,897	6,255,958	7,182,934	-	417,789	579,446	6,427,129	7,424,364
Other Financial Liabilities	-	467,814	-	-	467,814	-	473,885	-	-	473,885
Bank Overdraft	-	370,422	-	-	370,422	-	76,740	-	-	76,740
Total	-	1,625,139	460,897	6,255,958	8,341,994	-	1,204,679	579,446	6,427,129	8,211,254

6.3.(D) Operational Risks

Operational risk 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 the risks of mis-selling of products, modelling errors and non-compliance with legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective in managing operational risk is to balance the avoidance of financial losses and damage to the Company's reputation with overall cost-effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to the Company risk committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

Requirements for appropriate segregation of duties, including the independent authorisation of transactions;

- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company risk committee, with summaries submitted to the Company's audit committee and management.

Capital Management

Regulatory capital - Risk Based Capital (RBC) Framework

The Company management committee uses regulatory capital ratios to monitor the Company's capital base. The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Company's regulator, Insurance Regulatory Commission of Sri Lanka (IRCSL), monitors capital requirements for the Company as a whole.

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.

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

The 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

6.3.(D) Operational Risks (Contd.)

Summary of Company's Compliances to the RBC Framework describe as following graph and table.

RISK BASED CAPITAL ADEQUACY RATIO



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	2018				2017			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	Rs. '000	Rs. '000						
Total Available Capital (TAC)	6,630,542	6,953,453	7,250,563	7,828,045	9,516,651	5,374,770	10,739,168	6,084,461
Risk Based Capital requirement (RCR)	3,177,751	3,496,288	3,733,994	3,935,366	5,703,427	3,014,348	6,001,575	2,920,932
1. Risk-based Capital Adequacy Ratio (CAR)	209%	199%	194%	199%	167%	178%	179%	208%
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						

7. FAIR VALUES MEASUREMENT

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

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.

A. Valuation Models

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 market prices (unadjusted) in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUES MEASUREMENT (CONTD.)

Following table represents the fair value measurement of the company according to fair value hierarchy.

Instrument category	Fair value basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Investment in Shares		
Investment in Listed Shares	Closing market prices	Level 1
Investment in Units		
Investment in Listed Units	Published Market Prices (VWA)	Level 1
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 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	Level 2
Fixed and Term Deposits		
Deposit > 1 year	Discounted Cash Flow (DCF) Method	Level 2
Other Financial Assets		
Staff Loans	The fair value of the staff loans has been computed based on the interest rates prevailed at reporting date	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.

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short- term in nature or re-price to current market rates frequently :

Assets	Liabilities
Cash and Cash Equivalents / Term Deposits less than one year	Reinsurance Creditors
Repo	Other Liabilities (Excluding Government Levies and Accruals)
Overnight Repo	
Loans to Life Policyholders	
Reinsurance Receivables	
Premium Receivables	

B. Valuation Framework

The Company has an established control framework for the measurement of fair values. This framework includes a valuation team (Treasury Back Office (TBO) which is independent from Treasury Front Office (TFO), which reports to the chief financial officer, with overall responsibility for overseeing and independently verifying all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models;
- biannual calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month.

When third party information – e.g. broker quotes, pricing services or independent property valuations – is used to measure fair value, the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS. This includes:

Verifying that the broker, pricing service or independent property valuer is approved by the Company for use in pricing the relevant type of asset or liability;

- understanding how the fair value has been arrived at, the extent to which it reflects actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar assets or liabilities are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the asset or liability subject to measurement; and
- if a number of quotes for the same asset or liability have been obtained, then understanding how fair value has been determined using those quotes.

Significant valuation issues are reported to the Audit Committee.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7.1 : financial instruments;
- Note 7.1 : owner-occupied property measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

7.1 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	2018			2017			Total Carrying Value	Total Fair Value	Total Carrying Value
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3			
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-Financial Assets Property, plant & equipment										
	21.13	-	-	228,864	228,864	-	-	236,000	236,000	236,000
	Total Non-Financial Assets at Fair Value	-	-	228,864	228,864	-	-	236,000	236,000	236,000
Financial Assets										
Financial investments – Fair value through profit or loss (FVTPL)										
	26.4.a	655,423	-	-	655,423	591,027	-	-	591,027	591,027
	26.4.c	221,584	-	-	221,584	458,728	-	-	458,728	458,728
	26.4.b	-	934,013	-	934,013	-	1,576,921	-	1,576,921	1,576,921
	Total	877,007	934,013	-	1,811,020	1,049,755	1,576,921	-	2,626,676	2,626,676
Financial investments – Available for Sale (AFS)										
	26.3.a	2,598,070	-	-	2,598,070	2,503,037	-	-	2,503,037	2,503,037
	26.3.b	1,427,100	-	369,700	1,796,800	1,298,876	-	369,700	1,668,576	1,668,576
	Total	4,025,170	-	369,700	4,394,870	3,801,913	-	369,700	4,171,613	4,171,613
	Total Financial Assets at Fair Value	4,902,177	934,013	369,700	6,205,890	4,851,668	1,576,921	369,700	6,798,289	6,798,289
	Total Assets at Fair Value	4,902,177	934,013	598,564	6,434,754	4,851,668	1,576,921	605,700	7,034,289	7,034,289

7.2 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 25.1 on page 391.

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 320.

Note 25.13.4 on page 393 provides information on significant unobservable inputs used as at 31st December 2018 in measuring fair value of Land and Buildings categorised as Level 3 in the fair value hierarchy.

Note 25.13.4.1 on page 393 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 2018 (Rs. 369.7 million as at end 2017) 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'.

7.3 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.

NOTES TO THE FINANCIAL STATEMENTS

7.3 Financial Instruments not Measured at Fair Value and Fair Value Hierarchy (Contd.)

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	2018				2017					
		Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Total Carrying Value
Financial Assets											
Financial investments – Held to Maturity (HTM)											
Treasury Bonds	26.1	238,782	-	-	238,782	236,771	-	-	236,771	-	238,803
Financial investments – Loans and Receivables (L&R)											
Corporate Debts	26.2 b	-	2,636,633	-	2,636,633	-	1,776,292	-	1,776,292	-	1,794,875
Term Deposits	26.2 a	-	-	-	1,803,160	-	-	-	514,092	-	514,092
Commercial Paper	26.2	-	-	-	656,794	-	-	-	169,188	-	169,188
Repo	26.2	-	-	-	518,554	-	-	-	479,241	-	479,241
Other Financial Assets											
Cash and Cash Equivalents	31	-	-	-	381,270	-	-	-	318,945	-	318,945
Loans to Life Policyholders	27	-	-	-	161,001	-	-	-	140,385	-	140,385
Reinsurance Receivables	28	-	-	-	154,802	-	-	-	149,548	-	149,548
Premium Receivables	29	-	-	-	507,434	-	-	-	290,821	-	290,821
Receivable and other assets	30	-	-	-	45,357	-	-	-	144,663	-	144,663
Total Financial Assets not at Fair Value		238,782	2,636,633	-	7,103,787	236,771	1,776,292	-	4,219,946	-	4,240,561
Financial Liabilities											
Reinsurance Payables	39	-	-	-	320,824	-	-	-	236,265	-	236,265
Other Liabilities (Excluding Government Levies)	41	-	-	-	769,152	-	-	-	724,981	-	724,981
Bank Overdraft	31	-	-	-	370,422	-	-	-	76,740	-	76,740
Total Financial Liabilities not at Fair Value		-	-	-	1,460,398	-	-	-	1,037,986	-	1,037,986

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.

7.4 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

7.5 Accounting classifications and fair values

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

7.5.1 Financial Assets

	As at 31st December	2018										2017									
		Carrying Value					Carrying Value					Carrying Value					Carrying Value				
		Note	Fair value through Profit or Loss	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	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	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		26.3/26.4	1,811,020	-	-	4,394,870	6,205,890	6,205,890	2,626,676	-	-	-	-	-	-	-	4,171,613	6,798,289	6,798,289		
- Measured at Amortised Cost		26.1/26.2	-	245,115	5,614,236	-	5,859,351	5,859,351	-	238,803	2,957,396	-	-	-	-	-	-	3,196,199	3,175,584		
Loans to Life Policy Holders and Others		27	-	-	161,001	-	161,001	161,001	-	-	140,385	-	-	-	-	-	-	140,385	140,385		
Reinsurance Receivables		28	-	-	154,802	-	154,802	154,802	-	-	149,548	-	-	-	-	-	-	149,548	149,548		
Premium Receivables		29	-	-	507,434	-	507,434	507,434	-	-	290,821	-	-	-	-	-	-	290,821	290,821		
Receivables and Other Assets		30	-	-	45,357	-	45,357	45,357	-	-	144,663	-	-	-	-	-	-	144,663	144,663		
Cash and Cash Equivalents		31	-	-	381,270	-	381,270	381,270	-	-	318,945	-	-	-	-	-	-	318,945	318,945		
Total Financial Assets			1,811,020	245,115	6,864,100	4,394,870	13,315,105	13,309,677	2,626,676	238,803	4,001,758	4,171,613	11,038,850	11,018,235							

7.5.2 Financial Liabilities

	As at 31st December	2018					2017				
		Carrying Value		Carrying Value			Carrying Value		Carrying Value		
		Note	Other Financial Liabilities	Total Carrying Value	Fair Value	Other Financial Liabilities	Total Carrying Value	Fair Value	Other Financial Liabilities	Total Carrying Value	Fair Value
Reinsurance Payables		39	320,824	320,824	320,824	320,824	236,265	236,265	236,265	236,265	
Bank Overdraft		31	370,422	370,422	370,422	370,422	76,740	76,740	76,740	76,740	
Other Liabilities		41	769,152	769,152	769,152	724,981	724,981	724,981	724,981	724,981	
Total Financial Liabilities			1,460,398	1,460,398	1,460,398	1,037,986	1,037,986	1,037,986	1,037,986	1,037,986	

NOTES TO THE FINANCIAL STATEMENTS

8. OPERATING SEGMENTS

A. Basis for Segmentation

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Senior management of the Company (being the Company's operating decision maker) to make decisions about resources allocated to each operating segment and assess performance, and for which discrete financial information is available.

For management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments and the products and services that each reportable segment offers as follows:

Reportable Operating Segment	Nature of the Products and services
Policyholder Fund	Policyholder fund represents all long term insurance business related products and riders
Shareholder Fund	Shareholder fun represents the investment income and their attributable profits

Activities of the Company are located in Sri Lanka. The economic environment in which the Company operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

B. Information about Reportable Segments

Summary of Segment Performance

For the Year ended 31 December	2018			2017		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Segment revenue						
Gross Written Premium	10,005,753	-	10,005,733	7,530,935	-	7,530,935
Net Earned Premium	9,279,175	-	9,279,175	6,728,473	-	6,728,473
Total Investment Income and Other Revenue	758,357	195,026	953,383	969,444	99,735	1,069,179
Total Net Revenue	10,037,532	195,026	10,232,558	7,697,917	99,735	7,797,652
Total Claims and Expenses	(7,485,943)	(151,264)	(7,637,207)	(5,365,548)	(10,218)	(5,375,766)
Change in Contract Liabilities	(1,500,589)	-	(1,500,589)	(517,365)	-	(517,365)
Segment Profit Before Tax	1,051,000	43,762	1,094,762	1,815,004	89,517	1,904,521
Income Tax Expenses		2,241,483	2,241,483	-	420,000	420,000
Segment Profit After Tax	1,051,000	2,285,245	3,336,245	1,815,004	509,517	2,324,521

All revenues are from external customers. There is no revenue from transactions between operating segments.

Summary of Segment Financial Position

As at 31 December	2018			2017		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Segment Assets	10,971,063	6,361,904	17,332,967	10,138,073	2,340,373	12,478,446
Segment Equity	(612,484)	7,283,447	6,670,963	(258,453)	4,144,582	3,886,129
Segment Liabilities	11,583,547	(921,543)	10,662,004	10,396,526	(1,804,209)	8,592,317

The Company monitors its cash flows at Company level. Therefore segmental cash flows have not been presented.

9. 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.

9.1 Insurance and Investment Contracts

9.1.1 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”).

NOTES TO THE FINANCIAL STATEMENTS

9.1.1 Product Classification (Contd.)

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 MIX



The Premium Income for the year by major classes of business is as follows;

9.2 Life Insurance Gross Written Premium

For the Year ended 31st December	2018	2017
	Rs. '000	Rs. '000
First Year Premium	2,562,881	2,035,805
Renewal Premium	5,187,672	4,308,774
Group Life Premium	851,499	359,514
Single Premium	1,403,681	826,842
Total GWP	10,005,733	7,530,935

10. 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.



10.1 Reinsurance Premium

For the Year ended 31st December	2018	2017
	Rs. '000	Rs. '000
Treaty	724,283	802,462
Facultative	2,275	-
Total	726,558	802,462

NOTES TO THE FINANCIAL STATEMENTS

11. NET EARNED PREMIUMS

This represents the Net Earned Premiums for the Financial year subsequent to the deduction of reinsurance premium from Gross Written Premium.



For the Year ended 31st December	2018 Rs. '000	2017 Rs. '000
Gross Written Premium (a)	10,005,733	7,530,935
Premium Ceded to Reinsurer (b)	(726,558)	(802,462)
Net Earned Premium (a+b)	9,279,175	6,728,473

12. 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.

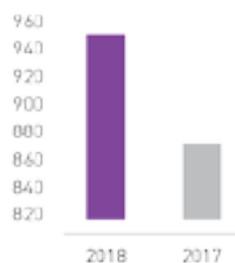
The calculation of the Effective Interest Rate includes all transaction costs and fees and points paid or received that are an integral part of the Effective Interest Rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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.

NET FINANCE INCOME

[Rs. Mn]

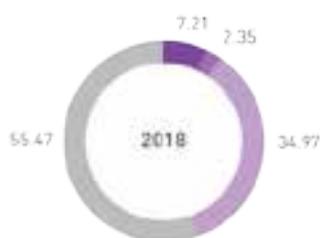


9.03%

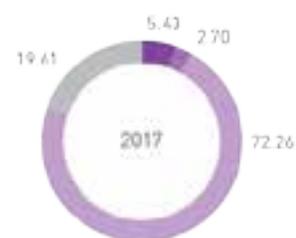
2018 : 954Mn
2017 : 875Mn

INVESTMENT INCOME ANALYSIS

[%]



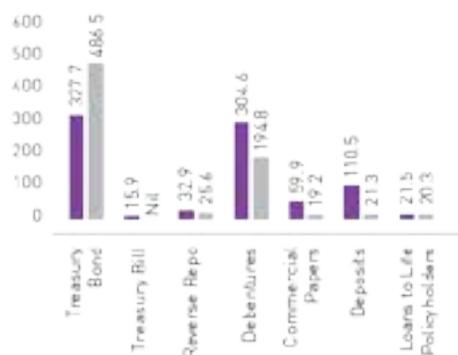
- Fair Value through Profit or Loss
- Held to Maturity Financial Assets
- Available-for-Sale
- Loan and Receivables



For the Year ended 31st December

		2018	2017
		Rs. '000	Rs. '000
Income from Financial Assets Classified at Fair Value through Profit or Loss	Note 12.1	68,804	47,551
Income from Financial Assets Classified at Held to Maturity	Note 12.2	22,402	23,625
Income from Financial Assets Classified at Available-For-Sale	Note 12.3	333,703	632,224
Income from Financial Assets Classified at Loans and Receivables	Note 12.4	529,344	171,597
Total Finance Income		954,253	874,997

INTEREST INCOME ANALYSIS BASED ON NATURE OF FINANCIAL INSTRUMENT



DIVIDEND INCOME ANALYSIS BASED ON INVESTMENT CLASSIFICATION

[Rs. Mn]



NOTES TO THE FINANCIAL STATEMENTS

12. NET FINANCE INCOME (CONTD.)

For the Year ended 31st December

2018
Rs. '000

2017
Rs. '000

12.1 Income from Financial Assets Classified as Fair Value through Profit or Loss

Interest Income - Treasury Bonds	32,675	25,846
Interest Income - Treasury Bills	15,864	-
Dividend Income - Equity Shares	20,265	21,705
Total	68,804	47,551

12.2 Income from Financial Assets Classified as Held to Maturity Financial Assets

Interest Income - Treasury Bonds	22,402	23,625
Total	22,402	23,625

12.3 Income from Financial Assets Classified as Available-For-Sale

Interest Income	Note 12.3.a	272,664	546,597
Dividend Income	Note 12.3.b	61,039	85,627
Total		333,703	632,224

12.3.a Interest Income

Treasury Bonds	272,664	437,015
Debentures	-	109,582
Total	272,664	546,597

12.3.b Dividend Income

Equity Shares	61,039	85,627
Total	61,039	85,627

12.4 Income from Financial Assets Classified as Loans and Receivables

Interest Income			
Interest Income from Reverse Repo Agreements		32,891	25,616
Term Deposits		110,498	21,316
Debentures		304,557	85,195
Commercial Papers		59,937	19,188
Loans to Life Policyholders		21,461	20,282
Total		529,344	171,597

Temporary Exception from SLFRS 9

As explained in page 336, the company has decided to take temporary exception from SLFRS 9 as the Company's activities are predominantly connected with insurance activities and company had not previously applied any version of SLFRS 9.

Therefore net finance income is presented in accordance with LKAS 39.

13. 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.



For the Year ended 31st December		2018	2017
		Rs. '000	Rs. '000
Net Realised Capital (Loss)/Gain from Available-for-Sale Financial Assets	Note 13.1	(220)	9,696
Net Realised Capital (Loss)/Gain on Sale of Shares		(35,238)	35,121
Net Realised Capital Gain on Sale of Unit Trust		115,044	-
Net Realised Capital Gain on Sale of Treasury Bonds		15,900	6,364
Net Realised Capital Gain on Sale of Treasury Bill		587	-
Total Net Realised gains		96,073	51,181

For the Year ended 31st December		2018	2017
		Rs. '000	Rs. '000
13.1 Net (Loss)/Gains from Available-for-sale Financial Assets			
Realised gains			
Treasury Bonds		-	9,696
Realised losses			
Treasury Bonds		(220)	-
Total		(220)	9,696

NOTES TO THE FINANCIAL STATEMENTS

14. NET FAIR VALUE (LOSSES)/GAINS

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.



For the Year ended 31st December

		2018	2017
		Rs. '000	Rs. '000
Financial Investments at Fair Value through Profit or Loss	Note 14.1	(97,996)	57,970
Gain on Derivative Financial Instrument		-	38,008
Total Fair Value (Losses)/Gains		(97,996)	95,978
14.1 Financial Investments at Fair Value through Profit or Loss			
Unrealised (Losses)/Gains			
Equity Securities		(72,665)	(13,069)
Treasury Bonds		(39,154)	44,118
Unit Trusts		13,823	26,921
Total		(97,996)	57,970

15. OTHER OPERATING INCOME

ACCOUNTING POLICY

Other income comprises fees, 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

(Rs. Mn)



For the Year ended 31st December

2018

2017

Rs. '000

Rs. '000

Additional Consideration Received from Disposal of Subsidiary

-

34,904

Sundry Income

1,053

12,119

Total

1,053

47,023

16. 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 PAID

(Rs. Mn)



NOTES TO THE FINANCIAL STATEMENTS

16. NET INSURANCE BENEFITS AND CLAIMS PAID (CONTD.)

For the Year ended 31st December		2018	2017
		Rs. '000	Rs. '000
Gross Insurance Benefit and Claims Paid	(A)	2,741,624	1,784,765
Change in Contract Liabilities Ceded to Reinsurers	(C)	(442,612)	(539,508)
Net Insurance Benefit and Claims Paid		2,299,012	1,245,257

17. 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		2018	2017
		Rs. '000	Rs. '000
Gross change in Insurance Contract Liabilities	(B)	43,539	(48,000)
Change in Contract Liabilities Ceded to Reinsurers	(D)	(3,547)	25,244
Total Insurance Benefit and Claims (Net)		39,992	(22,756)

For the Year ended 31st December		2018	2017
		Rs. '000	Rs. '000
17.1 Net Insurance Benefits and Claim Expense Analysis			
Net Insurance benefit and claims paid		2,299,012	1,245,257
Net change in insurance claims outstanding		39,992	(22,756)
Total Net Insurance Claim Expense	Note 17.1.1	2,339,004	1,222,501

17.1.1 Total Net Insurance Claim Expense

For the Year ended 31st December	2018			2017		
	Gross Claims	Recovery from Reinsurers	Net Benefits and Claims	Gross Claims	Recovery from Reinsurers	Net Benefits and Claims
	(A+B) Rs. '000	(C+D) Rs. '000	Rs. '000	(A+B) Rs. '000	(C+D) Rs. '000	Rs. '000
Net claims						
Death, Disability and others riders - Endowment	1,113,937	(415,775)	698,162	802,934	(484,362)	318,572
Death and Hospitalisation - Group Life	446,611	(23,375)	423,236	131,990	(29,446)	102,544
Death - Decreasing Term Assurance (DTA)	139,183	(7,009)	132,174	20,420	(558)	19,862
Total	1,699,731	(446,159)	1,253,572	955,344	(514,366)	440,978
Net benefits						
Maturities / Surrenders - Investment products	473,825	-	473,825	201,275	-	201,275
Maturities - Endowment	339,584		339,584	345,467		345,467
Policy Surrenders - Endowment products	272,023		272,023	234,781		234,781
Total	1,085,432	-	1,085,432	781,523	-	781,523
Total Net Insurance Benefits and Claims	2,785,163	(446,159)	2,339,004	1,736,867	(514,366)	1,222,501

NET CLAIMS



NET BENEFITS



NOTES TO THE FINANCIAL STATEMENTS

18. 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 37 to these Financial Statements explain in detail about 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 37.1 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 310 to this report and further details of the life fund valuation is provided in Note 37.2 to 37.3 these Financial Statements.

For the year ended 31st December	2018			2017		
	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	10,005,733	(726,558)	9,279,175	7,530,935	(802,462)	6,728,473
Insurance benefits and claims incurred	(2,785,164)	446,159	(2,339,005)	(1,736,765)	514,264	(1,222,501)
Underwriting and net acquisition costs (including reinsurance)	(2,151,209)	106,989	(2,044,220)	(1,997,646)	166,873	(1,830,773)
Other operating, selling and administrative expenses attributable to policyholders	(3,102,718)	-	(3,102,718)	(2,312,274)	-	(2,312,274)
Investment and other income attributable to policyholders	758,357	-	758,357	969,444	-	969,444
Surplus from life insurance fund transferred to Life shareholder's fund	(1,051,000)	-	(1,051,000)	(1,017,000)	-	(1,017,000)
Change in contract liabilities - Life Fund	1,673,999	(173,410)	1,500,589	1,436,694	(121,325)	1,315,369

19. 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.

For the Year ended 31st December	2018	2017
	Rs. '000	Rs. '000
Underwriting and Policy Acquisition Cost	2,151,209	1,997,646
Reinsurance Commission including Profit Commission	(106,989)	(166,873)
Total Net Acquisition Cost	2,044,220	1,830,773

20. 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.



NOTES TO THE FINANCIAL STATEMENTS

20. OTHER OPERATING AND ADMINISTRATIVE EXPENSES (CONTD.)



For the Year ended 31st December		2018	2017
		Rs. '000	Rs. '000
Directors Fees and Remuneration	Note 20.1	79,760	86,799
Auditor's Remuneration			
Auditors' Fees and Related Expenses		2,100	1,900
Audit Related Services and Related Expenses		5,286	3,246
Non Audit Services and Related Expenses		7,288	1,988
Staff Expense	Note 20.2	1,287,514	867,678
Administration and Establishment Expenses		1,076,098	845,044
Selling Expenses		439,311	383,812
Depreciation of Property, Plant and Equipment		115,375	91,493
Amortisation of Intangible Assets		5,056	6,282
Legal Fees		617	1,572
Professional Fees		2,999	9,592
Impairment of Receivable on sale of subsidiary		105,763	-
Notional Tax write off - Policyholder Fund	Note 30.2	60,315	-
Total Other Operating and Administrative Expenses		3,187,482	2,299,406

20.1 Directors' Emoluments

Directors emoluments represent the fees paid to both the Executive and Non-Executive Directors of the Company.

20.2 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	2018	2017
	Rs. '000	Rs. '000
Staff Remuneration	566,048	417,384
Defined Contribution Plan Costs - EPF	73,710	57,116
Defined Contribution Plan Costs - ETF	18,428	14,265
Other Staff Costs (Travelling, Overtime, Bonuses including Performance Bonus)	608,476	364,472
Total Staff Remuneration	1,266,662	853,237
Long Term Employee Benefits		
Defined Benefit Plan Cost	20,852	14,441
Total Staff Expenses	1,287,514	867,678

21. 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. 24 of 2017 and the amendments thereto. Until 31st March 2018, the Company was liable under Inland Revenue Act No. 10 of 2006 and amendments there to.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

21. INCOME TAX EXPENSES (CONTD.)

The major components of income tax expense for the year ended 31st December are as follows;

For the Year ended 31st December		2018 Rs. '000	2017 Rs. '000	
Tax recognised in Income Statement				
Current Tax Expense				
Income Tax on Current Year's Profits		-	-	
Notional Tax Write off During the Year (Shareholder Fund)		89,479	-	
		89,479	-	
Deferred Income Tax				
Origination of Deferred Tax Assets	Note 22.a	(2,496,536)	(420,000)	
Reversal of Deferred Tax Assets	Note A	165,574	-	
Deferred Taxation		(2,330,962)	(420,000)	
Income Tax (Reversal)/Expense reported in the Income Statement		(2,241,483)	(420,000)	
Tax Recognised in Other Comprehensive Income				
Deferred Taxation Charge / (Reversal)		-	-	
21.1 Reconciliation of Effective Tax rate				
Profit for the Year		3,336,245	2,324,521	
Current Tax Expense		165,574	-	
Provision for Tax Credits (Notional Tax Credit)		89,479	-	
Origination of Deferred Tax Assets		(2,496,536)	(420,000)	
Profit Before Tax		1,094,763	1,904,521	
Note A				
Tax using the Company's domestic Tax rate	28%	306,534	28%	533,266
Aggregate Allowable Expenses	(17%)	(188,498)	(30%)	(564,666)
Aggregate Disallowed Expenses	4%	47,538	2%	31,401
Reversal of Deferred Tax Assets Against Income Tax Expense	15%	165,574	0%	-

For the year ended 31st December 2018 Softlogic Life Insurance PLC is liable to income tax at 28% (2017 - 28%) in terms of Inland Revenue Act No. 10 of 2006 and amendments there to till 31st March 2018 and Commencing from 01st April 2018 the Company is liable for income tax under the IRD Act No. 24 of 2017.

21.1.a Income Tax Computation as per IRD Act No 24 of 2017

	2018 Rs. '000
Surplus Distributed to Shareholder from the Life Insurance Policy Holders Fund	466,000
Investment Income of the Shareholder Fund	125,339
Business Income	591,339
Deductions Under Section 19 of the IRD Act	(591,339)
Total Assessable Income	-
Tax Liability	-

As at 31st December 2018 Company has not incurred tax payable since as at reporting date the Company has no any assessable income to be taxed as per the IRD Act No 24 of 2017.

21.2 Analysis of Tax Losses

Life Insurance

	2018	2017
	Rs. '000	Rs. '000
Total Carried Forward Tax Losses as at 1st January	10,279,430	7,567,472
Tax Losses Generated during the period	868,802	2,711,958
Tax losses utilised against taxable Income	(591,339)	-
Total Carried Forward Tax Losses as at 31st December	10,556,893	10,279,430

21.2.a Life Insurance Taxation

The Department of Inland Revenue of Sri Lanka has issued "Inland Revenue Act No. 24 of 2017" on 24th October 2017 which was 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%).

Accordingly the Company computed income tax on this basis as per the Note 21.1.a above. Due to the carried forward tax losses Company has no tax liability which is payable as at reporting date.

Details of taxation on surplus distributed to the life insurance policyholders who shares profits is disclosed in note 37.5.1 in page 413.

22. 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.

NOTES TO THE FINANCIAL STATEMENTS

22. DEFERRED TAXATION (CONTD.)

Deferred Tax Asset

Company recognized a Deferred Tax asset consequent to the changes in the Inland Revenue No. 24 of 2017 described in note 21.2.a. The Board of Directors carefully analysed the availability of the future taxable profits against which the unused tax losses can be utilized. In this assessment Company estimated the profitability using the internal budgets and plans for the upcoming 4 years in a very conservative manner. In this assessment, directors note the composition of the carried forward tax loss as given in the note 22.a

As per the new Inland Revenue act No. 24 of 2017 which is effective from 1st April 2018, 100% of taxable income is allowed to be deducted against the tax losses incurred whereas under the previous act, deduction was limited only to 35% of the total statutory income. According to the transitional provisions of the new act, the brought forward tax loss can be claimed against taxable income for a period of 6 years commencing from the year of assessment 2018/19.

As at 1st January 2018, the cumulative business losses amounted to Rs. 10,273 million and for the quarter ended 31st March 2018, the business loss amounted to Rs. 868 million. Accordingly, a deferred tax of Rs. 2,331 million was recognized during the year resulting a deferred tax asset of Rs. 2,751 million as at 31st December 2018.

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.

Deferred Tax Liability

As explained in note 21.2 (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.

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. The offset amounts are as follows:

As at 31st December	2018 Rs. '000	2017 Rs. '000
Deferred Tax Assets	2,750,962	420,000
Deferred Tax Liabilities	-	-
Net Deferred Tax Asset	2,750,962	420,000

22.a Movement and Composition of Deferred tax Assets and Liabilities

As at 31st December				Balance as at 31st December 2018		
	Net balance as at 01st January	Recognised in profit or loss	Recognised in OCI	Net Balance	Deferred tax assets	Deferred tax liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Carry Forward Tax Losses (9,824,864 x 28%)	420,000	2,330,962	-	2,750,962	2,750,962	-
Net Tax Asset	420,000	2,330,962	-	2,750,962	2,750,962	-

As at 31st December				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
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Carry Forward Tax Losses (1,500,000 x 28%)	-	420,000	-	420,000	420,000	-
Net Tax Asset	-	420,000	-	420,000	420,000	-

Analysis of Tax Losses

The composition of the tax losses as follows;

Description	2018	2017
	Rs. Million	Rs. Million
Tax losses up to year of assessment 2009/10	1,967	1,967
Tax losses subject to tax assessments	3,414	1,985
Tax losses within the time bar	5,767	6,327
Tax losses utilised against taxable Income	(591)	-
Total brought forward tax losses	10,557	10,279

As at reporting date there is unrecognised tax loss amount in to Rs. 732 million.

NOTES TO THE FINANCIAL STATEMENTS

23. 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.



For the year ended 31st December	2018	2017
23.1 Basic Earning Per Share		
Profit Attributable to Ordinary Shareholders (Rs. 000)	3,336,245	2,324,521
Weighted Average Number of Ordinary Shares as at 31st December ('000)	375,000	375,000
Basic/Diluted Earning per Share - (Rs.)	8.90	6.20
Basic/Diluted Earning per Share - (Rs.) - Excluding One-off Surplus	8.90	4.07

23.2 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 23.1.

23.3 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, Subject to regulatory approval.

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	2018	2017
Dividend declared per share*	1.45	-
Dividends paid out of dividend received (Rs.'000)	389,562	-
Dividends paid out of own profits (Rs.'000)	154,188	-
Total	543,750	-

* Subject to regulatory approval.

Interim Dividend Declared

The Board of Directors has declared a payment of an interim dividend of Rs. 1.45 per share for the Financial year 2018. In accordance with Sri Lanka Accounting Standards LKAS 10 - Events after the Reporting Period, this interim dividend has not been recognised as a liability as at 31st December 2018.

Under the Inland Revenue Amendment Act, No. 24 of 2017, a withholding tax of 14% has been imposed on dividends declared from 01st April 2018. In case of any dividend paid to the shareholder of Company prior to April 01, 2019, out of dividend received by the company from other company on which tax had been deducted prior to April 01, 2018 in accordance with the provisions of the Inland Revenue Act No 10 of 2006, such dividend shall not be subjected to tax under the provisions of the Inland Revenue Act No 24 of 2017.

Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company has satisfied the Solvency Test in accordance with the Section 57, prior to recommending the interim dividend for the year ended 31st December 2018. A statement of Solvency completed and duly signed by the Directors on 27th February 2019 has been audited by Messrs. KPMG and they have issued an opinion on 28th February 2019.

24. 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.

NOTES TO THE FINANCIAL STATEMENTS

24. INTANGIBLE ASSETS (CONTD.)

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 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.



Reconciliation of Carrying amounts

As at 31st December	2018 Rs. '000	2017 Rs. '000
Computer Software		
Cost		
Balance as at 01st January	91,067	90,876
Acquisition	-	191
Balance as at 31st December	91,067	91,067
Accumulated amortization and impairment losses		
Balance as at 01st January	83,922	77,640
Amortisation	5,056	6,282
Balance as at 31st December	88,978	83,922
Carrying Value As at 31st December	2,089	7,145

24.1 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.

24.2 Acquisition of Intangible Assets during the year

During the financial year, the Company has not acquired Intangible Assets. (2017: Rs. 0.1 million)

24.3 Fully Amortised Intangible Assets in use

Fully amortised Intangible Assets in use as at reporting date was Rs. 73.6 million. (2017: Rs. 61.3 million)

24.4 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.

24.5 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31st December 2018. 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.

24.6 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Intangible Assets during the year (2017 - Nil).

24.7 Amortization of Intangible Assets

Amortization expense of Rs. 5.1 million (2017: Rs. 6.3 million) has been charged to income statement.

25. 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.

NOTES TO THE FINANCIAL STATEMENTS

25. PROPERTY, PLANT AND EQUIPMENT (PPE) (CONTD.)

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.

Last revaluation was carried out by the Company for its all 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 25.13.4.1 on page 393.

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 25.1 on page 391.

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.

NOTES TO THE FINANCIAL STATEMENTS

25. PROPERTY, PLANT AND EQUIPMENT (PPE) (CONTD.)

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

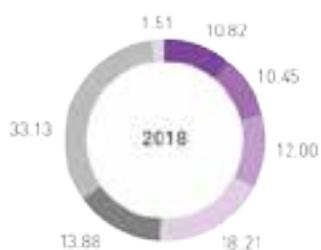
Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments 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



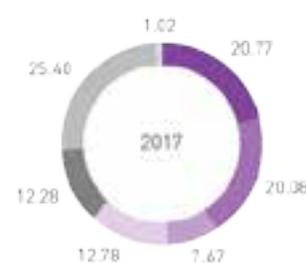
- Freehold Land
- Freehold Building
- Computer Hardware
- Office Equipment
- Furniture and Fittings
- Fixtures and Fittings
- Motor Vehicles



PROPERTY, PLANT AND EQUIPMENT-CARRYING VALUE



- Freehold Land
- Freehold Building
- Computer Hardware
- Office Equipment
- Furniture and Fittings
- Fixtures and Fittings
- Motor Vehicles



25.1 Reconciliation of Carrying Amount

	Freehold Land	Freehold Building	Computer Hardware	Office Equipment	Furniture and Fittings	Fixtures and Fittings	Motor Vehicles	Total 2018	Total 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost									
Balance as at 01st January 2018	120,000	116,000	117,353	163,095	121,228	298,408	16,751	952,835	787,746
Additions during the year	-	-	15,767	39,010	32,733	69,219	-	156,729	160,651
Surplus on revaluation	-	-	-	-	-	-	-	-	23,533
Transferred to revaluation	-	-	-	-	-	-	-	-	(18,884)
Disposals during the year	-	-	-	-	-	-	-	-	(211)
Balance as at 31st December 2018	120,000	116,000	133,120	202,105	153,961	367,627	16,751	1,109,564	952,835
Accumulated Depreciation									
Balance as at 01st January 2018	-	-	73,046	89,279	50,264	151,678	10,863	375,130	302,732
Charge during the year	-	7,136	15,374	26,613	11,745	50,343	4,164	115,375	91,493
Transferred to revaluation	-	-	-	-	-	-	-	-	(18,884)
Disposals during the year	-	-	-	-	-	-	-	-	(211)
Balance as at 31st December 2018	-	7,136	88,420	115,892	62,009	202,021	15,027	490,505	375,130
Carrying Value as at 31st December 2018	120,000	108,864	44,700	86,213	91,952	165,606	1,724	619,059	
Carrying Value as at 31st December 2017	120,000	116,000	44,307	73,816	70,964	146,730	5,888	-	577,705

25.2 Leased Motor Vehicle

The Company leases a Motor vehicle under a finance lease. Accordingly lease obligations are applicable. As at 31st December 2018 the net carrying amount of motor vehicle was Rs. 1.7 Million.

25.3 Acquisition of PPE During the Year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 156.7 million (2017 - Rs. 160.6 million).

25.4 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	2018	2017
	Rs. '000	Rs. '000
Computer Hardware	50,478	45,722
Office Equipment	56,673	47,902
Furniture and Fittings	22,677	17,343
Fixtures and Fittings	87,804	67,360
Motor Vehicle	75	75
	217,707	178,402

25.5 PPE Pledged as Security

None of the PPE have been pledged as securities as at the reporting date.

25.6 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.

25.7 Title Restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

25.8 Assessment of Impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st December 2018. 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.

25.9 Depreciation of PPE

Depreciation expense of Rs. 115.3 million (2017: Rs. 91.4 million) has been charged in the statement of income.

25.10 Temporarily Idle Property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

25.11 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.

25.12 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of Property Plant and Equipment during the year (2017 - Nil).

25.13 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	Revalued	Carrying
						amount Land	amount Building	value at Cost
						Rs. '000	Rs. '000	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

25.13.1 Net Gain on Revaluation on Land and Building recognised in previous year

	Land Rs.'000	Building Rs.'000	Total Rs.'000
Revaluation surplus	12,000	11,533	23,533

25.13.2 If Land and Buildings were Stated at Historical Cost, the Amounts would have been as Follows;

	2018 Rs. '000	2017 Rs. '000
Cost	211,206	211,206
Accumulated depreciation	(23,118)	(16,839)
Carrying value	188,088	194,367

25.13.3 The Effect of Revaluation of Freehold Buildings on the Statement of Income in the Subsequent Period is as Follows;

	2018 Rs. '000	2017 Rs. '000
Depreciation charge per annum after revaluation	7,136	6,824
Depreciation charge per annum prior to revaluation	6,279	6,279
Decrease in profit in subsequent period	857	545

25.13.4 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.

25.13.4.1 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

26. FINANCIAL INVESTMENTS

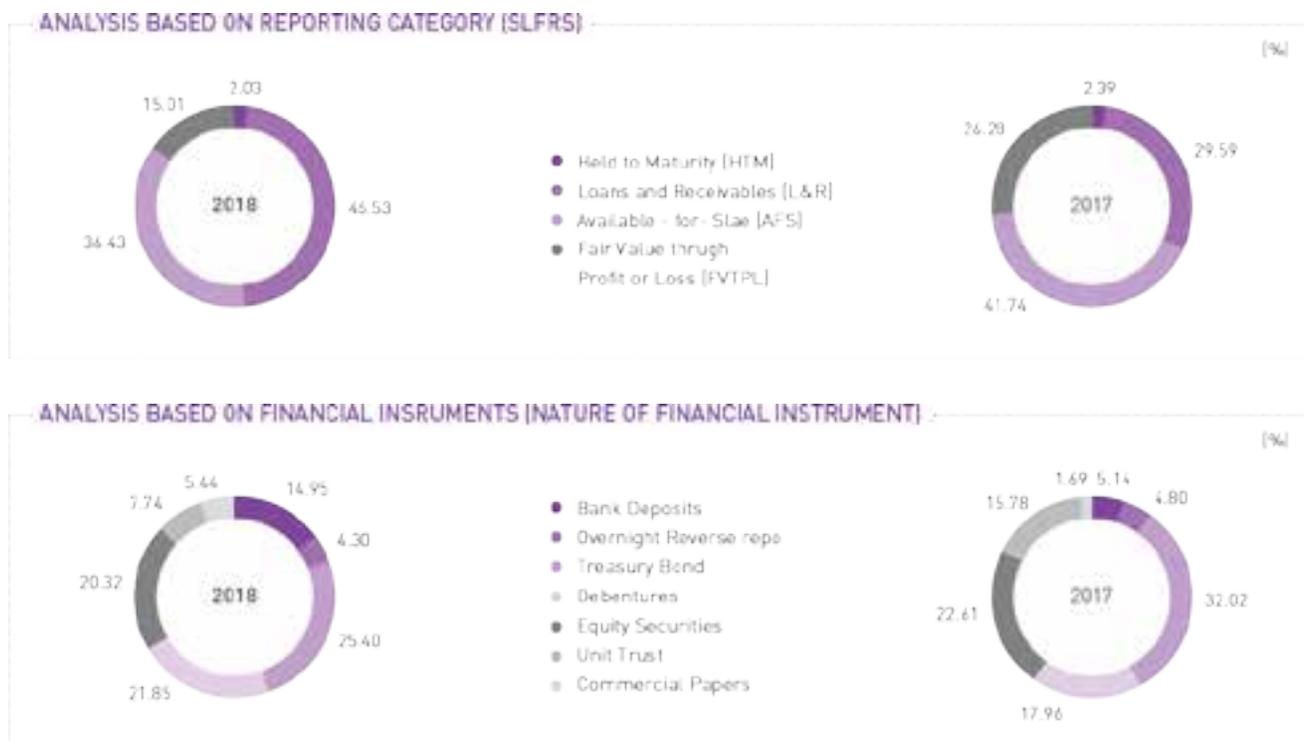
Refer Notes 4.1 for the Accounting Policies on page 329.

Temporary Exception from SLFRS 9

As explained in page 336, the company has decided to take temporary exception from SLFRS 9 as the Company's activities are predominantly connected with insurance activities and company had not previously applied any version of SLFRS 9.

Therefore financial investments are presented in accordance with LKAS 39.

The Company's Financial Investments are summarised by Categories as follows:



NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTD.)

As at 31st December		2018	2017
		Rs. '000	Rs. '000
Held to Maturity (HTM)	Note 26.1	245,115	238,803
Loans and Receivables (L & R)	Note 26.2	5,614,236	2,957,396
Available - for - Sale (AFS)	Note 26.3	4,394,870	4,171,613
Fair Value Through Profit or Loss (FVTPL)	Note 26.4	1,811,020	2,626,676
Total Financial Investments		12,065,241	9,994,488

The majority of the Company's investments, i.e 30% (2017 - 37%) are in Government Securities. Corporate debt securities account for further 27% of investments (2017 - 20%) and 20% in equities (2017 - 23%). The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined on Note 6.3 on page 344.

26.a The following table compare the Fair Values of the Financial Investments to their Carrying Values:

For the Year ended 31st December	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity (HTM)	245,115	238,782	238,803	236,771
Loans and Receivables (L & R)	5,614,236	5,615,141	2,957,396	2,938,813
Available - for - Sale (AFS)	4,394,870	4,394,870	4,171,613	4,171,613
Fair Value Through Profit or Loss (FVTPL)	1,811,020	1,811,020	2,626,676	2,626,676
Total Financial Investments	12,065,241	12,059,813	9,994,488	9,973,873

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.

26.1 Financial Investments-Held to Maturity (HTM)

ACCOUNTING POLICY

Non - derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held to Maturity when the Company has the intention and ability to hold until maturity. After initial measurement, Held to Maturity financial assets are measured at Amortised cost, using the Effective Interest Rate (EIR), less any impairment losses.

The EIR amortisation is included in Finance Income in the Income Statement and losses arising from impairment are recognized as finance cost in the Income Statement. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

If the Company were to sell or reclassify more than an insignificant amount of Held to Maturity investments before maturity (other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'), the entire category would be tainted and would have to be reclassified as Available-for-Sale.

Held to Maturity financial assets comprise of treasury bonds.

As at 31st December				2018		2017	
ISIN	Maturity Date	Interest Rate	Face Value	Carrying Value	Fair Value	Carrying Value	Fair Value
		%	Rs.	Rs. '000	Rs. '000	Rs. '000	Rs. '000
LKB01020H017	1-Aug-20	6.20	250,000,000	245,115	238,782	238,803	236,771
			250,000,000	245,115	238,782	238,803	236,771

26.1.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).

26.1.b Impairment of Financial Investments at HTM

At the reporting date, there were no Held to Maturity assets that were overdue and impaired.

26.2 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			2018		2017	
			Carrying Value	Fair Value	Carrying Value	Fair Value
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Deposits	Note 26.2.a		1,803,160	1,803,160	514,092	514,092
Debentures	Note 26.2.b		2,635,728	2,636,633	1,794,875	1,776,292
Commercial Papers			656,794	656,794	169,188	169,188
Overnight Reverse Repo			518,554	518,554	479,241	479,241
Total			5,614,236	5,615,141	2,957,396	2,938,813
26.2.a Bank Deposits (L & R)						
Licensed Commercial Banks			1,662,721	1,662,721	450,299	450,299
Licensed Specialised Banks			140,439	140,439	63,793	63,793
Total			1,803,160	1,803,160	514,092	514,092

NOTES TO THE FINANCIAL STATEMENTS

26.2.b Debentures (L & R)

As at 31st December

	Maturity Date	Interest Rate %	No of Debentures	2018		2017	
				Carrying Value	Fair Value	Carrying Value	Fair Value
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank, Finance and Insurance							
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
Citizens Development Business Finance PLC	18-Dec-18	16.00	692,700	-	-	72,284	69,313
Citizens Development Business Finance PLC	3-Jun-21	12.75	500,000	50,203	50,063	50,113	49,898
Commercial Bank of Ceylon PLC	8-Mar-21	10.75	500,000	44,149	43,215	41,612	40,685
Commercial Bank of Ceylon PLC	27-Oct-21	12.00	243,100	22,131	25,638	21,441	21,183
Commercial Bank of Ceylon PLC	22-Jul-28	12.50	1,267,000	133,661	133,661	-	-
Commercial Credit and Finance PLC	18-Feb-18	20.00	500,000	-	-	49,248	44,760
DFCC Bank PLC	9-Nov-23	12.75	500,000	50,126	50,086	50,021	49,981
DFCC Bank PLC	29-Mar-25	13.00	1,000,000	109,718	109,718	-	-
DFCC Bank PLC	29-Mar-25	13.00	1,000,000	109,718	109,718	-	-
First Capital Holdings PLC	12-Mar-19	14.00	262,640	26,603	27,297	28,281	28,985
First Capital Treasuries PLC	6-Feb-20	9.50	250,000	24,652	24,534	24,366	24,253
Hatton National Bank PLC	14-Dec-24	8.33	500,000	49,991	49,990	49,990	49,989
Hatton National Bank PLC	14-Dec-19	7.75	500,000	47,586	44,721	45,349	42,491
Hatton National Bank PLC	29-Aug-23	8.00	185,256	13,448	13,712	12,722	12,662
Hatton National Bank PLC	28-Mar-21	11.25	1,000,000	95,794	102,197	91,554	99,968
Hatton National Bank PLC	1-Nov-23	13.00	370,200	37,089	37,106	36,989	37,007
Lanka Orix Leasing Company	31-Jul-22	13.00	1,000,000	105,423	99,936	105,417	105,547
Merchant Bank of Sri Lanka & Finance PLC	27-Mar-18	17.50	469,300	-	-	45,887	47,782
Merchant Bank of Sri Lanka & Finance PLC	27-Mar-18	17.50	281,600	-	-	29,246	25,928
Nations Trust Bank PLC	8-Nov-21	12.80	225,900	22,693	22,663	22,612	22,581
Nations Trust Bank PLC	20-Apr-23	13.00	750,000	81,685	81,685	-	-
Nations Trust Bank PLC	20-Apr-23	13.00	750,000	81,685	81,685	-	-
People's Leasing & Finance PLC	26-Mar-18	17.00	500,000	-	-	51,345	50,859
People's Leasing & Finance PLC	26-Mar-18	17.00	300,000	-	-	33,269	29,054
People's Leasing & Finance PLC	16-Nov-21	12.60	1,000,000	100,350	100,231	100,077	99,919
People's Leasing & Finance PLC	18-Apr-23	12.80	1,252,600	136,346	136,346	-	-
People's Leasing & Finance PLC	18-Apr-23	12.80	1,252,600	136,346	136,346	-	-
Sampath Bank PLC	14-Dec-19	8.25	500,000	47,227	47,816	44,534	43,489
Sampath Bank PLC	10-Jun-21	12.75	500,000	51,580	50,600	50,956	49,912
Sampath Bank PLC	21-Dec-22	12.50	2,270,000	227,724	226,893	227,755	227,755
Senkadagala Finance PLC	10-Dec-18	15.00	817,653	-	-	81,931	81,797
Seylan Bank PLC	21-Feb-18	15.50	100,000	-	-	11,151	10,717
Seylan Bank PLC	29-Mar-25	13.20	500,000	51,680	51,680	-	-
Seylan Bank PLC	29-Mar-25	13.20	500,000	51,680	51,680	-	-
Singer Finance (Lanka) PLC	6-Apr-19	11.50	300,000	30,641	30,501	30,093	29,896
Singer Finance (Lanka) PLC	6-Apr-20	12.00	300,000	30,370	30,301	30,057	29,828
Siyapatha Finance PLC	20-Sep-21	13.50	168,000	16,256	17,105	16,855	16,785
				1,986,557	1,987,125	1,509,169	1,491,837
Diversified Holdings							
Dunamis Capital PLC	5-Aug-19	12.50	798,000	79,660	80,380	79,181	78,509
Dunamis Capital PLC	5-Aug-19	12.50	202,000	20,268	20,175	20,516	20,498
				99,928	100,556	99,697	99,007
Plantation							
Kotagala Plantations PLC	28-May-18	14.25	463,750	-	-	46,651	46,366
Kotagala Plantations PLC	26-May-19	14.50	463,750	46,849	46,711	46,494	46,363
Kotagala Plantations PLC	26-May-20	14.75	463,750	46,669	46,582	46,444	46,360
Kotagala Plantations PLC	26-May-21	15.00	463,750	46,583	46,520	46,420	46,359
				140,102	139,812	186,009	185,448

As at 31st December				2018		2017	
				Carrying Value	Fair Value	Carrying Value	Fair Value
Maturity Date	Interest Rate	Number of Debentures	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
	%						
Telecommunication							
Sri Lanka Telecom PLC	19-Apr-28	12.75	1,000,000	108,781	108,781	-	-
Sri Lanka Telecom PLC	19-Apr-28	12.75	714,400	73,228	73,228	-	-
Sri Lanka Telecom PLC	19-Apr-28	12.75	1,250,000	135,976	135,976	-	-
Sri Lanka Telecom PLC	19-Apr-28	12.75	889,300	91,156	91,156	-	-
				409,141	409,141	-	-
Total				2,635,728	2,636,633	1,794,875	1,776,292

26.2.c Impairment of L&R Financial Investments

At the reporting date, there were no Loans and Receivables that were overdue and impaired.

26.3 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		2018		2017	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury Bonds	Note 26.3.a	2,598,070	2,598,070	2,503,037	2,503,037
Equity Securities	Note 26.3.b	1,796,800	1,796,800	1,668,576	1,668,576
Total		4,394,870	4,394,870	4,171,613	4,171,613

NOTES TO THE FINANCIAL STATEMENTS

26.3.a Treasury Bonds

As at 31st December

ISIN	Maturity Date	Interest Rate %	Face Value Rs.	2018		2017	
				Carrying Value	Fair Value	Carrying Value	Fair Value
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
LKB01326B011	1-Feb-26	9.00	100,000,000	90,844	90,844	97,459	97,459
LKB01027F156	15-Jun-27	11.75	50,000,000	49,832	49,832	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	49,832	49,832	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	49,832	49,832	-	-
LKB01027F156	15-Jun-27	11.75	50,000,000	49,832	49,832	-	-
LKB01628G019	1-Jul-28	9.00	100,000,000	88,130	88,130	96,189	96,189
LKB01528I017	1-Sep-28	11.50	100,000,000	100,770	100,770	-	-
LKB01528I017	1-Sep-28	11.50	200,000,000	201,540	201,540	222,539	222,539
LKB01529A012	1-Jan-29	13.00	50,000,000	56,130	56,130	61,744	61,744
LKB01529A012	1-Jan-29	13.00	50,000,000	56,130	56,130	61,744	61,744
LKB01529E014	1-May-29	13.00	50,000,000	53,882	53,882	59,561	59,561
LKB01529E014	1-May-29	13.00	50,000,000	53,882	53,882	59,561	59,561
LKB01529E014	1-May-29	13.00	150,000,000	161,647	161,647	178,683	178,683
LKB01530E152	15-May-30	11.00	50,000,000	47,333	47,333	52,571	52,571
LKB01530E152	15-May-30	11.00	200,000,000	189,332	189,332	210,284	210,284
LKB01530E152	15-May-30	11.00	50,000,000	47,333	47,333	-	-
LKB02032A016	1-Jan-32	8.00	100,000,000	77,812	77,812	86,417	86,417
LKB02033F013	1-Jun-33	9.00	150,000,000	119,805	119,805	134,604	134,604
LKB02033K013	1-Nov-33	9.00	50,000,000	40,106	40,106	44,934	44,934
LKB02035C155	15-Mar-35	11.50	100,000,000	98,194	98,194	110,005	110,005
LKB02035C155	15-Mar-35	11.50	50,000,000	49,097	49,097	55,003	55,003
LKB02035C155	15-Mar-35	11.50	200,000,000	196,388	196,388	220,011	220,011
LKB03043F011	1-Jun-43	9.00	50,000,000	37,944	37,944	42,943	42,943
LKB03044A010	1-Jan-44	13.50	100,000,000	116,563	116,563	130,613	130,613
LKB03044A010	1-Jan-44	13.50	100,000,000	116,563	116,563	130,613	130,613
LKB03044A010	1-Jan-44	13.50	100,000,000	116,563	116,563	130,613	130,613
LKB03044A010	1-Jan-44	13.50	100,000,000	116,563	116,563	130,613	130,613
LKB03044F019	1-Jun-44	13.50	150,000,000	166,188	166,188	186,333	186,333
Total			2,600,000,000	2,598,070	2,598,070	2,503,037	2,503,037

26.3.b Equity Securities (AFS)

As at 31st December	2018		2017		2018		2017	
	Market Price	Market Price	No of Shares	Fair Value	No of Shares	Fair Value	No of Shares	Fair Value
	Rs.	Rs.		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	106.80	136.40	11,091,945	1,184,620	8,538,676	1,164,676		
Softlogic Finance PLC	26.60	-	3,965,107	105,472	-	-		
Health Care								
Asiri Hospitals PLC	23.00	24.40	5,956,877	137,008	5,500,000	134,200		
Total Investments in Equity Shares				1,796,800		1,668,576		

26.3.c 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 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.
- Banking sector consolidation multiplier of 1.5 times as recommended by CBSL.

NOTES TO THE FINANCIAL STATEMENTS

26.4 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 Income' or 'Finance cost', respectively, using the Effective Interest Rate (EIR). Dividend income is recorded in the "Dividend Income" when the right to the payment has been established.

As at 31st December		2018		2017	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Equity Securities	Note 26.4.a	655,423	655,423	591,027	591,027
Unit Trust	Note 26.4.b	934,013	934,013	1,576,921	1,576,921
Treasury Bonds	Note 26.4.c	221,584	221,584	458,728	458,728
		1,811,020	1,811,020	2,626,676	2,626,676

26.4.a Equity Securities (FVTPL)

PORTFOLIO DIVERSIFICATION OF EQUITY INVESTMENTS



As at 31st December	2018	2017	2018	2017		
	Market Price Rs.	Market Price Rs.	No of Shares	Fair Value Rs. '000	No of Shares	Fair Value Rs. '000
Listed						
Banks, Finance and Insurance						
Commercial Bank of Ceylon PLC	115.00	135.80	915,872	105,325	606,786	82,402
Hatton National Bank PLC	214.00	249.00	499,710	106,938	396,753	98,791
Sampath Bank PLC	235.00	-	472,518	111,042	-	-
Seylan Bank PLC (Non Voting)	44.50	56.00	322,684	14,360	310,003	17,360
Union Bank of Colombo PLC	11.00	13.20	6,023,317	66,257	6,023,317	79,508
Sector Total				403,922		278,061

As at 31st December	2018	2017	2018		2017	
	Market Price	Market Price	No of Shares	Fair Value	No of Shares	Fair Value
	Rs.	Rs.		Rs. '000		Rs. '000
Diversified Holdings						
John Keells Holdings PLC	159.70	148.50	947,553	151,324	977,193	145,113
Softlogic Holdings PLC	-	12.50	-	-	4,591,702	57,396
Vallibel One PLC	17.00	-	829,845	14,107	-	-
Sector Total				165,431		202,509
Healthcare						
The Lanka Hospital Corporation PLC	42.60	62.00	62,995	2,684	62,995	3,906
Sector Total				2,684		3,906
Power & Energy						
LVL Energy Fund PLC	8.40	-	1,561,600	13,117	-	-
Panasian Power PLC	-	2.70	-	-	3,090,000	8,343
Sector Total				13,117		8,343
Telecommunications						
Dialog Axiata PLC	10.10	-	3,578,630	36,144	-	-
Sector Total				36,144		-
Manufacturing						
Tokyo Cement Company (Lanka) PLC	-	66.00	-	-	1,078,448	71,178
Teejay Lanka PLC	32.50	34.00	1,050,000	34,125	550,000	18,700
Chevron Lubricants Lanka PLC	-	119.00	-	-	70,000	8,330
Sector Total				34,125		98,208
Total Investments in Listed Equity Shares				655,423		591,027
26.4.b Unit Trusts						
As at 31st December	2018	2017	2018		2017	
	Market Price	Market Price	No of Units	Fair Value	No of Units	Fair Value
	Rs.	Rs.		Rs. '000		Rs. '000
Un-Listed						
NAMAL - High Yield Fund	-	18.05	-	-	8,521,130	153,776
Capital Alliance - Investment Grade Fund	-	14.03	-	-	25,338,964	355,417
Capital Alliance - Income Fund	16.11	14.33	33,210,760	534,873	28,358,783	406,498
First Capital - Money Market Fund	1,481.06	1,322.53	269,496	399,140	307,199	406,280
Guardian Acuity - Money Market Fund	-	15.33	-	-	16,625,511	254,950
Total Investment in Unit Trusts				934,013		1,576,921

NOTES TO THE FINANCIAL STATEMENTS

26.4.c Treasury Bonds

As at 31st December				2018		2017	
ISIN	Maturity Date	Interest Rate %	Face Value Rs.	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
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	110,792	110,792	105,142	105,142
LKB03044F019	1-Jun-44	13.50	100,000,000	110,792	110,792	105,142	105,142
				221,584	221,584	458,728	458,728

26.5 Carrying Values of Financial Investments

26.5.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 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
As at 01st January 2018	238,803	2,957,396	4,171,613	2,626,676	9,994,488
Purchases	-	12,183,248	1,264,307	6,012,668	19,460,223
Maturities	-	(1,298,654)	-	-	(1,298,654)
Disposals	-	(8,511,991)	(458,791)	(6,745,311)	(15,716,093)
Fair value gains recorded in the Statement of Comprehensive Income	-	-	-	(97,996)	(97,996)
Fair value gains recorded in the Other Comprehensive Income	-	-	(548,338)	-	(548,338)
Amortisation adjustment	6,312	284,237	(33,921)	14,983	271,611
As at 31st December 2018	245,115	5,614,236	4,394,870	1,811,020	12,065,241

26.5.b Methodologies and assumption used to determined fair value of the financial investments are disclosed in Note 23 on page 384 to the Financial Statements.

26.5.c Disclosure of Financial Risk

The Company's exposure to Credit, Currency and Interest rate risks related to investments are disclosed in Note 6.3 on pages 344 to 356 to the Financial Statements.

26.5.d Financial Investments pledged as security

Financial Investments are not pledged as a security as at the reporting date.

27. 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		2018	2017
		Rs. '000	Rs. '000
Loans to Life Policyholders	Note 27.1	161,001	140,385
Total		161,001	140,385
27.1 Loans to Life Policyholders			
Balance as at 01st January		140,385	158,306
Loans Granted During the Year		64,947	46,225
Repayments During the Year		(65,792)	(71,097)
Interest Receivable		21,461	11,898
Provision for Impairment		-	(4,947)
Total		161,001	140,385

27.1.a Collateral details

The surrender value of the policy loans granted to Policyholders as at 31st December 2018, is Rs. 248 million and it amount exceeds its carrying value as at reporting date by Rs. 87 million.

27.1.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 6.

The Company grants policy loans at a rate equivalent to the market rate, hence initial recognition is at Fair Value.

27.2 Impairment of Loans to Life Policyholder

The Board of Directors has assessed potential impairment loss as at 31st December 2018. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholder.

28. 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.

NOTES TO THE FINANCIAL STATEMENTS

28. REINSURANCE RECEIVABLES (CONTD.)

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



As at 31st December		2018	2017
		Rs. '000	Rs. '000
Reinsurance Receivable on Outstanding Claims	Note 28.1	51,140	47,883
Reinsurance Receivable on settled Claims net of dues		103,662	101,665
Total Receivable arising from Reinsurance Contracts		154,802	149,548

28.1 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.

28.2 Collateral details

The Company does not hold collateral as security against potential default by reinsurance counter parties.

28.3 Impairment of Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of Reinsurance Receivables as at 31st December 2018. 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 6.(1).c for Reinsurer rating analysis.

28.4 The Carrying value of reinsurance receivables approximate the fair value at the reporting date.

28.5 The age analysis of the reinsurance receivable on settled claims

As at 31st December	2018	2017
	Rs. '000	Rs. '000
Up to 180 days	103,662	101,665
181 to 365 days	-	-
Over 365 days	-	-
Total	103,662	101,665

28.6 Risk Management Practices

Risk management practices on reinsurance receivables are discussed under Note 6.1.(C) reinsurance risk on page 341.

29. 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	Note	2018 Rs. '000	2017 Rs. '000
Premium Receivables - Non Related Party		485,571	274,426
- Related Party	29.1	21,863	16,395
Total Premium Receivables		507,434	290,821

29.1 Premium Receivables from Related Parties

As at 31st December	2018 Rs. '000	2017 Rs. '000
Asiri Hospital Holdings PLC	9,086	8,741
Asiri Hospital Matara (PVT) LTD	2,390	2,180
Asiri Surgical Hospital PLC	6,428	5,474
Premium Receivables from KMP	3,959	-
Total	21,863	16,395

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 2018. 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.

29.2 Impairment of Premium Receivables

The Board of Directors has assessed potential impairment loss of Premium Receivables of the Company as at 31st December 2018. Based on the assessment, no any impairment loss was recognised as potential impairment provision as at 31st December 2018 (2017 - Nil) in respect of Premium Receivables.

29.3 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders.

29.4 Fair Value

The Carrying Value disclosed above approximate Fair Value at the Reporting date.

29.5 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 6.3.(b) to the Financial Statements for more information.

NOTES TO THE FINANCIAL STATEMENTS

30. 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	2018	2017
	Rs. '000	Rs. '000
Financial Assets		
Refundable Deposits	22,421	17,535
Receivable from Fairfirst Insurance Ltd (Net of provisions)	22,936	127,128
Total Financial Assets	45,357	144,663
Non Financial Assets		
Inventories	10,420	7,615
Tax Recoverable	Note 30.1.a	31,679
Advances and Prepayments	545,519	145,124
Others	58,134	85,520
Total Non Financial Assets	645,752	434,746
Total Receivables and Other Assets	691,109	579,409

As at 31st December	2018	2017
	Rs. '000	Rs. '000
30.1.a Tax Recoverable		
WHT Receivable	31,679	57,055
Notional Tax Recoverable	Note 30.1.b	-
	31,679	139,432

30.1.b Notional tax on Government Securities

Balance as at 01st January	139,432	169,221
Notional Tax Addition During the Year	10,363	51,211
Notional Tax Utilised During the Year	-	(81,000)
Write off of Notional Tax Recoverable	(149,795)	-
Balance as at 31st December	-	139,432

30.1.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.

30.2 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 6.3.(b).

30.3 Notional Tax

The Inland Revenue Act No.10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in government securities on or after 1 April 2002 would be entitled to a notional tax credit being one ninth of the net interest income, provided such interest income forms part of the statutory income of the Company. As per the Inland Revenue Act No 24 of 2017, the notional taxes (withholding tax) on the interest of government securities have been withdrawn. However, as per the transitional provisions, the carried forward Notional Tax credit as per section 138(2) of Inland Revenue Act, No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessments commencing from the year of assessment 2018/2019. As the Company is planning to set off its future taxable profits against its carried forward tax losses, the Board of Directors is of the view that the Company is not in a position to utilize notional tax receivable within three years from 2018/19. Accordingly, the Company had made full provision amounting to Rs. 149 Mn. Please refer Note 30.1.(b) to the financial statements for more information.

30.4 Loans to Directors

No loans have been granted to the Directors of the Company.

31. 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	2018	2017
	Rs. '000	Rs. '000
Cash in Hand	12,178	4,361
Cash at Bank	369,092	314,584
	381,270	318,945
Less : Bank Overdraft	(370,422)	(76,740)
Net Cash and Cash Equivalents	10,848	242,205

31.1 Fair value

The Carrying amounts disclosed above reasonably approximate fair value at the reporting date.

31.2 Risk management initiative relating to Cash and Cash Equivalents

Please refer Note 6.3.(b) on page 352 to the Financial Statements.

32. 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	2018		2017	
	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

NOTES TO THE FINANCIAL STATEMENTS

32.1 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.

33. RETAINED EARNINGS

As at 31st December	2018 Rs. '000	2017 Rs. '000
Balance as at 01st January	2,942,245	2,223,276
Profit for the Year	3,336,245	1,526,517
Recognition of Defined Benefit Plan Actuarial Gains/(Losses)-Net of Tax	(3,073)	2,452
Dividend Paid	-	(810,000)
Balance as at 31st December	6,275,417	2,942,245

34. AVAILABLE FOR SALE RESERVE

This reserve includes unrealised fair value change in investments classified as Available for Sale and reserve.

As at 31st December	2018 Rs. '000	2017 Rs. '000
Balance as at 01st January	(965,056)	(1,348,513)
Adjustment from unrealised (loses) / gains on AFS Assets	(566,632)	376,844
Net changes in AFS Assets transferred to Statement of Comprehensive Income	18,294	6,613
Total AFS Reserve	(1,513,394)	(965,056)

34.1 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.

35. REVALUATION RESERVE

As at 31st December	2018 Rs. '000	2017 Rs. '000
Balance as at 01st January	48,436	24,903
Increased During the Year	Note 25.13.1	23,533
Balance as at 31st December	48,436	48,436

35.1 Nature and purpose of reserve - Revaluation

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.

36. RESTRICTED REGULATORY RESERVE

As at 31st December	2018 Rs. '000	2017 Rs. '000
Balance as at 01st January	798,004	-
Transfer of One-off Surplus from Policy Holder Fund	-	798,004
Balance as at 31st December	798,004	798,004

36.1 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 guideline Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Shareholder 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 16. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 37.8.1.a are met. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

37. 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 2018.

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
- Lapse Ratios
- Morbidity Rates
- Dividend Rates
- Expense Assumptions
- Participating fund yield
- Expense Inflation
- 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.

NOTES TO THE FINANCIAL STATEMENTS

37. INSURANCE CONTRACT LIABILITIES (CONTD.)

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by performing liability adequacy test.



As at 31st December	2018 Rs. '000	2017 Rs. '000
Life Insurance Fund	7,556,032	6,090,446
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	1,056,535
Life Fund with one-off surplus	8,612,567	7,146,981
Claims Payables/ Unclaimed Benefits	408,954	291,611
Total Insurance Contract liabilities	9,021,521	7,438,592

Details of policy liabilities for the Participating and Non-Participating funds are provided as follows.

As at 31st December	2018			2017		
	Participating Rs. Mn	Non- Participating Rs. Mn	Total Rs. Mn	Participating Rs. Mn	Non- Participating Rs. Mn	Total Rs. Mn
Policy Liabilities	4,661	2,895	7,556	4,207	1,884	6,091
One-off surplus	1,056	-	1,056	1,056	-	1,056
Total Policy Liabilities	5,717	2,895	8,612	5,263	1,884	7,147

37.1 Movement in Life Insurance Fund

	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)
Change in Contract Liability due to transfer of One-off Surplus	(798,004)	-	(798,004)
Balance as at 31st December 2017	7,505,968	(358,987)	7,146,981

	Insurance Contract Liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
At 01st January 2018	7,505,968	(358,987)	7,146,981
Change in Contract Liabilities Life Fund			
Premiums received	10,005,733	(726,558)	9,279,175
Liabilities released for payments on Death, Surrender and Other terminations in the year	(2,785,163)	446,159	(2,339,004)
Net Finance and Other Income	758,353	-	758,353
Net Acquisition and Other Expenses	(5,253,927)	106,989	(5,146,939)
Surplus distributed to shareholders	(1,051,000)	-	(1,051,000)
Tax on Policyholder Bonus	(35,000)	-	(35,000)
Balance as at 31st December 2018	9,144,964	(532,397)	8,612,567

37.2 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 2018.

37.2.1 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 2018. 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 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

NOTES TO THE FINANCIAL STATEMENTS

37.2.1 Methodology used in determination of Market Value of Liability (Contd.)

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) and per day Insurance	Net Cash Flow	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net Cash flow = Sum of the above
Group Traditional Non-participating products - Group Hospitalisation Cover	Policy liability has been set equal to UPR.	Not Applicable

37.3 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	<p>The risk free rates have been set based on Sri Lankan Government Bond yields issued by IRCSL for the industry as at 31st December 2018.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Spot Rate</th> <th>Year</th> <th>Spot Rate</th> <th>Year</th> <th>Spot Rate</th> <th>Year</th> <th>Spot Rate</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>11.23%</td> <td>4</td> <td>11.82%</td> <td>7</td> <td>12.06%</td> <td>10+</td> <td>12.39%</td> </tr> <tr> <td>2</td> <td>11.32%</td> <td>5</td> <td>11.93%</td> <td>8</td> <td>12.24%</td> <td></td> <td></td> </tr> <tr> <td>3</td> <td>11.93%</td> <td>6</td> <td>11.84%</td> <td>9</td> <td>12.48%</td> <td></td> <td></td> </tr> </tbody> </table>	Year	Spot Rate	Year	Spot Rate	Year	Spot Rate	Year	Spot Rate	1	11.23%	4	11.82%	7	12.06%	10+	12.39%	2	11.32%	5	11.93%	8	12.24%			3	11.93%	6	11.84%	9	12.48%		
Year	Spot Rate	Year	Spot Rate	Year	Spot Rate	Year	Spot Rate																										
1	11.23%	4	11.82%	7	12.06%	10+	12.39%																										
2	11.32%	5	11.93%	8	12.24%																												
3	11.93%	6	11.84%	9	12.48%																												
Mortality Rates	<p>Based on the Mortality investigation carried out as at 31st December 2018.</p> <table border="1"> <tbody> <tr> <td>Individual life</td> <td>65% of A67/70</td> </tr> <tr> <td>Group term products</td> <td>50% of A67/70</td> </tr> <tr> <td>Single Premium Mortgage Protection Plan products</td> <td>45% of A67/70</td> </tr> <tr> <td>Per day Insurance</td> <td>20% of A67/70</td> </tr> </tbody> </table>	Individual life	65% of A67/70	Group term products	50% of A67/70	Single Premium Mortgage Protection Plan products	45% of A67/70	Per day Insurance	20% of A67/70																								
Individual life	65% of A67/70																																
Group term products	50% of A67/70																																
Single Premium Mortgage Protection Plan products	45% of A67/70																																
Per day Insurance	20% of A67/70																																
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	<p>Based on the Expense investigation carried out as at 31st December 2018 based on the expenses incurred during 2018.</p> <p>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.</p>																																
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%.																																

Assumption	Basis of Estimation
Bonus Rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31st December 2018, 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.
Persistency Ratio	Discontinuance assumptions have been set on the basis of experience investigation. The discontinuance assumptions have been set with reference to actual experience and vary by policy duration
Participating Fund Yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.

37.4 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note 6.2 Insurance Risk.

37.5 Recommendation of Surplus Transfer

The valuation of life insurance fund as at 31st December 2018 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. 1,051 million (2017 - Rs. 1,017 million) has been transferred from Non-Participating Life Insurance fund / insurance contract liabilities to the Shareholders fund

Subsequent to the transfer the surplus of Rs. 1,051 million, life fund stands as Rs. 8,613 million as at 31st December 2018, including the liability in respect of bonuses and dividends declared up to and including for the year 2018 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV in the participating fund.

37.5.1 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at a concessionary rate of 14% for three years of assessment after the commencement of the Act. As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs. 250 million (Please refer point (f) of the Actuarial report provided in page 310) is to Life Insurance Policyholders who participating in the profit of Life Insurance business. Accordingly, there is Rs. 35 million (Rs. 250 million x 14%) tax amount is arising from policyholder who shares the profits of a person engaged in the business of life insurance. As at the reporting date Company has utilised the tax credits to setoff this tax liability hence no income tax liability has recorded as at 31st December 2018.

37.6 Solvency Margin

In the opinion of the Appointed actuary, the Company maintains a Capital Adequacy Ratio (CAR) 199% and Total Available Capital (TAC) of Rs. 7,828 million as at 31st December 2018, which exceed the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

NOTES TO THE FINANCIAL STATEMENTS

37.7 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 2018. 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 2018.

No additional provision was required against the LAT as at 31st December 2018.

Details of LAT reports is provided in page 311 to this report

37.8 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.

Basis of Measurement

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 according to the Direction 16 'Identification and treatment of one-off surplus' issued by IRCSL. According to Direction 16, 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 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

37.8.1 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 37.8.2 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 37.8.2 for details of assets supporting the restricted regulatory reserve as at 31st December 2018.

NOTES TO THE FINANCIAL STATEMENTS

37.8.1 Transfer of One-off Surplus from Policy Holder Fund to Share Holder Fund (Non Participating Fund) (Contd.)

Movement of One-off Surplus After Transfer

Description	Participating Fund Rs. '000	Non- Participating Fund Rs. '000	Total 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
Surplus created due to Change in Valuation Method - One-off Surplus as at 31st December 2018	1,056,535	-	1,056,535

37.8.1.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 Policyholder Fund to Shareholder 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.

37.8.2 Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st December 2018

Asset Category	ISIN No	Face Value/ Invested Amount Rs.	Market Value as at 31 December 2018 Rs. '000
Government Securities			
Treasury Bond	LKB03044A010	100,000,000	116,563
Total			116,563
Deposits			
Hatton National Bank		110,658,219	117,201
Sampath Bank		388,618,836	408,909
Seylan Bank PLC		175,000,000	181,145
Total			707,255
Total Assets			823,818

37.9 Direction 18 - Unclaimed benefits of Long Term Insurance Business

There was no transfer of any unclaimed benefit to shareholders and recorded in the life fund as unclaimed benefits if any.

38. 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 members 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.

NOTES TO THE FINANCIAL STATEMENTS

38.1 Defined Contribution Plans

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

As at 31st December	2018 Rs. '000	2017 Rs. '000
Employees' Provident Fund		
- Employer's Contribution (12%)	73,710	57,116
- Employees' Contribution (8%)	49,140	38,077
Employees' Trust Fund (ETF)	18,428	14,265

38.2 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.

38.2.a Valuation of Employee Benefit Obligation

An actuarial valuation of the retirement gratuity payable was carried out as at 31st December 2018 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'.

38.2.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 17.20% were used in the actuarial valuation carried out as at December 31st 2018. (2017 - 19.3% p.a.)
	Normal retirement age	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays. (55 Years).
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11% p.a. (2017 - 12% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 8% p.a. (2017 - 10% p.a.) has been used in respect of the active employees.

38.2.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	2018 Rs. '000	2017 Rs. '000
Present value of unfunded obligation	107,404	86,693
Defined benefit obligations as at 01st January	86,693	73,436
Expenses recognised in Income Statement	Note 38.2.d 26,522	20,651
Actuarial losses/(gains) in Other Comprehensive Income	Note 38.2.e 3,073	(2,452)
Payments during the year	(8,884)	(4,942)
Defined benefit obligation as at 31st December	107,404	86,693
38.2.d Expenses recognised in Income Statement		
Interest Cost	10,403	8,445
Current service costs	16,119	12,206
Total expenses recognise in income statement	26,522	20,651
38.2.e Actuarial losses/(gains) in Statement of Profit or Loss and Other Comprehensive Income		
Recognised loss/(gain) During the Year	3,073	(2,452)
Total	3,073	(2,452)

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 Other Comprehensive Income.

38.2.f Maturity analysis of the payments

As at 31st December	2018 Rs. '000	2017 Rs. '000
Within next 12 Months	33,789	16,182
Between 1 to 2 Years	23,943	25,944
Between 2 to 5 Years	25,894	28,006
Between 5 to 10 Years	16,855	12,083
Beyond 10 Years	6,923	4,478
	107,404	86,693
Weighted Average Duration of Defined Benefit Obligation	3.92 Years	3.97 Years

NOTES TO THE FINANCIAL STATEMENTS

38.2.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	2018		2017	
		Effect on Employee defined benefit Liability	Employee defined benefit liability	Effect on Employee defined benefit Liability	Employee defined benefit liability
1%	-	(3,679)	103,725	(2,988)	83,705
-1%	-	3,987	111,391	3,213	89,906
-	1%	4,522	111,926	3,605	90,298
-	-1%	(4,238)	103,166	(3,403)	83,290

39. REINSURANCE PAYABLE

Refer Notes 4.4.2 for the Accounting Policies.

As at 31st December	2018 Rs. '000	2017 Rs. '000
At 01st January	236,265	139,262
Arised during the year	201,096	802,462
Utilised	(116,537)	(705,459)
Balance as at 31st December	320,824	236,265

40. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies represents fund management fees payable to Softlogic Capital PLC

As at 31st December	2018 Rs. '000	2017 Rs. '000
Softlogic Capital PLC	4,167	4,615
Total	4,167	4,615

41. OTHER LIABILITIES

ACCOUNTING POLICY

Financial Liabilities

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Other Liabilities

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid..

As at 31st December	2018 Rs. '000	2017 Rs. '000
Financial Liabilities		
Commission / Incentive Payable	345,848	361,744
Premium Deposit	103,383	93,715
Other Payables	14,752	12,005
Finance Lease Liability	Note 41.1 3,831	6,421
Tax and others statutory payables	68,514	24,431
Total Financial Liabilities	536,328	498,316

As at 31st December	2018	2017
	Rs. '000	Rs. '000
Non Financial Liabilities		
Accruals	301,338	251,096
Total Non Financial Liabilities	301,338	251,096
Total Other Liabilities	837,666	749,412
Current	836,665	745,581
Non Current	1,001	3,831

41.1 Finance Lease Liability

Finance lease liability is payable as follows.

For the year ended 31st December	Present Value of minimum lease payment		Interest		Future minimum lease payment	
	2018	2017	2018	2017	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less than one year	2,830	2,590	228	468	3,058	3,058
Between one and five years	1,001	3,831	19	247	1,020	4,078
	3,831	6,421	247	715	4,078	7,136

42. CAPITAL COMMITMENTS

The Company has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows.

As at 31st December	2018	2017
	Rs. '000	Rs. '000
Approved and contracted for	17,295	-
Total Capital Commitments	17,295	-

Bank Guarantees

Following Bank Guarantees have been provided as at 31st December 2018,

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. Bid Bond Guarantees amounting Rs. 0.4 million for Tender for Group Life scheme.

NOTES TO THE FINANCIAL STATEMENTS

43. CONTINGENCIES

ACCOUNTING POLICY

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Assessment in Respect of Value Added Tax (VAT)

The Company has been issued with an assessment by the Department of Inland Revenue on 26 April 2013 and 10 March 2016 under the Value Added Tax Act, in relation to the taxable period ended 31 December 2010 and quarter ended 31 March 2014 for Rs. 45.9 Million and Rs. 57.4 Million respectively.

The Company has filed an appeal to the Tax appeals commissions on 03 July 2015 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act for the vat assessment issued for the period ended 31 December 2010. The appeal hearing was held at the Tax Appeals Commissions on 22 August 2017 in respect of the assessment issued, and Company has made a written submission to the tax appeals commissions on 22 September 2017 as requested at the said appeal hearing. The Company is awaiting the final decision.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 08 April 2016 for the VAT assessment issued for the quarter ended 31 March 2014 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The Company is awaiting the CGIR determination.

Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

The Company has been issued with an assessment by the Department of Inland Revenue on 10 July 2018 under the Value Added Tax Act, in relation to the taxable period ended 31 December 2014 amounting to Rs. 68.7 Million.

The Company has filed an appeal to the Commissioner General of Inland Revenue on 24 August 2018 on the basis that the underlying computation includes items which are out of scope of the VAT Act. The Company is awaiting the CGIR determination.

Life Insurance Taxation

The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2010/11, 2011/12 and 2012/13 amounting to Rs. 60.33 Million, in favour of the Commissioner General of Inland Revenue and the Company is in the process of hearing the appeals with Tax Appeals Commission.

The Department of Inland Revenue has raised an assessment on Softlogic Life Insurance PLC for the year of assessment 2013/14, 2014/15 and 2015/16, assessing the life insurance business to pay an income tax liability of Rs. 516.77 Million along with a 50% penalty totalling to Rs. 625.52 Million (before deducting the available Tax credits) and the Company has lodged a valid appeal against the said assessment.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submission and therefore, the above assessments have no rationale or basis in law.

44. EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICY

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorized for issue.

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

Except for the following mentioned post balance events there have been no material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

44.a. Interim Dividend Declared

The Board of Directors has declared a payment of an interim dividend of Rs. 1.45 per share for the Financial year 2018 . More information with respect to a dividend declaration is given on Note 23.3, Subject to Regulatory approval.

Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company has satisfied the Solvency Test in accordance with the Section 57, prior to recommending the interim dividend for the year ended 31st December 2018. A statement of Solvency completed and duly signed by the Directors on 27th February 2019 has been audited by Messrs. KPMG.

45. COMPARATIVE INFORMATION

The comparative information have been reclassified in order to be in line with the current year presentation.

46. OPERATING LEASES

ACCOUNTING POLICY

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognized in the Statement of Income as an integral part of the total lease expense over the term of the lease.

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Future commitments on operating leases	2018	2017
	Rs. '000	Rs. '000
Less than one year	162,577	145,956
Between one and five years	370,844	527,477
More than five years	1,758	53,441
Total Operating Lease Commitments	535,179	726,874

The Company leases a number of offices under operating leases. The leases typically run for a period of three to five years, with an option to renew the lease after that date. Lease payments are increased to reflect market rentals at regular intervals.

During the year ended 31st December 2018 an amount of Rs. 146 Million was recognised as an expense in Profit or Loss in respect of operating leases (2017: Rs. 96 Million). There were no contingent rent recognised as an expense during the year.

New Accounting Standard - SLFRS - 16

The Company is required to adopt SLFRS -16 Leases from 1st January 2019 for more details refer Technical Review on SLFRS - 16 on page 453 to 455 and Accounting Policies on page 336.

47. LITIGATIONS AND CLAIMS

Litigations that are pending against the Company other than those arising in the normal course of conducting insurance business.

In the opinion of the Directors and in consultation with the company lawyers, litigation currently pending against the company will not have a material impact on the reported financial results or future operations of the Company. All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

Compliance with Solvency Regulation

The company is also subject to insurance solvency regulations and has complied with all solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

NOTES TO THE FINANCIAL STATEMENTS

48. RELATED PARTY DISCLOSURE

The Company carried out transactions in the ordinary course of business on arm's length basis 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 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	2018 Rs. '000	2017 Rs. '000
Short term employment benefits	52,175	58,054
Post-employment benefits	5,670	6,210
Fees Paid	21,915	22,535
Total	79,760	86,799

* No loans have been granted to the Directors of the Company.

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	2018 Rs. '000	2017 Rs. '000
Insurance Premiums	4,867	872
Professional Charges	797	852
Compensation to KMP	Note 48.2 79,760	86,854
Total	85,424	88,578

Statement of Financial Position

For the year ended 31st December	2018	2017
	Rs. '000	Rs. '000
Assets		
Insurance Premiums Receivable	3,959	-
Total	3,959	-

No Impairment losses have been recorded against balances outstanding with KMP and IFM.

48.4 Share-based transactions of KMP and IFM

As at the Year-End	2018	2017
	Rs. '000	Rs. '000
Number of ordinary shares held	Nil	Nil
Dividends paid (in Rs. '000)	Nil	Nil

48.5 Following Directors were appointed to the Board of the Company

Name of the Director	Effective date of Appointment	Directorship
Mr. Haresh Kumar Kaimal	3rd July 2018	Non Independent Non Executive Director
Mr. Rudiger Will	3rd July 2018	Independent Non Executive Director
Ms. Fernanda Lima	21st December 2018	Non Independent Non Executive Director
Mr. H.C Hettiarachchi **	25th January 2019*	Executive Director

* Subject to obtaining approval from Insurance Regulatory Commission of Sri Lanka

** Mr. H.C Hettiarachchi has been appointed to the Board subsequent to the reporting date.

48.6 Following Directors have resigned from the Board of the Company

Name of the Director	Effective date	Directorship
Mr. Jatinder Kumar Mukhi	19th April 2018	Independent Non Executive Director
Mr. Johannes Wiggert Hessel Richters	19th December 2018	Independent Non Executive Director

Accordingly, these Directors cease to be Key Management Personnel of the Company w.e.f. their respective dates of resignation.

48.7 Transactions with the Ultimate Parent & Parent

As at 31st December	2018	2017
	Rs. '000	Rs. '000
Investments	-	57,396
Receiving of services	91,135	100,463
Dividend received	-	2,985
Expenses	763	817
Dividend Paid	-	431,818

NOTES TO THE FINANCIAL STATEMENTS

48.8 Transactions with Other Related Entities

Other related entities are those which are controlled or significantly influenced, directly or indirectly by Key Management Personnel of the Company and transactions with Companies under common control. Significant influence is presumed to be established if a Key Management Person of the Company has more than 20% shareholding in an entity, unless otherwise reported by the Key Management Personnel. Further significant influence is also established if in the view of the respective Key Management Person, he/she has the ability to influence the operating and financial policies of an entity even in the absence of a 20% shareholding.

Further Directors' interest in contracts with the company have been disclosed in pages 264 to 265.

Statement of Financial Position

As at 31st December	2018	2017
	Rs. '000	Rs. '000
Investments	242,480	134,200
Sales /Purchases of property plant & equipment	44,489	55,698

Income Statement

As at 31st December	2018	2017
	Rs. '000	Rs. '000
Insurance Premiums	27,015	24,930
Dividend received	3,574	2,750
Claims Paid	5,000	5,000
Expenses	123,548	76,404

49. 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 266 of the Statement of Directors' Responsibility for Financial Reporting.

IN THE TOP FLIGHT

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STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

As at 31st December			2018	2017
	Note	Page	Rs. '000	Rs. '000
Assets				
Property, Plant and Equipment	1	430	228,864	236,000
Financial Investments	2	430	8,944,095	8,732,732
Loans to Life Policyholders			161,001	140,385
Reinsurance Receivables	3	432	154,802	149,548
Premium Receivables			507,434	290,821
Receivables & Other Assets	4	432	594,724	270,641
Cash and Cash Equivalents	5	432	380,143	317,946
Total Assets			10,971,063	10,138,073
Equity and Liabilities				
Equity				
Other Reserves			(660,920)	(306,889)
Revaluation Reserve			48,436	48,436
Total Equity			(612,484)	(258,453)
Liabilities				
Insurance Contract Liabilities			9,021,521	7,438,592
Employee Benefits	6	432	107,404	86,693
Reinsurance Payable			320,824	236,265
Amounts due to Related Companies			15,408	4,615
Other Liabilities	7	432	1,747,968	2,553,621
Bank Overdraft	5	432	370,422	76,740
Total Liabilities			11,583,547	10,396,526
Total Equity and Liabilities			10,971,063	10,138,073
The Notes appearing on pages 430 to 432 form an integral part of these Financial Statements.				

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

1. PROPERTY, PLANT AND EQUIPMENT (PPE)

1.a Reconciliation of Carrying Amount

As at 31st December	Freehold Land Rs. '000	Freehold Building Rs. '000	Total 2018 Rs. '000	Total 2017 Rs. '000
Cost				
Balance as at 01st January	120,000	116,000	236,000	666,437
Transfer	-	-	-	(435,086)
Additions during the year	-	-	-	-
Capitalised during the year	-	-	-	-
Surplus on revaluation				23,533
Transferred to revaluation				(18,884)
Balance as at 31st December	120,000	116,000	236,000	236,000
Accumulated Depreciation and Impairment Losses				
Balance as at 01st January	-	-	-	242,075
Transfer	-	-	-	(229,912)
Charge during the year	-	7136	7,136	6,721
Transferred to revaluation	-	-	-	(18,884)
Balance as at 31st December	-	7136	7,136	-
Carrying Value As at 31st December 2018	120,000	108,864	228,864	-
Carrying Value As at 31st December 2017	120,000	116,000	-	236,000

As at 31st December	2018 Rs. '000	2017 Rs. '000
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2. FINANCIAL INVESTMENTS

Held to Maturity Financial Assets	Note 2.1	245,115	238,803
Loans & Receivables	Note 2.2	4,354,987	2,924,191
Available For Sale Financial Assets	Note 2.3	2,971,792	2,943,062
Financial Assets at FVTPL	Note 2.4	1,372,201	2,626,676
Total		8,944,095	8,732,732

2.1 Held to Maturity Financial Assets

Treasury Bonds	245,115	238,803
Total	245,115	238,803

2.2 Loans and Receivables

Commercial Papers	656,794	169,189
Debt Securities - Debentures	2,615,460	1,774,359
Bank Deposits	638,297	514,091
Reverse Repos	444,436	466,552
Total	4,354,987	2,924,191

As at 31st December		2018	2017
		Rs. '000	Rs. '000
2.3 Available for sale Financial Assets			
Equity - Quoted		490,285	440,026
Treasury Bonds		2,481,507	2,503,036
Total		2,971,792	2,943,062
2.4 Financial Assets at FVTPL			
Equity	Note 2.4.1	655,423	591,027
Money Market - Treasury Bonds		221,584	458,728
Unit Trust		495,194	1,576,921
Total		1,372,201	2,626,676
2.4.1 Equity Securities			
Banks, Finance & Insurance			
Commercial Bank of Ceylon PLC		105,326	82,402
Hatton National Bank PLC		106,938	98,792
Sampath Bank PLC		111,043	-
Seylan Bank PLC		14,359	17,360
Union Bank of PLC		66,256	79,508
Diversified Holdings			
John Keells Holdings PLC		151,324	145,112
Softlogic Holdings PLC		-	57,396
Vallibel One PLC		14,107	-
Healthcare			
The Lanka Hospital Corporation PLC		2,684	3,906
Power & Energy			
Panasian Power PLC		-	8,343
LVL Energy Fund Limited		13,117	-
Telecommunications			
Dialog Axiata PLC		36,144	-
Manufacturing			
Tokyo Cement Company (Lanka) PLC		-	71,178
Teejay Lanka PLC		34,125	18,700
Chevron Lubricants Lanka PLC		-	8,330
Total Equity Securities		655,423	591,027

NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND

As at 31st December	2018 Rs. '000	2017 Rs. '000
3 REINSURANCE RECEIVABLES		
Reinsurance on Claims Paid	103,662	101,665
Reinsurance on Claims Outstanding	51,140	47,883
Total	154,802	149,548
4 RECEIVABLES AND OTHER ASSETS		
Other Debtors and Receivables	594,724	217,852
Tax Recoverable	-	52,789
Total	594,724	270,641
5 CASH AND CASH EQUIVALENTS		
Cash in Hand	5,236	4,111
Cash at Bank	374,907	313,835
Total	380,143	317,946
Bank Overdraft	(370,422)	(76,740)
Net Cash & Cash Equivalent	9,721	241,206
6 EMPLOYEE BENEFITS		
Balance as at 01st January	86,693	51,992
Transfer from Shareholder	-	21,444
Provisions made During the Year	26,522	20,651
Actuarial Loss/(Gain) on Gratuity	3,073	(2,452)
Payments During the Year	(8,884)	(4,942)
Balance as at 31st December	107,404	86,693
7 OTHER LIABILITIES		
Commission Payable	345,848	361,744
Current Account	972,291	1,833,006
Premium Deposits	103,383	93,715
Accruals and Other Payables	293,001	265,156
Tax Payable	33,445	-
Total	1,747,968	2,553,621

QUARTERLY ANALYSIS 2018

Statement of Comprehensive Income					
	1 Quarter Jan - Mar	2 Quarter Apr - Jun	3 Quarter July - Sep	4 Quarter Oct - Dec	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	2,247,963	2,389,626	2,491,471	2,876,673	10,005,733
Premiums Ceded to Reinsurers	(140,337)	(165,919)	(166,775)	(253,527)	(726,558)
Net Earned Premium	2,107,626	2,223,707	2,324,696	2,623,146	9,279,175
Other Revenue					
Finance Income	256,061	210,077	235,293	252,822	954,253
Net Realized Gains/(Losses)	122,938	17,394	(5,423)	(38,836)	96,073
Net Fair Value Gains/(Losses)	(61,084)	(65,498)	(42,595)	71,181	(97,996)
Other Operating Revenue	1,384	1,072	(1,633)	230	1,053
	319,299	163,045	185,642	285,397	953,383
Total Net Income	2,426,925	2,386,752	2,510,338	2,908,543	10,232,558
Benefits, Claims & Expenses					
Net Insurance Benefits and Claims	(503,626)	(632,745)	(592,716)	(609,917)	(2,339,004)
Change in Insurance Contract liabilities - Life	(45,610)	(264,292)	(546,237)	(644,450)	(1,500,589)
Underwriting and Net Acquisition Cost	(519,233)	(470,306)	(520,656)	(534,025)	(2,044,220)
Other Operating & Administration Expenses	(713,601)	(725,733)	(923,560)	(824,588)	(3,187,482)
Finance Cost	(6,163)	(7,655)	(10,840)	(41,843)	(66,501)
Other Expenses	(1,788,233)	(2,100,731)	(2,594,009)	(2,654,823)	(9,137,796)
Profit Before Taxation	638,692	286,021	(83,671)	253,720	1,094,762
Income Tax Reversal/(Expense)			2,401,663	(160,180)	2,241,483
Total Profit for the Period	638,692	286,021	2,317,992	93,540	3,336,245

QUARTERLY ANALYSIS 2017

Statement of Comprehensive Income					
	1 Quarter Jan - Mar	2 Quarter Apr - Jun	3 Quarter July - Sep	4 Quarter Oct - Dec	Total
	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

DECADE AT A GLANCE - FINANCIAL PERFORMANCE

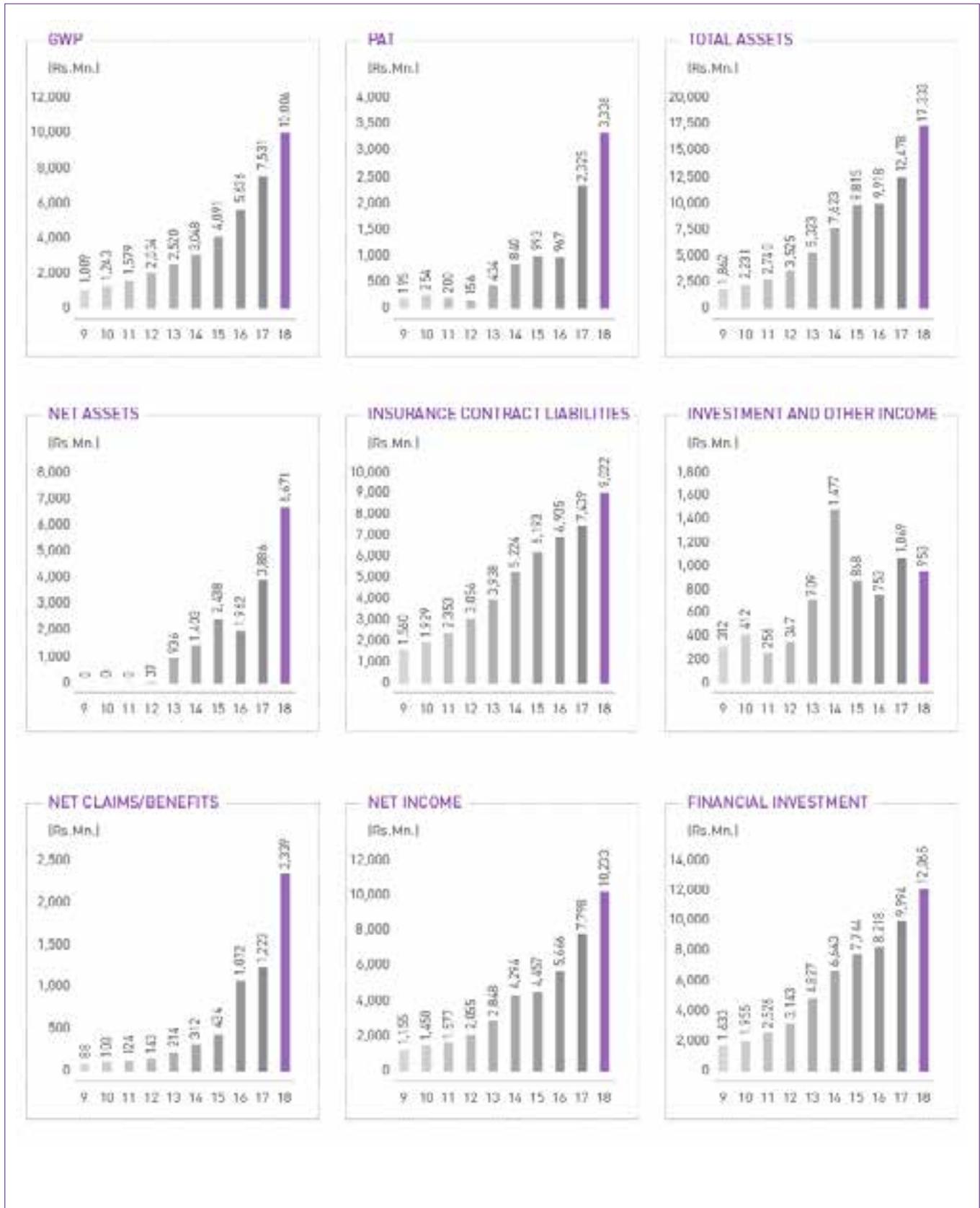
	2018	2017	2016	2015	2014*	2013*	2012*	2011*	2010*	2009*
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Income Statement										
Gross Written Premium	10,005,733	7,530,935	5,635,701	4,091,042	3,048,148	2,520,283	2,034,084	1,579,191	1,242,608	1,009,031
Net Earned Premium	9,279,175	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
Other Revenue	953,383	1,069,179	753,005	867,754	1,477,322	709,271	347,434	255,891	412,081	311,527
Net Income	10,232,558	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
Net Insurance Benefits & Claims										
Net Insurance Benefits & Claims	(2,339,004)	(1,222,501)	(1,072,166)	(433,732)	(312,491)	(214,101)	(143,116)	(123,547)	(103,076)	(87,529)
Net Acquisition Cost										
Net Acquisition Cost	(2,044,220)	(1,830,773)	(1,580,473)	(992,572)	(714,531)	(603,629)	(509,727)	(291,226)	(247,791)	(165,536)
Expenses										
Expenses	(3,253,983)	(2,322,492)	(1,848,586)	(1,072,007)	(1,173,695)	(754,513)	(694,476)	(539,018)	(476,583)	(350,534)
Operating Surplus before Transfer to Insurance										
Provision - Life	2,595,351	2,421,886	1,254,528	1,959,014	2,093,198	1,275,694	707,218	623,656	622,567	551,427
Transfer to Insurance										
Provision - Life	(1,500,589)	(517,365)	(287,685)	(966,452)	(1,253,098)	(842,119)	(551,339)	(423,656)	(368,957)	(356,427)
Profit Before Tax										
Profit Before Tax	1,094,762	1,904,521	966,843	992,562	840,100	433,575	155,879	200,000	253,610	195,000
Income Tax										
Income Tax	2,241,483	420,000	-	-	-	-	-	-	-	-
Profit for the year	3,336,245	2,324,521	966,843	992,562	840,100	433,575	155,879	200,000	253,610	195,000

*Represents Life Insurance Segment result when Composite Company.

DECADE AT A GLANCE - FINANCIAL POSITION

	2018	2017	2016	2015	2014*	2013*	2012*	2011*	2010*	2009*
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets										
Intangible Assets	2,089	7,145	13,236	21,982	15,009	-	-	-	-	-
Property Plant & Equipment	619,059	577,705	485,014	427,519	289,725	92,820	70,073	56,423	46,432	47,774
Deferred Tax Assets	2,750,962	420,000	-	-	-	-	-	-	-	-
Investments in Subsidiary	-	-	-	800,000	100,000	-	-	-	-	-
Financial Investments	12,065,241	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
Investment Property	-	-	-	-	-	-	-	-	36,750	-
Loans to Life Policy holders and Others	161,001	140,385	162,448	143,640	134,352	106,618	79,794	59,595	44,656	30,612
Reinsurance Receivables	154,802	149,548	85,940	62,643	73,316	61,774	61,140	3,765	3,618	-
Premium Receivables	507,434	290,821	92,318	67,274	50,169	46,085	7,679	-	-	-
Amounts due from Related Companies	-	-	-	634	1,382	-	-	-	-	-
Other Assets	691,109	579,409	627,810	354,790	211,423	95,046	72,128	82,724	98,398	109,803
Cash & Cash Equivalents	381,270	318,945	232,554	192,118	105,028	94,254	90,663	11,817	46,071	40,844
Total Assets	17,332,967	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
Equity and Liabilities										
Equity & Reserves										
Stated Capital	1,062,500	1,062,500	1,062,500	1,062,500	500,000	500,000	-	-	-	-
Retained Earnings	6,275,417	2,942,245	2,223,276	1,845,655	450,181	332,199	-	-	-	-
Other Reserves	(1,464,958)	(916,620)	-1,323,610	(470,220)	453,206	103,319	36,552	-	-	-
Restricted Regulatory Reserve	798,004	798,004	-	-	-	-	-	-	-	-
Total Equity & Reserves	6,670,963	3,886,129	1,962,166	2,437,935	1,403,387	935,518	36,552	-	-	-
Liabilities										
Insurance Contract Liabilities - Life	9,021,521	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
Employee Benefits	107,404	86,693	73,436	45,796	25,724	20,502	14,851	13,606	8,663	5,779
Reinsurance Payables	320,824	236,265	139,262	92,972	14,704	81,989	25,103	43,419	34,326	53,207
Amounts due to Related Companies	4,167	4,615	27,621	31,603	-	24	33,567	-	-	5,692
Other Liabilities	837,666	749,412	648,609	382,735	654,218	249,698	289,946	329,888	258,280	236,572
Current Tax Liabilities	-	-	-	269,700	-	-	-	-	-	-
Short Term Borrowings	-	-	-	-	154,483	50,000	-	-	-	-
Bank overdrafts	370,422	76,740	131,466	361,264	146,871	47,588	68,852	-	-	-
Total Liabilities	10,662,004	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
Total Equity and Liabilities	17,332,967	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
*Represents Life Insurance Segment result when Composite Company.										

GRAPHICAL PRESENTATION OF A DECADE



TECHNICAL REVIEW ON NEW SLFRS⁹

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.

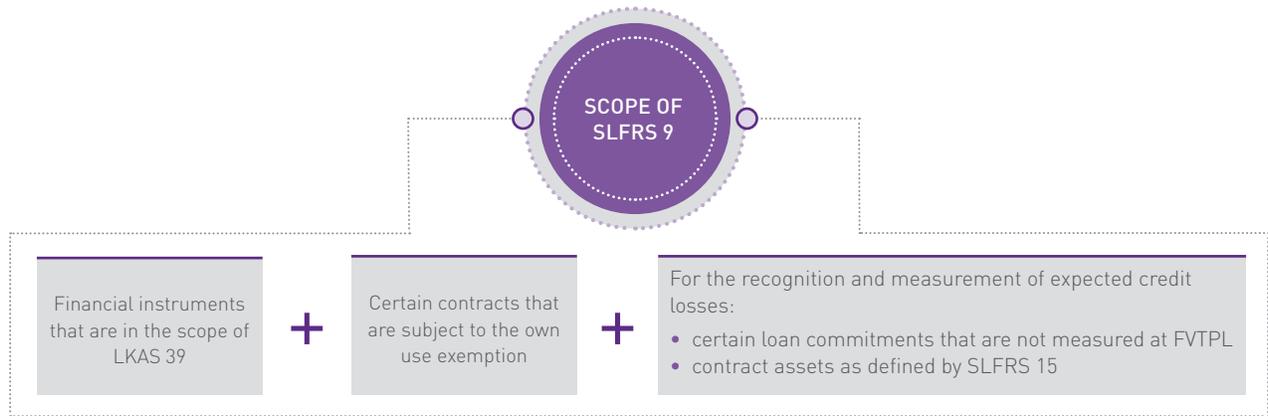
Comparison of LKAS 39 and SLFRS 9

Criteria	LKAS 39	SLFRS 9
Classification and measurement of financial assets	Had four categories of Financial Assets, i.e. <ul style="list-style-type: none"> Fair value through profit or loss (FVTPL) Loans & receivables (L&R) Held to maturity (HTM) Available for sale (residual) 	Introduces three categories of Financial Assets, based on the measurement basis, i.e. <ul style="list-style-type: none"> Amortised cost Fair value through Other Comprehensive Income (FVTOCI) Fair value through profit or loss (unless measured at amortised cost or FVTOCI)
	Classification was dependent on the type of the debt instrument	Classification depends on: <ul style="list-style-type: none"> The contractual cash flow Characteristics of financial assets. The entity's business model objective for managing financial assets
	For Financial Assets classified as Available for Sale, the option to present subsequent changes in the FV in OCI was not irrevocable.	Option for equity instruments to present subsequent changes in the FV in OCI is irrevocable.
	Exception was available to measure investments in equity instruments (without having a quoted price in an active market) at the cost, if fair value cannot be assessed at cost.	This exception is no longer available.
	Initially, trade receivables were also need to be measured at fair value.	Allows trade receivables that don't have a significant financing component to be measured at undiscounted invoice price rather than fair value.
Reclassification of Financial Assets	Permitted, provided that there was a change in the intention or ability, but subject to restrictions.	Permits, only if there is a change in the entity's business model objective for its financial assets.
	Tainting rule was applicable for the HTM category.	Not applicable
Classification and measurement of financial liabilities	Entire change in the fair value of financial liabilities designated as FVTPL was always recognised in profit and loss.	The portion of the change attributable to changes in the entity's own credit risk is recognised in OCI, with no recycling, unless: <ul style="list-style-type: none"> OCI presentation would create or enlarge an accounting mismatch in profit and loss; or the liability is a loan commitment or financial guarantee contract.

Criteria	LKAS 39	SLFRS 9
De-recognition	Recycling was permitted, upon derecognition.	Recycling is permitted only for the debt instruments classified as FVTOCI, when it is de-recognised.
Impairment	Loan losses were accounted using "Incurred loan loss model"	Loan losses need to be accounted using "Expected Credit Loss Model"
	Impairment assessment requirements were applicable for investments in equity instruments as well.	Eliminates impairment assessment requirements for investments in equity instruments, because they can only be measured at FVPL or FVTOCI (an irrevocable option) without recycling of fair value changes to profit and loss.
Embedded derivatives	Embedded derivatives not closely related to a non-trading host contract were measured at FVTPL, but the host contract could be measured at amortised cost. Therefore, separation of the host contract from the derivative was required.	The entire contract has to be measured at FVTPL. As a result, effectively the changes in fair value of both the host contract and the embedded derivative will immediately affect profit and loss. Therefore, in the event the SPPI test is not passed, separation of the host contract (if it is a non-financial asset) from the derivative is not required.

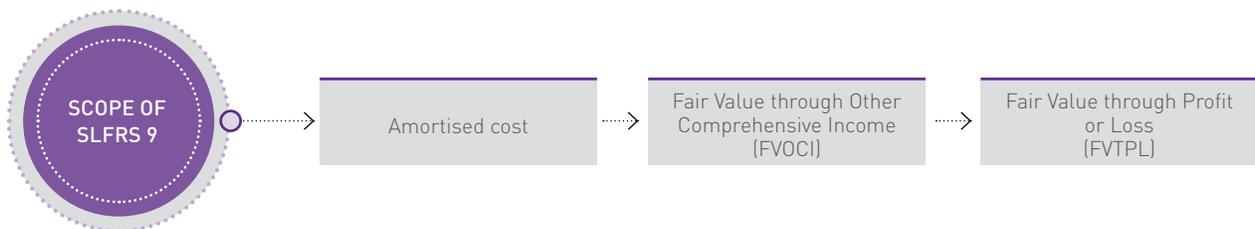
Scope

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

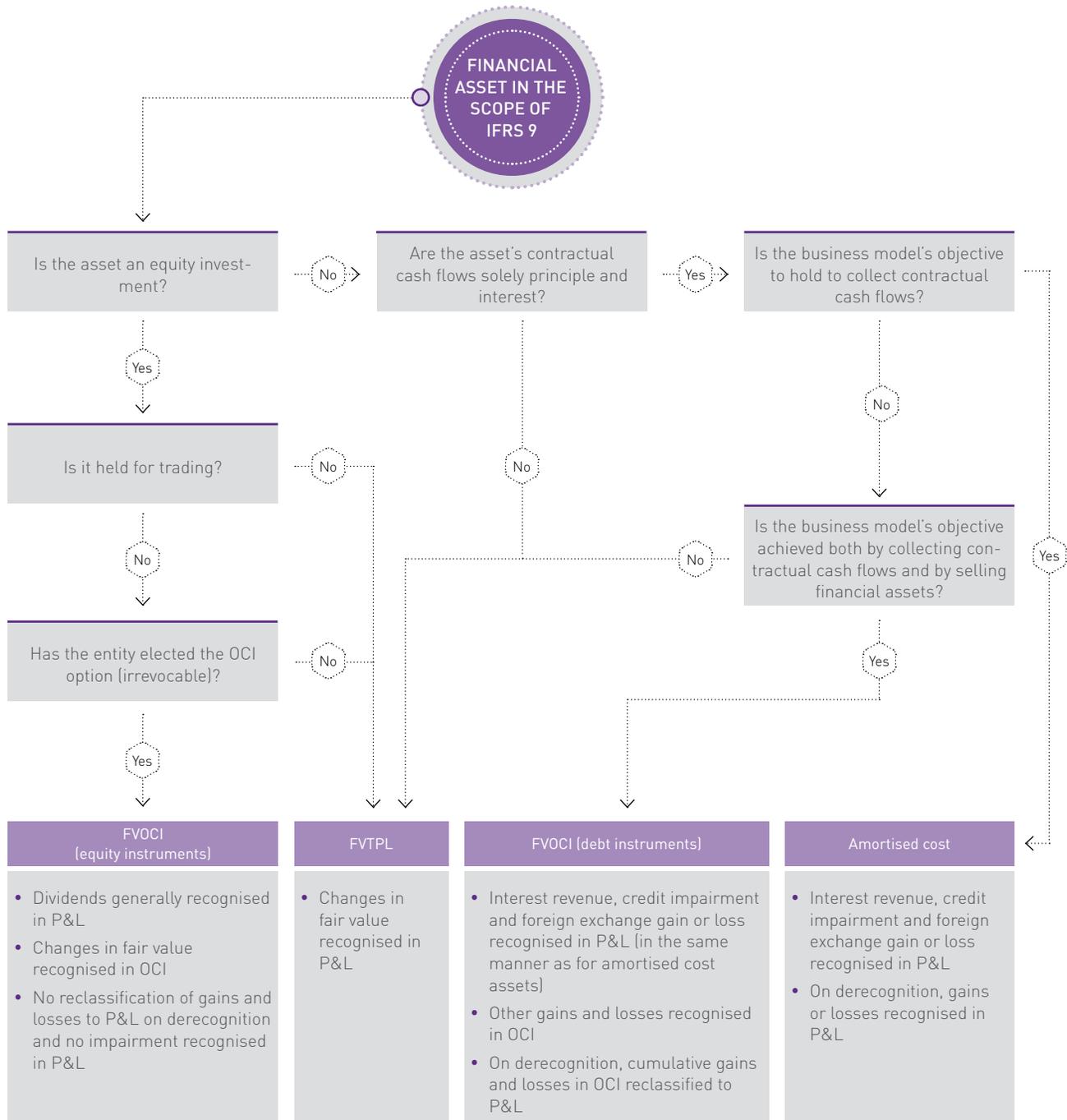
SLFRS 9 contains three principal measurement categories for financial assets, as illustrated below.



TECHNICAL REVIEW ON NEW SLFRSS'

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	Interest is consideration for: <ul style="list-style-type: none">• the time value of money; and• the credit risk associated with the principal amount outstanding during a particular period of time. Interest can also include: <ul style="list-style-type: none">• consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs); and• a 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'.

TECHNICAL REVIEW ON NEW SLFRSS'

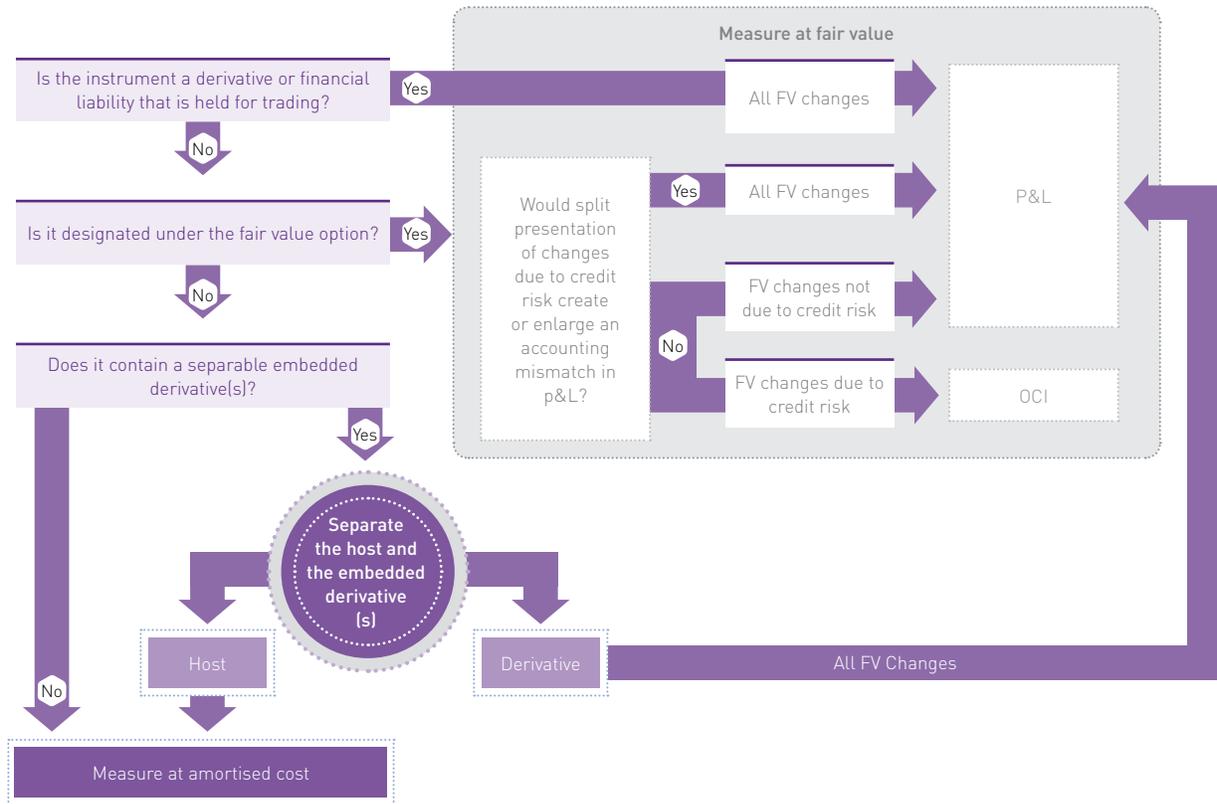
The following table summarises the key features of each type of business model and the resultant measurement category.

Criteria	LKAS 39	SLFRS 9
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.

Impairment Model under SLFRS 9 at a glance

Criteria		Stage 1	Stage 2	Stage 3
Category		Performing	Under - performing	Non - Performing
Status of Credit risk		Credit risk has not increased significantly since the initial recognition	Credit risk has increased significantly since the initial recognition	Credit impaired
Recognition of impairment as per SLFRS 9	Initial Recognition	12 month ECL	LECL for purchased or originated credit impaired financial assets	
	Subsequent Recognition	12 month ECL	LECL	
Recognition of Interest		Effective interest on the gross carrying amount		Effective interest on the net (carrying) amount

TECHNICAL REVIEW ON NEW SLFRSS'

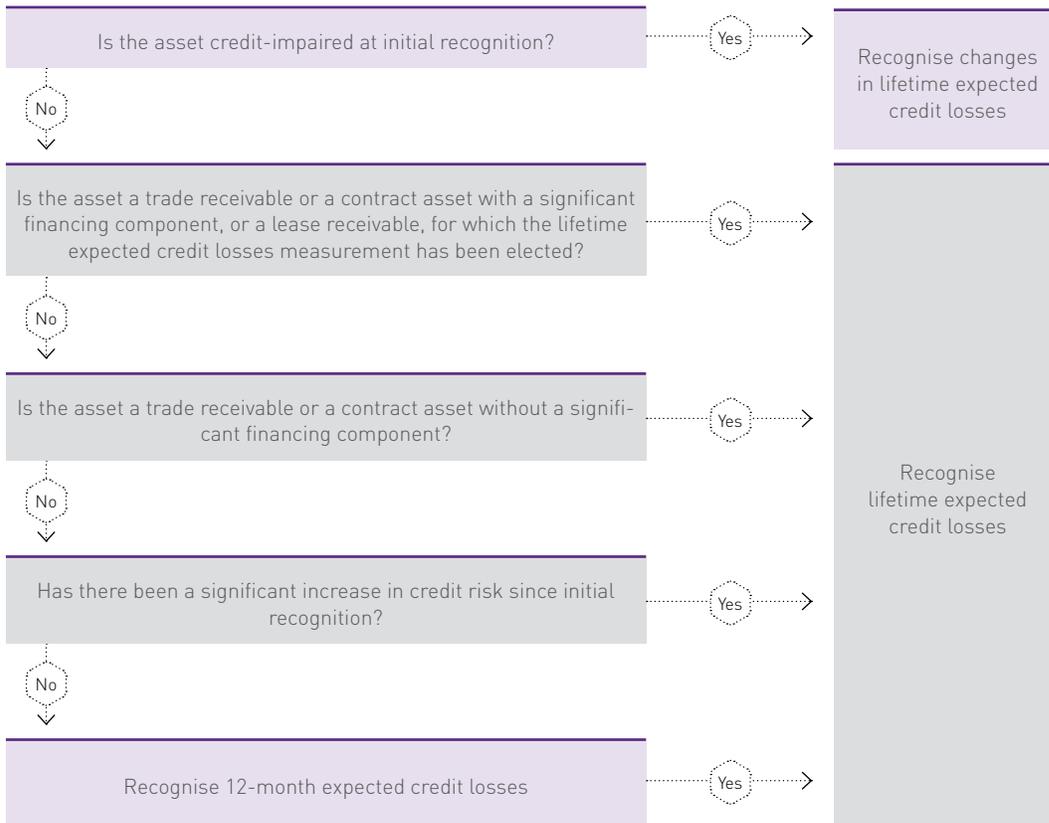
The model uses a dual measurement approach, under which the loss allowance is measured as either:

- 12-month expected credit losses; or (ECL)
- lifetime expected credit losses. (LECL)

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.



Impairment approaches

Criteria	Simplified approach	General approach
Applicability	<ul style="list-style-type: none"> Trade receivables or contract assets without a significant financing component Other long-term trade receivables or contract assets with a significant financing component and lease receivables if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. 	<ul style="list-style-type: none"> Financial assets that are debt instruments measured at amortised cost Financial assets that are debt instruments measured at FVTOCI Lease receivables Contract assets under SLFRS 15 Loan commitments and financial guarantee contracts that are designated as at FVTPL.
Recognition of Impairment Provision	<p>Simplified approach does not require an entity to track the changes in credit risk. Instead, it requires the entity to recognize a loss allowance based on the lifetime expected credit loss as of the reporting date.</p> <p>The changes in the loss allowance balance is recognised in profit or loss as an impairment gain or loss.</p>	<p>Three-stage ECL impairment model is applicable considering the credit risk on that financial instrument.</p> <p>The changes in the loss allowance balance are recognised in P&L (OCI for FVTOCI assets) as an impairment gain or loss.</p>

How SLFRS 9 Could Impact to Softlogic Life

Impact Area	Key changes introduced by SLFRS9	Impact on SLI
Classification and Measurement Debt and equity instruments	<p>SLFRS 9 contains three principal classification categories for financial assets, i.e. measure data mortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss(FVTPL). The existing classifications under LKAS 39, i.e. Held-to-maturity, held-for-trading, available-for-sale and loans and receivables are removed.</p> <p>Classification of financial assets depends on the business model test and cash flow characteristics test (i.e. SPPI test).</p> <p>Objective of business model can be to collect contractual cash flows or both collecting contractual cash flows and selling financial assets or other business model such as trading.</p> <p>For assets classified as subsequently measured at amortised cost-interest revenue, expected credit losses and foreign exchange gains or losses are recognised in profit or loss. On derecognition, any gain or loss is recognised in profit or loss</p> <p>For assets classified as subsequently measured at FVOCI, interest revenue, expected credit losses, and foreign exchange gains or losses are recognised in profit or loss.</p> <p>Other gains and losses on re-measurement to fair value are recognised in Other Comprehensive Income(OCI). On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss.</p> <p>For assets classified as subsequently measured at FVTPL, all gains and losses are recognised in profit or loss.</p> <p>Equity investments are required to be measured at fair value, with an option to irrevocably elect to measure fair value changes through OCI (without the ability to recycle)</p>	<p>The implementation of a business model approach and the SPPI criterion may require judgment to ensure that financial assets are classified into the appropriate category.</p> <p>New processes will be needed to allocate financial assets to the appropriate measurement category.</p> <p>SLFRS 9 have an impact on the way financial assets are classified and measured, resulting in changes in volatility within profit or loss and equity, which in turn are likely to impact Key Performance Indicators (KPIs).</p>

TECHNICAL REVIEW ON NEW SLFRSS'

Impact Area	Key changes introduced by SLFRS9	Impact on SLI
<p>Impairment Measurement of expected losses</p>	<p>SLFRS 9 replaces the 'incurred loss' model in LKAS39 with an 'expected credit loss' model. The new model applies to financial assets that are not measured at FVTPL, including loans, and receivables, debt securities and specified financial guarantees and loan commitments issued. It does not apply to equity investments as they are accounted for either at FVTPL or FVOCI.</p> <p>In applying the SIFRS 9 impairment requirements one of the following approaches need to be applied:</p> <ul style="list-style-type: none"> • The General approach—applied to loans and debt securities. • The Simplified approach—applied to most trade receivables • The purchased or originated credit impaired approach. <p>The model under the general approach uses a dual measurement approach, under which the loss allowance is measured as either:</p> <ul style="list-style-type: none"> • 12-month expected credit losses; or • life time expected credit losses. <p>The measurement basis generally depends on whether there has been a significant increase in credit risk since initial provision.</p>	<p>For Loans and other Debt securities the general approach to be applied. For this purpose, SLI will need to decide how key terms such as 'significant increase' and 'default' will be defined in the context of the instruments it holds.</p> <p>Expanded data and calculation requirements may include:</p> <ul style="list-style-type: none"> • Estimates of expected credit losses; • Information and data to determine whether a significant increase in credit risk has occurred or reversed; and • Data for the extensive new disclosure requirements • Adjustment for forward looking information. <p>The standard may have an impact on the KPIs because:</p> <ul style="list-style-type: none"> • Credit losses will be recognised for all financial assets in the scope of the new model rather than only for those assets for which losses have been incurred; • Credit losses will need to be evaluated for off balance sheet exposures such as loan commitments and financial guarantees. • External data used as inputs may be volatile—e.g. ratings, credit spreads and predictions about future conditions

IFRS – 17 INSURANCE CONTRACTS

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 2022. 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

Criteria	General approach
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.

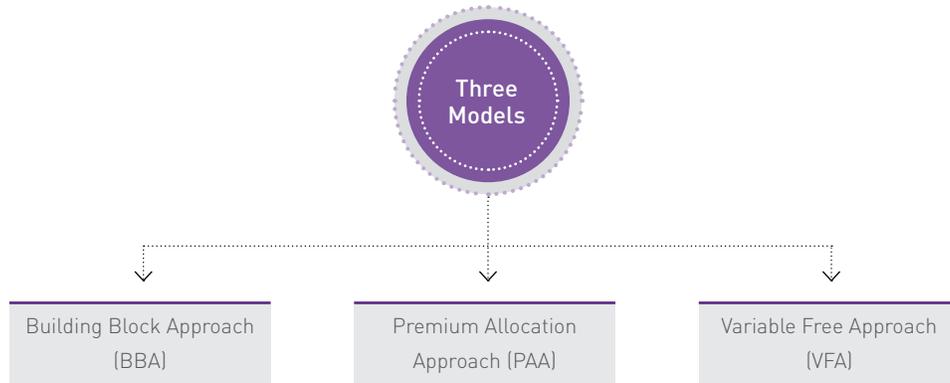
Scope

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

TECHNICAL REVIEW ON NEW SLFRSS'

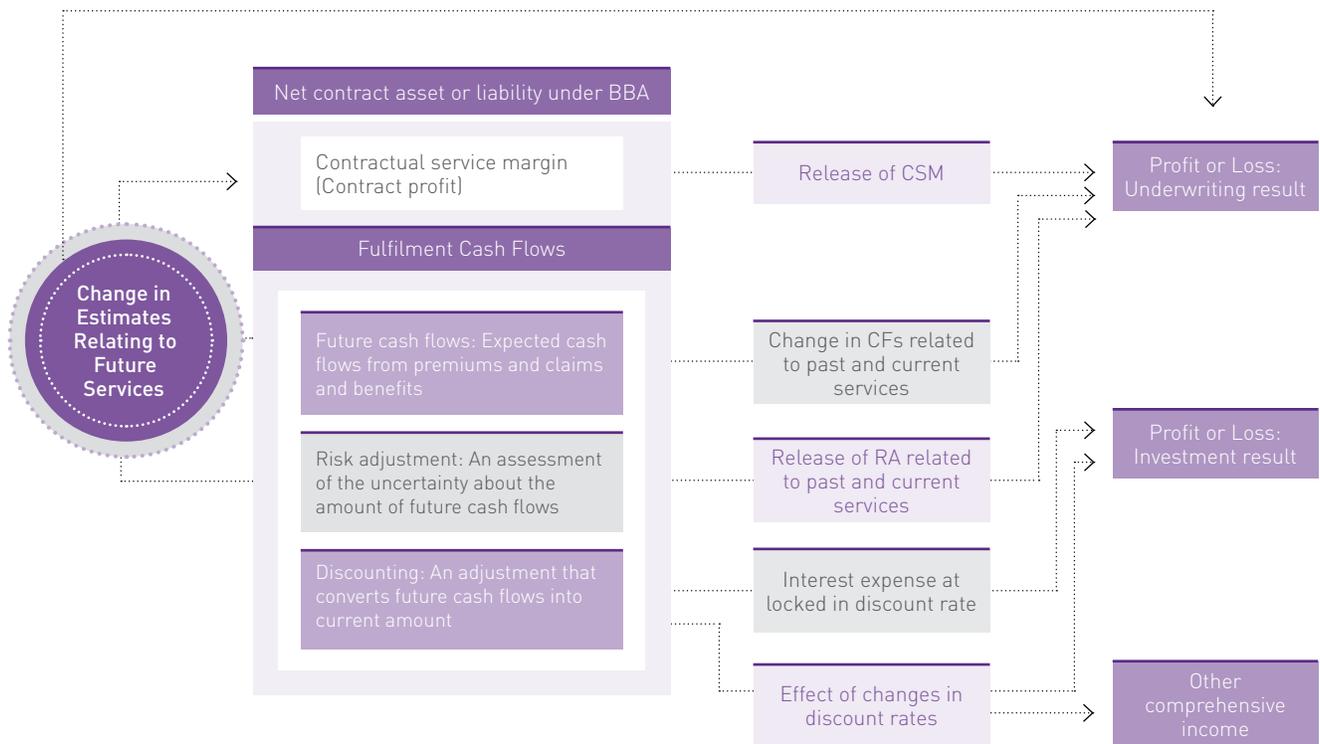
Measurement Models



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



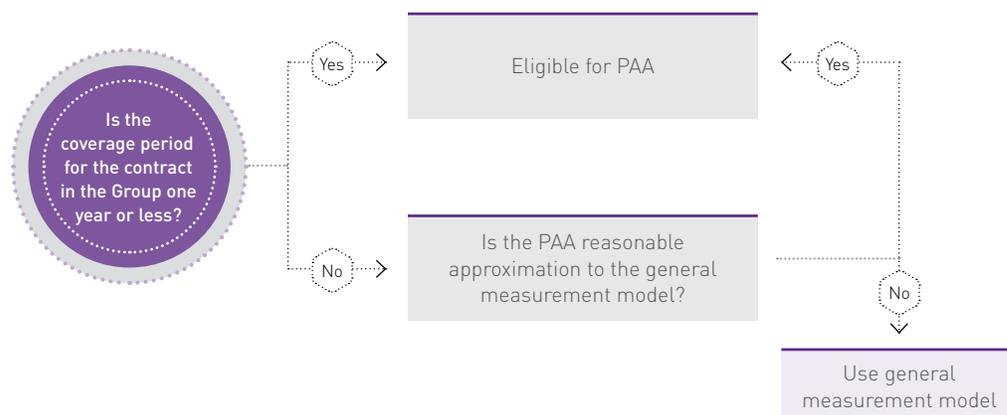
Premium Allocation Approach (PAA)

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.

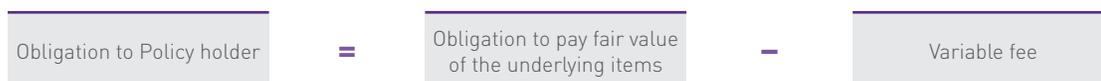
Eligibility to Apply PAA

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'.



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

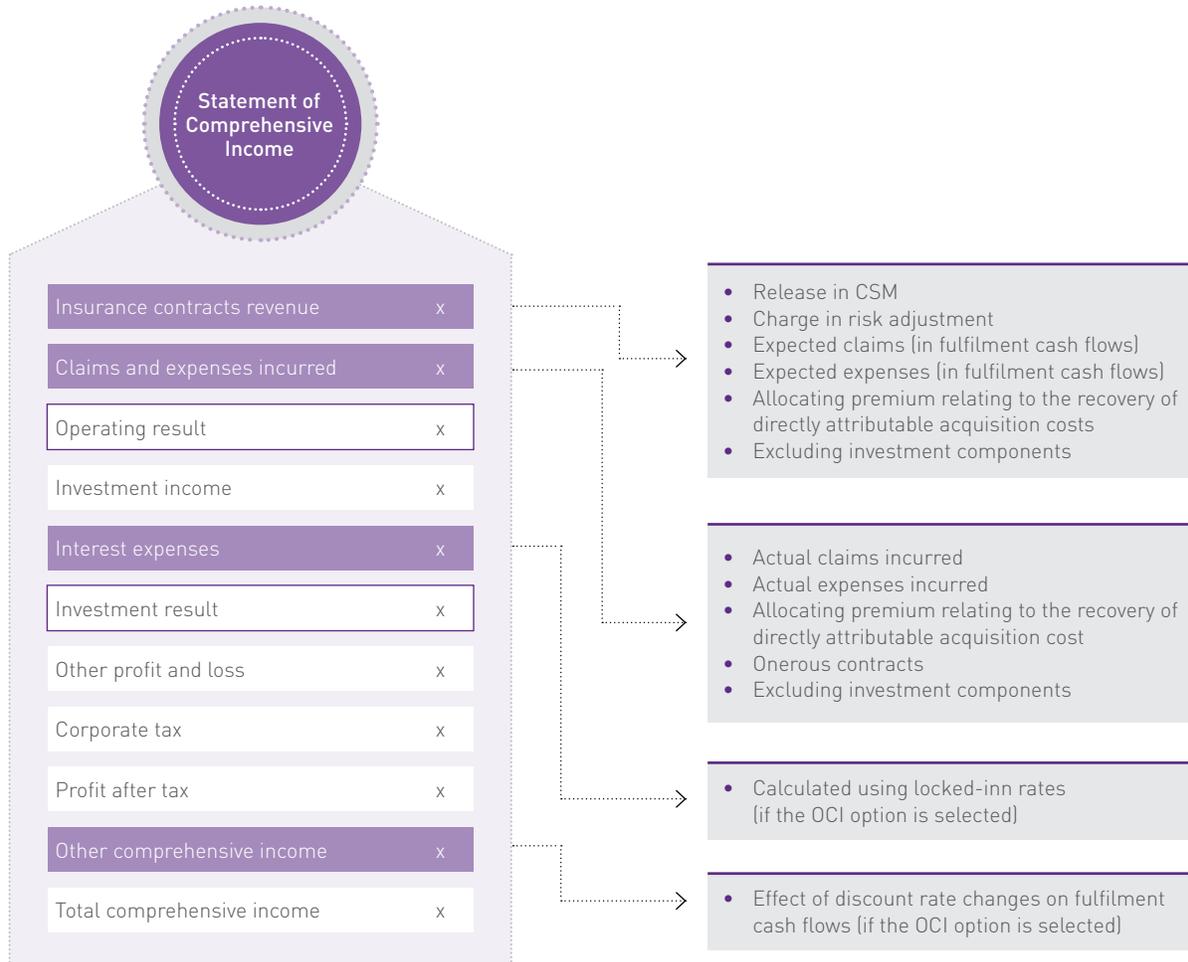
TECHNICAL REVIEW ON NEW SLFRSS'

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.

TECHNICAL REVIEW ON NEW SLFRSS'

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, modelling, 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.

Implementation Strategy and Progress

Softlogic Life has identified the importance of adapting new changes to the business processes. The Company has formed a IFRS 17 project team which included employees representing different departments. In addition to that the Company has obtained assistance from experts to ensure Company is ready in meeting the implementation challenge of IFRS 17 on time . The Company strongly believe that company will be able to successfully complete this project by 2022.

SLFRS – 16 LEASES

Overview

The International Accounting Standards Board (IASB) issued IFRS 16 Leases, which requires lessees to recognise assets and liabilities for most leases.

This could have broad implications for entities' finances and operations. The current lease accounting requirements in LKAS 17 Leases, have been criticised for failing to meet the needs of users of the financial statements, particularly because LKAS 17 does not require lessees to recognise assets and liabilities arising from operating leases. SLFRS 16 addresses those criticisms by requiring lessees to recognise most leases on their balance sheets and providing enhanced disclosures.

Under SLFRS 16, leases are accounted for based on a 'right-of-use model'. The model reflects that, at the commencement date, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term. The lessor conveys that right to use the underlying asset at lease commencement, which is the time when it makes the underlying asset available for use by the lessee.

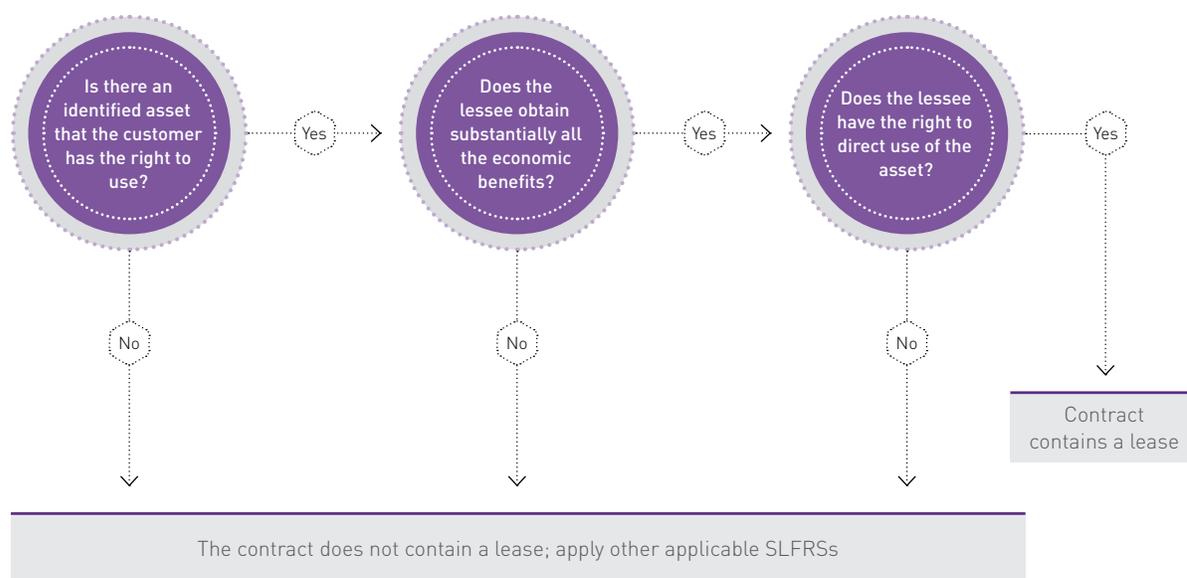
Scope

An entity shall apply this Standard to all leases, including leases of right-of-use assets in a sublease, except for:

- (a) Leases to explore for or use minerals, oil, natural gas and similar nonregenerative resources;
- (b) Leases of biological assets within the scope of IAS 41 Agriculture held by a lessee;
- (c) Service concession arrangements within the scope of IFRIC 12 Service Concession Arrangements
- (d) Licences of intellectual property granted by a lessor within the scope of SLFRS 15 Revenue from Contracts with Customers; and
- (e) Rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for such items as motion picturefilms, video recordings, plays, manuscripts, patents and copyrights.

A lessee may, but is not required to, apply this Standard to leases of intangible assets other than those described in paragraph (e) above.

SLFRS 16 provides new guidance on the evaluation of a contract to determine whether it contains a lease



TECHNICAL REVIEW ON NEW SLFRSS'

Comparison of SLFRS 16 and LKAS 17		
Impact Area	SLFRS 16	LKAS 17
Definition of a lease	Right to use an asset, that is: <ul style="list-style-type: none"> identified asset, and right to control the use 	In general, similar to SLFRS 16, but different detailed guidance
Separating lease components	Separate component, if: <ul style="list-style-type: none"> separate benefit for lessee, and not highly dependent on, or highly interrelated with, other component 	No specific guidance (except for lease of land and building)
Combination of contracts	Combine contracts if certain criteria are met	No comprehensive guidance
Exemptions		
Short-term lease (lessee)	Lease term \leq 12 months (provided there is no purchase option)	No
Low-value assets (lessee)	Value \leq USD5,000	No
Lessee accounting		
Balance sheet	Right-of-use asset and lease liability for almost every lease	Operating lease: No asset or liability recognised (only accruals or prepayments) Finance lease: Leased asset and lease liability
Variable lease payments	Part of the lease liability if they depend on index/rate	Not part of the lease liability
Income statement	Single approach <ul style="list-style-type: none"> Right-of-use asset: depreciation Lease liability: effective interest rate method Variable lease payments not included in lease liability (that is, not depending on index/rate) 	Operating lease: Lease payments on a straight-line basis Finance lease: Leased asset: depreciation Lease liability: effective interest rate method Variable lease payments not included in lease liability
Cash flow statement	Part of lease payment that represents principal portion: Cash flow resulting from financing activities Part of lease payment that represents interest portion: Operating cash flow or cash flow resulting from financing activities (depending on entity's policy) Payments for short-term leases, for lease of low-value assets and variable lease payments not included in lease liability: Operating cash flow	Operating lease: operating cash flow Finance lease: Similar to SLFRS 16

Impact Area	SLFRS 16	LKAS 17
Subleases	Classification of sublease refers to right-of-use asset	Classification of sublease refers to leased asset
Modifications	<ul style="list-style-type: none"> Adjustment of existing lease, or accounted for as a separate lease, depending on kind of modification 	No specific guidance
Sale and leaseback	Distinction based on whether transfer is sale	Distinction based on classification of leaseback

Recognition Exemptions

In a Short-term Leases

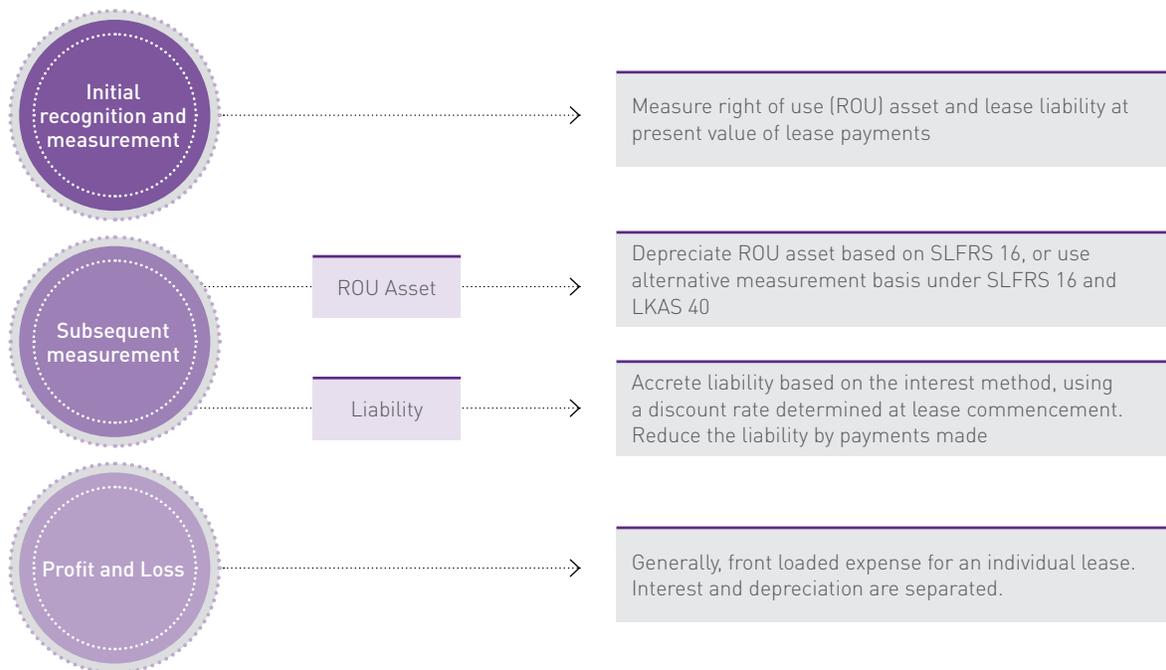
Under SLFRS 16 lessees may elect not to recognise assets and liabilities for leases with a lease term of 12 months or less. In such cases a lessee recognises the lease payments in profit or loss on a straight-line basis over the lease term. The exemption is required to be applied by class of underlying assets.

To be able to apply this exemption, entities need to determine the lease term. The determination of short-term lease is consistent with the definition of a lease term.

Leases of Low Value Assets

Lessees are not required to recognise assets or liabilities for leases of low value assets such as tablets and personal computers, small items of office furniture and telephones etc.

Recognition and Measurement



The Company has number of operating leases obtained for the purpose of operating its business islandwide. All the lease agreements has the termination option to the both parties to the agreement. Average tenure of the leases are one to five years. The Company is in the process of evaluating the impacts on its Financial Statements with the consultation of expertise.

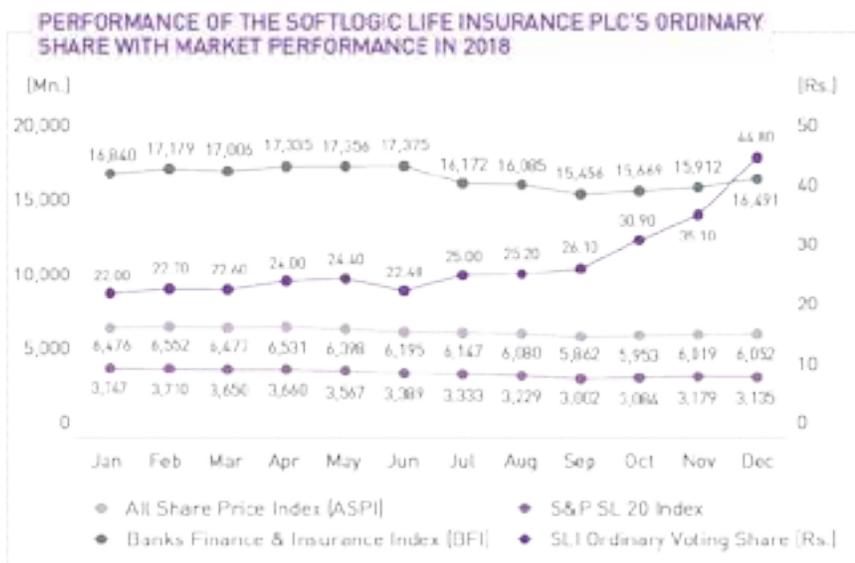
INVESTOR RELATIONS

"Investor Relations" describes the activities that the company undertakes to build and maintain relationships with existing and potential shareholders as well as intermediaries. Developing and maintaining a strong relationship with investors helps the company to understand their expectations. Further, well established relationship with investors is a key aspect of good governance and it creates long term value to the company by providing 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 reporting year.

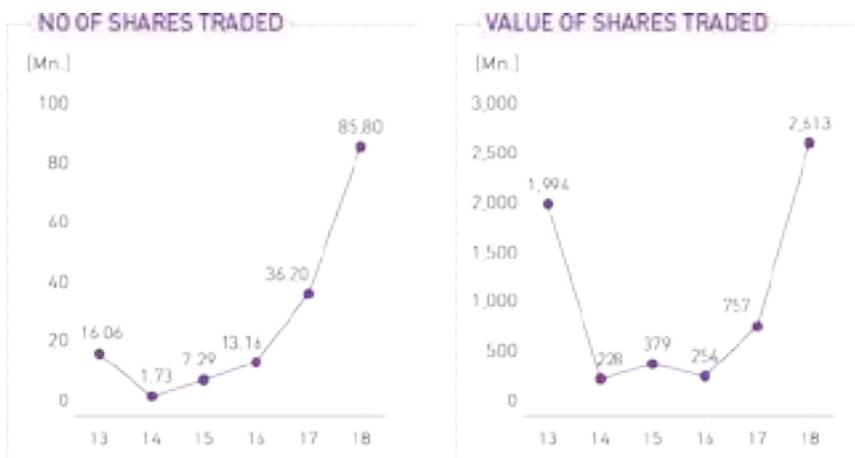
STOCK EXCHANGE LISTING

Softlogic Life Insurance PLC is a public quoted company which has listed ordinary shares in Colombo Stock Exchange (CSE). SLI ordinary shares are effectively traded in Diri Savi Board of the Colombo Stock Exchange under the symbol of AAIC.N0000.

Performance of the Softlogic Life Insurance PLC's Ordinary Share with market performance in 2018



INFORMATION ON SHARE TRADING



SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

The audited Company Income Statements for the year ended 31 December 2018 and the audited Balance Sheets at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date. The interim financial statements were submitted within stipulated time lines.

STOCK MARKET PERFORMANCE

The Sri Lankan Stock Market performed negatively in 2018 compared to that of 2017. The All Share Price Index (ASPI) recorded a 5.0% loss in 2018 reversing the recorded gain of 2.3% in 2017. Similarly, the S&P SL20 index recorded a loss of 14.6% in 2018 reversing the recorded gain of 5.0% in 2017.

The annual S&P SL20 loss recorded the highest loss in the index history since its inception in 2012. BFI Index recorded a slight decline by 0.8% in 2018 in comparison to 2017. The average daily turnover dropped to Rs. 833.6 million by 8.9% the cause of which was mainly attributable to price drops across the board and lower participation of domestic investors. A significant net foreign outflow of Rs. 23.2 billion was recorded in the Colombo Stock Market during 2018 against the LKR 17.6 billion net foreign inflow recorded in 2017 mainly resulted from political uncertainty that existed in latter part of the year.

NAMES OF DIRECTORS

The names of persons who held the positions of Directors during the year are provided in the Annual Report of the Board of Directors on page 190 to 191.

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 324.

PERFORMANCE OF SOFTLOGIC LIFE SHARE

The Softlogic Life share recorded a remarkable performance in the Colombo Stock Market in 2018 showcasing a significant improvement from 2017. This resulted from the outstanding performance of the company in all aspects throughout the year.

In 2018, the share price of the company reached a high of Rs. 45.10 (as at 31st December) and a low of Rs. 20.50 (as at 16th January). The SLI share price closed doubling its value at Rs. 44.80 in 2018. The Number of shares traded during the year increased significantly to 85.80 million in 2018 against 36.2 million in 2017 alongside the Leapfrog investment. The total turnover of traded shares was Rs. 2,613 million in 2018 which was a 245% increase as opposed to 2017.

Market Capitalization of SLI as at 31st December 2018 marked an enormous growth valuing at Rs. 16,800 million in 2018 marking a 113% growth compared to the previous year and this was resulted in the inclusion of Softlogic Life in the S&P SL20 index which was a company's biggest achievement of the year.



The details relating to the performance of the share are given below.

As at 31st December	2018	2017
MARKET VALUE		
Highest Price (Rs)	45.10	24.00
Lowest Price (Rs)	20.50	19.00
Year-end price (Rs)	44.80	21.00
TRADING STATISTICS		
Number of shares traded	85,822,395	36,195,505
Value of Shares traded (Rs. Million)	2,613.29	757.35
Market Capitalization – SLI (Rs. Million)	16,800	7,875
Percentage of total market capitalization	0.59%	0.27%
VALUATION RATIOS		
Number of shares as at 31 December	375,000,000	375,000,000
Basic earnings per share (Rs)	8.90	6.20
Net Assets per share (Rs)	17.79	10.36
Price per book Value (Times) – per share	2.52	2.03
Return on Equity (%)	63.20%	79.49%
Price Earnings Ratio (Times)	5.03	3.39
Earning yield	19.87%	29.52%
Dividend yield*	3%	-

* Dividends are Subject to Regulator's approval.

Basic Earnings per Share

Earnings per Share of the company has increased by 43.5% in 2018 compared to previous year as the company recorded remarkable profit growth. SLI has recorded Rs.8.90 as EPS in 2018 whereas Rs. 6.20 in 2017.

Price Earnings Ratio

Price earnings ratio has improved to 5.03 times in 2018 compared with 3.39 times recorded in previous year. There is a 48% increase in Price Earnings Ratio due to enormous growth in market price of SLI share in 2018.

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% in 2018. (2017 -10.27%).

Float Adjusted Market Capitalization

As at 31st December 2018 the Float Adjusted Market Capitalization of SLI is Rs. 1,725,360,000.

The Company is complied with minimum public holding requirement as at the reporting date based on the "Option 1" of Rule 7.13.1.b.

INVESTOR RELATIONS

SHAREHOLDER BASE

SLI has a diversified shareholder base, both geographically and in the ratio of private to institutional investors. The total number of shareholders increased to 1,141 as at 31st December 2018 from 976 as at 31 December 2017. On 31st December 2018, SLI had 1,076 registered individual shareholders, representing 94.30% of the shareholders, 63.19% 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 98.55% of SLI's ordinary share capital. The top twenty shareholders hold 99.02% of SLI's shares.

Distribution of Shareholders

No of Shares	As at 31 December 2018			As at 31 December 2017		
	No of Share Holders	No of Shares	% of Total Holding	No of Share Holders	No of Shares	% of Total Holding
1-1,000	721	202,360	0.05	592	187,872	0.05
1,001-10,000	309	1,241,879	0.33	272	1,087,448	0.29
10,001-100,000	96	2,758,807	0.74	93	2,774,149	0.74
100,001-1,000,000	9	3,089,115	0.82	11	3,317,364	0.88
1,000,001 & Over	6	367,707,839	98.06	8	367,633,167	98.04
Total	1,141	375,000,000	100	976	375,000,000	100

Shareholders' Categorised Summary Report (Resident & Non Resident)

No of Shares	Non Resident			Resident		
	No of Share Holders	No of Shares	% of Total Holding	No of Share Holders	No of Shares	% of Total Holding
1-1,000	6	2,310	0.00	715	200,050	0.05
1,001-10,000	1	10,000	0.00	308	1,231,879	0.33
10,001-100,000	0	-	0.00	96	2,758,807	0.74
100,001-1,000,000	0	-	0.00	9	3,089,115	0.82
1,000,001 & Over	5	173,907,079	46.38	1	193,800,760	51.68
Total	12	173,919,389	46.38	1,129	201,080,611	53.62

Composition of Shareholders

Resident / Non Resident Distribution

Composition	As at 31 December 2018			As at 31 December 2017		
	No of share Holders	No of Shares	% of Total Holding	No of Share Holders	No of Shares	% of Total Holding
Resident	1,129	201,080,611	53.62	962	202,398,744	53.97
Non Resident	12	173,919,389	46.38	14	172,601,256	46.03
Total	1,141	375,000,000	100	976	375,000,000	100

Individual / Institution Distribution

Composition	As at 31 December 2018			As at 31 December 2017		
	No of share Holders	No of Shares	% of Total Holding	No of Share Holders	No of Shares	% of Total Holding
Individual	1,076	5,437,524	1.45	906	5,358,033	1.43
Institutional	65	369,562,476	98.55	70	369,641,967	98.57
Total	1,141	375,000,000	100	976	375,000,000	100

Public Shareholding

Composition	As at 31 December 2018			As at 31 December 2017		
	No of Share Holders	No of Shares	% of Total Holding	No of share Holders	No of Shares	% of Total Holding
Public Shareholding	1,135	38,503,690	10.27	969	38,503,690	10.27
Total	1,135	38,503,690	10.27	969	38,503,690	10.27

Directors' Shareholding

Name	As at 31 December 2018		As at 31 December 2017	
	No of Share Holders	% 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. Rudiger Will - Director	Nil	Nil	Nil	Nil
Mr. H. K Kaimal - Director	Nil	Nil	Nil	Nil
Ms. Fernanda Lima - Director	Nil	Nil	Nil	Nil

* Mr. H. C. Hettiarachchi was appointed to the Board subsequent to the reporting date and he has not held shares of the Company as at reporting date.

Twenty Largest Shareholders

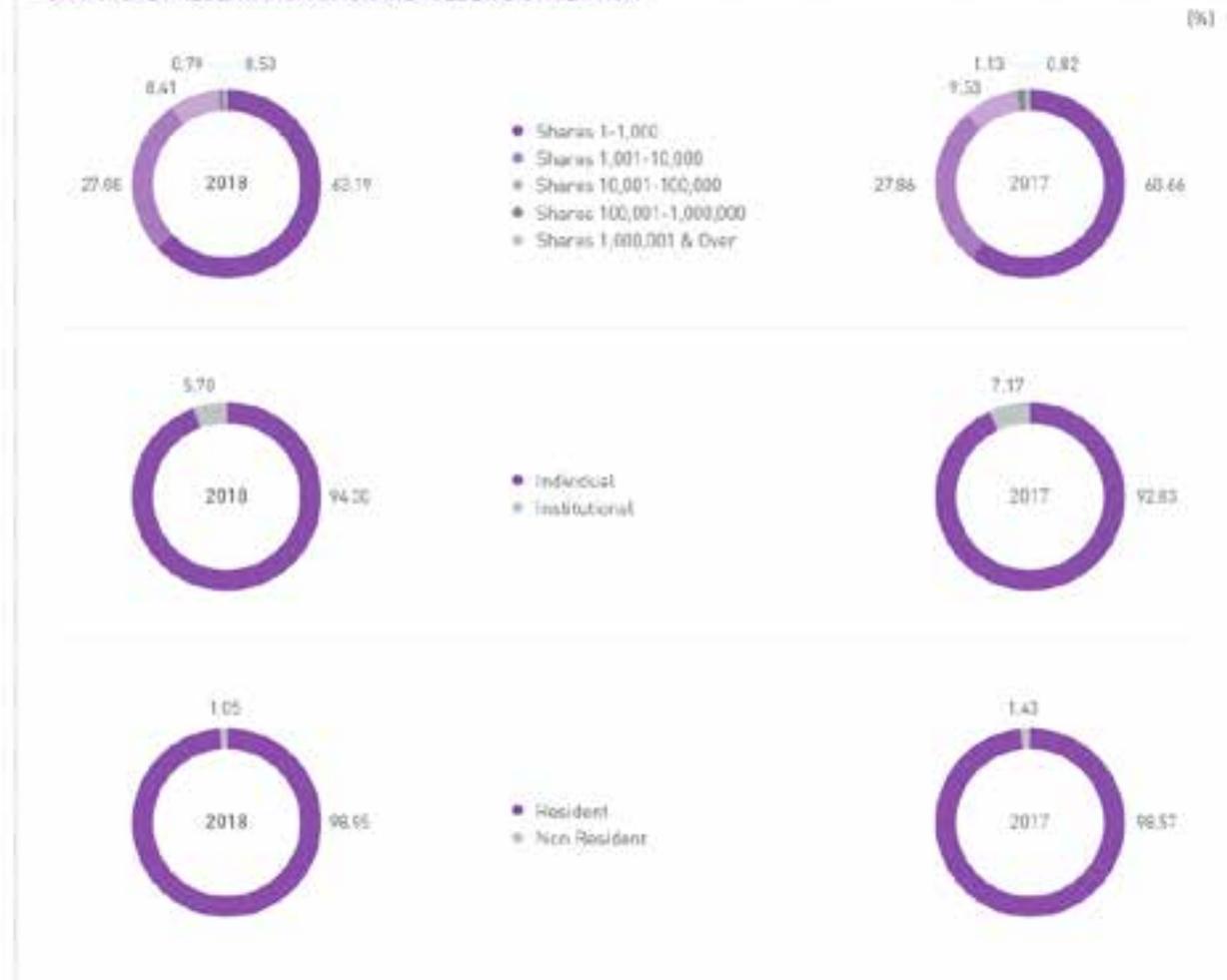
Name of Share Holder	As at 31 December 2018	
	No of Shares	%
Softlogic Capital PLC	193,800,760	51.69
Dalvik Inclusion Private Limited	71,250,000	19.00
State Street Munich c/o ssbt-deg-deutsche investitions	71,250,000	19.00
Ssbt- Global Macro Portfolio	25,625,000	6.83
Pershing llc s/a Averbach Grauson & Co.	3,282,079	0.88
Ssbt-Global Macro Capital Opportunities Portfolio	2,500,000	0.67
Mr. Goonetilleke Gajath Chrysantha	905,000	0.24
J.B. Cocoshell (pvt) Ltd	739,000	0.20
Mr. Ananda Rajapaksha Rathnayaka Sarath	615,950	0.16
Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
Softlogic Holdings PLC	175,550	0.05
Mr. Elankumaran Sarvananthan	120,000	0.03
People's Leasing & Finance PLC/Mr. M.Z.M. Wafik	113,790	0.03
Mr. Mther Sjendra Rnjanan	113,000	0.03
Mr. Rambukwella Ravindra Earl	101,825	0.03
Union Investments Private Ltd	100,000	0.03
Mr. Sandamal Hettiarachchige Don Jude Ravindra	100,000	0.03
Mr. Gunatunga Edgar (deceased)	100,000	0.03
Oakley Investments (Private) Limited	91,230	0.02
Cocoshell Activated Carbon Company Limited	75,000	0.02
	371,263,184	99.02
Other Shareholders	3,736,816	0.98
Total Shareholders	375,000,000	100

INVESTOR RELATIONS

Twenty Largest Shareholders

Name of Share Holder	As at 31 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 Shareholders	375,000,000	100

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 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 259)	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 324)	Complied

INVESTOR RELATIONS

Listing Rule Number	Compliance Requirement	Detail / Reference	Compliance Status
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 2018 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 459)	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 459)	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 295)	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 2018	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 392)	Complied
7.6.ix	Number of shares representing the entity's stated capital	The details of shares issued by the Company are available on (Refer Page 407)	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 458)	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	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 are no 'Employee Share Ownership Schemes' 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 270)	Complied
7.6.xvi	Details of investments in related party transactions.	There were no material transaction during the year with any related party of the company other than discloses (Refer Page 424)	Complied

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 issues and in doing so, we self-declare this report is in accordance with the Global Reporting Initiative GRI Standards Sustainability Reporting Guidelines at Core option.

GRI Standard	Disclosure	Page	Omission
GRI 102: General Disclosures 2016			
ORGANISATIONAL PROFILE			
102-1	Name of the Organisation	10	
102-2	Activities, brands, products, and services	10/136 - 140/ 142-143	
102-3	Location of headquarters	8	
102-4	Location of operations	(Only in Sri Lanka) 10/141	
102-5	Ownership and legal form	10-11	
102-6	Markets served	10/145	
102-7	Scale of the organization	12/14/16/145/128	
102-8	Information on employees and other workers	106/125/161	
102-9	Supply chain	12-13/ 164-165	
102-10	Significant changes to the organization and its supply chain	12-13/22/231	
102-11	Precautionary Principle or approach	236	
102-12	External initiatives	107/127/167/175/183	
102-13	Membership of associations	70	
STRATEGY			
102-14	Statement from senior decision-maker	26-27	
102-15	Key impacts, risks, and opportunities	50 - 54, 45-46	
ETHICS & INTEGRITY			
102-16	Values, principles, standards, and norms of behavior	159/201/238/281	
102-17	Mechanisms for advice and concerns about ethics	121/201-238/220	
GOVERNANCE			
102-18	Governance structure	232	
102-19	Delegating authority	11	
102-20	Executive-level responsibility for economic, environmental, and social topics	158	
102-21	Consulting stakeholders on economic, environmental, and social topics	62	
102-22	Composition of the highest governance body and its committees	209-210	
102-23	Chair of the highest governance body	211	
102-24	Nominating and selecting the highest governance body	254	
102-25	Conflicts of interest	213	
102-26	Role of highest governance body in setting purpose, values, and strategy	211	
102-27	Collective knowledge of highest governance body	210	
102-28	Evaluating the highest governance body's performance	219	
102-29	Identifying and managing economic, environmental, and social impacts	32-34/45	
102-30	Effectiveness of risk management processes	226	
102-31	Review of economic, environmental, and social topics	32/45	
102-32	Highest governance body's role in sustainability reporting	232	

GRI Standard	Disclosure	Page	Omission
102-33	Communicating critical concerns	234	
102-34	Nature and total number of critical concerns	226-231	
102-35	Remuneration policies	220	
102-36	Process for determining remuneration	220	
102-37	Stakeholders' involvement in remuneration	220	
102-38	Annual total compensation ratio	Not Applicable	
102-39	Percentage increase in annual total compensation ratio	Not Applicable	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	64-66	
102-41	Collective bargaining agreements	"We do not have any collective bargaining agreements"	
102-42	Identifying and selecting stakeholders	62-63	
102-43	Approach to stakeholder engagement	64-66	
102-44	Key topics and concerns raised	64-66	
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Not Applicable	
102-46	Defining report content and topic Boundaries	6-8/67	
102-47	List of material topics	68-69	
102-48	Restatements of information	69	
102-49	Changes in reporting	69	
102-50	Reporting period	6	
102-51	Date of most recent report	69	
102-52	Reporting cycle	6-8	
102-53	Contact point for questions regarding the report	8	
102-54	Claims of reporting in accordance with the GRI Standards	7	
102-55	GRI content index	463-466	
102-56	External assurance	187-188	
ECONOMIC			
GRI 201: Economic Performance			
GRI 103: Management Approach		74-75	
201-1	Direct economic value generated and distributed	16/101	
201-2	Financial implications and other risks and opportunities due to climate change	No Implications due to climate changes	
201-3	Defined benefit plan obligations and other retirement plans	120	
GRI 202: Market Presence			
GRI 103: Management Approach		Not Applicable	
202-1	Ratio of standard entry level wage by gender compared to local community wage	Not Applicable	
202-2	Proportion of senior management hired from the local community	Not Applicable	
GRI 205: Anti-corruption			
GRI 103: Management Approach		158	
205-1	Operations assessed for risks related to corruption	158	
205-2	Communication and training about anti-corruption policies and procedures	158	
205-3	Confirmed incidents of corruption and actions taken	158	

GRI Standard	Disclosure	Page	Omission
GRI 206: Anti-competitive Behavior			
GRI 103: Management Approach		158	
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	158	
ENVIRONMENTAL			
GRI 302: Energy			
GRI 103: Management Approach			
302-1	Energy consumption within the organization	178	
302-2	Energy consumption outside of the organization	No Consumption outside the organisation	
302-3	Energy Intensity	Not Applicable	
302-4	Reduction in Energy Consumption	Not Applicable	
GRI 303: Water			
GRI 103: Management Approach		178-179	
303-1	Water withdrawal by source	179	
303-3	Water recycled and reused	Not Applicable	
GRI 304: Biodiversity			
GRI 103: Management Approach		180	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No sites in bio diversity areas	
304-3	Habitats protected or restored	Not Applicable	
GRI 305: Emissions			
GRI 103: Management Approach		178	
305-1	Direct greenhouse gas (GHG) emissions	178	
SOCIAL			
GRI 401: Employment			
GRI 103: Management Approach		106-112	
401-1	New employee hires and employee turnover	112/114-115	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	120	
401-3	Parental leave	120	
GRI 404: Training and Education			
GRI 103: Management Approach		115-118	
404-1	Average hours of training per year per employee	116	
404-2	Programs for upgrading employee skills and transition assistance programs	116-117	
404-3	"Percentage of employees receiving regular performance and career development reviews"	118	
GRI 405: Diversity and Equal Opportunity			
GRI 103: Management Approach		210	
405-1	Diversity of governance bodies and employees	109-110	
405-2	Ratio of basic salary and remuneration of women to men	Not Applicable	

GRI Standard	Disclosure	Page	Omission
HUMAN RIGHTS			
GRI 406: Non - Discrimination			
GRI 103: Management Approach		159	
406-1	Incidents of discrimination and corrective actions taken	159	
GRI 408: Child Labor			
GRI 103: Management Approach		124	
408-1	Operations and suppliers at significant risk for incidents of child labor	124	
GRI 412: Human Rights Assessment			
GRI 103: Management Approach		124	
412-1	Operations that have been subject to human rights reviews or impact assessments	124	
412-2	Employee training on human rights policies or procedures	116-117	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not Applicable	
GRI 413: Local Communities			
GRI 103: Management Approach		149-157	
413-1	Operations with local community engagement, impact assessments, and development programs	149/151-157	
413-2	Operations with significant actual and potential negative impacts on local communities	151-157	
GRI 414: Supplier Social Assessment			
GRI 103: Management Approach		Not Applicable	
414-1	New suppliers that were screened using social criteria	Not Applicable	
414-2	Negative social impacts in the supply chain and actions taken	Not Applicable	
GRI 415: Public Policy			
GRI 103: Management Approach		159	
415-1	Political contributions	159	
GRI 417: Marketing And Labeling			
GRI 103: Management Approach		121	
417-2	Incidents of non-compliance concerning product and service information and labeling	121/241	
417-3	Incidents of non-compliance concerning marketing communications	121/241	
GRI 418: Customer Privacy			
GRI 103: Management Approach		146	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	146	
GRI 419: Socioeconomic Compliance			
GRI 103: Management Approach		16/48	
419-1	Non-compliance with laws and regulations in the social and economic area	48	

GLOSSARY OF INSURANCE TERMS

Aa

Accumulation

The situation where a significant number of risks insured or reinsured with the same Company may be affected simultaneously by a loss event.

Acquisition Expenses

All expenses, which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts (eg: commissions)

Actuarial Valuation

A determination by an actuary at a specific date of the value of a Life Insurance Company's assets and its liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

Administrative Expenses

Costs of an administrative nature including those arising from premium collection, portfolio administration, handling of bonuses and rebates, and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance 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.

GLOSSARY OF INSURANCE TERMS

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.

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.

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.

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.

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.

Gg

Gross Written Premium - Life

Premium to which the insurer is contractually entitled and received in the accounting period.

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.

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 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

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.

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.

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 Claims Incurred

Claims incurred less reinsurance recoveries.

Net Combined Ratio

$$\frac{\text{Net Claims Incurred} + \text{Other Expenses}}{\text{Net Earned Premium}}$$

Net Earned Premium

Gross premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

Non-participating Business

Life Insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

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.

GLOSSARY OF INSURANCE TERMS

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.

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.

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;

$RCAR = \frac{\text{Total Available Capital}}{\text{Risk Based Capital Required}} * 100$

Ss

Segment

Constituent business units grouped in terms of nature and similarity of operations.

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

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.

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.

CORPORATE INFORMATION

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

Paul Ratnayake - Deputy Chairman - Independent Non-Executive Director

Iftikar Ahamed - Managing Director/ Executive Director

Sujeewa Rajapakse - Independent Non - Executive Director

Ray Abeywardena - Independent Non- Executive Director

Rudiger Will - Independent Non- Executive Director
[Appointed w.e.f. July 3,2018]

Haresh Kumar Kaimal - Non-Executive Director
[Appointed w.e.f. July 3,2018]

Fernanda Lima - Non-Executive Director
[Appointed w.e.f. December 21,2018]

Chula Hettiarachchi - Executive Director
[Appointed w.e.f. January 25,2019]

BOARD SUB COMMITTEES

Board Audit Committee

Sujeewa Rajapakse - Chairman - Independent Non - Executive Director

Ray Abeywardena

Rudiger Will

Board Risk Committee

Rudiger Will - Chairman - Independent Non-Executive Director

Iftikar Ahamed

Ray Abeywardena

Fernanda Lima

Board HR & Remuneration Committee

Paul Ratnayake - Chairman -- Independent Non-Executive Director

Ashok Pathirage

Sujeewa Rajapakse

Ray Abeywardena

Board Investment Committee

Ashok Pathirage - Chairman - Non Executive Director

Iftikar Ahamed

Sujeewa Rajapakse

Rudiger Will

Fernanda Lima

Board Related Party Transactions Review Committee

Sujeewa Rajapakse - Chairman - Independent Non Executive Director

Ray Abeywardena

Rudiger Will

Board Nomination Committee

Ashok Pathirage - Chairman - Non Executive Director

Paul Ratnayake

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/Policy Liability

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

Prelan Reiss

Chief Financial Officer

Nuwan Pushpakumara

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

Peoples Bank

Reinsurance Panel

Munich Reinsurance Company

RGA

SCRE

TOA Re

Assicurazioni Generali S.P.A

Am Trust : Lloyd's Syndicate 44

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 OF MEETING

NOTICE OF THE 20TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of SOFTLOGIC LIFE INSURANCE PLC (the Company) will be held on 29th March 2019 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 2018 and the Report of the Auditors thereon.
2. To re-elect Mr. J. H. P. Ratnayeke 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-elect Mr. H. K. Kaimal who was appointed to the Board on 3rd July 2018 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company
4. To re-elect Mr. H. C. Hettiarachchi who was appointed to the Board on 25th January 2019 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company
5. 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 5th March 2019

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, Srimath R.G. Senanayake Mawatha, Colombo 07 not less than forty eight (48) hours before the time appointed for holding of the meeting.
- For security reasons, Members. Proxy holders are kindly advised to bring along with them their National Identity Card or similar for of acceptance identity when attending the meeting.

FORM OF PROXY

I/We

of

being a Member / Member* of the above named Company, hereby appoint

of failing him / her.

- | | |
|-----------------------------|----------------|
| 1. Mr. Asoka K. Pathirage | or failing him |
| 2. Mr. J. H. P. Ratnayeke | or failing him |
| 3. Mr. T. M. Iftikar Ahamed | or failing him |
| 4. Mr. Sujeewa Rajapakse | or failing him |
| 5. Mr. M. Ray Abeywardena | or failing him |
| 6. Mr. Rudiger Will | or failing him |
| 7. Mr. H. K. Kaimal | or failing him |
| 8. Mrs. F. P. L. Lima | or failing her |
| 9. Mr. H. C. Hettiarachchi | or failing him |

As my / our* Proxy to represent me / us* and vote and speak for me / us* on my / our* behalf at the 20th Annual General Meeting of the Company to be held on 29th March 2019 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 2018 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. J. H. P. Ratnayeke 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-elect Mr. H. K. Kaimal who was appointed to the Board on 3rd July 2018 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. H. C. Hettiarachchi who was appointed to the Board on 25th January 2019 retires in terms of Articles 103 of the Articles of Association of the Company as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. 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 2019

Signature of shareholder

Note:

- (i) Please delete the inappropriate words.
- (ii) Instructions for completion of Proxy are noted below.
- (iii) A Proxy need not be a member of the Company.
- (iv) Please mark "X" in appropriate cages, to indicate your instructions as to voting.

FORM OF PROXY

INSTRUCTIONS FOR THE COMPLETION OF PROXY

1. Kindly perfect the Form of Proxy by 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, Sirimath R.G. Senanayake Mawatha, 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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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 Partially Not at all

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.lk