

# INTERIM FINANCIAL STATEMENTS

31<sup>st</sup> December 2017

softlogic  
**LiFE**

**SOFTLOGIC LIFE INSURANCE PLC**  
**INCOME STATEMENT**

For the twelve months ended 31 December	Note	COMPANY		GROUP	CHANGE*
		2017	2016	2016	
		Rs. ' 000 Un-Audited	Rs. ' 000 Audited	Rs. ' 000 Audited	
<b>Continuing Operations</b>					
Gross Written Premium	5	7,530,935	5,635,701	5,635,701	34%
Premiums ceded to Reinsurers		(802,462)	(632,953)	(632,953)	27%
<b>Net Earned Premium</b>		<b>6,728,473</b>	<b>5,002,748</b>	<b>5,002,748</b>	34%
<b>Other Revenue</b>					
Finance Income		874,997	700,170	700,170	25%
Net Realized Gains		51,181	54,299	54,299	-6%
Net Fair value (Losses)/Gains		95,978	(95,888)	(95,888)	200%
Other Operating Income		47,023	5,024	5,024	836%
		<b>1,069,179</b>	<b>663,605</b>	<b>663,605</b>	61%
<b>Total Net Revenue</b>	6	<b>7,797,652</b>	<b>5,666,353</b>	<b>5,666,353</b>	38%
<b>Benefits, Claims and Expenses</b>					
Net Insurance Benefits and Claims		(1,222,501)	(1,072,166)	(1,072,166)	14%
Increase in Life Fund		(1,315,369)	(287,685)	(287,685)	357%
Underwriting and net Acquisition Cost		(1,830,773)	(1,580,473)	(1,580,473)	16%
Other Operating and Administration Expenses		(2,299,406)	(1,780,776)	(1,780,776)	29%
Finance Cost		(23,086)	(67,810)	(67,810)	-66%
<b>Total Benefits, Losses and Expenses</b>		<b>(6,691,135)</b>	<b>(4,788,910)</b>	<b>(4,788,910)</b>	40%
<b>Profit for the Period from Continuing Operations Before Tax</b>		<b>1,106,517</b>	<b>877,443</b>	<b>877,443</b>	26%
<b>Discontinued Operations</b>					
Profit for the Period from Discontinued Operations	8.1.a	-	-	(306,011)	
Realised Gain from Disposal of Subsidiary		-	89,400	469,060	
<b>Profit Before Taxation</b>	7	<b>1,106,517</b>	<b>966,843</b>	<b>1,040,492</b>	14%
Income Tax Reversal/(Expense)	7.1	420,000	-	(4,329)	
<b>Total Profit for the Year</b>		<b>1,526,517</b>	<b>966,843</b>	<b>1,036,163</b>	58%
<b>Profit from Continuing Operations Attributable To;</b>					
Owners of the Parent		1,526,517	877,443	877,443	
Non Controlling Interest		-	-	-	
		<b>1,526,517</b>	<b>877,443</b>	<b>877,443</b>	74%
<b>Profit from Discontinued Operations Attributable To;</b>					
Owners of the Parent		-	89,400	158,720	
Non Controlling Interest		-	-	-	
		-	<b>89,400</b>	<b>158,720</b>	
<b>Basic/Diluted Earnings Per Share (Rs.)</b>					
	16				
Continuing Operations		4.07	2.34	2.34	
Discontinued Operations		-	0.24	0.42	

The Notes form an integral part of these Interim Financial Statements.

\* Change represents current year against prior year figures of the Company.

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the twelve months ended 31 December	COMPANY		GROUP
	2017	2016	2016
	Rs. ' 000 Un-Audited	Rs. ' 000 Audited	Rs. ' 000 Audited
Profit for the Period from Continuing Operations	1,526,517	877,443	877,443
Profit for the Period from Discontinued Operations	-	89,400	158,720
	<b>1,526,517</b>	<b>966,843</b>	<b>1,036,163</b>
<b><u>Other Comprehensive Income</u></b>			
<b>Items that will not be reclassified to Income Statement</b>			
Remeasurement of defined benefit (liability)/asset	2,452	(13,304)	(13,304)
Revaluation of Land and Buildings	23,533	-	-
	<b>25,985</b>	<b>(13,304)</b>	<b>(13,304)</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Available for sale financial asset - net change in fair value	(122,510)	(160,310)	(160,310)
Available for sale financial asset - net change in fair value -Life fund	499,354	(675,953)	(675,953)
Available for sale financial assets reclassified to income statement	6,613	(17,127)	(17,127)
	<b>383,457</b>	<b>(853,390)</b>	<b>(853,390)</b>
<b>Other Comprehensive Income from Continuing Operations, net of tax</b>	<b>409,442</b>	<b>(866,694)</b>	<b>(866,694)</b>
Other Comprehensive Income from Discontinued Operations, net of tax (Note 8.1.b)	-	-	145,317
<b>Total comprehensive income for the period</b>	<b>1,935,959</b>	<b>100,149</b>	<b>314,786</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	1,935,959	100,149	314,786
Non - controlling interests	-	-	-
	<b>1,935,959</b>	<b>100,149</b>	<b>314,786</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF FINANCIAL POSITION**

As at	Note	COMPANY	
		31.12.2017 Rs. ' 000 Un-Audited	31.12.2016 Rs. ' 000 Audited
<b>Assets</b>			
Intangible Assets		7,145	13,236
Property, Plant and Equipment		577,705	485,014
Financial Investments	9	9,994,488	8,218,287
Loans to Life Policyholders and Others		140,385	162,448
Reinsurance Receivables		149,548	85,940
Premium Receivables		290,821	92,318
Other Assets		579,409	627,810
Deferred Tax Asset		420,000	-
Cash and Cash Equivalents		318,945	232,554
<b>Total Assets</b>		<b>12,478,446</b>	<b>9,917,607</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated Capital		1,062,500	1,062,500
Other Reserves		(965,056)	(1,348,513)
Revaluation Reserve		48,436	24,903
Retained Earnings		2,942,245	2,223,276
<b>Total Equity</b>		<b>3,088,125</b>	<b>1,962,166</b>
<b>Liabilities</b>			
Insurance Contract Liabilities	10	8,236,596	6,935,047
Employee Benefits		86,693	73,436
Reinsurance Payable		236,265	139,262
Amounts due to Related Companies		4,615	27,621
Other Liabilities		749,412	648,609
Bank Overdraft		76,740	131,466
<b>Total Liabilities</b>		<b>9,390,321</b>	<b>7,955,441</b>
<b>Total Equity and Liabilities</b>		<b>12,478,446</b>	<b>9,917,607</b>
<b>Net Asset per Share</b>		8.24	5.23

The Notes form an integral part of these Interim Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

Nuwan Pushpakumara  
**Chief Financial Officer**

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

**Signed and on behalf of the Board;**

(Sgd.)

**Director**  
Colombo  
28th February 2018

(Sgd.)

**Director**

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF CHANGES IN EQUITY**

For the twelve months ended 31 December	Stated Capital	Available for sale reserve	Revaluation reserves	Retained Earnings	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
<b>Balance as at 01 January 2016</b>	<b>1,062,500</b>	<b>(495,123)</b>	<b>24,903</b>	<b>1,469,737</b>	<b>2,062,017</b>
Profit for the Period	-	-	-	966,843	966,843
<b><u>Other Comprehensive Income for the Period</u></b>					
Available for sale financial asset -net change in fair value	-	(160,310)	-	-	(160,310)
Available for sale financial asset - net change in fair value - Life fund	-	(675,953)	-	-	(675,953)
Available for sale financial assets reclassified to income statement	-	(17,127)	-	-	(17,127)
Remeasurement of Defined Benefit (liability)/asset	-	-	-	(13,304)	(13,304)
<b>Total Other Comprehensive income</b>	<b>-</b>	<b>(853,390)</b>	<b>-</b>	<b>(13,304)</b>	<b>(866,694)</b>
<b>Total Comprehensive income for the period</b>	<b>-</b>	<b>(853,390)</b>	<b>-</b>	<b>953,539</b>	<b>100,149</b>
<b>Transaction with the owners of the Company, recognised directly in equity</b>					
1st Interim Dividend	-	-	-	(200,000)	(200,000)
<b>Balance as at 31 December 2016</b>	<b>1,062,500</b>	<b>(1,348,513)</b>	<b>24,903</b>	<b>2,223,276</b>	<b>1,962,166</b>
<b>Balance as at 01 January 2017</b>	<b>1,062,500</b>	<b>(1,348,513)</b>	<b>24,903</b>	<b>2,223,276</b>	<b>1,962,166</b>
<b>Profit for the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,526,517</b>	<b>1,526,517</b>
<b><u>Other Comprehensive Income for the Period</u></b>					
Available for sale financial asset -net change in fair value	-	(122,510)	-	-	(122,510)
Available for sale financial asset - net change in fair value - Life fund	-	499,354	-	-	499,354
Available for sale financial assets reclassified to income statement	-	6,613	-	-	6,613
Remeasurement of Defined Benefit (liability)/asset	-	-	-	2,452	2,452
Revaluation of Land and Buildings	-	-	23,533	-	23,533
<b>Total other Comprehensive income</b>	<b>-</b>	<b>383,457</b>	<b>23,533</b>	<b>2,452</b>	<b>409,442</b>
<b>Total Comprehensive income for the period</b>	<b>-</b>	<b>383,457</b>	<b>23,533</b>	<b>1,528,969</b>	<b>1,935,959</b>
<b>Transaction with the owners of the Company, recognised directly in equity</b>					
2nd Interim Dividend - 2016	-	-	-	(810,000)	(810,000)
<b>Balance as at 31 December 2017</b>	<b>1,062,500</b>	<b>(965,056)</b>	<b>48,436</b>	<b>2,942,245</b>	<b>3,088,125</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**INCOME STATEMENT**

For the three months ended 31 December	Note	COMPANY		GROUP	CHANGE*
		2017	2016	2016	
		Rs. ' 000 Un-Audited	Rs. ' 000 Audited	Rs. ' 000 Audited	
<b>Continuing Operations</b>					
Gross Written Premium		2,248,158	1,489,703	1,489,703	51%
Premiums ceded to Reinsurers		(231,160)	(199,164)	(199,164)	16%
<b>Net Earned Premium</b>		<b>2,016,998</b>	<b>1,290,539</b>	<b>1,290,539</b>	<b>56%</b>
<b>Other Revenue</b>					
Finance Income		207,154	213,905	213,905	-3%
Net Realized Gains		28,328	(19,230)	(19,230)	-247%
Net Fair value (Losses)/Gains		(8,167)	(53,546)	(53,546)	-85%
Other Operating Income		7,672	5,024	5,024	53%
		<b>234,987</b>	<b>146,153</b>	<b>146,153</b>	<b>61%</b>
<b>Total Net Revenue</b>		<b>2,251,985</b>	<b>1,436,692</b>	<b>1,436,692</b>	<b>57%</b>
<b>Benefits, Claims and Expenses</b>					
Net Insurance Benefits and Claims		(267,435)	(310,140)	(310,140)	-14%
Increase in Life Fund		(455,113)	(82,931)	(82,931)	449%
Underwriting and net Acquisition Cost		(511,219)	(375,107)	(375,107)	36%
Other Operating and Administration Expenses		(660,043)	(650,026)	(650,026)	2%
Finance Cost		(6,510)	(50,359)	(50,359)	-87%
<b>Total Benefits, Losses and Expenses</b>		<b>(1,900,320)</b>	<b>(1,468,563)</b>	<b>(1,468,563)</b>	<b>29%</b>
<b>Profit for the Period from Continuing Operations Before Tax</b>		<b>351,665</b>	<b>(31,871)</b>	<b>(31,871)</b>	<b>-1203%</b>
<b>Discontinued Operations</b>					
Profit for the Period from Discontinued Operations		-	-	-	
Realised Gain from Disposal of Subsidiary		-	89,400	469,060	
<b>Profit Before Taxation</b>		<b>351,665</b>	<b>57,529</b>	<b>437,189</b>	<b>511%</b>
Income Tax Reversal/(Expense)		420,000	-	-	
<b>Total Profit for the Year</b>		<b>771,665</b>	<b>57,529</b>	<b>437,189</b>	<b>1241%</b>
<b>Profit from Continuing Operations Attributable To;</b>					
Owners of the Parent		771,665	(31,871)	(31,871)	
Non Controlling Interest		-	-	-	
		<b>771,665</b>	<b>(31,871)</b>	<b>(31,871)</b>	<b>-2521%</b>
<b>Profit from Discontinued Operations Attributable To;</b>					
Owners of the Parent		-	89,400	469,060	
Non Controlling Interest		-	-	-	
		-	<b>89,400</b>	<b>469,060</b>	
<b>Basic/Diluted Earnings Per Share (Rs.)</b>					
Continuing Operations		2.06	(0.08)	(0.08)	
Discontinued Operations		-	0.24	1.25	

The Notes form an integral part of these Interim Financial Statements.

\* Change represents current year against prior year figures of the Company.

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the three months ended 31 December	COMPANY		GROUP
	2017	2016	2016
	Rs. ' 000 Un-Audited	Rs. ' 000 Audited	Rs. ' 000 Audited
Profit for the Period from Continuing Operations	771,665	(31,871)	(31,871)
Profit for the Period from Discontinued Operations	-	89,400	469,060
	<b>771,665</b>	<b>57,529</b>	<b>437,189</b>
<b><u>Other Comprehensive Income</u></b>			
<b>Items that will not be reclassified to Income Statement</b>			
Remeasurement of defined benefit (liability)/asset	2,452	(13,304)	(13,304)
Revaluation of Land and Buildings	23,533	-	-
	<b>25,985</b>	<b>(13,304)</b>	<b>(13,304)</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Available for sale financial asset - net change in fair value	55,999	(10,378)	(10,378)
Available for sale financial asset - net change in fair value -Life fund	41,833	(278,370)	(278,370)
Available for sale financial assets reclassified to income statement	1,076	(8,303)	(8,303)
	<b>98,908</b>	<b>(297,051)</b>	<b>(297,051)</b>
<b>Other Comprehensive Income from Continuing Operations, net of tax</b>	<b>124,893</b>	<b>(310,355)</b>	<b>(310,355)</b>
Other Comprehensive Income from Discontinued Operations, net of tax	-	-	-
<b>Total comprehensive income for the period</b>	<b>896,558</b>	<b>(252,826)</b>	<b>126,834</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	896,558	(252,826)	126,834
Non - controlling interests	-	-	-
	<b>896,558</b>	<b>(252,826)</b>	<b>126,834</b>

**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF CASH FLOWS**

For the twelve months ended 31 December	COMPANY		GROUP
	2017	2016	2016
	Rs. ' 000	Rs. ' 000	Rs. ' 000
	Un-Audited	Audited	Audited
<b>Continuing Operation</b>			
<b>Cash Flows Operating Activities</b>			
Profit before Taxation	1,106,517	877,443	877,443
<b>Adjustments for :</b>			
Depreciation of Property, Plant and Equipments	91,493	78,858	78,858
Amortization of Intangible Assets	6,282	8,746	8,746
Provision for Employee Benefits	20,651	14,934	14,934
Net Realized (Gains)	(51,181)	(54,284)	(54,284)
Net Fair value Losses/(Gains)	(95,978)	95,888	95,888
Net Amortization of Financial Investments	(21,185)	(57,290)	(57,290)
(Gain)/Loss on Sale of Property, Plant and Equipments	-	(4,936)	(4,936)
	<b>1,056,599</b>	<b>959,359</b>	<b>959,359</b>
Change in Operating Assets	(272,647)	(126,223)	(126,223)
Change in Operating Liabilities	1,476,349	674,696	674,696
<b>Cashflows from Operating Activities</b>	<b>2,260,301</b>	<b>1,507,832</b>	<b>1,507,832</b>
Gratuity paid	(4,942)	(599)	(599)
Income Tax Paid	-	-	-
<b>Net Cash Generated from Operating Activities</b>	<b>2,255,359</b>	<b>1,507,233</b>	<b>1,507,233</b>
<b>Cash Flows Investing Activities</b>			
Investment in Subsidiary	-	(600,000)	(600,000)
Consideration Received from Disposal of Subsidiary	-	1,276,089	1,276,089
Acquisition of Financial Securities	(11,955,013)	(4,018,585)	(4,018,585)
Consideration Received from Disposal of Investments	10,730,613	2,706,614	2,706,614
Net Acquisition / Capitalization of Property, Plant and Equipment	(160,651)	(136,353)	(136,353)
Proceeds from Sale of Property, Plant and Equipment	-	4,936	4,936
Net Acquisition of Intangible Assets	(191)	-	-
<b>Net Cash (used in) / Generated from Investing Activities</b>	<b>(1,385,242)</b>	<b>(767,299)</b>	<b>(767,299)</b>
<b>Cash Flows Financing Activities</b>			
Dividend Paid	(729,000)	(200,000)	(200,000)
Net Short Term Borrowings	-	(269,700)	(269,700)
<b>Net Cash (used in) / Generated from Financing Activities</b>	<b>(729,000)</b>	<b>(469,700)</b>	<b>(469,700)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>141,117</b>	<b>270,234</b>	<b>270,234</b>
<b>Net cash and cash equivalents as at the Beginning of the year</b>	101,088	(169,146)	(169,146)
<b>Net cash and cash equivalents as at the end of the year - Continued Operation</b>	<b>242,205</b>	<b>101,088</b>	<b>101,088</b>
<b>Net Cashflows from Discontinued Operations (Note 8.2)</b>	-	-	18,520
<b>Notes to the Cashflow Statement</b>			
<b>A. Change in Operating Assets</b>			
(Increase) / Decrease in Loans to Life Policyholders	17,921	(18,808)	(18,808)
(Increase) / Decrease in Reinsurance Receivables	(63,608)	(23,297)	(23,297)
(Increase) / Decrease in Premium Receivables	(198,503)	(25,044)	(25,044)
(Increase) / Decrease in Receivable and Other Assets	(28,457)	(59,074)	(59,074)
	<b>(272,647)</b>	<b>(126,223)</b>	<b>(126,223)</b>
<b>B. Change in Operating Liabilities</b>			
Increase / (Decrease) in Insurance Contract Liabilities	1,301,549	366,515	366,515
Increase / (Decrease) in Reinsurance Payables	97,003	46,290	46,290
Increase / (Decrease) in Other Liabilities	77,797	261,891	261,891
	<b>1,476,349</b>	<b>674,696</b>	<b>674,696</b>
<b>C. Increase in Cash and Cash Equivalents</b>			
Cash and Cash Equivalents	318,945	232,554	232,554
Bank overdrafts	(76,740)	(131,466)	(131,466)
<b>Net cash and cash equivalents as at 31 December</b>	<b>242,205</b>	<b>101,088</b>	<b>101,088</b>
Net cash and cash equivalents as at the Beginning of the period	101,088	(169,146)	(169,146)
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>141,117</b>	<b>270,234</b>	<b>270,234</b>



**SOFTLOGIC LIFE INSURANCE PLC**  
**STATEMENT OF FINANCIAL POSITION - LIFE INSURANCE FUND**

As at	31.12.2017 Rs. ' 000 Un-Audited	31.12.2016 Rs. ' 000 Audited
<b>Assets</b>		
Intangible Assets	-	7,809
Property, Plant and Equipment	236,000	424,362
Financial Investments	8,732,732	6,869,209
Loans to Life Policyholders	140,385	159,338
Reinsurance Receivables	149,548	85,940
Premium Receivables	290,821	92,333
Other Assets	270,641	398,887
Cash and Cash Equivalents	317,946	232,087
<b>Total Assets</b>	<b>10,138,073</b>	<b>8,269,965</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Other Reserves	(306,889)	(815,254)
Revaluation Reserve	48,436	24,903
<b>Total Equity</b>	<b>(258,453)</b>	<b>(790,351)</b>
<b>Liabilities</b>		
Insurance Contract Liabilities	8,236,596	6,935,047
Employee Benefits	86,693	51,992
Reinsurance Payable	236,265	139,262
Amounts due to Related Companies	4,615	-
Other Liabilities	1,755,617	1,814,709
Bank Overdraft	76,740	119,306
<b>Total Liabilities</b>	<b>10,396,526</b>	<b>9,060,316</b>
<b>Total Equity and Liabilities</b>	<b>10,138,073</b>	<b>8,269,965</b>

**1 REPORTING ENTITY**

Softlogic Life Insurance PLC (The Company) is a public limited liability Company listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The Company has the registered office at No 283, R. A. De Mel Mawatha, Colombo 03. The Company is primarily involved in the Life insurance business. The Company's ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka.

**2 APPROVAL OF FINANCIAL STATEMENTS**

The condensed Interim Financial Statements for the twelve months ended 31 December 2017 were authorised for issue by the Board of Directors on 28th February 2018.

**3 BASIS OF PREPARATION**

The Condensed Interim Financial Statements have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting. These Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

The same Accounting Policies and methods of computation as stated in the Annual Financial Statements - 2016 have been followed in preparation of these Interim Financial Statements. Further, the provisions of the Companies Act no.7 of 2007, the Regulation of the Insurance Industry Act No 43 of 2000 and Colombo Stock Exchange have been considered in preparing these Interim Financial Statements.

New SLFRS and Interpretations issued but not effective have not been early adopted during the period.

**4 AUDIT OF THE INTERIM FINANCIAL STATEMENTS**

Figures in the Condensed Interim Financial Statements for the period ended 31 December 2017 are un-audited .

**5 GROSS WRITTEN PREMIUM**

For the twelve months ended 31 December	COMPANY	
	2017	2016
	Rs.' 000	Rs.' 000
	Un-Audited	Audited
<b>Life Insurance-Continued</b>		
First Year Premium	2,035,805	2,050,282
Renewal Premium	4,308,774	3,374,614
Group Life Premium	359,514	188,607
Single Premium	826,842	22,198
<b>Total Life Insurance Gross Written Premium</b>	<b>7,530,935</b>	<b>5,635,701</b>

**6 TOTAL NET REVENUE**

For the twelve months ended 31 December	COMPANY	
	2017	2016
	Rs.' 000	Rs.' 000
	Un-Audited	Audited
Continuing Operations-Life Insurance	7,797,652	5,666,353
<b>Net Revenue</b>	<b>7,797,652</b>	<b>5,666,353</b>

**7 PROFIT BEFORE TAXATION**

For the twelve months ended 31 December	COMPANY	
	2017	2016
	Rs.' 000	Rs.' 000
	Un-Audited	Audited
Continuing Operations-Life Insurance	1,106,517	966,843
<b>Total</b>	<b>1,106,517</b>	<b>966,843</b>

**7.1 INCOME TAXES**

Current Tax Expense	-	-
<b>Deferred Tax</b>		
Origination of Deferred Tax Asset on B/F Tax Losses	420,000	-
<b>Tax Expense</b>	<b>420,000</b>	<b>-</b>

The Company has recognised Deferred Tax Asset of Rs. 420Mn based on the forecasted taxable profit for the year 2018, by utilizing the tax losses that were incurred on or before 2009/2010 amounting to Rs. 1.9Bn.

**8 RESULTS OF DISCONTINUED OPERATIONS**

**8.1 Summerised Income Statement of Discontinued Operation**

8.1.a For the period ended	Rs. '000	
	30 - September	2016
	Audited	
Gross Written Premium	1,784,967	
Net Earned Premium	1,362,405	
Investment Income and Other Income	(2,398)	
<b>Total Net Revenue</b>	<b>1,360,007</b>	
Net Insurance Benefits and Claims	(993,806)	
Underwriting and net Acquisition Cost	(199,471)	
Other Operating ,Administration and Finance Expenses	(472,741)	
<b>Loss Before Taxation</b>	<b>(306,011)</b>	
Income Tax Expenses	(4,329)	
<b>Loss from Discontinued Operations</b>	<b>(310,340)</b>	

8 RESULTS OF DISCONTINUED OPERATIONS (Cont.)		Rs. '000	
8.1.b Other Comprehensive Income		30 - September 2016 Audited	
Available for sale financial asset -net change in fair value		6,664	
Available for sale financial assets reclassified to income statement		148,040	
Tax on Other Comprehensive Income		(9,387)	
<b>Total other Comprehensive income net of tax</b>		<b>145,317</b>	
<b>Total Comprehensive income for the period</b>		<b>(165,023)</b>	
8.2 Summarised Cashflow Statement of Discontinued Operation		Rs. '000	
For the period ended		30 - September 2016 Audited	
Net Cash Generated from Operating Activities		112,946	
Net Cash (used in )/ Generated from Investing Activities		(354,365)	
Net Cash (used in ) / Generated from Financing Activities		600,000	
		358,581	
Net cash and cash equivalents as at the Beginning of the year		(340,061)	
Net cash and cash equivalents as at the end of the year		<b>18,520</b>	
9 FINANCIAL INVESTMENTS		Company	
As at		Dec-2017 Rs. '000 Un-Audited	Dec-2016 Rs. '000 Audited
Held to Maturity (HTM)	Note 9.1	238,803	233,041
Loans and Receivables (L & R)	Note 9.2	2,957,396	482,521
Available - for - Sale (AFS)	Note 9.3	4,171,613	6,973,740
Fair Value Through Profit or Loss (FVTPL)	Note 9.4	2,626,676	528,985
<b>Total Financial Investments</b>		<b>9,994,488</b>	<b>8,218,287</b>
As at		Company Dec-2017 Rs. '000 Un-Audited	Company Dec-2016 Rs. '000 Audited
<b>9.1 Held to Maturity (HTM)</b>			
Treasury Bonds		238,803	233,041
		<b>238,803</b>	<b>233,041</b>
<b>9.2 Loans and Receivables (L &amp; R)</b>			
Debt Securities - Bank Deposits	Note 9.2.a	514,092	200,096
- Commercial Paper	Note 9.2.b	169,188	-
Debt Securities -Debentures		1,794,875	-
- Quoted		479,241	282,425
Overnight Reverse Repo		2,957,396	482,521
<b>9.2.a Bank Deposits (L&amp; R)</b>			
Licensed Commercial Banks		450,273	200,096
Sanasa Development Bank PLC		53,784	-
Regional Development Bank		10,009	-
Bank of Ceylon		26	-
		<b>514,092</b>	<b>200,096</b>
<b>9.2.b Commercial Paper (L &amp; R)</b>			
First Capital Holdings PLC		169,188	-
		<b>169,188</b>	-
<b>9.3 Available - for - Sale (AFS)</b>			
Debt Securities			
- Debentures		-	1,554,430
Equity Securities			
- Quoted		1,298,876	1,428,296
- Un Quoted		369,700	369,700
Treasury Bonds		2,503,037	3,621,314
		<b>4,171,613</b>	<b>6,973,740</b>
<b>9.4 Fair Value Through Profit or Loss (FVTPL)</b>			
Equity Securities		591,028	528,985
Treasury Bonds		458,727	-
Unit Trust		1,576,921	-
		<b>2,626,676</b>	<b>528,985</b>

**10 INSURANCE CONTRACT LIABILITIES**

As at		Company December-2017 Rs. '000 Un-Audited	Company Dec-16 Rs. '000 Audited
Insurance Contract Liabilities		6,090,446	1,814,822
Surplus Created due to Change in Valuation method from NPV to GPV	<b>10.2</b>	1,854,539	4,814,795
Unclaimed benefits		291,611	305,430
		<b>8,236,596</b>	<b>6,935,047</b>

The Company has reclassified its audited Insurance Contract Liability based on product level zeroed negative liability basis which is disclosed in Note 10.1 during period ended 31 December 2017, where as comparative figures for the year ended 31st December 2016 recorded on Non Zeroed Based which resulted reduction in One Off surplus from Rs. 4,814 mn to Rs. 1,854Mn (One off surplus in Non Participating fund reduced from Rs. 3,758 mn to Rs. 798 mn. There is no change in one off surplus in participating fund).

**10.1 Re-Classification of Audited Opening Insurance Contract Liability in Current year**

	Previous Presentation as per Audited Financial Statements (Non Zeroed) Rs. '000	Re-arrangement Rs. '000	New Presentation (Zeroed at product level) Rs. '000
Insurance Contract Liabilities as at 31 December 2016	1,814,822	2,960,256	4,775,078
Surplus Created due to Change in Valuation method from NPV to GPV as at 31 December 2016	4,814,795	(2,960,256)	1,854,539
Unclaimed benefits as at 31 December 2016	305,430	-	305,430
	<b>6,935,047</b>	<b>-</b>	<b>6,935,047</b>

**10.2 Surplus Created due to Change in Valuation method from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV)**

As per the Solvency Margin Rules (Risk Based Capital) which has been enacted with effect from 01st January 2016, All Life Insurance Companies are required to value the Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method. The change in the valuation method from Net Premium Valuation (NPV) which was computed based on Solvency Margin Rules 2002 to GPV resulted in a one off surplus of Rs. 1855 Million (Attributable for Non Participating fund Rs. 798 million and Participating fund Rs. 1,057 million based on the zeroed negative liability at product level.

At the change of valuation method from NPV to GPV as at 31st December 2015, the Insurance Regulatory Commission of Sri Lanka (IRCSL) has directed all life insurance companies not to transfer or distribute the "Surplus created due to change in valuation method from NPV to GPV" and to maintain it within the long term insurance fund until specific instructions are issued by the IRCSL.

The Insurance Association of Sri Lanka (IASL) as the industry body, on behalf of Life Insurance Companies, has requested IRCSL approval to transfer the Non Participating Fund One-off surplus to the Shareholder Fund as at 31st December 2017 and to maintain same as a restricted reserve. However, the approval of the IRCSL is pending and the IRCSL will consider providing a common standard for the identification of this surplus, maintenance etc.

**10.2.a One-off Surplus (Zeroed negative liability basis - Product Level)**

	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
Surplus Created due to Change in Valuation method from NPV to GPV	2,810,245	1,674,571	4,484,816
<b>Surplus Created due to Change in Valuation method from NPV to GPV</b>	<b>1,056,535</b>	<b>798,004</b>	<b>1,854,539</b>

An amount of Rs. 342Mn was declared as surplus for the quarter ended 31st December 2017 in addition to the Surplus of Rs. 440 Mn and Rs. 235 Mn which have been declared in quarter ended 31st March 2017 and 30th June 2017 (Total transfer for the year ended Rs. 1,017 Mn) from Non Participating Fund, as approved by appointed Actuary Mr. Kunj Behari Maheshwari of Messrs. Towers Watson India Private Limited, a Willis Towers Watson entity.

**10 INSURANCE CONTRACT LIABILITIES (Cont.)**

**10.3 Life Fund**

**Valuation of Life Insurance Fund - (Zeroed Basis of Negative Liabilities- Product Level) as at 31 December 2017**

	<b>Participating Fund Rs'000'</b>	<b>Non-Participating Fund Rs'000'</b>	<b>Total Rs'000'</b>
Insurance Contract Liabilities	4,206,286	1,884,160	6,090,446
Surplus Created due to Change in Valuation method from NPV to GPV	1,056,535	798,004	1,854,539
<b>Total Life Fund</b>	<b>5,262,821</b>	<b>2,682,164</b>	<b>7,944,985</b>

**10.4 Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities**

Liability Adequacy Test (LAT) in respect of the Insurance Contract Liabilities as required by SLFRS 4 - Insurance Contracts as at 31 December 2017 was carried out and no additional provision is required.

**11 CAPITAL COMMITMENTS AND CONTINGENCIES**

**11.1 Capital Commitments**

As at the end of the interim period, there were no capital expenditure approved by the Board and contracted for hence no provision has been made in the Interim Financial Statements.

**11.2 Contingencies**

The Contingent Liability of the Company as at 31 December 2017, relates to the followings;

- a) The Company has been issued with an assessment by the Department of Inland Revenue on 28 October 2011 and 26 April 2013 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2009 and 2010 for Rs. 15.2 Million and Rs. 45.9 Million respectively.

The Company has filed an appeal to the Tax appeals commissions on 03 July 2015 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The appeal hearing was held at the Tax Appeals Commissions on 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.

**Income Tax Assessment Relating to Years of Assessment 2010/11, 2011/12, 2012/13, 2013/14 and 2014/15**

- b) The Department of Inland Revenue has raised an assessment on Softlogic Life Insurance PLC for the year of assessment 2010/11, 2011/12 and 2012/13 assessing the Life insurance business to pay an income tax liability of Rs. 46.41 million (Rs. 44 million Tax liability and penalty of Rs. 2 million) and the company has lodged a valid appeal in consultation with Tax Consultants against the said assessment with the Tax Appeals Commission. Further the Department of Inland Revenue has raised notice of assessment on Softlogic Life Insurance PLC for the year of assessment 2013/14 and 2014/15 assessing the Life insurance business to pay an income tax liability of Rs. 139.08 million (Rs. 106Mn Tax liability and penalty of Rs. 33 million) and the company has filed a petition of appeal in consultation with Tax Consultants against the said notice of the assessment with the Commissioner General of Inland Revenue (CGIR).

The Company is of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 / 11, 2011/12, 2012 / 13 , 2013 / 14 and 2014 / 15 and therefore, the above assessments have no rationale or basis in law. Hence the Company together with tax consultants are of the strong view that no tax liability will arise and assessment would not materialised.

**Pending Litigations**

- c) In the opinion of Directors and in consultation with the company Lawyers, litigation currently pending against the company will not have a material impact on the reported results or future operations of the company. All pending litigation for claims have been evaluated and adequate provisions have been made in the interim financial statements.

**12 EVENTS AFTER THE REPORTING PERIOD**

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

**13 COMPARATIVE INFORMATION**

Comparative information has been restated to ensure comparability with the current year information.

**14 SHARE INFORMATION**

	Company	
	31.12.2017	31.12.2016
<b>Net Assets Per Share (Rs)</b>	8.24	5.23
<b>Market Price Per Share</b>		
Last traded price as at 31 December 2017	21.00	20.50
Highest traded price per share for the Quarter (Oct-Dec)	23.50	23.90
Lowest traded price per share for the Quarter (Oct-Dec)	20.00	18.60

**15 STATED CAPITAL**

As at	Company	
	31.12.2017 Rs.' 000	31.12.2016 Rs.' 000
Stated Capital	<b>1,062,500</b>	<b>1,062,500</b>
No of Ordinary Shares	375,000,000	375,000,000

**16 BASIC & DILUTED EARNING PER SHARE (EPS)**

	Company		Group
	31.12.2017	31.12.2016	31.12.2016
Profit attributable to Ordinary Shareholders from Continuing Operation (Rs. 000)	1,526,517	877,443	877,443
Loss attributable to Ordinary Shareholders from Discontinuing Operation (Rs. 000)	-	89,400	158,720
Weighted Average No of shares as at 31 December	375,000,000	375,000,000	375,000,000
Basic/Diluted Earning per share - Continuing Operation (Rs.)	4.07	2.34	2.34
Basic/Diluted Loss per share - Discontinuing Operation (Rs.)	-	0.24	0.42

**18 TWENTY LARGEST SHAREHOLDERS**

Name of Shareholder	31.12.2017	
	No. of Shares	%
1 Softlogic Capital PLC	193,820,760	51.69
2 Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	71,250,000	19.00
3 HSBC Intl Nom Ltd-State Street Munich C/O Ssb-Deg-Deutsche Investitions-Und Entwicklungsgesellschaft	71,250,000	19.00
4 HSBC Intl Nom Ltd-Ssb- Global Macro Portfolio	25,625,000	6.83
5 HSBC Intl Nom Ltd-Ssb-Global Macro Capital Opportunities Portfolio	2,500,000	0.67
6 J.B. Cocoshell (Pvt) Ltd	1,606,767	0.43
7 Sandwave Limited	1,600,640	0.43
8 Mr. Goonetilleke Gajath Chrysantha	900,000	0.24
9 Mr. Ananda Rajapaksha Rathnayaka Sarath	615,950	0.16
10 Elgin Investments Limited	350,016	0.09
11 Mr. Fuad Mushtaq Mohamed	309,000	0.08
12 Seylan Bank Plc/Mohamed Mushtaq Fuad	297,776	0.08
13 Mr. Ekanayaka Nahimala Welegedara Senarath Bandara	205,000	0.05
14 Softlogic Holdings Plc	175,550	0.05
15 People's Leasing & Finance Plc/Mr.D.M.P.Disanayake	131,852	0.04
16 People's Leasing & Finance Plc/Mr. M.Z.M. Wafik	113,790	0.03
17 People's Leasing & Finance Plc/L.P.Hapangama	110,130	0.03
18 People's Leasing & Finance Plc/Hi Line Towers (Pvt) Ltd	108,300	0.03
19 Mr. Gunatunga Edgar (Deceased)	100,000	0.03
20 Ms. Galappatti Merennage Roshini Hasamali	100,000	0.03
Others	371,170,531	98.98
<b>Total</b>	<b>3,829,469</b>	<b>1.02</b>
	<b>375,000,000</b>	<b>100.00</b>

**19 PUBLIC SHAREHOLDING**

The percentage of shares held by the public as at 31 December 2017 was 10.27 % ( 31 December 2016 - 2.77 %) and a number of public shareholders as at 31 December 2017 was 969 ( 31 December 2016 - 1,060 ) .

**Float Adjusted Market Capitalisation**

As at 31 December 2017 the Float Adjusted Market Capitalisation is Rs. 808,762,500/-

The Company has complied with minimum public holding requirement as at the reporting date based on "Option 2" of Rule 7.13.1.b .

**20 DIRECTORS' SHARE HOLDINGS**

As at 31 December Name of The Director	2017	
	No of Shares	%
Mr.A. K. Pathirage (Chairman)	Nil	Nil
Mr. J. H. Paul Ratnayake (Deputy Chairman)	Nil	Nil
Mr. T. M. I. Ahamed (Managing Director / CEO)	Nil	Nil
Mr. S. Rajapakse- Director	Nil	Nil
Mr. M. R. Abeywardena - Director	Nil	Nil
Mr.J. K. Mukhi - Director	Nil	Nil
Mr. J. W. H. Richters - Director	Nil	Nil

**21 RELATED PARTY DISCLOSURES**

**21.1 Transactions with Key Management Personnel of the Company or its parent**

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) and the Members of the Executive Committee of the Company and their immediate family members have been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs.

For the twelve months ended 31 December	Company		Group
	2017 Rs.' 000	2016 Rs.' 000	2016 Rs.' 000
<b>Transactions with the Ultimate Parent &amp; Parent</b>			
Investments	57,396	55,921	55,921
Insurance Premiums	-	-	9,468
Rendering / Receiving of services	100,463	77,369	85,326
Interest & Maturity received	-	144,098	147,645
Dividend Received	2,985	14,531	14,531
Dividend Paid	431,818	190,801	190,801
Expenses	817	-	-
Claims Paid	-	-	3,901
<b>Transactions with Subsidiary</b>			
Insurance Premiums	-	46,124	46,124
Claims Paid	-	937	937
<b>Transactions with Companies under Common Control</b>			
Investments	134,200	62,874	62,874
Insurance Premiums	24,930	-	100,508
Rendering / Receiving of services	-	66,632	66,632
Purchases of property plant & equipment	55,698	6,914	7,363
Interest & Maturity received	-	88,721	88,721
Dividend received	2,750	2,376	2,376
Claims Paid	5,000	-	23,813
Other Income	-	-	3,400
Expenses	76,404	448	448
<b>Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)</b>			
Insurance Premiums	872	-	1,803
Rendering / Receiving of services	-	-	1,237
Professional Charges	852	-	68
Short Term Employment Benefits	58,054	44,741	44,741
Post Employment Benefits	6,210	5,192	5,192
Compensation to KMP	22,590	20,779	20,779