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 Level 16, One Galle Face Tower, Colombo - 02. The ordinary shares of the Company have a primary listing on the CSE.

1.2 Parent entity and ultimate parent entity

The parent entity of the Company is Softlogic Capital PLC. In the opinion of the Board of Directors, the ultimate parent undertaking and controlling entity is Softlogic Holdings PLC which is incorporated in Sri Lanka. The Financial Statements of parent and ultimate parent of the entity are available for public use.

1.3 Principal activities and nature of operations of the Company

The principal business activity of the Company is providing Life Insurance solutions for both individual and corporate customers. 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 Number of employees

The staff strength of the Company as at 31 December 2023 is 985 (2022 was 999).

1.5 Financial statements

The Financial Statements for the year ended 31 December 2023 comprise only "the Company" referring to Softlogic Life Insurance PLC.

Corporate information is given in page 405 of this Annual Report.

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 (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry (RII) Act, No 43 of 2000 and amendments thereto, rules and regulations of the Insurance Regulatory Commission of Sri Lanka, Statement of Recommended Practice (SoRP) and Financial Reporting Guidelines issued by CA Sri Lanka and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

These SLFRSs and LKASs are available at the website of CA Sri Lanka www.casrilanka.com

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Company has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility' for the financial reporting and the certification on the Statement of Financial Position on pages 196, 205 and 273 respectively.

These Financial Statements include 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 271 and 272).
Statement of Financial Position	Providing the information on the financial position of the Company as at the year-end (Refer page 273).
Statement of Changes in Equity	Depicting all changes in shareholders' equity during the year under review of the Company (Refer page 274).
Statement of Cash Flows	Providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 275).
Notes to the Financial Statements comprising material accounting policies and other explanatory information (Refer pages 276 to 376).	

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 December 2023 (including comparatives for 2022), were approved and authorised for issue by the Board of Directors on 04 March 2024.

2.4 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items stated in the Statement of Financial Position.

Category	Items	Basis of measurement	Note	Page reference
Assets	Financial instruments measured at fair value through profit or loss including derivative financial instruments	At fair value	29.4	350
	Financial instruments measured at fair value through other comprehensive income	At fair value	29.3	348
	Land and building	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	26.17	337
Liabilities	Employee benefit liabilities	Actuarially valued and recognised at present value of the defined benefit obligation	40	364
	Insurance contract liabilities	Appointed Actuary determined values based on the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and SLFRSs and LKASs	39	357

2.5 Going concern basis of accounting

In determining the basis of preparing the Financial Statements for the year ended 31 December 2023, management has considered all available information, the consequences of current macro-economic conditions of the country, climate related risks, other events and conditions. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's' ability to continue to operate as a going concern due to the improving operating environment, developments to product strategies and actions taken to mitigate the impact of economic crisis .

Further, in determining the going concern, the management performed multiple stress tested scenarios; considering cost management practices, ability to continue operations under current economic crisis, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and expense management and curtailment practices including ability to defer non-essential capital expenditure.

Accordingly, the Management has assessed its ability to continue as a going concern and is satisfied that it has adequate resources to continue in the business for the foreseeable future. Further, the 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 of the Company are continued to be prepared on a going concern basis.

2.6 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). Accordingly, these Financial Statements including supplementary information are presented in Sri Lankan Rupees (LKR), the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

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 practice (SoRP) issued by the Insurance Regulatory Commission of Sri Lanka.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.8 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 Presentation of Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

2.9 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 disclosed in the accounting policies of the Company.

2.10 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 including recent amendments thereto i.e. Disclosure Initiative (effective from 01 January 2016) and Disclosure of Accounting Policies (effective from 01 January 2023). The company has also voluntarily followed the best practices laid down in the IFRS Practice Statement 2 on Making Materiality Judgements.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different nature or functions.

2.11 Supplementary Statements - Statement of Financial Position – Life Fund

Supplementary Statement of Financial Position of Life Insurance Fund together with notes are disclosed in pages 378 to 380 as per the requirement of the SoRP for Insurance Contracts.

2.12 Financial period

The Financial Statements are prepared for the twelve months period ended and as at 31 December 2023.

2.13 Comparative information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements 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.

3. USE OF MATERIAL ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The most significant areas of estimation uncertainty and critical judgements, in applying accounting policies that have material effect on the amounts recognised in the Financial Statements of the Company are as follows:

3.1 Material accounting judgements

Information about judgments made in applying accounting policies that have material effects on the amounts recognised in these Financial Statements is included in the following notes.

Critical judgements	Note	Page
Classification of financial assets	3.1.1	278
Lease terms - extension options	3.1.3	279
Classification of insurance, reinsurance, and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	39.2	358
Impairment assessment including establishing criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition	4.2.12.3	286
Impact of economic crisis to the Financial Statements	6.7	311

Accounting Judgements

3.1.1 Classification of financial assets

Critical accounting policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories:

- Amortised Cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL), based on the following criteria;
  - » The entity's business model for managing the financial assets as set out in Note 4.2.3.1 on page 282.
  - » The contractual cash flow characteristics of the financial assets as set out in Note 4.2.3.2 on page 283.

Refer Notes 29.2, 29.3 and 29.4 on pages 344 to 351 for more information on classification of financial assets.

3.1.2 Impairment assessment of financial investments

The measurement of impairment losses across the categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Company reviews its financial investments at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made. A collective impairment provision is established for:

- Groups of homogeneous receivables that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

3.1.3 Lease terms - extension options

The Company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The extension options held are exercisable only by the Company and not by the lessors.

The Management has assessed the potential extension options for each lease agreement and decided that possibility of extending of the same lease agreement is remote due to the operating structure of the Company.

3.2 Accounting assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustments for the year ended 31 December 2023 are included in the following notes.

Critical accounting assumptions and estimation uncertainties	Note	Page
Insurance contract liabilities and key actuarial assumptions	39.9 and 3.2.1	360 and 279
Fair value of financial instruments with significant unobservable inputs	3.2.2	280
Impairment measurement of financial assets: determination of inputs into the Expected Credit Loss (ECL) measurement model, including key assumptions and incorporation of forward-looking information	3.2.3	280
Fair value of land and buildings	3.2.4	280
Useful life-time of property, plant and equipment	3.2.5	280
Measurement of defined benefit obligation: key actuarial assumptions	3.2.6 and 40.3	280 and 365
Recognition of deferred tax asset	3.2.7	280
Estimating the incremental borrowing rate for lease liabilities	3.2.8	281
Provisions and contingencies	3.2.9	281
Modifications to the discount rate used for valuation of insurance contract liabilities	39.10	361
Impairment of non-financial assets	4.4	288
Going concern basis	2.5	277
Liability Adequacy Test (LAT)	39.16	362

Assumptions and estimation uncertainties

3.2.1 Valuation of insurance contract liabilities

The liability for life insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best estimate of future cash flows.

The main assumptions used in relation to mortality, morbidity, longevity, investment returns, expenses, and discount rates are further detailed in Notes 39.9 to 39.10 on pages 360 to 361.

For those contracts that ensure risk related to longevity and prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, 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. Discount rates are based on current market rates by considering timing and liquidity nature of the insurance liabilities.

The valuation of the long-term insurance contract liabilities as at 31 December 2023 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited based on the assumptions set out in Note 39.9 to the Financial Statements on page 360.

NOTES TO THE FINANCIAL STATEMENTS

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 39.16 to the Financial Statements on page 362.

Carrying amount of Insurance contract liabilities, assumptions and estimates used to determine Insurance contract liabilities are disclosed in Note 39 on pages 357 to 364.

Refer Table 3 on page 292 for sensitivity analysis.

3.2.2 Fair value of financial instruments with significant unobservable inputs

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 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 313.

3.2.3 Impairment measurement of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models include:

- The Company's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in gross domestic product, sovereign rating, effect from uncertain volatile macro-economic conditions, etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Refer Notes 4.2.13 and 29.2.3 on pages 286 and 346 for further details.

3.2.4 Fair value of land and buildings

The Company measures land and buildings at revalued amounts with changes in fair value being recognised in equity through Other Comprehensive Income (OCI). Valuations are performed in every alternate year to ensure that the fair value of a revalued asset does not differ materially from the carrying amount. The Company engages independent professional valuer Mr. Anuradha Senevirathne, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of SLFRS 13 on Fair Value Measurement. Based on the valuation techniques and inputs used, land and building were classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and building, and sensitivity analysis are provided in Note 26.18 on pages 337.

3.2.5 Useful life-time of the property, plant and equipment

The Company reviews the residual values, useful lives, and methods of depreciation of property, plant and 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.

Refer Note 26 on page 334 for more details.

3.2.6 Measurement of defined benefit obligation

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. 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. The Company engages independent professional actuary Mr. M. Poopalanathan, AIA of Messrs. Actuarial & Management Consultants (Pvt) Ltd to measure defined benefit obligation.

Refer Note 40.3 on pages 365 for the assumptions used to determine the defined benefit obligations.

Sensitivity analysis to key assumptions is disclosed in Note 40.9 on page 367.

3.2.7 Deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences and brought forward tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Refer Note 28 on page 340 for estimates and assumptions used by the company in assessing recoverability of deferred tax assets.

3.2.8 Estimating the incremental borrowing rate

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific adjustments.

3.2.9 Provisions and contingencies

Whenever the Company receives legal claims in the normal course of business, the Management exercises judgments as to the likelihood of any claim succeeding along with defending actions through legislative process. If it is not probable that a material liability will arise in the judgement of the management, no provision has been made in the financial statements, but a disclosure has been made.

Refer Note 48 on page 375 for provisions and contingencies.

4. MATERIAL ACCOUNTING POLICIES

Change in Accounting Policies

The material accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

In addition, the company adopted the disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice statements) from 01 January 2023. The amendments require the disclosure of "material" rather than "significant" accounting policies. These amendments did not result in any changes to the accounting policies themselves.

Set out below is an index of the material accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

4.1 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the date of each transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency as at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate as 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. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in the Income Statement.

4.2 Financial assets – Initial recognition, classification and subsequent measurement

4.2.1 Date of recognition

The Company initially recognises all financial assets (including assets designated at fair value through profit or loss) on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

4.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Note 29 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Income Statement.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

4.2.2.1 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in income statement when the inputs become observable, or when the instrument is derecognised.

4.2.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised Cost (AC) - (Refer Note 29.2 on page 344 for the detail accounting policy)
- Fair Value through Other Comprehensive Income (FVOCI) - (Refer Note 29.3 on page 348 for the detail accounting policy)
- Fair Value through Profit or Loss (FVTPL) - (Refer Note 29.4 on page 350 for the detail accounting policy)

The subsequent measurement of financial assets depends on the classification of each category of the financial asset. Refer Note 29.2, 29.3 and 29.4 on pages 344 to 350.

4.2.3.1 Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument - by - instrument basis because this best reflects the way in which the business is managed and information is provided to management.

The information considered includes:

- stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- frequency, volume and timing of sales in prior periods, reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4.2.3.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.
- prepayment and extension terms

Refer Notes 29.2, 29.3 and 29.4 on pages 344 to 350 for details on different types of financial assets recognised on the Statement of Financial Position.

4.2.4 The Company's existing non-derivative financial assets and their classifications

Financial asset	Category		
	FVTPL	AC	FVOCI
International sovereign bonds	-	✓	-
Treasury bonds*	✓	✓	✓
Treasury bills	-	✓	-
Debentures**	-	✓	-
Perpetual debentures	✓	-	-
Commercial papers	-	✓	-
Securitised papers	-	✓	-
Term deposits	-	✓	-
Repo	-	✓	-
Unit trusts	✓	-	-
Quoted shares	-	-	✓
Unquoted shares	-	-	✓
Loans to life policyholders	-	✓	-
Staff and advisor receivables	-	✓	-
Cash and cash equivalents	-	✓	-
Reinsurance receivables	-	✓	-
Premium receivables	-	✓	-
Other receivables	-	✓	-

**Treasury bonds – On 15 August 2023, under the Domestic Debt Optimisation Programme (DDO) for Sri Lanka Development Bonds (SLDB), five series of Treasury Bonds at SLFR + 1% was offered which have been recognised under FVOCI category. Accordingly, the SLDBs has been derecognised from the financial statements as disclosed in Note 29.2.3 on page 346.*

***Debentures - The Company classifies quoted debentures under amortised cost category since there is no active market for these instruments even though such instruments are listed.*

4.2.5 Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal, or termination of a business line.

4.2.5.1 Timing of reclassification of financial assets

Consequent to a change in the business model, the Company reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

NOTES TO THE FINANCIAL STATEMENTS

4.2.5.2 Measurement of reclassification of financial assets

Reclassification from	Reclassification to amortised cost	Reclassification to FVOCI	Reclassification to FVTPL
Fair Value through Profit or Loss (FVTPL)	The fair value on reclassification date becomes the new carrying amount. The Effective Interest Rate (EIR) is calculated based on the new gross carrying amount.	The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.	N/A
Fair Value through Other Comprehensive Income (FVOCI)	The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.	N/A	The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
Amortised Cost (AC)	N/A	The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.	The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

4.2.6 Derecognition of financial assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and 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 the income statement.

However, cumulative gain / loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in the Income Statement on derecognition of such securities. 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.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

4.2.7 Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the income statement.

4.2.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if and only if, there is currently an enforceable legal 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.

4.2.9 Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

4.2.10 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 7 on pages 313 to 319.

4.2.11 Category wise financial assets

The following table presents the financial assets by categories in accordance with SLFRS 9.

As at 31 December		2023				
		Carrying value				
		FVTPL	Amortised cost	FVOCI	Total carrying value	Total fair value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments	29.1	4,626,674	33,698,659	5,174,882	43,500,215	47,868,595
Loans to life policyholders	30	-	331,301	-	331,301	331,301
Reinsurance receivables	31	-	465,211	-	465,211	465,211
Premium receivables	32	-	2,449,089	-	2,449,089	2,449,089
Receivables and other assets	33	-	72,115	-	72,115	72,115
Cash and cash equivalents	34	-	1,099,679	-	1,099,679	1,099,679
Total financial assets		4,626,674	38,116,054	5,174,882	47,917,610	52,285,990

As at 31 December		2022				
		Carrying value				
		FVTPL	Amortised cost	FVOCI	Total carrying value	Total fair value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial investments	29.1	3,451,509	37,065,567	2,082,779	42,599,855	38,480,501
Loans to life policyholders	30	-	265,060	-	265,060	265,060
Reinsurance receivables	31	-	568,379	-	568,379	568,379
Premium receivables	32	-	1,763,388	-	1,763,388	1,763,388
Receivables and other assets	33	-	70,934	-	70,934	70,934
Cash and cash equivalents	34	-	739,944	-	739,944	739,944
Total financial assets		3,451,509	40,473,272	2,082,779	46,007,560	41,888,206

NOTES TO THE FINANCIAL STATEMENTS

4.2.12 Identification and measurement of impairment of financial assets

4.2.12.1 Overview of the ECL principles

The Company records an allowance for expected credit losses for debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

STAGE 1

A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

STAGE 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for life time (LTECL).

STAGE 3

If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for life time (LTECL), with probability of default at 100%.

Details of the ECL calculation are given in Note 29.2.3 on page 346.

4.2.12.2 Purchased or originated credit impaired (POCI) financial assets

Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses (LTECL). (Refer table - 17 on page 303 for credit impaired financial assets.)

4.2.12.3 Significant increase in credit risk (SICR)

Key judgements and assumptions adopted by the Company in addressing the requirements of SLFRS 9

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

The Company individually reviews, financial assets above a predefined threshold at each reporting date to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include:

- when reasonable and supportable forecasts of future economic conditions directly affect the performance of the instruments.
- when there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the instruments.

Exposures which have one or more of the above indicators are treated as SICR and assessed accordingly in the ECL computations. The Company regularly monitors the effectiveness of the criteria used to identify the SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Company determines SICR based on the generally accepted investment / non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage2, if their credit risk increases to the extent that they are no longer considered in investment grade.

4.2.12.4 Definition of default and credit impaired assets

The Company classifies the financial investments under Stage 3, when the external credit rating assigned to the particular investment is "default".

4.2.12.5 Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of stage 3, when they no longer exhibit any evidence of credit impairment as described above.

4.2.13 Impairment charges

4.2.13.1 Impairment charges as per SLFRS 9

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial investments at amortised cost;
- Debt instruments at fair value through other comprehensive income;
- Other financial assets measured at amortised cost.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions, and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should consider the time value of money.

4.2.13.2 Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortised cost.

The Company does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus, the Company considers PDs published by the external sources. (i.e. Bloomberg and S & P).

LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%. However, LGD for foreign currency denominated securities [Sri Lanka Development Bonds (SLDBs) and International Sovereign Bonds (ISBs)] issued by the Government of Sri Lanka is considered as 20% till 14 August 2023 for SLDBs and for ISBs as 64%. For all other financial investments, LGD is considered as 45% due to lack of detail inputs; similar to the guideline issued by the Central Bank of Sri Lanka (CBSL) for the banking sector.

EAD of a debt instrument is its gross carrying amount.

4.2.13.3 Forward-looking information

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources.

Quantitative drivers of credit risk	GDP growth
	Exchange rate
Qualitative drivers of credit risk	PDs published by the external sources
	Regulatory impact
	Government policies

4.2.13.4 The calculation of ECLs

The Company measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12 months ECL:

- Debt instruments on which credit risk has not increased significantly since the initial recognition;
- Debt instruments that are determined to have low credit risk at the reporting date.

The Company considers a debt instrument to have a low credit risk, when they have an "investment grade" credit risk rating.

4.2.13.5 Financial assets that are not credit impaired at the reporting date

The Company calculates 12-months ECL allowance based on the expectation of a default occurring in the 12-months following the reporting date. These expected 12-month default probabilities are applied to exposure at default (EAD) and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When financial assets have shown a SICR since origination, the Company records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

4.2.13.6 Financial assets that are credit-impaired at the reporting date

Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimates made by the Company as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Company regularly reviews the assumptions for projecting future cash flows.

4.2.13.7 Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.2.13.8 Impairment of reinsurance receivables

Reinsurance assets are reviewed for impairment based on the expected loss model at each reporting date. The impairment loss, if any is recorded in the Income Statement.

4.2.13.9 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 recognised in the Income Statement.

4.3 Financial liabilities – Initial recognition, classification and subsequent measurement

4.3.1 Initial recognition and measurement

Financial liabilities are initially recognised, when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, except in the case of financial liabilities at fair value through profit or loss as per SLFRS 9.

4.3.2 Classification

The Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at FVTPL, and within this category as Held for trading; or designated at FVTPL;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their respective classification.

NOTES TO THE FINANCIAL STATEMENTS

4.3.3 Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest expense, are recognised in the Income Statement.

The Company does not have financial liabilities classified at FVTPL as at the reporting date.

4.3.4 Subsequent measurement - Financial liabilities measured at amortised cost

All other financial liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gain or loss on derecognition, interest expense and foreign exchange gains and losses are recognised in the Income Statement.

4.3.5 Reclassification of financial liabilities

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.3.6 Derecognition of financial liabilities

The Company derecognises a financial liability, when its contractual obligations are discharged, cancelled or expired.

4.3.7 Modification of financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with the modified terms is recognised in the Income Statement.

4.3.8 The following table presents financial liabilities by categories in accordance with SLFRS 9.

As at 31 December		2023	
		Amortised cost	
	Note	Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	5,014,997	5,014,997
Reinsurance payable	42	718,855	718,855
Bank overdraft	34.1	376,690	376,690
Other liabilities	43	1,912,162	1,912,162
Total financial liabilities		8,022,704	8,022,704

As at 31 December		2022	
		Amortised cost	
	Note	Carrying value Rs. '000	Fair value Rs. '000
Loans and borrowings	41.1	5,643,918	5,643,918
Reinsurance payable	42	2,246,237	2,246,237
Bank overdraft	34.1	308,318	308,318
Other liabilities	43	1,892,678	1,892,678
Total financial liabilities		10,091,151	10,091,151

In the judgement of the management, the carrying value of financial liabilities approximates the fair value as described in Note 7.5 on page 318.

4.4 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 group of assets that generates cash inflow from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to the 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 recognised in the 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 other 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 amortisation, if no impairment loss had been recognised.

4.5 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 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 34.1 on page 355.

The Statement of Cash Flows is given on page 275.

5. NEW STANDARDS AND AMENDMENTS

5.1 New standards and amendments: applicable on or after 1 January 2023

The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2023 and have not resulted in a material impact on the Company's financial statements.

5.1.1 Definition of Accounting Estimates (Amendments to LKAS 8)

The amendment to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies shall distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Further, it emphasises that a change in accounting estimate that results from new information or new developments is not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

5.1.2 Disclosure of Accounting Policies (Amendments to LKAS 1)

The key amendments to LKAS 1 Presentation of Financial Statements include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- defining what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explaining how to identify when accounting policy information is material;
- clarifying that immaterial accounting policy information does not need to be disclosed and if disclosed, shall not obscure material accounting information;
- further clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

5.1.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments to LKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. Accordingly, the amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences (e.g. leases).

5.2 New standards and amendments: applicable on or after 1 January 2024

The Company intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements, if applicable, when they become effective.

5.2.1 SLFRS 17 Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01 January 2026. Early adoption is permitted along with the adoption of SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers and the Company has early adopted SLFRS 9 effective from the year 2019 and intends to reassess the business model along with the adaptation of SLFRS 17. SLFRS 17 supersedes SLFRS 4 Insurance contracts (which permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities) with new measurement model for all insurance contracts. SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day – one gain arising on initial recognition. Losses are recognised directly to the income statement. For the measurement purposes, contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the service provided to policyholders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit. The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non - economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of service to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date need to be determined.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 17 requires, the CSM to be calculated as if the standards had applied retrospectively. If this is not practical, an entity is required to choose either a modified retrospective approach or determine the CSM by reference to the fair value of the liabilities at transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profit on in - force business in future reporting periods.

SLFRS 17 is expected to have a substantial change in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition.

The Company has an implementation program underway to implement SLFRS 17. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes. The Company is in Phase 2 of its implementation programme in line with the new effective date for the standard.

Accordingly, the Company has completed a substantial progress in phase 2 in line with the new effective date of the standard and shortlisted the system vendor on the implementation as well.

The following amendments to existing standards are not expected to have a material impact on the financial statements of the Company.

5.2.2 Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to LKAS 1)

The amendments clarify that the classification of liabilities as current or non-current shall be based on rights that are in existence at the end of the reporting period. Such classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Accordingly, when an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the liability;
- information about the covenants;
- facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The amendments apply to annual reporting periods beginning on or after 1 January 2024.

5.2.3 Lease Liability in a Sale and Leaseback – Amendments to SLFRS 16

This narrow-scope amendments to the requirements for sale and leaseback transactions in SLFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The amendments apply to annual reporting periods beginning on or after 1 January 2024.

5.2.4 Supplier finance arrangements – Amendments to LKAS 7 and SLFRS 7

The objective of the new disclosures is to provide information about Supplier finance arrangements (SFAs) that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include:

- Terms and conditions of SFAs;
- Carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented;
- Carrying amount of the financial liabilities for which suppliers have already received payment from the finance providers;
- Range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements;
- Non-cash changes in the carrying amounts of financial liabilities;
- Access to SFA facilities and concentration of liquidity risk with finance providers.

The amendments apply to annual reporting periods beginning on or after 1 January 2024 along with certain transitional reliefs.

5.2.6 Lack of exchangeability (Amendments to LKAS 21)

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025 with earlier application is permitted. This is yet to be adopted by CA Sri Lanka.

6. RISK AND CAPITAL MANAGEMENT

Overview

Insurance contracts expose the Company to underwriting risk, product design risk, reinsurance risk and claim risk. In addition, 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 are 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.

Disclosure requirement under SLFRS 4 - Insurance contracts and SLFRS 7 - Financial instruments

As required by SLFRS 4 and SLFRS 7, this note presents qualitative and quantitative information about the Company's exposure to each of the Insurance risks, Financial risks, Operational risk and the Company's objectives, policies and processes for measuring and managing such risks.

Risk management objectives, policies and process

Refer integrated risk management report on page 291 to 313 of this report to obtain a complete overview of the risk landscape that Softlogic Life Insurance PLC is exposed to and its objectives, policies, process and methodologies adopted for managing those risks.

Table - 1 Contents of risk management disclosures

6.1 Risk management framework

The primary objective of the Company's risk and financial management framework is to protect its shareholders from events that could hinder the sustainable achievement of financial objectives, including the failure to exploit opportunities.

The overall responsibility and oversight of the Risk Management Framework of the Company is vested with the Board of Directors (BOD). The Risk Management Committee, a subcommittee set up by the Board, in turn is entrusted with the development of the Company's Risk Management Policies and monitoring of due compliance of same through the Risk Management Committee. The committee reports regularly to the Board of Directors on its activities.

The Risk Management policies spell out the risk appetite of the Company and have incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Company's Risk Management Team, comprising members of the senior management who 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.

Regulatory framework

The Insurance Regulatory Commission of Sri Lanka (IRCSL) is primarily interested in protecting the rights of policyholders and monitor them closely in line with the Regulation of Insurance Industry Act No.43 of 2000 and amendments thereto to ensure that the Company is satisfactorily managing its affairs for the benefits of policyholders.

At the same time, IRCSL is monitoring whether the Company complies with rules with respect to the solvency position and determination requirements to meet risk arising from unforeseeable events.

Compliance with regulatory framework

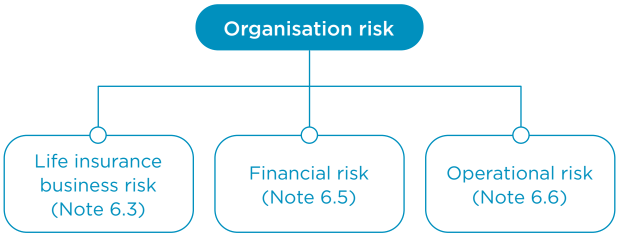
Refer Note 6.8.2 - 6.8.5 on pages 312 - 313 for the compliance status of the Company under RBC Rules.

NOTES TO THE FINANCIAL STATEMENTS

6.2 Risk landscape of Softlogic Life Insurance PLC

Overview of the risks faced by the Company

The risk landscape of the Company is provided below:



6.3 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. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behaviour, and fluctuations in new business volumes.

6.3.a Risk response

Life insurance business risk exposure is mitigated by:

- Careful selection and implementation of underwriting strategy guidelines;
- External reinsurance;
- Robust reserving processes;
- Diversification of insurance contracts across the geographical areas.

Refer page 292 to 296 for more details on risk management procedures adopted by the Company to manage insurance risk.

6.3.b Concentration of insurance risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk on insurance contract liabilities may arise with respect to business written within a geographical or a type of policies issued by the company.

Observing best estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration.

Concentration of risk within the life business is based on reserves for life insurance as explained in below table.

Refer Note 6.3.1 on page 293 for concentration of underwriting risk.

Table - 2 Mix of the insurance contract liabilities

As at 31 December	2023 Insurance contract liabilities Rs. '000	2023 %	2022 Insurance contract liabilities Rs. '000	2022 %
Maximum exposure,	27,925,474		25,338,502	
Participating fund	11,998,752	43.0	10,326,417	40.8
Non-participating fund	11,584,362	41.5	11,967,663	47.2
Universal life fund	4,342,360	15.5	3,044,422	12.0
Total	27,925,474	100	25,338,502	100

6.3.c Risk response to life insurance concentration risk

The Company has adopted following strategies to manage concentration of life insurance risk.

- Product development (Refer page 28 for more details)
- Market segmentation (Refer page 117 for more details)
- Ensure compliance (solvency margin RBC) requirements imposed by the regulator (IRCSL) (Refer Table-32 on page 312 for more details)
- Continuously monitor maturity analysis of assets and liabilities in order to meet future cash flows requirements.

Refer Note 6.5.1 on page 296 for Investment concentration risk analysis.

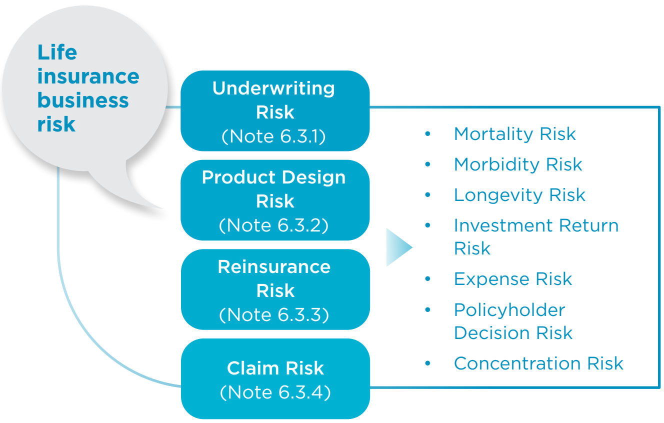
6.3.d Sensitivity to the assumptions in change of the life insurance contract liabilities

The following analysis is performed for reasonably possible movements in key assumptions with all other variables held constant, showing the impact on insurance contract liabilities. The method used for deriving sensitivity information and significant assumptions made has not been changed from the previous period.

Table - 3 Sensitivities to insurance contract liabilities

As at 31 December	Change in assumptions	2023 Impact on liabilities Rs. '000	2022 Impact on liabilities Rs. '000
Mortality	+10%	549,367	589,290
	-10%	(517,254)	(507,040)
Morbidity	+10%	799,491	263,457
	-10%	(225,859)	(188,671)
Discount rate	+50 basis points	(1,450,438)	(1,354,307)
	-50 basis points	1,592,964	1,488,271
Expenses	+10%	878,934	859,944
	-10%	(869,822)	(852,667)

The main risks exposed in the life Insurance business are summarised in the following diagram;



6.3.1 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.

6.3.1.a Concentrations of underwriting risk

The following table sets out the gross written premium of the Company by province of issue.

Table - 4 GWP by province

For the Year ended 31 December	2023 Rs. '000	2022 Rs. '000
Western Province	18,178,764	15,859,908
Southern Province	2,321,042	2,002,806
North Western Province	1,860,322	1,579,837
Central Province	1,381,213	1,109,296
Sabaragamuwa Province	936,121	890,489
Northern Province	516,667	479,867
North Central Province	484,255	418,311
Uva Province	443,456	400,732
Eastern Province	219,481	342,179
Total	26,341,321	23,083,425

6.3.1.b Risk response / Mitigation strategy

- 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 scholarships to staff.
- Use of systematic underwriting limits
- Comply with the money laundering policies

6.3.1.c 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 Chief Technical Officer (CTO). The Board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present by 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.

6.3.2 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 the product development are explained in the Table 5.

NOTES TO THE FINANCIAL STATEMENTS

6.3.2 Product design risk (Contd.)

Table - 5 Assumptions used in the product development

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected.	Use of standard table A 67/70 mortality rates with adjustments to reflect the Company's mortality experience.
Morbidity risk	Risk of loss arising due to policyholders' accident/ sickness experience condition being different from expected.	Assumptions are based on the Company's own experience.
Longevity risk	Risk that annuitants (a person who receives and annuity payment) live longer than expected.	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.
Investment return risk	Risk of loss arising from actual returns being different from expected.	Investment decisions are being made to comply with RBC framework and Determination rules issued by IRCSL.
Expense risk	Risk of loss arising from the actual expense experience being different from expected.	The best estimate expense assumptions have been set based on the expense investigation carried out as at 31 December 2023 based on the expenses incurred during 2023.
Policyholder discontinuance 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. Introduction of convenient premium payment methods and option to active lapsed policies less medical requirements.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio/ mix.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes. Developing a proper product mix in line with the Company strategy.

6.3.2.a 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.

Table - 6 Overall risk mitigation approach in the life insurance Business

Product	Key Risk	Risk Mitigation
Traditional participating	**Market risk:** Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
Non participating	**Market risk:** Insufficient fees to cover cost of guarantees and expenses	Derivative hedging programme Surrender penalties
Universal life	**Interest rate risk:** Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows
	Investment credit risk	Investing in investment grade assets

Concentration of the participating, non participating and universal life funds position is given in Note 6.3.b (Table 2) on page 292.

6.3.3 Reinsurance risk

Notwithstanding the advantages that reinsurance provides to 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.

6.3.3.a Risk response to reinsurance risk

- 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.

The Company's premium ceded to reinsurers is approximately 9% - 12% of the gross written premium.

Table - 7 Reinsurance exposure

For the year ended 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Gross written premiums	26,341,321		23,083,425	
Reinsurance	(2,490,889)	9	(2,678,803)	12
Net written premiums	23,850,432		20,404,622	

The Company has recovered approximately 4% - 9% of gross claims paid from reinsurers during the period under review.

Table - 8 Reinsurance recoveries

For the year ended 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Gross claims paid	13,490,583		9,114,292	
Claims recovered from reinsurers	(592,422)	4	(850,006)	9
Net claims paid	12,898,161		8,264,286	

Refer Note 6.5.2.3 on page 303 for analysis of credit risk relating to reinsurance receivables.

6.3.3.b Management of reinsurance receivables

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.

Refer Table 19 on page 304 for rating analysis of reinsurance receivables.

6.3.4 Claim risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

6.3.4.a Risk response to claims risk

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- CTO closely monitors claim reserves.

6.4 Determination of the Life Insurance Contract Liabilities

Gross premium valuation (GPV) methodology, has been used for calculating the insurance contract liabilities as at 31 December 2023. Gross and net of reinsurance liabilities have been calculated as required in the RBC regulations. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Judgments and assumptions are required in determining the insurance contract liabilities. Assumptions are evaluated on a continuous basis to ensure realistic and reasonable valuation of insurance contract liabilities.

6.4.a Risk response

The valuation model is reviewed by Messrs. Towers Watson India Private Limited and they have 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.

6.4.b Key assumptions and sensitivity analysis

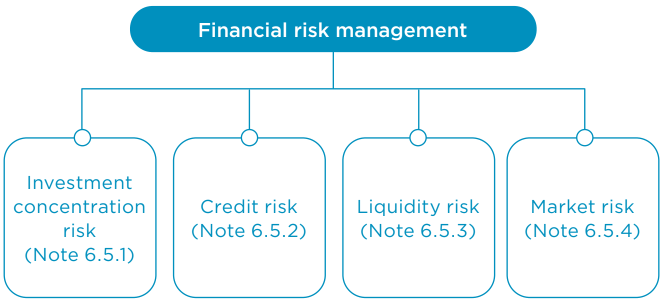
Refer Notes 39.9 and 6.3.d on page 360 and 292 for key assumptions used in determining the insurance contract liabilities and sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS

6.5 Financial risk management

Overview

The Financial Risk refers to multiple types of risk associated with financing. The Company is exposed to following financial risks.



6.5.1 Investment concentration risk

Investment concentration risk is arising due to concentration of a single counterparty, sector, one geographic area or one type of security. It also may be defined as less diversification of investment portfolio.

6.5.1.a Risk response

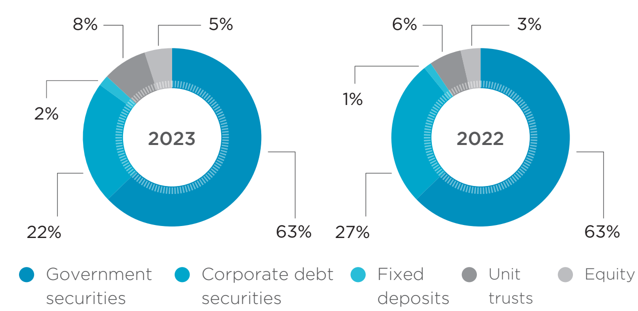
- Clearly defined single party limits are continuously monitored and periodically reviewed.
- Assets allocation limits are regularly reviewed by the Risk Officer.
- The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis.

Maximum exposure to investment concentration risk and diversification of investment portfolio is summarised in the below table.

Table - 9 Investment exposure

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Maximum exposure to investment concentration risk	43,500,215		42,599,855	
Government securities				
Treasury bonds	21,814,545		13,716,722	
Treasury bills	553,716		1,099,884	
Sri Lanka development bonds	-		6,221,129	
International sovereign bonds	3,928,615		4,830,774	
Repo	1,045,088		880,918	
Derivative financial asset	-		68	
	27,341,964	63	26,749,495	63
Corporate debt securities				
Banks	4,549,181		5,003,663	
Capital goods	781,857		792,568	
Diversified financials	3,753,646		4,960,048	
Food beverage and tobacco	18,742		22,208	
Insurance	100,368		100,344	
Telecommunication	409,055		408,965	
Consumer durables and apparel	25,094		25,086	
	9,637,943	22	11,312,882	27
Fixed deposits				
Licensed commercial banks	919,403		522,007	
	919,403	2	522,007	1
Unit trusts				
Debt securities	3,513,990		2,578,400	
	3,513,990	8	2,578,400	6
Investment in equity				
Banks	1,626,414		875,404	
Diversified financials	92,560		177,275	
Healthcare equipment and services	367,939		384,392	
	2,086,913	5	1,437,071	3
Total exposure	43,500,215	100	42,599,855	100

INVESTMENT EXPOSURE



6.5.2 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet their contractual obligations.

The Company is exposed to credit risk from its operating activities and from its investment activities, including debt securities with banks and financial institutions, foreign exchange transactions and other financial instruments.

6.5.2.a Maximum exposure to credit risk

The Company is exposed to credit risk derived through the following categories of financial assets:

Table - 10 Credit risk exposure

As at 31 December	Note	2023		2022	
		Rs. '000	%	Rs. '000	%
Financial investments*	6.5.2.1	41,413,302	90.4	41,162,784	92.4
Loans to life policyholders	6.5.2.2	331,301	0.7	265,060	0.6
Reinsurance receivables	6.5.2.3	465,211	1.1	568,379	1.3
Premium receivables	6.5.2.4	2,449,089	5.3	1,763,388	3.9
Receivables and other assets	6.5.2.5	72,155	0.2	70,934	0.2
Cash at bank	6.5.2.6	1,091,701	2.3	728,731	1.6
Maximum exposure to credit risk		45,822,759	100.0	44,559,276	100.0

This does not include equity investments.

TOTAL EXPOSURE TO CREDIT RISK

6.5.2.b Management of credit risk

- 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.
- Limiting concentrations of exposure to counterparties, industries, issuer credit rating limitations 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.
- Continually reviewing and assessing credit risk.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.c Concentration of credit risk

The Company monitors concentrations of credit risk by industry / sector wise. The Company ensures that an acceptable level of risk diversification is maintained on an ongoing basis and the limits are reviewed by the Risk Officer.

The following tables demonstrate the sector wise maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at 31 December 2023 and 31 December 2022.

Table - 11 Diversification

As at 31 December	2023					2022				
	Diversified areas					Diversified areas				
	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000	Total assets exposure to credit risk Rs. '000	Government of Sri Lanka Rs. '000	Financial services Rs. '000	Other listed entities Rs. '000	Other Rs. '000
Amortised cost										
Treasury bonds	18,408,368	18,408,368	-	-	-	12,980,040	12,980,040	-	-	-
Treasury bills	553,716	553,716	-	-	-	1,099,884	1,099,884	-	-	-
Sri Lanka development bonds	-	-	-	-	-	6,221,129	6,221,129	-	-	-
International sovereign bonds	3,928,615	3,928,615	-	-	-	4,830,774	4,830,774	-	-	-
Debentures	6,552,746	-	5,618,024	934,722	-	7,371,812	-	6,433,906	937,906	-
Commercial papers	1,713,352	-	1,312,958	-	400,394	2,368,757	-	1,957,491	-	411,266
Securitised Papers	577,371	-	577,371	-	-	790,246	-	790,246	-	-
Fixed deposits	919,403	-	919,403	-	-	522,007	-	522,007	-	-
Repo	1,045,088	1,045,088	-	-	-	880,918	880,918	-	-	-
Loans to life policyholders	331,301	-	-	-	331,301	265,060	-	-	-	265,060
Reinsurance receivables	465,211	-	-	-	465,211	568,379	-	-	-	568,379
Premium receivables	2,449,089	-	-	-	2,449,089	1,763,388	-	-	-	1,763,388
Receivable and other assets	72,155	-	-	-	72,155	70,934	-	-	-	70,934
Cash at bank	1,091,701	-	1,091,701	-	-	728,731	-	728,731	-	-
Total Amortised cost	38,108,116	23,935,787	9,519,457	934,722	3,718,150	40,462,059	26,012,745	10,432,381	937,906	3,079,027
Fair value through OCI										
Treasury bonds	3,087,969	3,087,969	-	-	-	645,708	645,708	-	-	-
Total FVOCI	3,087,969	3,087,969	-	-	-	645,708	645,708	-	-	-
Fair value through P&L										
Treasury bonds	318,208	318,208	-	-	-	90,974	90,974	-	-	-
Unlisted perpetual debenture	794,476		794,476	-	-	782,067	-	782,067	-	-
Derivative financial asset	-	-	-	-	-	68	68		-	-
Unit Trusts	3,513,990	-	3,513,990	-	-	2,578,400	-	2,578,400	-	-
Total FVTPL	4,626,674	318,208	4,308,466	-	-	3,451,509	91,042	3,360,467	-	-
Total financial assets exposure to credit risk	45,822,759	27,341,964	13,827,923	934,722	3,718,150	44,559,276	26,749,495	13,792,848	937,906	3,079,027

6.5.2.1 Credit risk on 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 deposits. This rating provides the Company the indication of the financial stability of the investment.

Table - 12 Credit quality analysis of financial investments

As at 31 December	2023				2022			
	Amortised cost Rs. '000	FVOCI Rs. '000	FVTPL Rs. '000	Total Rs. '000	Amortised cost Rs. '000	FVOCI* Rs. '000	FVTPL Rs. '000	Total Rs. '000
Maximum exposure to credit risk,	33,698,659	3,087,969	4,626,674	41,413,302	37,065,567	645,708	3,451,509	41,162,784
Government securities	23,935,787	3,087,969	318,208	27,341,964	26,012,745	645,708	91,042	26,749,495
Debt instruments having credit ratings								
AAA	381,463	-	-	381,463	-	-	-	-
AA+ to AA-	25,094	-	794,476	819,570	1,281,394	-	782,067	2,063,461
A+ to A-	4,326,275	-	-	4,326,275	7,514,389	-	-	7,514,389
BBB+ to BBB-	4,007,074	-	-	4,007,074	1,030,136	-	-	1,030,136
Below BBB-	1,022,966	-	-	1,022,966	1,226,903	-	-	1,226,903
Unit trust**								
AAA	-	-	1,536,858	1,536,858	-	-	771,460	771,460
AA+ to AA-	-	-	-	-	-	-	278,414	278,414
A+ to A-	-	-	1,248,198	1,248,198	-	-	740,510	740,510
BBB+ to BBB-	-	-	380,822	380,822	-	-	320,850	320,850
Below BBB-	-	-	348,112	348,112	-	-	467,166	467,166
Total	33,698,659	3,087,969	4,626,674	41,413,302	37,065,567	645,708	3,451,509	41,162,784

This does not include equity investments.

**Credit ratings of unit trust investments are based on the ratings on underline instruments of the respective unit funds.*

As at 31 December 2023, corporate debt instruments comprise 25% (2022-28%) of the total investments, out of which 52% (2022 – 81%) were rated "A" or better.

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 date. This does not include the exposure that would arise in the future as a result of changes in values.

6.5.2.1.a Collateral held for Repo investments

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. As at the reporting date, the Company hold Rs. 1,303 million (2022 - Rs. 1,089 million) worth of treasury bills and treasury bonds as collateral to support repo investments amounting to Rs. 1,045 million (2022 - Rs. 881 million).

The Company has not sold securities received as collaterals for the period ended 31 December 2023. (2022 - Nil).

6.5.2.1.b Risk response to credit risk on financial investments

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Clearly defined single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Appropriate actions are implemented when the investments are expected to be high credit risk.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.1.c Maximum exposure to credit risk by risk rating (as per SLFRS 9)

The following table sets out information about the credit quality of financial investments measured at amortised cost, measured at FVOCI and measured at FVTPL.

Table - 13 Credit risk by risk rating

As at 31 December 2023	Risk status	Not subject to ECL (Gross carrying amount)	Exposure to ECL (Gross carrying amount)	ECL 12 months ECL	ECL Life time ECL - Not credit impaired	ECL Life time ECL - credit impaired	Total	Total net carrying amount
				Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost								
Government securities								
Treasury bonds	Risk Free	18,408,368	-	-	-	-	-	18,408,368
Treasury Bills	Risk Free	553,716	-	-	-	-	-	553,716
Sri Lanka development bonds	Low Risk	-	-	-	-	-	-	-
International sovereign bonds	High Risk	-	7,142,936	-	(3,214,321)	-	(3,214,321)	3,928,615
Repo	Risk Free	1,045,088	-	-	-	-	-	1,045,088
		20,007,172	7,142,936	-	(3,214,321)	-	(3,214,321)	23,935,787
Debentures								
AAA to AA-	Low Risk	-	406,560	(3)	-	-	(3)	406,557
A+ to A-	Low Risk	-	5,653,481	(1,066)	-	-	(1,066)	5,652,415
BBB+ to BBB-	Low Risk	-	475,332	(301)	-	-	(301)	475,031
Below BBB-	High Risk	-	19,004	-	(261)	-	(261)	18,743
		-	6,554,377	(1,370)	(261)	-	(1,631)	6,552,746
Commercial paper								
A+ to A-	Low Risk	-	1,312,964	(6)	-	-	(6)	1,312,958
Below BBB-	Low Risk	-	400,394	-	-	-	-	400,394
		-	1,713,358	(6)	-	-	(6)	1,713,352
Securitised paper								
A+ to A-	Low Risk	-	577,427	(56)	-	-	(56)	577,371
		-	577,427	(56)	-	-	(56)	577,371
Deposits								
A+ to A	Low Risk	-	919,524	(121)	-	-	(121)	919,403
		-	919,524	(121)	-	-	(121)	919,403
		20,007,172	16,907,622	(1,553)	(3,214,582)	-	(3,216,135)	33,698,660
Fair value through other comprehensive income								
Treasury bonds	Risk Free	3,087,969	-	-	-	-	-	3,087,969
		3,087,969	-	-	-	-	-	3,087,969
Fair value through profit or loss								
Treasury bonds	Risk Free	318,208	-	-	-	-	-	318,208
Unlisted perpetual debentures	Low Risk	794,476	-	-	-	-	-	794,476
Derivative financial asset	Low Risk	-	-	-	-	-	-	-
Unit trusts	Low Risk	3,513,990	-	-	-	-	-	3,513,990
		4,626,674	-	-	-	-	-	4,626,674
Maximum exposure to credit risk		27,721,815	16,907,622	(1,553)	(3,214,582)	-	(3,216,135)	41,413,302

As at 31 December 2022	Risk status	Not subject to ECL (Gross carrying amount) Rs. '000	Exposure to ECL (Gross carrying amount) Rs. '000	ECL 12 months ECL Stage 1 Rs. '000	ECL Life time ECL - Not credit impaired Stage 2 Rs. '000	ECL Life time ECL - credit impaired Stage 3 Rs. '000	Total Rs. '000	Total net carrying amount Rs. '000
Financial assets at amortised cost								
Government securities								
Treasury bonds	Risk Free	12,980,040	-	-	-	-	-	12,980,040
Treasury Bills	Risk Free	1,099,884	-	-	-	-	-	1,099,884
Sri Lanka development bonds	Low Risk	-	6,361,004	(139,875)	-	-	(139,875)	6,221,129
International sovereign bonds	High Risk	-	6,900,614	-	(2,069,840)	-	(2,069,840)	4,830,774
Reverse repo	Risk Free	880,918	-	-	-	-	-	880,918
		14,960,842	13,261,618	(139,875)	(2,069,840)	-	(2,209,715)	26,012,745
Debentures								
AAA to AA-	Low Risk	-	2,521,534	(1,060)	-	-	(1,060)	2,520,474
A+ to A-	Low Risk	-	4,731,904	(3,119)	-	-	(3,119)	4,728,785
BBB+ to BBB-	Low Risk	-	100,477	(132)	-	-	(132)	100,345
Below BBB-	High Risk	-	28,506	-	(6,298)	-	(6,298)	22,208
			7,382,421	(4,311)	(6,298)	-	(10,609)	7,371,812
Commercial paper								
A+ to A-	Low Risk	-	1,957,542	(51)	-	-	(51)	1,957,491
BBB+ to BBB-	Low Risk	-	411,266	-	-	-	-	411,266
		-	2,368,808	(51)	-	-	(51)	2,368,757
Securitised paper								
A+ to A-	Low Risk	-	790,729	(483)	-	-	(483)	790,246
			790,729	(483)	-	-	(483)	790,246
Deposits								
AA+ to AA-	Low Risk	-	522,029	(22)	-	-	(22)	522,007
		-	522,029	(22)	-	-	(22)	522,007
		14,960,842	24,325,605	(144,742)	(2,076,138)	-	(2,220,880)	37,065,567
Fair value through other comprehensive income								
Treasury bonds	Risk Free	645,708	-	-	-	-	-	645,708
		645,708	-	-	-	-	-	645,708
Fair value through profit or loss								
Treasury bonds	Risk Free	90,974	-	-	-	-	-	90,974
Unlisted perpetual debentures	Low Risk	782,067	-	-	-	-	-	782,067
Derivative financial asset	Low Risk	68	-	-	-	-	-	68
Unit trusts	Low Risk	2,578,400	-	-	-	-	-	2,578,400
		3,451,509	-	-	-	-	-	3,451,509
Maximum exposure to credit risk		19,058,059	24,325,605	(144,742)	(2,076,138)	-	(2,220,880)	41,162,784

Issuer credit rating of the investment is considered as the risk rating for the purpose of ECL computation. International Sovereign Bonds were categorised as high risk due to the current status of defaulting and for SLDB, refer Note 29.2.3 on page 346.

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.1.d Reconciliation from the opening balance to the closing balance of the gross carrying amounts by class of financial instruments.

The Company has not considered financial investments classified as FVOCI, since this class consists of risk-free government securities and investment in equity securities. Therefore, following note presents the reconciliation of financial investment at amortised cost.

Table - 14 Movement of financial investments at amortised cost subject to expected credit loss (ECL)

As at 31 December	2023				2022			
	Stage 1 Rs. '000	Stage 2* Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	32,212,585	4,852,982	-	37,065,567	25,565,564	34,772	-	25,600,336
Transfer to stage 1	-	-	-	-	(3,175,861)	-	-	(3,175,861)
Transfer to stage 2	-	-	-	-	-	3,175,861	-	3,175,861
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	143,189	(1,138,444)	-	(995,255)	(103,847)	(2,034,973)	-	(2,138,820)
New assets originated or purchased	37,026,901	-	-	37,026,901	41,246,751	-	-	41,246,751
Financial assets derecognised	(40,088,318)	(9,623)	-	(40,097,941)	(35,838,131)	(9,623)	-	(35,847,754)
Write-offs	-	-	-	-	-	-	-	-
Effects of movements in exchange rates	(397,877)	(803,814)	-	(1,201,691)	2,994,843	2,756,448	-	5,751,291
Amortisation Adjustment	854,821	1,046,257	-	1,901,078	1,523,266	930,497	-	2,453,763
Balance as at 31 December	29,751,301	3,947,358	-	33,698,659	32,212,585	4,852,982	-	37,065,567

**The Government of Sri Lanka announced its plans to restructure ISBs in April 2022. Accordingly this resulted a Significant Increase in Credit Risk indicator and the ISBs were classified under Stage 2.*

Subsequent to announcement of restructure of ISBs, the Government of Sri Lanka commenced the negotiations with the lenders and Banking bondholders of Sri Lanka formed a Consortium, where the Company is also part of the Banking bondholders Consortium. Advisors of the banking consortium continuously communicate with advisors for the Government of Sri Lanka for the Bond restructuring programme. We also observed that the macro economic environment has improved during 2023, compared to the year 2022. These instruments are continued to remain in stage 2 as of 31 December 2023.

6.5.2.1.e Reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instruments

The Company has not exposed to credit risk on financial investments classified at FVOCI since this class consists of risk-free government securities and investment in equity securities. Therefore, no impairment provision has been recognised in the Financial Statements in respect of financial investments at FVOCI.

Table - 15 ECL movement

As at 31 December	2023				2022			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial investments at amortised cost								
Balance at 1 January	144,742	2,076,138	-	2,220,880	78,824	3,236	-	82,060
Transfer to stage 1	-	-	-	-	(37,928)	-	-	(37,928)
Transfer to stage 2	-	-	-	-	-	37,928	-	37,928
Transfer to stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(1,711)	1,138,444	-	1,136,733	103,775	2,035,442	-	2,139,217
New assets originated or purchased	132	-	-	132	77	-	-	77
Financial assets derecognised	(141,610)	-	-	(141,610)	(6)	(468)	-	(474)
Balance as at 31 December	1,553	3,214,582	-	3,216,135	144,742	2,076,138	-	2,220,880

Overview of the ECL principles and key inputs were disclosed in Note 4.2.13 on page 286.

No loan commitments or financial guarantee contracts exist as at the reporting date (2022 - Nil).

6.5.2.1.f Sensitivity of ECL to future economic conditions

The Company has estimated the impairment provision on financial investments as at 31 December 2023, subject to various assumptions. The following table demonstrates the sensitivity of the impairment provision of the Company as at 31 December 2023 and 2022 to a feasible change in the following variables assuming all other variables remain constant.

Table - 16 Sensitivity of ECL

As at 31 December	2023		2022	
	Effect on SoFP Rs. '000	Effect on PBT Rs. '000	Effect on SoFP Rs. '000	Effect on PBT Rs. '000
Change in PD :				
10% increase	(272,480)	(272,480)	(100,719)	(100,719)
10% decrease	321,632	321,632	137,944	137,944
Change in macro economic variables:				
10% increase	70,263	70,263	41,402	41,402
10% decrease	(70,263)	(70,263)	(39,908)	(39,908)

6.5.2.1.g Credit-impaired financial assets

There is no credit impaired financial assets as at 31 December 2023 (2022 - Nil)

6.5.2.2 Credit risk relating to loans to life policyholders

Credit risk arises due to non settlement of loans obtained by policyholders.

The credit risk exposure arising from loans granted to life policyholders are as follows.

Table - 17 Credit risk exposure

As at 31 December	2023 Rs. '000	2022 Rs. '000
Maximum exposure to credit risk	331,301	265,060
Total	331,301	265,060
Impaired	Nil	Nil

6.5.2.2.a Risk response to credit risk on loans to life policyholders

Loan granted amount is limited to surrender value of the insurance policy. As at the reporting date, the value of policy loans outstanding amounts to Rs. 331 million (2022 - Rs. 265 million) and its related surrender value is Rs. 500 million (2022 - 402 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.

6.5.2.3 Credit risk on reinsurance receivables

This is the risk of financial loss to the Company, if a reinsurer fails to meet its contractual obligations towards the Company.

Table - 18 Age analysis of reinsurance receivable

As at 31 December	2023			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	330,555	104,572	435,127	94
Over 180 days	30,084	-	30,084	6
Maximum exposure to credit risk	360,639	104,572	465,211	100
Past due but not impaired	Nil		Nil	

As at 31 December	2022			
	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Up to 180 days	424,336	143,691	568,027	99
Over 180 days	352	-	352	1
Maximum exposure to credit risk	424,688	143,691	568,379	100
Past due but not impaired	Nil		Nil	

6.5.2.3.a Risk response to credit risk on reinsurance receivables

Management assesses the credit worthiness 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 resulting no impairment loss at the year end (2022 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

6.5.2.3.a Risk response to credit risk on reinsurance receivables (Contd.)

Table - 19 Rating analysis of credit risk on reinsurance receivables

As at 31 December	Rating agency	2023					2022			
		Rating	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%	On paid claims Rs. '000	On claims outstanding Rs. '000	Total Rs. '000	%
Munich Re	Fitch	AA	267,342	89,059	356,401	77	148,881	123,512	272,393	48
SCOR Re	Fitch	A+	26,364	14,550	40,914	9	6,713	10,117	16,830	3
TOA Re	S&P	A	18,667	-	18,667	4	129,371	3,212	132,583	23
Assicurazioni Generali S.P.A.	Fitch	A+	-	-	-	-	19,665	-	19,665	4
AXA PPP Healthcare Limited	S&P	AA-	48,266	963	49,229	10	120,058	6,850	126,908	22
Total			360,639	104,572	465,211	100	424,688	143,691	568,379	100

6.5.2.4 Credit risk relating to premium receivables

In life insurance, credit risk on premium receivables is minimal, since premium is collected before the policy is issued. However, the Company is exposed to credit risk on premium receivables from intermediary institutions. Please refer Note 32 in page 354 for more information.

6.5.2.4.a Risk response to credit risk relating to premium receivables

- Regular follow ups for outstanding receivables balance.
- Entering into agreements with intermediary institutions committing them to settle dues within a specified time period.

6.5.2.5 Credit risk relating to receivables and other assets

Financial losses could arise due to non settlement of amounts due from counter parties.

6.5.2.5.a Risk response to credit risk relating to receivables and other assets

Regularly review credit worthiness of counterparties and take necessary actions if required.

6.5.2.6 Credit risk relating to cash at bank

6.5.2.6.a Risk response to credit risk relating to cash at bank

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.

Following table presents rating strength of the financial institutions of which the Company has held cash and cash equivalents.

Table - 20 Rating strength of counterparties on cash at bank

As at 31 December	2023		2022	
Rating	Amount Rs. '000	%	Amount Rs. '000	%
AAA to AA-	4,875	0	673,104	92
A+ to A-	1,002,187	92	32,861	5
BBB+ to BBB-	84,639	8	22,766	3
Maximum exposure to credit risk	1,091,701	100	728,731	100

6.5.3 Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company could also experience a maturity mismatch with respect to unexpected large claims and expected reinsurance recoveries from insurers.

The Company's objective when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

6.5.3.a Management of liquidity risk

- Regular review by the Company's asset and liability management committee.
- 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 of 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.
- Availability of stand by overdraft facility to be used in the event of an emergency.

Table - 21 Maturity analysis of financial assets and liabilities

Remaining Contractual period to maturity of the assets and liabilities of the Company as at date of Statement of Financial Position is detailed below.

As at 31 December	Contractual Discounted Cash Flows									
	2023					2022				
	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000
Maximum exposure to liquidity risk	-	4,347,123	7,443,911	12,023,680	23,814,714	-	5,513,192	1,774,557	9,273,758	16,561,507
Financial assets										
Amortised cost	-	5,907,461	8,172,772	19,618,426	33,698,659	-	9,773,047	8,404,642	18,887,878	37,065,567
Fair value through other comprehensive income	2,086,913	-	433,912	2,654,057	5,174,882	1,437,071	-	-	645,708	2,082,779
Fair value through profit or loss	794,476	3,513,990	126,104	192,104	4,626,674	782,068	2,578,467	-	90,974	3,451,509
Loans to life policyholders	-	-	-	331,301	331,301	-	-	-	265,060	265,060
Reinsurance receivables	-	465,211	-	-	465,211	-	568,379	-	-	568,379
Premium receivables	-	2,449,089	-	-	2,449,089	-	1,763,388	-	-	1,763,388
Other financial assets	-	72,155	-	-	72,155	-	70,934	-	-	70,934
Total financial assets	2,881,389	12,407,906	8,732,788	22,795,888	46,817,971	2,219,139	14,754,215	8,404,642	19,889,620	45,267,616
Financial liabilities										
Insurance contract liabilities - Maturities	-	855,192	2,374,545	11,955,754	15,185,491	-	606,229	1,522,575	3,751,513	5,880,317
Reinsurance payable	-	718,855			718,855	-	2,246,237	-	-	2,246,237
Loans and borrowing	-	155,338	4,859,659		5,014,997	-	153,807	-	5,490,111	5,643,918
Lease liabilities	-	328,886	209,707	67,926	606,519	-	305,923	251,982	32,134	590,039
Other financial liabilities	-	1,912,162	-	-	1,912,162	-	1,892,678	-	-	1,892,678
Bank overdraft	-	376,690	-	-	376,690	-	308,318	-	-	308,318
Total financial liabilities	-	4,347,123	7,443,911	12,023,680	23,814,714	-	5,513,192	1,774,557	9,273,758	16,561,507
Excess assets/(liabilities)	2,881,389	8,060,783	1,288,877	10,772,208	23,003,257	2,219,139	9,241,023	6,630,085	10,615,862	28,706,109

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Table - 21 Maturity analysis of financial assets and liabilities (Contd.)

Following table illustrates the expected undiscounted cash flows for financial assets and liabilities of the Company as at reporting date.

As at 31 December	Contractual Undiscounted Cash Flows									
	2023					2022				
	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000	No maturity Rs. '000	Less than 1 year Rs. '000	1- 3 years Rs. '000	More than 3 years Rs. '000	Total Rs. '000
Maximum exposure to liquidity risk	-	4,429,768	8,199,366	72,328,091	84,957,225	-	5,841,227	2,564,433	89,281,781	97,687,441
Financial assets										
Amortised cost	-	10,442,621	18,960,590	31,764,761	61,167,972	-	12,208,638	17,677,351	25,936,320	55,822,309
Fair value through other comprehensive income	2,086,913	375,596	1,138,498	6,522,835	10,123,842	2,874,143	136,250	272,500	4,152,476	7,435,369
Fair value through profit or loss	4,213,990	41,400	180,850	388,600	4,824,840	3,278,400	20,568	41,000	384,500	3,724,468
Loans to life policyholders	-	-	-	331,301	331,301	-	-	-	265,060	265,060
Reinsurance receivables	-	465,211	-	-	465,211	-	568,379	-	-	568,379
Premium receivables	-	2,449,089	-	-	2,449,089	-	1,763,388	-	-	1,763,388
Other financial assets	-	72,155	-	-	72,155	-	70,934	-	-	70,934
Total financial assets	6,300,903	13,846,072	20,279,938	39,007,497	79,434,410	6,152,543	14,768,157	17,990,851	30,738,356	69,649,907
Financial liabilities										
Insurance contract liabilities - Maturities	-	909,321	3,062,193	72,168,128	76,139,642	-	905,048	2,252,563	83,287,976	86,445,587
Reinsurance payable	-	718,855			718,855	-	2,246,237	-	-	2,246,237
Loans and borrowing	-	155,338	4,859,659		5,014,997	-	153,807	-	5,490,111	5,643,918
Lease liabilities	-	357,402	277,514	159,963	794,879	-	335,139	311,870	503,694	1,150,703
Other financial liabilities	-	1,912,162	-	-	1,912,162	-	1,892,678	-	-	1,892,678
Bank overdraft	-	376,690	-	-	376,690	-	308,318	-	-	308,318
Total financial liabilities	-	4,429,768	8,199,366	72,328,091	84,957,225	-	5,841,227	2,564,433	89,281,781	97,687,441
Excess assets/(liabilities)	6,300,903	9,416,304	12,080,572	(33,320,594)	(5,522,815)	6,152,543	8,926,930	15,426,418	(58,543,425)	(28,037,534)

6.5.3.b Financial assets available to support future funding

The table below summarises the availability of the Company's financial assets to support future funding:

Table - 22 Assets available as collateral

As at 31 December	2023			2022		
	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000	Pledged as collateral Rs. '000	Available as collateral Rs. '000	Total Rs. '000
Financial investments at,						
Amortised cost	-	33,698,659	33,698,659	-	37,065,569	37,065,569
Fair value through other comprehensive income	-	5,174,882	5,174,882	-	2,082,779	2,082,779
Fair value through profit or loss	-	4,626,674	4,626,674	-	3,451,509	3,451,509
Loans to life policyholders	-	331,301	331,301	-	265,060	265,060
Reinsurance receivables	-	465,211	465,211	-	568,379	568,379
Premium receivables	-	2,449,089	2,449,089	-	1,763,388	1,763,388
Receivables and other assets	-	72,155	72,155	-	70,934	70,934
Cash at bank	-	1,091,701	1,091,701	-	728,731	728,731
Total	-	47,909,672	47,909,672	-	45,996,349	45,996,349

6.5.3.c Unutilised bank overdraft facilities

Unutilised bank overdraft facilities as at 31 December 2023 amounted to Rs. 200 million (2022 - Rs. 150 million).

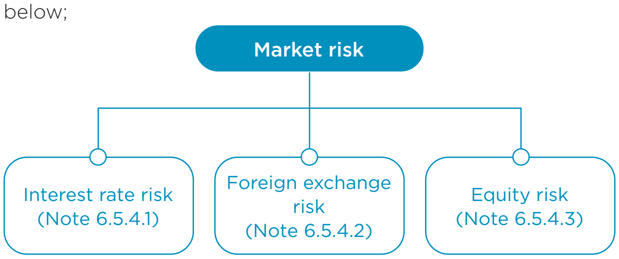
6.5.3.d Offsetting of financial assets and financial liabilities

The Company does not offset any financial assets and financial liabilities in its statement of financial position.

6.5.4 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.

Table - 23 Exposure to market risk

For the year ended 31 December	Table	2023 Rs. '000	2022 Rs. '000
Financial assets exposure to;			
Interest rate risk	24	43,500,215	42,599,855
Foreign exchange risk	26	4,496,605	13,730,644
Equity risk	28	1,759,999	1,437,071
Financial liabilities exposure to;			
Interest rate risk	24	(5,391,687)	(5,952,236)
Foreign exchange risk	26	(5,338,974)	(6,794,068)

6.5.4.a 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 to the Company's asset and liability committee (ALCO).

The following policies and procedures are in place within the Company to mitigate the Company's exposure to market risk.

- The ALM framework seeks to match assets liability cash flows while achieving the optimum long-term investment return on its financial investments for an acceptable level of risk.
- Setting limits both for each type of risk in aggregate across the Company and for individual portfolios.
- Monitoring market risk on a day-to-day basis by Treasury Middle Officer.

6.5.4.b Sensitivity analysis

Assumptions and methods

- All other variables are remain constant at the time of preparing sensitivity analysis.
- Sensitivity of the Statement of Financial Position item mainly relates to debt and equity instruments.
- Sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.
- The analysis is based on the carrying value of the financial assets and financial liabilities as at the reporting date.

The Company has used same method and assumptions in preparing sensitivity analysis for both current and comparative period.

Sensitive analysis are provided in Note 6.5.4.1.b (Table - 25), 6.5.4.2.b (Table - 27) and 6.5.4.3.b (Table - 30).

6.5.4.1 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.

6.5.4.1.a Risk response to the 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 in every quarter.

- A regular track of macroeconomic indicators is kept 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.
- Regular meetings and monitoring of risks by the ALCO.
- Adhering to limits set on interest rate risk through the risk policy.
- The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions.

NOTES TO THE FINANCIAL STATEMENTS

6.5.4.1.a Risk response to the interest rate risk (Contd.)

The following table summarises the exposure to the interest rate risk.

Table - 24 Exposure to interest rate risk

As at 31 December	2023				2022			
	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 at,								
Amortised cost	466,020	33,232,639	-	33,698,659	5,032,548	32,033,019	-	37,065,567
Fair value through other comprehensive income	1,987,887	1,100,082	2,086,913	5,174,882	-	645,708	1,437,071	2,082,779
Fair value through profit or loss	4,308,466	318,208	-	4,626,674	3,360,535	90,974	-	3,451,509
	6,762,373	34,650,929	2,086,913	43,500,215	8,393,083	32,769,701	1,437,071	42,599,855
Financial liabilities								
Loans and borrowing	(5,014,997)	-	-	(5,014,997)	(5,643,918)	-	-	(5,643,918)
Bank overdraft	(376,690)	-	-	(376,690)	(308,318)	-	-	(308,318)
	(5,391,687)	-	-	(5,391,687)	(5,952,236)	-	-	(5,952,236)
Maximum exposure to interest rate risk	1,370,686	34,650,929	2,086,913	38,108,528	2,440,847	32,769,701	1,437,071	36,647,619

6.5.4.1.b Sensitivity analysis

The following table illustrates the estimated impact on profitability and equity by the fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

Table - 25 Sensitivity

As at 31 December	2023				2022			
	Fixed-rate		Variable-rate		Fixed-rate		Variable-rate	
	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000	Impact on profit before tax Rs. '000	Impact on equity Rs. '000
Increase in 100 basis points Financial assets/liabilities at,								
Financial assets at Amortised cost	-	-	4,208	4,208	-	-	41,334	41,334
Financial assets at Fair value through other comprehensive income	-	(61,726)	20,894	(43,499)	-	(24,466)	-	-
Financial assets at Fair value through profit of loss	(9,611)	(9,611)	94,300	94,300	(3,406)	(3,406)	56,822	56,822
Financial liabilities at amortised cost	-	-	(11,484)	(11,484)	-	-	(13,102)	(13,102)
	(9,611)	(71,337)	107,918	43,525	(3,406)	(27,872)	85,054	85,054
Decrease in 100 basis points Financial assets/liabilities at,								
Financial assets at Amortised cost	-	-	(4,208)	(4,208)	-	-	(41,334)	(41,334)
Financial assets at Fair value through other comprehensive income	-	68,430	(20,894)	47,219	-	26,468	-	-
Financial assets at Fair value through profit of loss	10,470	10,470	(94,300)	(94,300)	3,663	3,663	(56,822)	(56,822)
Financial liabilities at amortised cost	-	-	11,512	11,512	-	-	13,134	13,134
	10,470	78,900	(107,890)	(39,777)	3,663	30,131	(85,022)	(85,022)

6.5.4.2 Foreign exchange risk

The risk of an investment's value changing due to changes in currency exchange rates. Foreign exchange risk primarily arises when transactions with reinsurers and investments in securities denominated in foreign currencies are taking place.

6.5.4.2.a Mitigation strategies

- The Treasury officer analyses the market conditions of foreign exchange and analyse the utilisation of cash flows.
- Regularly reviews the timing of foreign currency cash inflows and outflows to ensure optimal management of currency exposure in minimising the impact of exchange rate fluctuations on the company's financial position.
- Explores the possibility of using forward contracts, providing a hedge against potential adverse movements in exchange rates.

Table - 26 Exposure to foreign exchange risk

As at 31 December	2023		2022	
	Amount in USD '000	Amount in LKR Rs. '000	Amount in USD '000	Amount in LKR Rs. '000
USD Assets	13,879	4,496,605	37,515	13,730,644
USD Liabilities	(16,479)	(5,338,974)	(18,563)	(6,794,068)
Maximum exposure to foreign exchange risk	(2,600)	(842,369)	18,952	6,936,576

The following exchange rates have been applied by the company.:

As at 31 December	2023		2022	
	Closing Rate	Average Rate	Closing Rate	Average Rate
USD	323.98	326.71	366.01	366.36

6.5.4.2.b Sensitivity to foreign exchange risk

The following table shows the estimated impact on profitability and equity by fluctuation of exchange rates assuming that all the other variables remain constant.

Table - 27 Sensitivity

As at 31 December	2023		2022	
	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
5% - Increase in exchange rate USD				
Financial investments	224,827	224,827	686,532	686,532
Financial liabilities	(266,941)	(266,941)	(339,703)	(339,703)
	(42,114)	(42,114)	346,829	346,829
5% - Decrease in exchange rate USD				
Financial investments	(224,827)	(224,827)	(686,532)	(686,532)
Financial liabilities	266,941	266,941	339,703	339,703
	42,114	42,114	(346,829)	(346,829)

6.5.4.3 Equity risk

The company's exposure to equity risk stems from its investments in equity securities and collective investment schemes that primarily allocate funds to equities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices of equities.

6.5.4.3.a Risk response

The Company manages the equity risk through diversification and placing limits on individual and total equity portfolio investments to mitigate potential losses, and optimise risk-adjusted returns in line with the overall business objectives and risk appetite.
The Company's equity risk management policies include;

- 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 in excess of Investment guideline issued by IRCSL require prior approval from the investment committee.
- Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

Table - 28 Listed equity investments

As at 31 December	2023		2022	
	Amount Rs. '000	%	Amount Rs. '000	%
Policyholder fund	732,334	38	689,200	48
Shareholder fund	1,027,665	62	747,871	52
Maximum exposure to equity risk (Table - 29)	1,759,999	100	1,437,071	100

NOTES TO THE FINANCIAL STATEMENTS

Table - 29 Portfolio diversification of listed equity investments (Sector analysis)

As at 31 December	2023		2022	
	Amount Rs. '000	%	Amount Rs. '000	%
Banks	1,299,500	74	875,404	61
Diversified financials	92,560	5	177,275	12
Healthcare equipment and services	367,939	21	384,392	27
Total	1,759,999	100	1,437,071	100

6.5.4.3.b Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability and equity by fluctuation of stock market prices at the reporting date, assuming that all the other variables remain constant.

Table - 30 Sensitivity

For the year ended 31 December		2023		2022	
	Type of classification	Impact on PBT Rs. '000	Impact on equity Rs. '000	Impact on PBT Rs. '000	Impact on equity Rs. '000
10% decline in stock prices	FVOCI	-	(176,000)	-	(117,134)
10% Increase in stock prices	FVOCI	-	176,000	-	117,134
10% decline in stock prices	FVTPL	-	-	-	-
10% Increase in stock prices	FVTPL	-	-	-	-

6.6 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 of operational risk to the Risk Committee, the committee is responsible for the development and implementation of controls to address the operational risk.

6.6.a Management of operational risk

- Segregation of duties, including independent authorisation of transactions;
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- 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 actions.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where this is cost-effective.
- Compliance with the Company standards is supported by a programme of periodic reviews undertaken by internal audit.
- The results of internal audit reviews are discussed, with the audit committee and management.

6.6.1 Risks associated with change in new accounting standard (SLFRS 17) and risk mitigation actions

It is clear that operational risk associated with SLFRS 17 implementation will extend beyond the process, people and technology. Therefore it has significant influence on the organisation's risk management framework and its role. The steering committee is responsible of setting strategies and objectives of SLFRS - 17 implementation of the company and setting up proper governance structure and manage cultural changes smoothly. The steering committee has identified and assessed risks associated with SLFRS - 17 implementation and relevant mitigation actions as prescribed in the below table.

Follow the link for SLFRS 17 - Effect on Company's Financial Statements

Table - 31 Risk Associated with SLFRS 17 and risk mitigating actions

Risk Type	Management Focus	Risk Source	Risk Description	Risk Mitigation Action
Operational Risk	Change Management	Data	Data Management	• Develop a secured data room and limited access to authorised persons • Enter into non-disclosure agreement where necessary
		System	Risk of new IT system	• Establish criteria for evaluate vendors • Deployment of appropriate expertise to sign off the BRD (Business Requirements Document) • Perform UAT (User Acceptance Testing) before deployment
		Process	Changes in actuarial & accounting process	• Analyse options available under the standard and assess the impact on actuarial and accounting practices • Identify system modifications and take necessary actions to redesign the existing data fields as necessary.
		People	Lack of Capabilities	• Formulate the project team representing necessary expertise • Obtain consultancy service from experts. • Conduct extensive workshops to focus groups to enhance capabilities.
		Project Management	Uncertain time-lines	• Develop a Gantt chart with relevant timelines and continuously monitor the progress.
Financial Risk	Financial Management	Financial Stability	Increased Balance Sheet volatility	• Formulate a clear capital management framework. • Select the best transition approach. • Re-evaluate financial asset classifications at the point of transition.
		Financial Performance	Risk of lower profits	• Modify product features of onerous contracts to improve profitability. • Apply transition approaches that maximise the company value. • Conduct proper asset-liability management.
Strategic Risk	Strategic Management	Investor Confidence	Increased of Investor scrutiny and pressure	• Develop BRD incorporating corporate key priorities • Educate investors about key financial metrics impacted by SLFRS 17 implementation.
		Performance Management	Change of prevailing KPIs	• Communicate proactively about new KPIs and their impact • Identify and develop new KPIs aligned with organisational objectives.
Regulatory Risk	Stakeholder Management	Regulator	Increase influence and governance	• Identify changes for the regulatory reporting framework • Approach relevant authorities for required clearance • Redesign data fields in system to support changes in Risk-Based Capital
		Competitors	Comparison of financial statements	• Maintain consistency of policies used for SLFRS 17 implementation. • Advocate for common industry-level consistent metrics for insurers.

6.7 Impact of economic crisis to the financial statements

Amidst ongoing challenges stemming from the COVID - 19 pandemic, geopolitical tensions, and domestic policy issues, the Sri Lankan economy showed signs of stabilisation in 2023. The government implemented stringent measures and sought assistance from international financial institutions for the economic recovery.

Along with the extended fund disbursements from International Monetary Fund (IMF) disbursements and other stabilisation measures including Domestic Debt Optimisation (DDO); Sri Lankan rupee appreciated by 12%, inflation recorded at 4% in December 2023, import restrictions were eased, and interest rates declined. Along with the DDO, discussions have progressed to a noticeable level on restructuring of the foreign currency denominated bonds between the Sri Lankan Government and the IMF.

NOTES TO THE FINANCIAL STATEMENTS

6.7 Impact of economic crisis to the financial statements (Contd.)

Additionally, in September 2023, Fitch upgraded Sri Lanka's long-term issuer default rating from RD to CCC- as discussed in Note 29.2.3 on page 346 to the Financial Statements. The Central Bank of Sri Lanka adjusted its key interest rates downwards to 9% and 10% in November 2023 as well with the intention of enhancing credit circulation of the country.

Considering the ongoing challenges and the current economic and political stabilisation efforts, management has decided to adjust product offerings and pricing strategies to mitigate risks and adapt to changing market conditions. Based on company's strategic plans, it is not expected to have a material impact on the Company's operations in the foreseeable future.

There are no significant events that have occurred since the reporting date which would require any adjustments to, or disclosure in, the financial statements of the Company except for the above.

6.8 Capital management

6.8.1 Objectives, policies and processes for capital management

The Company's policy / objective is to maintain a strong capital base:

- to safeguard the ability to continue as a going concern, so that the company can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain investor, creditor and market confidence and to sustain the future development of the business;
- to maintain required and optimal capital levels of the Company to reduce the cost of capital and comply with regulatory requirements;
- to support new business growth of the Company.

The Company management committee uses regulatory capital ratios to monitor the Company's capital base.

6.8.2 Regulatory capital - Risk Based Capital (RBC) Framework

As a regulator of the industry, Insurance Regulatory Commission of Sri Lanka has implemented a Risk Based Capital (RBC) Framework to monitor insurance companies in the country.

This framework, based on emerging international standards and good practices in developed countries, is risk-focused. It reflects the relevant risks that the insurance companies face. The minimum capital prescribed under the framework, which includes a consistent approach to the valuation of assets and liabilities, will serve as an effective buffer to absorb losses. With greater transparency, it will facilitate comparisons across insurance companies. It will also provide clearer information on the financial strength of the Company.

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 emphasises 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.

6.8.3 Risks involved in order to comply with new RBC Framework

- How to invest into capacity building of internal skill sets.
- Changing business strategy to align with the new regulatory environment
- Increase in the compliance cost

6.8.4 Risk response to capital management

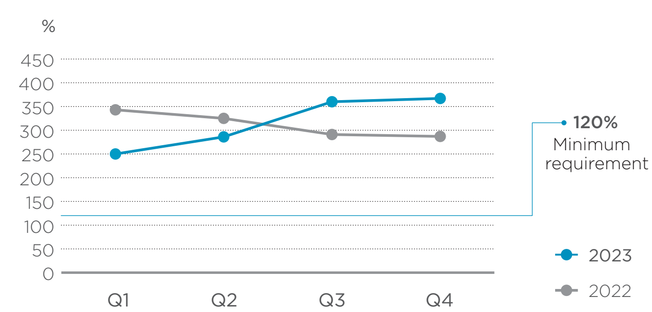
- Continuous training provided to the staff of the Company
- Compliance with recommended action plans are supported by periodic reviews undertaken by the Head of Actuarial of the Company.
- Further, in preparation for the adoption of the RBC Framework, the Company already uses the appointed actuary's service.
- Closely follow up RBC guideline issued by IRCSL.

Summery of Company's compliances to the Risk Based Capital (RBC) framework is provided in the following table.

Table - 32 Solvency position

As at 31 December	2023 Rs. '000	2022 Rs. '000
Total Available Capital (TAC)	37,106,543	32,302,206
Risk Based Capital requirement (RCR)	10,113,424	11,262,228
Risk-based Capital Adequacy Ratio (CAR)	367%	287%
Minimum Risk-based Capital Adequacy Ratio requirement (CAR)	120%	120%
Minimum Capital Requirement (MCR)	500,000	500,000
Capital Adequacy Satisfied?	Yes	Yes

QUARTERLY CAPITAL ADEQUACY RATIO (CAR)



Capital adequacy ratio (CAR) has improved during 2023 mainly due to the increase in value of admissible assets as a result of reduced market interest rates during the year.

6.8.5 Sensitivity analysis of Capital Adequacy Ratio (CAR)

The following table shows the estimated impact on CAR ratio due to various predicted scenario testing

Table - 33 Sensitivity analysis of the CAR

Variable	Change in assumptions	Estimated CAR Ratio (Regulatory)
Expenses	+10%	336%
	-10%	360%
Discount Rate	+0.5%	358%
	-0.5%	336%
First 3 years Termination	Up	345%
First 3 years Termination	Down	342%
Mass Termination	Up	318%
Mass Termination	Down	388%
Mortality	+10%	342%
	-10%	354%
Morbidity	+10%	329%
	-10%	367%

6.8.6 Measurement of gearing of the company

The company's policy is to maintain a strong capital base in order to maintain investor, policyholder and market confidence and also to sustain future business development. Management continuously monitors the return on capital, as well as the level of dividends to the shareholders.

Accordingly, the Company monitors capital on the basis of the following gearing ratio:

Table - 34 Net debt to equity ratio

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash and cash equivalents	1,099,679	739,944
Liquid Investments	9,421,452	12,351,514
Bank overdrafts	(376,690)	(308,318)
Borrowings (excluding bank overdrafts)	(5,014,997)	(5,643,918)
Lease liabilities	(606,520)	(590,039)
Net debt	4,522,924	6,549,183
Total Equity	13,333,346	10,872,924
Net debt to equity ratio	0.34	0.60

Debt to equity ratio without adjusting for the cash and cash equivalents is presented as the Debt to Equity Ratio under Investor Relations on page 386.

Details of the dividends of the Company are provided in Note 24 on page 331.

7. FAIR VALUE MEASUREMENT

Accounting Policy

Fair value is the amount for which an asset could be exchanged, or a liability is 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 number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 29 : Financial instruments (Page 343 to 352);
- Note 26 : Freehold property measured at fair value (Page 334 to 338).

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.

7. FAIR VALUE MEASUREMENT (CONTD.)

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 which 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 reduce 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.

As disclosed in Note 29.2.3 on page 346, the company has recorded an initial recognition loss in the current year financial statements.

Objective of the valuation

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

7.1 Fair value measurement

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 bills and bonds	Valued using the market yield	Level 1*
International Sovereign bonds (ISB)	Valued using the market yield	Level 2**
Investment in shares		
Listed shares	Closing market prices	Level 1
Unlisted shares	Adjusted net assets for Illiquidity	Level 3
Investment in units		
Investment in unlisted redeemable units	Published Net Assets Values (NAV)	Level 2
Corporate debt		
Listed debentures	Published Market Prices	Level 2***
Unlisted perpetual debentures	Adjusted interest rate for Illiquidity	Level 3
Land and Building	Market Comparable Method and Investment Method	Level 3

**Treasury bills and bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 based on accounting by banking & finance industry guided by the Banking Act Direction No. 14 of 2021, issued by the Central Bank of Sri Lanka, applying a LGD of zero to these Government securities. Based on the continuous settlement of these securities by the Government and implications of the Domestic Debt Optimisation (which excluded these securities), the Company's overall Expected Credit Loss (ECL) on these instruments is also zero.*

***ISBs have been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency for such instrument.*

****Listed debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments even though such instruments are listed.*

Valuation techniques used in measuring Level 2 and 3 fair value

Same valuation techniques as mentioned in the above table have been used by the Company in measuring Level 2 and 3 fair values for the current and comparative financial period.

Financial assets and liabilities not considered for fair value measurement

It is assumed that the carrying amount of following financial assets and liabilities are reasonable approximation of fair value since they are short - term in nature or are re-priced to current market rates frequently:

Assets	Liabilities
Sri Lanka development bonds (till 14 August 2023)	Loans and borrowings
Fixed deposits	Reinsurance creditors
Commercial papers	Other liabilities (Excluding government levies and accruals)
Securitised papers	Bank overdraft
Repo	
Cash and cash equivalents	
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

Carrying amounts of the Company's financial assets and financial liabilities

Carrying amounts and classification of the Company's financial assets and financial liabilities are given in Note 4.2.11 on page 285 and Note 4.3.8 on page 288 respectively.

7.2 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. Significant valuation issues are reported to the Audit Committee.

Specific controls include:

- Verification of observable pricing.
- Re-performance of model valuations.
- A review and approval process for new models and changes to models.
- Bi-annual calibration and back-testing of models against observed market transactions.
- Analysis and investigation of significant daily valuation movements.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

7.3 Assets measured at fair value and fair value hierarchy

The following table provides an analysis of assets measured at fair value in the Statement of Financial Position and the level in the fair value hierarchy.

Fair value hierarchy

As at 31 December	Note	Page	2023				2022			
			Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value/ carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value/ carrying value Rs. '000
Non-financial assets										
Land and building	26.1	335	-	-	311,000	311,000	-	-	277,674	277,674
Total non-financial assets at fair value			-	-	311,000	311,000	-	-	277,674	277,674
Financial assets										
Financial investments – (FVTPL)										
Treasury bonds	29.4	350	318,208	-	-	318,208	90,974	-	-	90,974
Perpetual debentures	29.4	350	-	-	794,476	794,476	-	-	782,067	782,067
Unit trusts	29.4.1	351	-	3,513,990	-	3,513,990	-	2,578,400	-	2,578,400
Derivative asset			-	-	-	-	68	-	-	68
			318,208	3,513,990	794,476	4,626,674	91,042	2,578,400	782,067	3,451,509
Financial investments – FVOCI										
Treasury bonds	29.3	348	3,087,969	-	-	3,087,969	645,708	-	-	645,708
Equity shares - listed	29.3.1	349	1,759,999	-	-	1,759,999	1,171,337	-	-	1,171,337
Equity shares - unlisted	29.3.1 & 29.3.2	349 & 350	-	-	326,914	326,914	-	-	265,734	265,734
			4,847,968	-	326,914	5,174,882	1,817,045	-	265,734	2,082,779
Total financial assets at fair value			5,166,176	3,513,990	1,121,390	9,801,556	1,908,087	2,578,400	1,047,801	5,534,288
Total assets at fair value			5,166,176	3,513,990	1,432,390	10,112,556	1,908,087	2,578,400	1,325,475	5,811,962

Transfer between levels

There were no transfers made in between the levels in the year 2023 (2022 - Nil).

7.4 Level 3 fair value measurement

Reconciliation of fair value measurements of level 3 financial instruments

The Company carries unquoted equity shares, unquoted perpetual debentures and land and building in Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements except for the land and building is summarised below:

Financial assets at level 3 in the fair value hierarchy

As at 31 December	2023		2022	
	Equity shares at FVOCI (Unlisted) Rs. '000	Unquoted debentures at FVPL Rs. '000	Equity shares at FVOCI (Unlisted) Rs. '000	Unquoted debentures at FVPL Rs. '000
Balance at 1 January	265,734	782,067	270,256	765,303
Purchase / (disposal)	-	-	-	-
Fair value gains / (losses)				
Recognised in the income statement - net fair value gains	-	12,409	-	16,764
Recognised in OCI - In equity investments at FVOCI	61,180	-	(4,522)	-
Net amount reclassified to the income statement	-	-	-	-
Transfers into / out of Level 3	-	-	-	-
Balance as at 31 December	326,914	794,476	265,734	782,067

Land and building at level 3 in the fair value hierarchy

Reconciliation from the opening balance to the ending balance and revaluation reserve pertaining to the Land and Building in Level 3 of the fair value hierarchy is available in Note 26.1 on page 335 and Note 37.2 on page 356 respectively.

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorised in the Level 3 of the fair value hierarchy.

As at 31 December	Fair value		Valuation technique	Range of estimates (weighted average) for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2023 Rs. '000	2022 Rs. '000			
Debt securities					
Perpetual debentures	794,476	782,067	Adjusted interest rate for illiquidity	Credit spread 0.5% to 3%	Estimated fair value would increase/ (decrease), if credit spread would (decrease) / increase
Equity securities					
Unlisted equity securities	326,914	265,734	Adjusted net asset for illiquidity	Illiquidity premium 5% - 10%	Estimated fair value would increase/ (decrease), if Illiquidity premium would (decrease) / increase
Land and building	311,000	277,674	Refer Note 26.18 on page 337	Refer Note 26.18 on page 337	Refer Note 26.18 on page 337

NOTES TO THE FINANCIAL STATEMENTS

7.4 Level 3 fair value measurement (Contd.)

Significant unobservable inputs are developed as follows.

Debt securities	Credit spreads are derived from internally developed model and adjustments have been made to reflect the illiquidity condition of the instruments.
Unlisted equity securities	When deciding illiquidity premium the Company has considered the fact that recent acquisition of finance companies had taken place at more than the net asset value of target investee.
Land and Building	Refer Note 26.18 on page 337

Sensitivity analysis of financial assets classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of the level 3 financial instruments and significant unobservable inputs.

As at 31 December	Significant unobservable input	2023			2022		
		Impact on income statement Rs. '000	Impact on OCI Rs. '000	Impact on equity Rs. '000	Impact on income statement Rs. '000	Impact on OCI Rs. '000	Impact on equity Rs. '000
Unlisted Equity Securities							
1% Increase in adjustment for illiquidity	Illiquidity premium	-	(3,458)	(3,458)	-	(2,798)	(2,798)
1% Decrease in adjustment for illiquidity	Illiquidity premium	-	3,458	3,458	-	2,798	2,798
Perpetual debentures							
1% Increase in credit spread	Credit spread	(52,090)	-	(52,090)	(24,915)	-	(24,915)
1% Decrease in credit spread	Credit spread	60,483	-	60,483	26,687	-	26,687

Sensitivity analysis of land and building classified at Level 3 is given in Note 26.18 on page 337.

7.5 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 carried at amortised cost are estimated by using daily market rate published by Central Bank of Sri Lanka.

Variable rate financial investments - Government securities

The fair value of variable rate government securities carried at amortised cost are estimated by using daily 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 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 period.

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 31 December	Note	2023					2022				
		Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying value Rs. '000
Financial assets											
Financial investments - Amortised cost											
Treasury bonds	29.2	22,990,696	-	-	22,990,696	18,408,368	9,675,901	-	-	9,675,901	12,980,040
Treasury bills	29.2	555,087	-	-	555,087	553,716	1,104,545	-	-	1,104,545	1,099,884
Sri Lanka development bonds	29.2	-	-	-	-	-	-	-	-	6,361,004	6,221,129
International sovereign bonds*	29.2	-	4,032,845	-	4,032,845	3,928,615	4,086,897	-	-	4,086,897	4,830,774
Debentures**	29.2	-	6,233,015	-	6,233,015	6,552,746	-	7,155,383	-	7,155,383	7,371,812
Fixed deposits	29.2	-	-	-	919,524	919,403	-	-	-	522,028	522,007
Commercial paper	29.2	-	-	-	1,713,358	1,713,352	-	-	-	2,368,808	2,368,757
Securitised Papers	29.2	-	-	-	577,426	577,371	-	-	-	790,729	790,246
Repo	29.2	-	-	-	1,045,088	1,045,088	-	-	-	880,918	880,918
Other financial assets											
Cash and cash equivalents	34	-	-	-	1,099,679	1,099,679	-	-	-	739,944	739,944
Loans to life policyholders	30	-	-	-	331,301	331,301	-	-	-	265,060	265,060
Reinsurance receivables	31	-	-	-	465,211	465,211	-	-	-	568,379	568,379
Premium receivables	32	-	-	-	2,449,089	2,449,089	-	-	-	1,763,388	1,763,388
Receivable and other assets	33	-	-	-	72,155	72,155	-	-	-	70,934	70,934
Total financial assets not at fair value		23,545,783	10,265,860	-	42,484,474	38,116,094	14,867,343	7,155,383	-	36,353,918	40,473,272
Financial liabilities											
Loans and borrowings	41	-	-	-	5,014,997	5,014,997	-	-	-	5,643,918	5,643,918
Reinsurance payables	42	-	-	-	718,855	718,855	-	-	-	2,246,237	2,246,237
Other liabilities	43	-	-	-	1,912,162	1,912,162	-	-	-	1,892,678	1,892,678
Bank overdraft	44	-	-	-	376,690	376,690	-	-	-	308,318	308,318
Total financial liabilities not at fair value		-	-	-	8,022,704	8,022,704	-	-	-	10,091,151	10,091,151

**As disclosed in Note 7.1 on page 314, ISBs have been classified under level 2 in the fair value hierarchy, since there is no active secondary market with sufficient frequency for such instrument.*

***Listed Debentures have been classified under level 2 in the fair value hierarchy since there is no active market for these instruments, even though such instruments are listed.*

NOTES TO THE FINANCIAL STATEMENTS

8. GROSS WRITTEN PREMIUMS

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 on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30-day grace period are considered as due for endowment products). 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 recognise profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

All products 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 the reporting date.

The premium Income for the year by major classes of business is as follows:

For the year ended 31 December	2023			2022		
	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000	Individual business Rs. '000	Corporate business Rs. '000	Total Rs. '000
Renewal premium	13,181,096	-	13,181,096	11,334,841	-	11,334,841
Single premium	653,208	-	653,208	1,767,030	-	1,767,030
First year premium	6,366,477	-	6,366,477	5,226,525	-	5,226,525
Group life premium	-	6,140,540	6,140,540	-	4,755,029	4,755,029
Total gross written premium	20,200,781	6,140,540	26,341,321	18,328,396	4,755,029	23,083,425

GROSS WRITTEN PREMIUMS

9. 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 and accounted on an accrual basis.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Treaty	2,409,009	2,663,583
Facultative	880	15,220
Total premium ceded to reinsurers	2,490,889	2,678,803

10. NET WRITTEN PREMIUMS

This represents the net written premium for the financial year subsequent to the deduction of reinsurance premium from gross written premium.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gross written premium	26,341,321	23,083,425
Less: Premiums ceded to reinsurers	(2,490,889)	(2,678,803)
Total net written premium	23,850,432	20,404,622

11. FINANCE INCOME

Finance income consists of interest income and dividend income generated by the Company from its various financial assets held throughout the reporting period.

Accounting Policy

Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate by applying to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). The calculation of interest income of credit-impaired financial assets does not revert to a gross basis, even if the credit risk of the asset improves.

Investment related expenses consist of costs relating to investment such as custodian fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Effective interest rate (EIR)

The EIR is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses. For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the EIR includes all transaction costs and fees that are an integral part of EIR. Transaction costs includes incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

Accounting Policy

Dividend income

Dividends on equity investments are recognised in the Income Statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend". Dividends are presented under net finance income in the Income Statement.

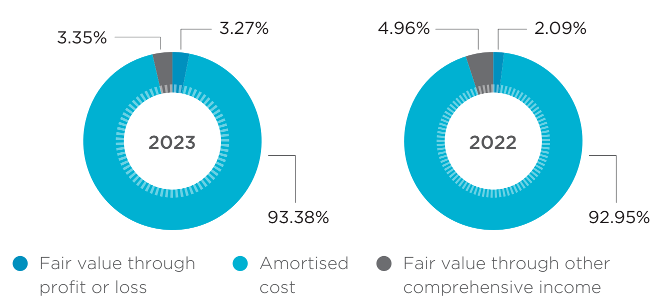
Interest income presented in the Income Statement include:

- Interest income on financial assets measured at FVTPL is calculated using EIR method.
- Interest income on financial assets measured at amortised cost is calculated using EIR method.
- Interest income on financial assets measured at FVOCI is calculated using EIR method.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Interest income from:			
Financial assets classified at FVTPL	11.1.a	233,623	102,785
Financial assets classified at amortised cost	11.1.c	6,515,689	4,639,596
Financial assets classified at FVOCI	11.1.d	228,131	130,980
		6,977,443	4,873,361
Dividend Income From;			
Equity shares classified at FVTPL	11.1.b	-	1,381
Equity shares classified at FVOCI	11.1.e	-	116,403
		-	117,784
Total finance income		6,977,443	4,991,145

The Company has not derecognised equity instruments measured at fair value through other comprehensive income during the reporting year.

FINANCE INCOME



NOTES TO THE FINANCIAL STATEMENTS

11.1 Analysis of finance income

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
a. Interest income from financial assets classified at FVTPL		
Treasury bonds	39,948	20,793
Perpetual debentures	193,675	81,992
	233,623	102,785
b. Dividend income - Equity shares	-	1,381
Total finance income from financial assets classified at FVTPL	233,623	104,166
c. Interest income from financial assets classified at amortised cost		
Debentures	787,117	870,946
Commercial papers	420,805	451,101
Securitised Paper	72,785	76,760
Term deposits	121,613	93,298
Sri Lanka development bonds	132,874	367,556
International Sovereign bonds	1,046,135	930,377
Repo	310,806	279,612
Loans to life policyholders	52,862	39,442
Treasury bonds	3,438,657	1,282,273
Treasury bills	132,035	248,231
Total finance income from financial assets classified at amortised cost	6,515,689	4,639,596
d. Income from financial assets classified at FVOCI		
Interest income from treasury bonds	228,131	130,980
e. Dividend income - Equity shares	-	116,403
Total finance income from financial assets classified at FVOCI	228,131	247,383
Total finance income	6,977,443	4,991,145

12. NET REALISED GAINS / (LOSSES)

Accounting Policy

Realised gains and losses recorded in the Income Statement on investments include gains and losses on disposal of financial assets except for equity instruments classified at FVOCI.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

On derecognition of an investment other than equity classified as FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the Income Statement.

On derecognition of equity investments classified at FVTOCI, the cumulative gain or loss previously recognised in the OCI is transferred to retained earnings from fair value reserve in the Statement of Changes in Equity.

Analysis of realised gains / (losses)

For the year ended 31 December	2023			2022		
	Realised gains Rs. '000	Realised losses Rs. '000	Net realised gains / (losses) Rs. '000	Realised gains Rs. '000	Realised losses Rs. '000	Net realised gains / (losses) Rs. '000
Financial assets classified at FVTPL						
Unit trusts	227,391	-	227,391	354,652	-	354,652
Quoted equity securities	-	-	-	-	(184,744)	(184,744)
Total net realised gains	227,391	-	227,391	354,652	(184,744)	169,908

13. NET FAIR VALUE GAINS / (LOSSES)

Accounting Policy

Fair value gains and losses recorded in the Income Statement on investments include fair value gains / (losses) on financial assets measured at FVTPL.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Financial investments at FVTPL		
Treasury bonds	101,563	(91,806)
Unit trusts	464,428	39,066
Perpetual debentures	533	1,571
Derivatives	166,921	68
Total net fair value gains	733,445	(51,101)

14. OTHER OPERATING INCOME

Accounting Policy

Other income is recognised on an accrual basis. Other income comprises fees, disposal gains/losses on property, plant and equipment and miscellaneous income.

Gains or losses on disposal of an item of property, plant and equipment (PPE)

Any gain or loss on disposal of an item of PPE (calculated as the difference between net proceeds from disposal and carrying amount of the item at the time of disposal) is recognised as 'other income' in the Income Statement in the year in which the Company transfers control of the asset to the buyer. When revalued assets are sold, any related amount included in the revaluation reserves are transferred to retained earnings.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gain on sale of property, plant and equipment	141	135
Miscellaneous income	9,744	10,104
Total other income	9,885	10,239

15. 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, accident, hospitalisation and surrenders are recorded on the basis of notifications received.

Reinsurance recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Claims		
Gross claims paid	10,237,565	8,118,482
Claims recovered from reinsurers	(592,422)	(850,006)
	9,645,143	7,268,476
Benefits		
Gross claims paid	3,253,018	995,810
	3,253,018	995,810
Total net insurance benefits and claims paid	12,898,161	8,264,286

NOTES TO THE FINANCIAL STATEMENTS

15. NET INSURANCE BENEFITS AND CLAIMS PAID (CONTD.)

Analysis of net insurance benefits and claims paid

For the year ended 31 December	2023			2022		
	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000	Gross claims and benefits paid Rs. '000	Recovered from reinsurers Rs. '000	Net benefits and claims paid Rs. '000
Claims						
Death, disability and other riders - Endowment	4,678,045	(290,690)	4,387,356	3,494,789	(617,508)	2,877,281
Death and hospitalisation - Group life	3,970,473	(239,299)	3,731,174	2,715,586	(198,157)	2,517,429
Death - Decreasing Term Assurance (DTA)	1,589,046	(62,433)	1,526,613	1,351,925	(34,341)	1,317,584
	10,237,565	(592,422)	9,645,143	7,562,300	(850,006)	6,712,294
Benefits						
Policy maturities / surrenders - Investment products	1,785,941	-	1,785,941	743,329	-	743,329
Policy maturities - Endowment	764,084	-	764,084	377,549	-	377,549
Policy surrenders - Endowment products	702,993	-	702,993	431,114	-	431,114
	3,253,018	-	3,253,018	1,551,992	-	1,551,992
Total net insurance benefits and claims Paid	13,490,583	(592,422)	12,898,161	9,114,292	(850,006)	8,264,286

16. 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 31 December	2023			2022		
	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000	Gross change in outstanding claims and benefit Rs. '000	Change in reinsurance recoverable Rs. '000	Net change in outstanding claims and benefits Rs. '000
Claims						
Death, disability and other riders - Endowment	(17,933)	39,216	21,283	121,509	(73,709)	47,800
Death and hospitalisation - Group life	(16,148)	(7,752)	(23,900)	17,446	(8,171)	9,275
Death - Decreasing Term Assurance (DTA)	(59,860)	7,654	(52,206)	74,267	(2,043)	72,224
	(93,941)	39,118	(54,823)	213,222	(83,923)	129,299
Benefits						
Policy maturities - Endowment	-	-	-	-	-	-
	-	-	-	-	-	-
Total net change in insurance claim and benefits outstanding	(93,941)	39,118	(54,823)	213,222	(83,923)	129,299

16.1 Total net insurance claims and benefits expense

For the year ended 31 December	2023			2022		
	Gross claims and benefits Rs. '000	Recovery from reinsurers Rs. '000	Net claims and benefits Rs. '000	Gross claims and benefits Rs. '000	Recovery from reinsurers Rs. '000	Net claims and benefits Rs. '000
Claims						
Death, disability and others riders - Endowment	4,660,113	(251,474)	4,408,639	3,616,298	(691,217)	2,925,081
Death and hospitalisation - Group life	3,954,325	(247,051)	3,707,274	2,733,032	(206,328)	2,526,704
Death - Decreasing Term Assurance (DTA)	1,529,186	(54,779)	1,474,407	1,426,192	(36,384)	1,389,808
	10,143,624	(553,304)	9,590,320	7,775,522	(933,929)	6,841,593
Benefits						
Policy maturities / surrenders - Investment products	1,785,941	-	1,785,941	743,329	-	743,329
Policy maturities - Endowment	764,084	-	764,084	377,549	-	377,549
Policy surrenders - Endowment products	702,993	-	702,993	431,114	-	431,114
	3,253,018	-	3,253,018	1,551,992	-	1,551,992
Total net insurance claim and benefits expenses	13,396,642	(553,304)	12,843,338	9,327,514	(933,929)	8,393,585

17. CHANGE IN VALUATION OF INSURANCE CONTRACT LIABILITIES

Accounting Policy

In Note 39.8 on page 360 to these Financial Statements explain in detail about methodology of valuation of the insurance contract liabilities. Changes in the valuation of insurance contract liabilities are recognised in the Income Statement under change in contract liabilities.

Actuarial valuation of life insurance fund

The Directors agree to the provision relating to long term insurance 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.

For the year ended 31 December	Note	2023			2022		
		Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Gross Rs. '000	Reinsurance Rs. '000	Net Rs. '000
Premiums written	10	26,341,321	(2,490,889)	23,850,432	23,083,425	(2,678,803)	20,404,622
Insurance benefits and claims incurred	16.1	(13,396,642)	553,304	(12,843,338)	(9,327,514)	933,929	(8,393,585)
Underwriting and net acquisition costs (including reinsurance)	18	(5,779,524)	293,316	(5,486,208)	(5,248,856)	292,968	(4,955,888)
Other operating, selling and administrative expenses attributable to policyholders		(5,446,630)	-	(5,446,630)	(2,276,879)	-	(2,276,879)
Investment and other income attributable to policyholders		5,768,826	-	5,768,826	3,316,804	-	3,316,804
Surplus from life insurance fund transferred to Life shareholder's fund	39.13	(3,015,000)	-	(3,015,000)	(4,378,000)	-	(4,378,000)
Change in contract liabilities - Life fund	39.5	4,472,351	(1,644,269)	2,828,082	5,168,980	(1,451,906)	3,717,074

The Appointed Actuary's report is provided on page 264.

A reconciliation of the change in insurance contract liabilities is reflected in Note 39.5 on page 359 to these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

18. UNDERWRITING AND NET ACQUISITION COST (NET OF REINSURANCE)

Accounting Policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Underwriting and policy acquisition cost	5,779,524	5,248,856
Reinsurance commission including profit commission	(293,316)	(292,968)
Total underwriting and net acquisition cost	5,486,208	4,955,888

19. OTHER OPERATING AND ADMINISTRATION EXPENSES

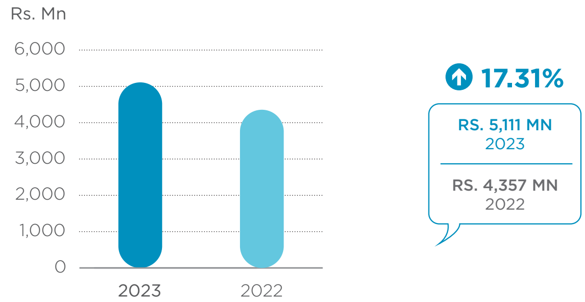
Accounting Policy

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 the 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.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Employee benefits expenses			
Short term employee benefits	19.1	2,393,901	2,284,055
Long term employee benefits - Defined benefit plan cost	40.5	67,029	50,714
Other long term employee benefits and termination benefits		-	-
Total employee benefits expenses		2,460,930	2,334,769
Administration and establishment expenses		1,959,445	1,596,400
Selling expenses		690,735	425,710
Total other operating and administration expenses		5,111,111	4,356,879

OTHER OPERATING AND ADMININSTRATION EXPENSES



19.1 Short Term 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 are incurred.

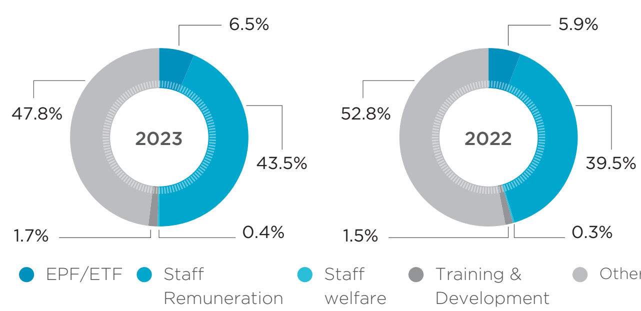
Employee Provident Fund (EPF)

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.

SHORT TERM EMPLOYEE BENEFITS EXPENSES



For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Contributions to defined contribution plans			
EPF	40.1	125,011	108,142
ETF	40.1	31,251	27,036
		156,262	135,178
Staff remuneration		1,041,757	901,182
Staff welfare		10,681	7,803
Training and development expenses		40,219	34,534
Other short term employee benefits expenses		1,144,982	1,205,358
Total short term employee benefits expenses		2,393,901	2,284,055

19.2 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversal of such write-downs.

19.3 Impairment on revalued assets

During the period, there were no impairment losses or reversal on revalued assets (2022 – Nil).

20. IMPAIRMENT (CHARGE)/REVERSAL AND FINANCE (GAINS) / COST

20.1 Impairment (Charge)/Reversal on Financial Instruments

Accounting Policy

Note 4.2.12 and Note 29.2.3 to these financial statements explain the methodology and the measurement of the impairment allowance.

Impairment losses on financial assets recognised in profit and loss were as follows.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Sri Lanka development bonds	139,875	(99,030)
International sovereign bonds	(1,144,481)	(2,031,912)
Other financial assets	9,351	(7,848)
	(995,255)	(2,138,790)
Initial recognition loss on treasury bonds exchanged for SLDBs under DDO	(86,522)	-
Total Impairment losses on financial assets recognised in profit and loss	(1,081,777)	(2,138,790)

20.2 Finance (Gains) / Cost

Accounting Policy

Interest cost is recognised in the Income Statement 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. The Company's finance cost includes lease interest expense, interest expenses on long-term borrowing and other interest expenses. As at the reporting date, the Company has classified all financial liabilities under the amortised cost category.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial liabilities at amortised cost,			
Interest expenses on lease liabilities	43.4	111,448	96,634
Interest expenses on long term borrowings	41.1	616,295	456,141
Other interest expenses		120,818	100,978
Net exchange (gains) / losses on financial assets and financial liabilities measured at amortised cost		402,348	(2,721,540)
Total finance cost/(gains)		1,250,909	(2,067,787)

NOTES TO THE FINANCIAL STATEMENTS

21. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Director fee and emoluments	45.6.1	86,584	75,888
Auditors remuneration			
Auditor's fees and related expenses		2,925	2,545
Audit related services and related expenses		6,928	5,876
Non audit services and related expenses		-	-
Costs of Employee Benefits			
Defined contribution plan cost - EPF	40.1	125,011	108,142
Defined contribution plan cost - ETF	40.1	31,251	72,095
Defined benefit plan cost	40.4	67,029	50,714
Staff training and development cost		40,219	34,534
Other staff expenses		2,197,420	2,114,343
Provision / (reversal) for impairment of			
Financial instruments	20.1	1,081,777	2,138,790
Loans to life policyholders		-	-
Other			
Legal fees		18,018	16,574
Depreciation of property, plant and equipment	26.1	133,393	133,058
Depreciation of right of use of assets	27.1	305,520	289,667
Amortisation of intangible assets	25.1	722	590
Research and development costs		-	-
(Profit) / loss on sale of property, plant and equipment & intangible assets		141	135
CSR expenses		7,100	3,306
Donations		-	-
Operating lease expenses		-	-

21.1 Director fee and emoluments

Directors' emoluments represent the salaries and fees paid to both Executive and Non-Executive Directors of the Company and is explained in Note 45.6.1 on page 373.

21.2 Utilisation of Income

Graphical presentation for utilisation of income is given in the financial highlights section on page 262.

22. INCOME TAX EXPENSES

Accounting Policy

Income tax expense comprises current tax and deferred tax and is recognised in the Income Statement. Current tax and deferred tax relating to items recognised directly in equity is recognised in equity and for items recognised in OCI that shall be recognised in the OCI.

The Company has determined that the interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax is the expected tax payable or receivable 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. Current tax assets and liabilities are offset only if certain criteria are met.

The gains and profits from the life insurance business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by the Inland Revenue (Amendment) Act, No. 45 of 2022. Accordingly, gains and profits on which tax payable is the aggregate of the following:

Taxable income source	Applicable tax rate	
	Prior to 1 October 2022	From 1 October 2022
Surplus distributed to shareholders from the life insurance policyholders fund as certified by the actuary	24%	30%
Investment income of the shareholder fund less any expenses incurred in the production of such income	24%	30%
Dividend paid out of profit recorded in shareholder fund	14%	15%
Surplus distributed to a life insurance policyholder who shares the profits of a person engaged in the business of life insurance	24%	30%

Impact on changes in the applicable income tax rate

As per the Inland Revenue (Amendment) Act No 45 of 2022, tax rates have been revised as stated in the above table for during the year of assessment 2022/23. Further, in terms of the Circular issued by the Department of Inland Revenue dated 09 May 2023; the company has pro rated the tax on 6 months - 6 months basis (i.e. First 6 months - under the previous tax rates and the balance 6 months under the new tax rates as stated above).

Accordingly, over provision of income tax for the year 2022 has been adjusted during the year (Note 22.2 on page 329).

For the deferred tax purpose, the tax rate of 30% was applied for the year ended 31 December 2023 as well as for the previous year.

Tax Exposures

In determining the amount of current tax and deferred tax, the Company considers the impact of tax exposure, including whether additional taxes and penalties are due. Finalisation of the tax liability with authorities may change the position already recorded in the Financial Statements and such changes to tax liabilities could impact the tax expense either as an over or under provision in the period in which such a determination is made.

Deferred Tax

Accounting policy and detail analysis relating to deferred tax is disclosed in Note 28 on page 340.

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 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

CESS Levy

As per the Section 7 of the Regulation of Insurance Industry Act (No. 43 of 2000), CESS is payable at 0.2% on the Net Written Premium (NWP) and to be remitted to the IRCSL on quarterly basis.

Stamp Duty

In terms of the Stamp Duty (Sp. Provisions) Act No. 12 of 2006 and the amendments thereto, Stamp Duty shall be charged on every specified instrument at specified rates and to be remitted to the Department of Inland Revenue on quarterly basis.

Sales Tax

Revenues, expenses, and assets are recognised net of the amount of sales tax. However;

- Where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, to the taxation authority is included as a part of receivables or payables in the Statement of Financial Position.

22.1 Amounts recognised in the Income Statement

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Current tax expense			
Income tax on current year's profits		1,229,617	689,130
Under / (over) provision in respect of the previous year		(31,911)	-
Deferred tax expenses			
Origination of deferred tax assets	28.3	(838,938)	-
Reversal of deferred tax assets	28.3	-	658,378
Deferred taxation		(838,938)	658,378
Income tax expense recognised in income statement		358,768	1,347,508
Other comprehensive income			
Deferred tax charge / (reversal)			
Relating to origination and reversal of temporary differences		-	-
Income tax expense recognised in other comprehensive income		-	-
Income tax expense recognised in income statement		358,768	1,347,508

22.2 Reconciliation of the accounting profit to income tax expense

For the year ended 31 December	2023 %	2023 Rs. '000	2022 %	2022 Rs. '000
Accounting profit before tax		3,197,171		4,030,384
Tax using the Company's domestic tax rate*	30	959,151	24	967,292
Income exempt from tax	(10)	(319,725)	(6)	(246,131)
Other Income	-	-	1	57,333
Aggregate allowable expenses	(1)	(34,567)	(1)	(32,292)
Aggregate disallowed expenses	20	624,758	18	729,991
Under / (over) provision in respect of the previous year	(1)	(31,911)	-	-
Reversal of deferred tax assets	(26)	(838,938)	(17)	(675,164)
Income tax expense recognised in the Income Statement at the average effective income tax rate	11	358,768	20	801,029

**Tax using the Company's domestic tax rate represents effective tax rate applied during the year 2023.*

NOTES TO THE FINANCIAL STATEMENTS

22.3 Income tax computation as per IRD Act No 24 of 2017 and amendment to Act, No. 10 of 2021 and Act. No. 45 of 2022

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Surplus distributed to shareholder from the life insurance policyholders fund (Refer page 264 for the Actuary's Report)	3,015,000	4,378,000
Investment income of the shareholder fund less expenses	2,149,474	1,774,899
Surplus distributed to policyholders (Refer page 264 for the Actuary's Report)	517,829	436,000
Income exempt from tax	(1,065,754)	(975,836)
Business income	4,616,549	5,613,063
Deductions under Section 19 of the IRD Act	-	(2,743,241)
Total assessable income	4,616,549	2,869,822
Income tax rate on assessable income @ 24% (prior to 01 October 2022)	-	202,976
Income tax rate on assessable income @ 30% (on or after 01 October 2022)	1,384,965	590,027
Income tax on dividend income @ 15% (prior to 01 October 2022 @ 14%)	-	8,027
Tax liability	1,384,965	801,030

22.3.1 Income exempt from tax

As per the Inland Revenue (Amendment) Act, No. 10 of 2021, and amendment there to, Investment Income from Sri Lanka Government International Sovereign Bond, Sri Lanka Development Bond till 14 August 2023 (refer Note 4.2.4 on page 283 for the DDO) and interest income received from savings and fixed deposits which are denominated in foreign currency have been considered as exempt income.

Dividend income received to the extent that dividend income is attributable to or derived from, another dividend received by the relevant dividend paid company or another resident company. Such dividend income shall be exempted from Income tax under the section 09 of the Inland Revenue Act, no 24 of 2017.

Accordingly, the Company has considered the above investment income of the shareholder fund as exempt income for the purpose of computation of income tax liability for the year ended 31 December 2023.

Dividend income received on which withholding tax has already been deducted shall be a final withholding payment under section 88 of the Inland Revenue Act no 24 of 2017. Hence, it will not be taxed again.

22.3.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it has assessed whether the interpretation had an impact on its financial statements. The Company is of the view that it is probable that its tax treatments will be accepted by the taxation authorities. Hence, the interpretation did not have an impact on the Financial Statements of the Company. The Company reviewed its income tax treatments and concluded that no additional provisions are required and disclosures relating to contingent liabilities have been made under Note 48.

23. EARNINGS PER SHARE (EPS)

Accounting Policy

The Company presents basic and diluted earnings 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 year.

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.

23.1 Basic earnings per share

For the year ended 31 December	2023	2022
Amount used as the numerator:		
Profit attributable to ordinary shareholders of the Company (Rs. 000)	2,838,403	2,682,876
Number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares as at 31 December ('000)	375,000	375,000
Basic earnings per share - (Rs.)	7.57	7.15

23.2 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown in Note 23.1.

24. DIVIDEND PER SHARE (DPS)

Accounting Policy

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on "Events after the reporting period".

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 Articles of Association of the Company.

24.1 Dividend declared from recorded profit

For the year ended 31 Decembe	2023	2022
Dividend declared per share (Rs.)	3.75	3.50
Number of ordinary shares ('000)	375,000	375,000
Total dividend declared (Rs. '000)	1,406,250	1,312,500

Interim dividend declared

The Board of Directors has declared a payment of an interim dividend of Rs. 3.75 per share for the financial year 2023 on 01 March 2024 (2022 - Rs. 3.50 per share) complied with Direction No. 1 of 2021 issued by IRCSL on 10 March 2021, amendments made for the same on 30 August 2021 and 20 September 2023. In accordance with LKAS 10 'Events after the reporting period', this interim dividend has not been recognised as a liability as at 31 December 2023.

24.2 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 need to satisfy the solvency test in accordance with the Section 57, prior to recommending the dividend. A statement of solvency duly completed and signed by the Directors on 14 February 2024 have been reviewed by Messrs. KPMG.

24.3 Dividend paid during the year

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gross Interim Dividend for 2022 - Rs. 3.50 (2021 - Rs. 2.80)	1,312,500	1,050,000
Net dividend paid to the ordinary shareholders	1,312,500	1,050,000

24.4 Non-cash assets distributed to owners

During the period ended 31 December 2023, the Company did not distributed non cash assets to its owners (2022 - Nil).

25. INTANGIBLE ASSETS

Accounting Policy

Recognition

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 LKAS 38 - 'Intangible Assets''.

Basis of measurement - Software

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 accumulated impairment losses.

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.

Derecognition

An intangible asset is derecognised 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 other operating income in the Income Statement when the item is derecognised.

Treatment of research and development cost

Research costs are expensed as incurred. Development expenditure on an individual project are recognised as an intangible asset, when the Company can demonstrate:

- The technical feasibility of completing the intangible asset, so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

25. INTANGIBLE ASSETS (CONTD.)

Useful economic life, amortisation and impairment

Intangible assets with finite lives

Intangible assets with finite life are amortised over their useful economic life, 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 and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life, amortisation method and residual values of an intangible asset with a finite useful life are reviewed at each reporting date and changes in the expected useful life or the expected future economic benefits embodied in the asset are considered to modify the useful lives, method, or residual values as appropriate, and are treated as changes in accounting estimates.

Amortisation expenditure

The amortisation expense on intangible assets with finite lives is recognised in the Income Statement under other operating and administration expenses..

Estimated useful life, residual values and amortisation method of intangible assets with finite lives for the current and comparative periods are as follows:

Intangible assets	Estimated useful life / amortisation period	Residual value	Amortisation method
Computer software	5 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Company does not have intangible assets with indefinite useful life as at the reporting date. (2022 - Nil).

Internally-generated intangible assets and separately acquired intangible assets

As at the reporting date, the Company does not have development costs capitalised as an internally-generated intangible assets and those acquired through business combinations. Following represents separately acquired intangible assets.

25.1 Reconciliation of carrying amounts of intangible assets

As at 31 December	2023 Rs. '000	2022 Rs. '000
Computer software		
Cost		
Balance as at 1 January	94,805	93,005
Acquisition during the year	520	1,800
Balance as at 31 December	95,325	94,805
Accumulated amortisation and impairment losses		
Balance as at 1 January	92,239	91,649
Amortisation for the year	722	590
Balance as at 31 December	92,961	92,239
Carrying value as at 31 December	2,364	2,566

25.2 Other changes to intangible assets

Other than disclosed in Note 25.1, there were no other changes to the intangible assets during the period under review (2022 – Nil).

25.3 Acquisition of intangible assets during the year

During the financial year, the Company paid Rs. 0.5 million (2022 - Rs. 1.8 million) to purchase intangible assets.

25.4 Fully amortised intangible assets in use

Fully amortised intangible assets in use as at reporting date were Rs. 91.4 million. (2022: Rs. 91.4 million).

25.5 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.

25.6 Intangible assets pledged as securities

There were no items pledged as securities for liabilities as at the reporting date (2022 - Nil).

25.7 Assessment of impairment of intangible assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31 December 2023. 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 (2022 - Nil).

25.8 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2023 (2022 - Nil).

25.9 Individually material / significant intangible assets

There are no individual intangible assets that are material to the Financial Statements as at 31 December 2023 (2022 – Nil).

25.10 Amount of contractual commitment for acquisition of intangible assets

There are no contractual commitment for acquisition of intangible assets as at the reporting date..

25.11 Intangible assets acquired by way of government grants

As at reporting date, the Company has not acquired Intangible assets by way of government grants.

25.12 Revaluation of intangible assets

Since cost model has been followed, there is no revaluation adjustment for intangible assets.

26. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition and measurement

The Company applies the requirements of the LKAS 16 'Property, Plant and 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.

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 and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day - to - day servicing) as explained in below. The cost of self-constructed assets includes the following;

- cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised 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.

Subsequent measurement - Cost model

The Company applies the cost model to all property, plant and equipment except for 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.

Subsequent measurement - 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 in 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 the revaluation reserve in equity through OCI or is used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstances, 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.

Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of the same are given in Note 26.18 on page 337.

Date of Revaluation

Latest revaluation was carried out by the Company for its all freehold land and freehold building as at 31 December 2023 (Next revaluation date will be due on 31 December 2025).

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 the Income Statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

26. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Accounting Policy (Contd.)

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.

Cost of dismantling

The estimated costs of dismantling, removing, or restoring items of property, plant and equipment is Zero.

Carrying value

The carrying value of an asset or significant component 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 recognised in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually.

All classes of property, plant, and 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 26.1.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income in the Income Statement in the year in which the asset is derecognised.

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 derecognised. Major inspection costs are capitalised. At each capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Useful economic life, residual values and depreciation

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. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation. Land is not depreciated.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in other operating and administration expenses in the Income Statement.

Useful economic lives, depreciation rate and residual values

The estimated useful lives of the property, plant and equipment for the current and comparative period are as follows:

Class of asset	Depreciation percentage per annum	Estimated useful life	Residual values
Building	5%	20 years	Nil
Office equipment	20%	05 Years	Nil
Computer equipment	20%	05 Years	Nil
Furniture and fittings	10%	10 Years	Nil
Fixtures and fittings	20%	05 Years	Nil
Motor vehicles	25%	04 Years	Nil

Borrowing costs

As per 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 to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

26.1 Reconciliation of gross carrying amount of property, plant and equipment

	Freehold land Rs. '000	Freehold building Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Fixtures and fittings Rs. '000	Motor vehicles Rs. '000	Total Rs. '000
Cost / revaluation								
Balance as at 1 January 2022	160,000	128,132	197,639	265,164	201,270	536,857	94	1,489,156
Additions during the year	-	-	19,935	17,076	20,861	37,010	-	94,882
Disposals during the year	-	-	(393)	-	-	-	-	(393)
Balance as at 31 December 2022	160,000	128,132	217,181	282,240	222,131	573,867	94	1,583,645
Balance as at 1 January 2023	160,000	128,132	217,181	282,240	222,131	573,867	94	1,583,645
Additions during the year			41,595	57,350	46,536	72,198		217,679
Surplus on revaluation	20,000	23,784						43,784
Transferred of accumulated depreciation on revalued assets		(20,916)						(20,916)
Disposals during the year			(88)	(39)				(127)
Balance as at 31 December 2023	180,000	131,000	258,688	339,551	268,667	646,065	94	1,824,065

	Freehold land Rs. '000	Freehold building Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Fixtures and fittings Rs. '000	Motor vehicles Rs. '000	Total Rs. '000
Accumulated depreciation and impairment losses								
Balance as at 1 January 2022	-	-	147,622	209,535	109,522	404,638	94	871,411
Depreciation for the year	-	10,458	19,733	26,795	17,177	58,895	-	133,058
Disposals during the year	-	-	(181)	-	-	-	-	(181)
Balance as at 31 December 2022	-	10,458	167,174	236,330	126,699	463,533	94	1,004,288
Balance as at 1 January 2023	-	10,458	167,174	236,330	126,699	463,533	94	1,004,288
Depreciation for the year	-	10,458	21,751	25,739	20,382	55,063	-	133,393
Transferred of accumulated depreciation on revalued assets	-	(20,916)	-	-	-	-	-	(20,916)
Impairment loss	-	-	-	-	-	-	-	-
Disposals during the year	-	-	(88)	(39)	-		-	(127)
Balance as at 31 December 2023	-	-	188,837	262,030	147,081	518,596	94	1,116,638
Carrying value as at 31 December 2023	180,000	131,000	69,851	77,521	121,586	127,469	-	707,427
Carrying value as at 31 December 2022	160,000	117,674	50,007	45,910	95,432	110,334	-	579,357

NOTES TO THE FINANCIAL STATEMENTS

26.2 Other changes to property, plant and equipment

Other than disclosed in Note 26.1 there was no impact to property, plant and equipment from any other sources, such as, assets classified as held-for-sale, acquisitions through business combinations, increases resulting from impairment losses reversed in OCI or in the Income Statement, and from exchange differences during the period ended 31 December 2023 (2022 - Nil).

26.3 Title restrictions on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

26.4 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 218 million (2022 - Rs. 94.8 million) by means of cash.

26.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023 (2022 – Nil).

26.6 Amount of contractual commitment for acquisition of property, plant and equipment

Refer Note 46 for contractual commitment for acquisition of property, plant and equipment as at the reporting date.

26.7 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2022 - Nil).

26.8 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 December 2023. 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 (2022 - Nil).

26.9 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 as at the reporting date.

26.10 Fair value of property, plant and equipment

The carrying amount of property, plant and equipment disclosed in Note 26.1 approximate their fair value as at the reporting date.

26.11 Property, plant and equipment under construction

As at the reporting date, there was no property, plant and equipment under construction (2022 – Nil).

26.12 Property, plant and equipment pledged as security for liabilities

None of the property, plant and equipment has been pledged as securities for liabilities as at the reporting date (2022 - Nil).

26.13 Property, plant and equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2022 - Nil).

26.14 Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of property, plant and equipment which require an impairment provision recognised in the Financial Statements as at 31 December 2023 (2022 - Nil).

26.15 Fully depreciated property, plant and equipment in use

As at 31 December	2023 Rs. '000	2022 Rs. '000
Computer hardware	132,142	117,433
Office equipment	195,222	162,953
Furniture and fittings	50,549	41,501
Fixtures and fittings	355,296	298,062
Motor vehicle	94	94
Total	733,303	620,043

26.16 Fair value hierarchy

The fair value of the land and 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 involved in the aforesaid valuation possesses the relevant professional and academic qualifications and service records In compliance of the Circular no: 30 (dated 14 March 2013) as amended by the Circular no: 35 (dated 17 October 2014) issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), which specifies the qualifications of valuers to value land and buildings of the insurance companies.

The valuer provides the fair value of the land and building. Based on the valuation techniques used, it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 26.18.

26.17 The details of freehold land and buildings which are stated at valuation are as follows;

(As required by the Rule No. 7.6 (viii) of the " Continuing Listing Requirements" of the Colombo Stock Exchange)

Location	Number of land & buildings	Extent perches (Land)	Square feet (Building)	Method of valuation	Effective date of valuation	Name of the independent professional valuer / location and address	Revalued amount		Net book value before revaluation of		Revaluation gain on	
							Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Land	1	12	N/A	Market comparable method and Investment Method	31 December 2023	Mr. Anuradha Senevirathne Chartered Valuation Surveyor No: 59/3, Urapola, Pilimalawa, Kandy	180,000	131,000	160,000	107,216	20,000	23,783
Building Situated at No. 283, R. A De Mel Mawatha, Colombo - 03	1	N/A	11,824									

26.18 Valuation techniques and significant unobservable inputs used in measuring fair value

(As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of Colombo Stock Exchange)

The following table shows the valuation techniques used in measuring fair values, the significant unobservable inputs and sensitivity of the fair value measurement to changes in significant unobservable inputs.

Property	Effective date of valuation	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
Land (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03)	31 December 2023	**Market comparable method** This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated, since the price may not adequately reflect the fair market value.	Market value per perch	Rs. 15 Million (Estimated price per perch)	Positive correlated sensitivity	Estimated fair value would increase/ (decrease) if price per perch would increase / (decrease)
Building (Situated at No. 283, R. A De Mel Mawatha, Colombo - 03) (Number of Building - 01)"	31 December 2023	**Investment method** This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Price per square foot for building	Rs. 125 - 300 (Estimated price per square foot)	Positive correlated sensitivity	Price per square foot would increase/ (decrease) if gross annual rentals would increase / (decrease)

NOTES TO THE FINANCIAL STATEMENTS

26.19 Investment Properties

As at the reporting date, the Company has not invested in investment properties (2022 - Nil)

26.20 Revaluation surplus

As at 31 December	2023		
	Land Rs. '000	Building Rs. '000	Total Rs. '000
Revalued amount	180,000	131,000	311,000
Carrying value (prior to revaluation)	160,000	107,216	267,216
Revaluation surplus for 2023 Recognised in the OCI	20,000	23,783	43,783
Revaluation surplus for 2023 Recognised in Income Statement	-	-	-

According to the Company's policy on revaluation model as described above, for the year ended 31 December 2022 no revaluation was carried out resulting no gain or loss recognised in the financial statements.

26.21 If Land and building were stated at historical cost, the amounts would have been as follows;

As at 31 December	2023		2022	
	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Cost	85,620	121,167	85,620	121,167
Accumulated depreciation	-	(54,525)	-	(49,411)
Carrying value	85,620	66,642	85,620	71,756

26.22 The effect of revaluation of freehold buildings on the Income Statement in the subsequent period is as follows;

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Depreciation charge per annum after revaluation	12,778	7,456
Depreciation charge per annum prior to revaluation	10,458	6,279
Decrease in profit in subsequent period	2,320	1,177

27. RIGHT OF USE ASSETS

Accounting Policy

Recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property and equipment, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

ROU assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company applies the cost model for subsequent measurement of the ROU asset and accordingly, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lessor transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation expenses

Depreciation expenses has been charged to income statement under other operating and administration expenses.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Incremental borrowing rate ranges between 9.2% to 17.40%.

Accounting Policy (Contd.)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased as follows.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment. guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

Presentation of ROU asset and lease liabilities

The Company presents right-of-use assets that do not meet the definition of investment property in separate line as 'Right-of-use assets' and lease liabilities within 'Other Liabilities' in the Statement of Financial Position.

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

27.1 Right-of-Use assets

Information about leases for which the Company is a lessee is presented below;

Nature of the leasing activities

The Company has lease contracts for the head office, branches and motor vehicles, typically made in between 1 to 5 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Reconciliation of carrying amounts of Right-of-Use assets

As at 31 December	2023			2022		
	Building Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Building Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
As at 1 January	539,477	17,438	556,915	592,229	24,188	616,417
Additions to right-of-use assets	360,266	-	360,266	140,320	-	140,320
Amortisation charge for the year	(298,770)	(6,750)	(305,520)	(282,917)	(6,750)	(289,667)
Derecognition of right-of-use assets	-	-	-	(34,027)	-	(34,027)
Modification	-	-	-	123,872	-	123,872
Balance as at 31 December	600,973	10,688	611,661	539,477	17,438	556,915

NOTES TO THE FINANCIAL STATEMENTS

27.2 Amounts recognised in profit or loss

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest expense on lease liabilities	111,448	96,634
Variable lease payments not included in the measurement of lease liabilities	-	-
Amortisation of right-of-use assets	305,520	289,667
Income from sub-leasing right-of-use assets presented in other operating income	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	414,783	386,301

27.3 Amounts recognised in statement of cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities. During the period, the Company did not receive cash from leases as the Company is the lessee.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Total cash out flow for leases	376,117	351,033

27.4 Sale-and-Lease back transactions

The Company does not have sale and leased back transactions as at the reporting date. (2022-Nil)

27.5 Sub leases

The Company does not have sub leased properties as at the reporting date. (2022-Nil)

27.6 Lease Terms - Extension Options

Refer Note 3.1.3 on page 279.

27.7 Impairment of ROU assets

As at the reporting date, no impairment loss has been recognised by the Company in respect of impairment of right of use assets, since each business unit is operating under the business continuity plans as per the Company risk management strategy.

27.8 Lease liabilities and related disclosures

The information relating to the movement of lease liabilities, maturity analysis and other related disclosures are provided in Notes 43.4, 43.5 - 43.6 and 43.7 respectively in page 369.

27.9 Lease commitment for short term leases

As at the reporting date, there were no commitment for short term leases

27.10 Restrictions and covenants imposed by the leases.

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these financial statements.

28. DEFERRED TAXATION

Accounting Policy

Deferred tax is recognised 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 assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is not recognised for;

- 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; and
- Taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference is insufficient to recognised a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans.

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 realised; such reduction are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Accounting Policy (Contd.)

Deferred tax liabilities

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss:

As explained in Note 22 on page 328, the 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 30%.

Investment income less any expenses incurred in the production of such income at a rate of 30%.

Surplus distributed to a Life Insurance policyholders at a rate of 30%.

Offsetting

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.

Recognition of deferred tax assets

The Company recognised a deferred tax asset consequent to the changes in the Inland Revenue No. 24 of 2017 described in Note 22. As per the Inland Revenue act No. 24 of 2017 which is effective from 1 April 2018, 100% of taxable income is allowed to be deducted against the tax losses incurred. 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.

The recognised deferred tax asset on brought forward tax losses was fully utilised against the Income tax liability by the month of September 2022 as stated in Note 28.3.

Deferred tax asset has been recognised during the year in the financial statements on the deductible temporary differences arising only to the extent of the relevant impairment provision in terms of the Inland Revenue Act, No. 24 of 2017 as amended by the Amendment Act, No. 10 of 2021 (2022 - Nil).

The Directors are of the view that there will not be material temporary differences arising which will result in deferred tax liabilities to be recognised as at the reporting date (2022 - nil).

Impact from the change in corporate income tax rate

There were no change in the corporate tax rate during the year.

28.1 Deferred taxation

As at 31 December	2023 Rs. '000	2022 Rs. '000
Deferred tax assets	838,938	-
Deferred tax liabilities	-	-
Net deferred tax asset	838,938	-

28.2 Analysis of recognised deferred tax assets / liabilities in the Statement of Financial Position

As at 31 December	2023		2022	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Deferred tax assets on;				
Carry forward tax losses	-	-	-	-
Other deductible temporary differences	2,796,460	838,938	-	-
	2,796,460	838,938	-	-
Deferred tax liabilities on;				
Taxable temporary differences	-	-	-	-
Net recognised deferred tax assets	2,796,460	838,938	-	-

NOTES TO THE FINANCIAL STATEMENTS

28.3 Movement of deferred tax assets and liabilities

As at 31 December	2023						
	Balance as at 1-Jan Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	Utilised against tax on bonus declared to participating policyholders Rs. '000	Net balance Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000
Deferred tax assets on;							
Carry forward tax losses	-	-	-	-	-	-	-
Other deductible temporary differences	-	838,938	-	-	838,938	838,938	-
Deferred tax liabilities on;							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	-	838,938	-	-	838,938	838,938	-

As at 31 December	2022						
	Balance as at 1-Jan Rs. '000	Recognised in income statement Rs. '000	Recognised in OCI Rs. '000	Utilised against tax on bonus declared to participating policyholders Rs. '000	Net balance Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000
Deferred tax assets on;							
Carry forward tax losses	675,164	(658,378)	-	(16,786)	-	-	-
Other deductible temporary differences	-	-	-	-	-	-	-
Deferred tax liabilities on;							
Taxable temporary differences	-	-	-	-	-	-	-
Net recognised deferred tax assets	675,164	(658,378)	-	(16,786)	-	-	-

28.4 Analysis and movement of tax losses

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Tax losses up to year of assessment 2009/10	1,966,664	1,966,664
Tax losses subject to tax assessments	8,312,766	8,312,766
Tax losses within the time bar periods	868,802	868,802
Available tax losses	11,148,232	11,148,232
Tax losses utilised against taxable income up to previous years	(11,148,232)	(8,335,049)
Tax losses carried forward from previous year	-	2,813,183
Tax losses utilised against par bonus during the year	-	(69,942)
Tax losses utilised against income tax liability during the year (Adjusted to tax rate changes)	-	(2,743,241)
Total carried forward tax losses as at 31 December	-	-

28.5 Expiry date of carried forward tax loss

Expiry date of carried forward tax loss as per the Inland Revenue Act. No. 24 of 2017 is maximum of six years and this period ends on 31 March 2024. However, as of the reporting date no carried forward tax loss is available as it was fully utilised against the income tax liability during the year 2022.

28.6 Unrecognised deferred tax liabilities

As at the reporting date, there is no unrecognised deferred tax liabilities (2022 - Nil).

28.7 Deferred tax and income tax on items directly recognised in equity

During the period ended 31 December 2023, the Company did not recognise any deferred tax and income tax expenses on transactions which are directly recorded in equity (2022 Nil).

28.8 Unrecognised deferred tax assets

As at the reporting date, there is no unrecognised deferred tax assets (2022 - Nil).

28.9 Unrecognised tax losses and unused tax credits

As at the reporting date, there was no unrecognised tax loss as the Company has fully recognised all available tax losses during the year 2022. Further, there were no unused tax credits for the Company to recognise a differed tax asset as at the reporting date.

29. FINANCIAL INVESTMENTS

Accounting Policy

Refer Notes 4.2 for the Accounting Policies on pages 282 to 287.

Collateral for financial investments

Refer Note 6.5.2.1.a on page 299 for collateral details for Repo investment held at the reporting date.

Refer Note 36.1 on page 356 for composition of investments supporting the Restricted Regulatory Reserve as per the direction issued by the IRCSL dated 20 March 2018.

Fair value of financial instruments

Methodologies and assumption used to determine the fair value of the financial investments are disclosed in Note 7 on pages 313 to 319 of these Financial Statements.

Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 6.5 on pages 296 to 310 of these Financial Statements.

Analysis of financial investments based on characteristics

Following notes provide disclosure of the Financial Investments based on the characteristics of each class of the Instrument.

29.1 Comparison of the fair values of the financial investments to their carrying values

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Amortised Cost (AC)	29.2	33,698,659	38,067,039	37,065,567	32,946,213
Fair Value Through Other Comprehensive Income (FVOCI)	29.3	5,174,882	5,174,882	2,082,779	2,082,779
Fair Value through Profit or Loss (FVTPL)	29.4	4,626,674	4,626,674	3,451,509	3,451,509
Total financial investments		43,500,215	47,868,595	42,599,855	38,480,501

NOTES TO THE FINANCIAL STATEMENTS

29.2 Financial assets measured at amortised cost

Accounting Policy

Recognition

As per SLFRS 9 'Financial Instruments', a financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Initial measurement

Financial Instruments classified as amortised cost are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

Subsequent measurement

After the initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment).

Gain or loss on derecognition

Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired, as well as through the amortisation process.

Securities purchased under resale agreements (Reverse Repo)

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 income/ receivable being recognised as interest income in the Income Statement.

Financial investments - Amortised cost

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Fixed deposits	29.2.1	919,403	919,524	522,007	522,028
Debentures	29.2.2	6,552,746	6,233,015	7,371,812	7,155,383
Treasury bonds		18,408,368	22,990,696	12,980,040	9,675,901
Treasury bills		553,716	555,087	1,099,884	1,104,545
Sri Lanka development bonds		-	-	6,221,129	6,361,004
International sovereign bonds		3,928,615	4,032,845	4,830,774	4,086,897
Commercial papers		1,713,352	1,713,358	2,368,757	2,368,808
Securitised Papers		577,371	577,426	790,246	790,729
Repo		1,045,088	1,045,088	880,918	880,918
Total		33,698,659	38,067,039	37,065,567	32,946,213

Gross and net carrying amount of above financial investments are given in Note 29.2.3 on page 346.

29.2.1 Fixed deposits

As at 31 December	2023 Carrying value Rs. '000	2023 Fair value Rs. '000	2022 Carrying value Rs. '000	2022 Fair value Rs. '000
Licensed commercial banks	919,403	919,524	522,007	522,028
Total	919,403	919,524	522,007	522,028

29.2.2 Debentures

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2023 Carrying value Rs. '000	2023 Fair value Rs. '000	2022 Carrying value Rs. '000	2022 Fair value Rs. '000
Banks								
Commercial Bank of Ceylon PLC	BBB+	22-Jul-28	12.50	1,267,000	133,677	133,729	133,647	133,729
Commercial Bank of Ceylon PLC	BBB+	11-Dec-29	27.00	88,600	8,982	14,130	8,974	9,182
Commercial Bank of Ceylon PLC	BBB+	19-Dec-28	15.00	216,400	21,727	21,747	-	-
DFCC Bank PLC	BBB	29-Mar-25	13.00	2,000,000	219,390	219,732	219,278	219,732
DFCC Bank PLC	BBB	23-Oct-25	9.00	5,500,000	558,852	559,357	558,576	559,357
DFCC Bank PLC	BBB	9-Nov-23	12.75	500,000	-	-	50,664	50,658
DFCC Bank PLC	A-	28-Mar-29	13.90	1,564,100	172,673	157,328	172,584	172,968
DFCC Bank PLC	BBB	29-Mar-23	12.60	500,000	-	-	54,706	54,646
Hatton National Bank PLC	BBB+	29-Aug-23	8.00	185,256	-	-	17,920	18,668
Hatton National Bank PLC	BBB+	22-Sep-26	12.80	1,077,200	111,310	111,497	111,250	111,460
Hatton National Bank PLC	BBB+	28-Jul-31	9.50	10,357,600	1,076,445	1,077,814	1,076,220	1,077,814
Hatton National Bank PLC	BBB+	1-Nov-23	13.00	370,200	-	-	37,628	40,495
Hatton National Bank PLC	A	14-Dec-24	8.33	500,000	49,991	37,693	49,977	37,694
National Development Bank	BBB	24-Sep-25	9.50	3,000,000	307,282	307,652	307,136	307,652
Nations Trust Bank PLC	BBB	20-Apr-23	13.00	1,500,000	-	-	163,334	163,624
Nations Trust Bank PLC	BBB	23-Dec-26	12.90	1,500,000	150,369	150,424	150,291	150,424
Nations Trust Bank PLC	BBB	9-Jul-26	9.15	2,891,600	301,493	301,846	301,333	301,845
Nations Trust Bank PLC	BBB	23-Dec-24	12.80	1,500,000	150,365	150,421	150,287	150,421
Sampath Bank PLC	BBB+	28-Feb-24	13.90	2,000,000	223,048	223,306	222,964	223,306
Sampath Bank PLC	BBB+	20-Mar-23	12.50	450,000	-	-	46,540	47,530
Seylan Bank PLC	BBB	18-Apr-24	15.00	1,500,000	165,797	154,644	166,571	173,343
Seylan Bank PLC	BBB	29-Mar-25	13.20	1,000,000	103,304	103,432	103,258	103,364
Seylan Bank PLC	BBB	15-Jul-23	13.75	626,000	-	-	66,848	44,675
Seylan Bank PLC	BBB	29-Mar-23	12.85	500,000	-	-	51,607	51,542
					3,754,705	3,724,752	4,221,593	4,204,129

NOTES TO THE FINANCIAL STATEMENTS

29.2.2 Debentures (Contd.)

As at 31 December	Issue Rating	Maturity Date	Interest Rate %	No. of Debentures	2023 Carrying value Rs. '000	2023 Fair value Rs. '000	2022 Carrying value Rs. '000	2022 Fair value Rs. '000
Capital Goods								
Hayleys PLC	AAA	26-Aug-24	13.00	3,651,100	381,463	438,872	381,303	351,212
					381,463	438,872	381,303	351,212
Diversified Financials								
First Capital Holdings PLC	A	7-Feb-26	10.86	2,188,300	243,886	242,356	242,264	240,122
First Capital Treasuries PLC	A-	30-Jan-25	12.75	500,000	52,665	57,714	52,638	52,690
HNB Finance Limited	BBB-	30-Dec-24	13.20	1,000,000	99,994	100,036	99,961	100,036
LOLC Holdings PLC	A	24-Feb-31	12.00	8,000,000	880,644	580,837	880,182	891,372
LOLC Holdings PLC	A	27-Sep-24	15.00	3,000,000	311,461	287,712	311,285	131,712
People's Leasing & Finance PLC	A+	18-Apr-23	12.80	2,505,200	-	-	272,632	268,087
Singer Finance PLC	BBB+	25-Jun-26	8.96	2,000,000	222,134	218,655	225,302	222,213
Siyapatha Finance PLC	BBB+	8-Aug-24	13.33	500,000	52,535	56,808	52,510	57,023
Siyapatha Finance PLC	BBB+	7-Jul-23	11.25	717,600	-	-	75,539	72,087
					1,863,319	1,544,118	2,212,313	2,035,342
Food Beverage & Tobacco								
Kotagala Plantations PLC	B+	31-Aug-23	7.50	92,750	-	-	8,172	9,508
Kotagala Plantations PLC	B+	31-Aug-24	7.50	92,750	9,428	9,508	7,089	9,508
Kotagala Plantations PLC	B+	31-Aug-25	7.50	92,750	9,314	9,508	6,947	9,508
					18,742	19,016	22,208	28,524
Insurance								
Softlogic Capital PLC	BBB-	19-Dec-24	15.00	1,000,000	100,368	71,574	100,344	101,493
					100,368	71,574	100,344	101,493
Telecommunication								
Sri Lanka Telecom PLC	A	19-Apr-28	12.75	2,250,000	244,705	245,120	244,651	245,120
Sri Lanka Telecom PLC	A	19-Apr-28	12.75	1,603,700	164,350	164,460	164,314	164,460
					409,055	409,580	408,965	409,580
Consumer durables and apparel								
Abans PLC	AA-	19-Dec-24	12.50	250,000	25,094	25,103	25,086	25,103
					25,094	25,103	25,086	25,103
Total					6,552,746	6,233,015	7,371,812	7,155,383

Sector classifications are done based on the classifications published by the Colombo Stock Exchange.

29.2.3 Allowance for Expected Credit Loss (ECL) / Impairment

SLFRS 9 requires impairment provision to be calculated based on Expected Credit Loss(ECL) for all financial assets that are not measured at Fair Value through Profit or Loss. As the default data set is low or near zero for the investment portfolio, company used external ratings for assessment of forward looking Probability of Defaults (PD) to estimate ECL. The 12-month PD estimates were obtained from Fitch/Moody's/S&P's ratings corresponding to the external ratings of the instrument. For the computation of forward looking adjustments, the Company used Vasicek's model (Vasicek's, 2007) to calculate point in time PD. GDP Growth Rate is considered as one of the key macroeconomic input factors for arriving at forward looking point in time PDs.

Even though 'Fitch Ratings' has upgraded Sri Lanka's Long-Term Local-Currency Issuer Default Rating (IDR) to 'CCC-' from 'RD' (Restricted Default) in September 2023; the Long-Term Foreign-Currency Issuer Default Rating (IDR) has been affirmed at 'RD' yet since May 2022 after the default of coupon payments due on ISBs. Accordingly, the coupons due on the ISBs held by the Company was also defaulted. Therefore, PD of 70% was applied for ISBs along with a weighted average LGD of 64% to incorporate provision for expected losses on ISBs as at the year end. As stated in Note 4.2.4 on page 283, SLDB investment has been restructured along with the Domestic Debt Optimisation (DDO) and a five series of LKR denominated Treasury bonds have been issued at SLFR + 1% on 15 August 2023 and till then the Company had used an LGD of 20%. Accordingly, the impairment provision of Rs. 139.9 million has been reversed from the financial statements and a Initial recognition loss amounting to Rs. 86.5 million has been recognised.

Movement in the ECL allowance during the year 2023

As at 31 December	2023							
		ECL						
	Gross carrying amount Rs. '000	As at 1 January 2023 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	As at 31 December 2023 Rs. '000	Net carrying amount Rs. '000
Financial investment at amortised cost								
Fixed deposits	919,524	22	99		-	99	121	919,403
Debentures	6,554,377	10,609	(2,941)	(6,037)	-	(8,978)	1,631	6,552,746
Treasury bonds	18,408,368	-	-	-	-	-	-	18,408,368
Treasury bills	553,716	-	-	-	-	-	-	553,716
Sri Lanka development bonds	-	139,875	(139,875)	-	-	(139,875)	-	-
International sovereign bonds	7,142,936	2,069,840	-	1,144,481	-	1,144,481	3,214,321	3,928,615
Commercial papers	1,713,358	51	(45)	-	-	(45)	6	1,713,352
Securitised papers	577,427	483	(427)	-	-	(427)	56	577,371
Repo	1,045,088	-		-	-	-	-	1,045,088
Total	36,914,794	2,220,880	(143,189)	1,138,444	-	995,255	3,216,135	33,698,659

As at 31 December	2022							
		ECL						
	Gross carrying amount Rs. '000	As at 1 January 2022 Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Recognised in income statement Rs. '000	As at 31 December 2022 Rs. '000	Net carrying amount Rs. '000
Financial investment at amortised cost								
Fixed deposits	522,029	4	18	-	-	18	22	522,007
Debentures	7,382,421	3,277	4,270	3,062	-	7,332	10,609	7,371,812
Treasury bonds	12,980,040	-	-	-	-	-	-	12,980,040
Treasury bills	1,099,884	-	-	-	-	-	-	1,099,884
Sri Lanka development bonds	6,361,004	40,845	99,030	-	-	99,030	139,875	6,221,129
International sovereign bonds	6,900,614	37,928	-	2,031,912	-	2,031,912	2,069,840	4,830,774
Commercial papers	2,368,808	2	49	-	-	49	51	2,368,757
Securitised papers	790,729	4	479	-	-	479	483	790,246
Repo	880,918	-	-	-	-	-	-	880,918
Total	39,286,447	82,060	103,846	2,034,974	-	2,138,820	2,220,880	37,065,567

Till the execution of DDO as stated above, the company has continued to recognise the SLDB at stage 1.

For ISBs considered under Stage 2, the Company considered estimation uncertainty around recoverability due to the debt service capacity of the Government of Sri Lanka which is affected by the prevailing macro-economic environment, liquidity and the outcome of the debt restructuring negotiations with the IMF at the Banking Consortium. Based on judgments using the information available at the reporting date, the Company has made a significant provision as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

29.2.3 Allowance for Expected Credit Loss (ECL) / Impairment (Contd.)

Sensitivity analysis

Effect of significant changes in the gross carrying amount

Following table illustrates the impact to loss allowance due to changes in the gross carrying amounts of financial instruments.

As at 31 December 2023	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	(78)	(160,729)	-	(160,807)
5 % decrease in gross carrying amount	78	160,729	-	160,807

As at 31 December 2022	Increase/ (decrease) in loss allowance			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
5 % increase in gross carrying amount	(20,687)	(174,102)	-	(194,789)
5 % decrease in gross carrying amount	20,687	174,102	-	194,789

Refer Note 6.5.2.1.f (Table-16) on page 303 for sensitivity of ECL to future economic conditions.

Reconciliations to gross carrying amounts by class of financial instrument and impairment allowances.

Refer Notes 6.5.2.1.d (Table-14) and 6.5.2.1.e (Table-15) on page 302 for reconciliations.

Re-classification of financial Instruments at amortised cost

During the year, the Company did not re-classify any financial instruments from / to this category.

Maturity analysis

The maturity analysis of financial assets measured at amortised cost is given in Note 6.5.3.a (Table-21) on page 305.

29.3 Financial investments - Fair value through other comprehensive income

Accounting Policy

Recognition

FVOCI include debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL;

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Initial measurement

Financial Instruments classified as FVOCI are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of such instrument.

Subsequent measurement

Debt instruments at FVOCI

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in Income Statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Income Statement.

Equity instruments designated at FVOCI

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Dividends are recognised in Income Statement as investment income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

Gain or loss on derecognition of equity instruments designated at FVOCI

Gains and losses on these equity instruments are never recycled to Income Statement, instead directly transferred to retained earnings from fair value reserve at the time of derecognition.

Financial investments - Fair value through other comprehensive income (FVOCI)

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		3,087,969	3,087,969	645,708	645,708
Equity securities	29.3.1	2,086,913	2,086,913	1,437,071	1,437,071
Total		5,174,882	5,174,882	2,082,779	2,082,779

29.3.1 Equity securities

As at 31 December	2023	2022	2023		2022	
	Market price Rs.	Market price Rs.	No. of Shares	Carrying value / Fair value Rs. '000	No. of Shares	Carrying value / Fair value Rs. '000
Unlisted						
Cargills Bank Limited	-	-	26,600,000	326,914	26,600,000	265,734
				326,914		265,734
Listed						
Banks						
National Development Bank PLC	64.90	32.00	20,023,117	1,299,500	19,052,217	609,670
				1,299,500		609,670
Diversified Financials						
Softlogic Finance PLC	5.90	11.30	15,688,030	92,560	15,688,030	177,275
				92,560		177,275
Healthcare Equipments & Services						
Asiri Hospitals PLC	24.60	25.70	14,956,877	367,939	14,956,877	384,392
				367,939		384,392
Total investments in equity securities				2,086,913		1,437,071

During the year 2023, the equity market had a significant positive impact compared to the previous year 2022. The All Share Price Index (ASPI) increased from Rs. 8,489.66 million to Rs. 10,654.16 million in 2023. As a result of this, the company's equity portfolio also experienced a positive impact. The risk assessment related to equity has been discussed under equity risk in Note 6.5.4.3 on page 309.

The above table shows investment in equity securities for which the Company elected to present the changes in the fair value in OCI. The election was made because the investments are expected to be held for the long term strategic purpose.

NOTES TO THE FINANCIAL STATEMENTS

29.3.2 Fair value of unlisted financial instruments

As per SLFRS 9, all the equity instruments including unlisted investments need to be measured at fair value. Accordingly, fair value of Cargills Bank investment was assessed as at the reporting date based on net assets per share adjusted for illiquidity. Total fair value of Cargills Bank investment as at 31 December 2023 is Rs. 327 million (2022 - Rs. 266 million).

Please Refer Note 7.4 on page 317 for valuation method and techniques followed by the Company in determining the fair value of unlisted financial instruments as at reporting date.

29.3.3 Derecognition of equity investments classified at FVOCI

No investments were disposed of during 2023, and there were no transfers of any cumulative gain or loss within equity relating to those instruments.

29.3.4 Reclassification of financial investments at fair value through other comprehensive income

During the financial year, the Company has not re-classified any financial instruments from or to this category.

29.3.5 Maturity analysis

The maturity analysis of financial assets recognised through other comprehensive income is given in Note 6.5.3.a (Table-21) on page 305.

29.4 Financial investments - Fair Value through Profit or Loss (FVTPL)

Accounting Policy

Recognition - Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Initial measurement

These investments are initially recorded at fair value.

Subsequent measurement

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 finance income using the Effective Interest Rate (EIR). Dividend income is recorded in the "Finance Income" when the right to the payment has been established.

Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

Financial assets designated at fair value through profit or loss are recorded in the SOFP 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.

The Company has not designated any financial assets upon initial recognition as fair value through profit or loss as at the end of the reporting period.

As at 31 December	Note	2023		2022	
		Carrying value Rs. '000	Fair value Rs. '000	Carrying value Rs. '000	Fair value Rs. '000
Treasury bonds		318,208	318,208	90,974	90,974
Unlisted perpetual debentures		794,476	794,476	782,067	782,067
Unit trusts	29.4.1	3,513,990	3,513,990	2,578,400	2,578,400
Derivative asset		-	-	68	68
Total		4,626,674	4,626,674	3,451,509	3,451,509

Maturity analysis

The maturity analysis of financial assets at fair value through profit or loss is given in Note 6.5.3.a (Table-21) on page 305.

Fair value measurement

Methodologies and assumption used to determine the fair value of the financial instruments are disclosed in Note 7 on page 313 to 319 to the Financial Statements.

29.4.1 Unit trusts

As at 31 December	2023	2022	2023		2022	
	Unit price Rs.	Unit price Rs.	No. of units	Fair value / carrying value Rs. '000	No. of units	Fair value / carrying value Rs. '000
Unlisted						
NAMAL - High Yield Fund	-	30.72	-	-	4,249,200	130,519
Capital Alliance - Investment Grade Fund	31.78	25.09	36,975,883	1,175,064	36,975,883	927,562
Capital Alliance - Income Fund		25.70	-	-	29,634,664	761,665
Capital Alliance Fixed Income Opportunities Fund	32.93	26.20	40,270,364	1,326,023	11,100,948	290,798
NDB Wealth Money Fund	31.69	-	17,437,790	552,569	-	-
Softlogic Money Market Fund	152.73	122.72	3,014,051	460,334	3,812,324	467,856
Total investment				3,513,990		2,578,400

NOTES TO THE FINANCIAL STATEMENTS

29.5 Movement of financial investments

	Amortised cost Rs. '000	Fair value through other comprehensive income Rs. '000	Fair value through profit or loss Rs. '000	Total Rs. '000
As at 1 January 2022	25,600,336	3,382,909	5,234,184	34,217,429
Purchases	41,246,751	80,554	3,046,881	44,374,186
Maturities	(26,629,559)	-	-	(26,629,559)
Disposals	(9,218,195)	-	(4,793,942)	(14,012,137)
ECL adjustment as per SLFRS 09	(2,138,820)	-	-	(2,138,820)
Foreign exchange gains / (losses)	5,751,291	-	-	5,751,291
Fair value gains / (losses) recorded in the Income Statement	-	-	(51,101)	(51,101)
Fair value gains / (losses) recorded in the Other Comprehensive Income	-	(1,374,597)	-	(1,374,597)
Amortisation adjustment	2,453,763	(6,087)	15,487	2,463,163
As at 31 December 2022	37,065,567	2,082,779	3,451,509	42,599,855
As at 1 January 2023	37,065,567	2,082,779	3,451,509	42,599,855
Purchases	37,026,900	2,175,876	2,501,362	41,704,138
Maturities	(36,615,397)	-	(601,898)	(37,217,295)
Disposals	(3,482,543)	-	(1,366,037)	(4,848,580)
ECL adjustment as per SLFRS 09	(995,255)	-	-	(995,255)
Initial recognition loss on treasury bonds exchanged for SLDBs under DDO	-	(86,522)	-	(86,522)
Foreign exchange gains / (losses)	(1,201,691)	-	-	(1,201,691)
Fair value gains / (losses) recorded in the Income Statement	-	-	702,787	702,787
Fair value gains / (losses) recorded in the Other Comprehensive Income	-	911,580	-	911,580
Amortisation adjustment	1,901,078	91,169	(61,049)	1,931,198
As at 31 December 2023	33,698,659	5,174,882	4,626,674	43,500,215

30. 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.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 01 January	265,060	224,198
Loans granted during the year	146,660	84,688
Repayments during the year	(119,758)	(74,104)
Change in interest receivable	39,339	30,278
Balance as at 31 December	331,301	265,060

30.1 Maturity analysis

Maturity analysis of loans to policyholder is given in Note 6.5.3.a (Table-21) on page 305.

30.2 Collateral details

The surrender value of the policy loans granted to policyholders as at 31 December 2023 amounted to Rs. 500 million. (2022 - Rs. 402 million).

30.3 Financial risk disclosure on loans to life policyholders

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 6.5.2.2 on page 303.

30.4 Fair value of loans to life policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

30.5 Concentration risk of loans to life policyholders

There is a lower concentration of credit risk with respect to policyholders as the Company has a large number of dispersed receivables.

30.6 Number of policy loans

Number of policy loans due as at 31 December 2023 was 1,563 (2022 - 1,412).

30.7 Impairment of loans to life policyholder

Policyholder loans are reviewed for impairment at each reporting date. The Board of Directors has assessed potential impairment loss as at 31 December 2023. 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.

31. 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.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Reinsurance receivable on outstanding claims	104,572	143,691
Reinsurance receivable on settled claims	360,639	424,688
Total Reinsurance Receivables	465,211	568,379

31.1 Reinsurance receivable on outstanding claims

This includes reinsurance reserves on claims that has not been paid and the reinsurance receivable has not been received.

31.2 Collateral details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

31.3 Impairment of reinsurance receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31 December 2023. 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.

32.4 Fair value of reinsurance receivable

The carrying value of reinsurance receivables approximate the fair value as at the reporting date.

31.5 The age analysis of the reinsurance receivable on settled claims is as follows

As at 31 December	2023 Rs. '000	2022 Rs. '000
Up to 180 days	330,555	424,336
More than 180 days	30,084	352
Total	360,639	424,688

31.6 Reinsurance receivable over due but not subject to impairment (on paid claims)

As at 31 December 2023, there were no impairment provision on reinsurance receivable over 180 days due (2022 - Nil). These relate to parties where there were no recent history of default.

31.7 Risk management practices

Risk management practices on reinsurance receivables are discussed under Note 6.5.2.3 on page 303.

NOTES TO THE FINANCIAL STATEMENTS

32. PREMIUMS RECEIVABLE

Accounting Policy

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the Income Statement.

The life insurance premiums for policies within 30 days 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 and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Individual debtors	375,346	296,501
Institutional debtors	2,152,202	1,508,929
Gross premium receivables (Note 32.1)	2,527,548	1,805,430
Impairment provision (Note 32.2)	(78,459)	(42,042)
Total	2,449,089	1,763,388

32.1 Age analysis of premium receivable

	2023 Rs. '000	2022 Rs. '000
Less than 30 days	2,197,906	1,413,697
30 - 60 days	158,668	113,509
60 - 90 days	107,880	113,977
90 - 365 days	45,977	148,885
Over 365 days	17,117	15,362
Total	2,527,548	1,805,430

32.2 Impairment of premiums receivable

The Board of Directors has assessed potential impairment loss of premium receivables of the Company as at 31 December 2023. Based on the assessment, impairment loss of Rs. 36.4 million was recognised in the financial statements as at 31 December 2023 (2022 - Rs. 10.7 million) in respect of premium receivables.

32.3 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

32.4 Fair value of premiums receivable

The carrying value disclosed above approximates the fair value at the reporting date.

32.5 Risk management initiatives relating to premiums receivable

Risk management practices on premium receivables are discussed under Note 6.5.2.4 on page 304.

33. RECEIVABLES AND OTHER ASSETS

Accounting Policy

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is estimated market price in the ordinary course of business less any estimated expense to sell.

All other receivables and other assets excluding inventories are recognised at cost less accumulated impairment losses.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial assets			
Refundable deposits		70,315	67,333
Receivable from Fairfirst Insurance Ltd		1,800	3,601
Total financial assets		72,115	70,934
Non financial assets			
Inventories		9,141	12,331
Tax recoverable	33.2	16,787	99,814
Advances and prepayments		832,326	841,434
Others		403,168	148,366
Total non financial assets		1,261,422	1,101,945
Total receivables and other assets		1,333,537	1,172,879

33.1 Maturity analysis

Refer Note 6.5.3.a (Table-21) on page 305 for maturity analysis of other financial assets.

33.2 Tax recoverable

As at 31 December	2023 Rs. '000	2022 Rs. '000
Withholding Tax receivable	16,787	99,814
	16,787	99,814

33.3 Fair value of receivables and other assets

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.

33.4 Loans granted to directors

No loans have been granted to the Directors of the Company.

33.5 Security for liabilities

None of the inventories have been pledged as securities for liabilities as at the reporting date (2022 - Nil).

33.6 Impairment of receivables and other assets

The Board of Directors has assessed potential impairment loss of receivable and other assets as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of receivable and other assets (2022-Nil).

34. 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 31 December	2023 Rs. '000	2022 Rs. '000
Cash in hand	7,978	11,213
Cash at bank	1,091,701	728,731
Total cash and cash equivalents	1,099,679	739,944

34.1 Cash and cash equivalent in the Statement of Cash Flows

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash in hand and at bank	1,099,679	739,944
Bank overdrafts used for cash management purpose	(376,690)	(308,318)
Cash and cash equivalents in the Statement of Cash Flows	722,989	431,626

34.2 Fair value of cash and cash equivalents

The carrying amounts disclosed above reasonably approximates to fair value at the reporting date.

34.3 Risk management initiatives relating to cash and cash equivalents

Refer Note 6.5.2.6 on page 304 for risk management initiatives relating to cash and cash equivalents.

34.4 Unutilised bank facilities

Refer Note 6.5.3.c on page 307 for Unutilised bank facilities that are available as at the reporting date. There is no restrictions on the use of these facilities.

34.5 Non-cash investing and financing activities

During the year, the Company has entered into new leases of Rs. 360 million (2022 - Rs. 140 million).

35. STATED CAPITAL

Accounting Policy

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

35.1 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.

Movement in ordinary voting shares

As at 31 December	No. of Shares	Amount Rs. '000
Fully paid ordinary shares		
As at 1 January 2022	375,000,000	1,062,500
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2022	375,000,000	1,062,500
Share issue / Re purchase	-	-
Own shares acquired in the year	-	-
As at 31 December 2023	375,000,000	1,062,500

Refer share information section in page 387 for more information on the composition of shares in issue as at 31 December 2023.

35.2 Tier II Capital

On 24 August 2020, the Company entered in to Tier II Subordinated debt transaction to provide funding for the future development of the business objectives of the Company. Details on the Tier II capital is given in Note 41 on page 367.

NOTES TO THE FINANCIAL STATEMENTS

36. RESTRICTED REGULATORY RESERVE

Nature and purpose of reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20 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 31 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 39.20 are met. As required by the said direction, the Company received the approval for this transfer on 29 March 2018.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	798,004	798,004
Transfer of One-off Surplus from policyholder fund	-	-
Balance as at 31 December	798,004	798,004

36.1 Composition of investments supporting the restricted regulatory reserve

As per the Direction 16 following the transfer of one off surplus to shareholders fund, the shareholders fund is required to maintain investment in government debt securities and deposits to fully support the amount of one off surplus at any given time. Accordingly the company has allocated adequate assets to support restricted reserve as at 31 December 2023 as follows.

Asset category	Face value 2023 Rs.	Market value 2023 Rs. '000
ISIN No		
LKB00628A153	100,000,000	120,562
LKB00628A153	110,000,000	132,618
LKB00628A153	100,000,000	120,562
LKB00628A153	100,000,000	120,562
LKB00931E153	100,000,000	121,988
LKB00931E153	100,000,000	121,988
LKB00931E153	120,000,000	146,386
LKB00931E153	100,000,000	121,988
LKB00931E153	100,000,000	121,988
LKB00931E153	100,000,000	121,988
Total market value of the assets		1,250,630
Restricted regulatory reserve		798,004
Excess assets		452,626

37. OTHER RESERVES

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Fair value reserve	37.1	(2,318,408)	(3,229,988)
Revaluation reserve	37.2	173,516	129,733
Total other reserve		(2,144,892)	(3,100,255)

37.1 Fair value reserve

Nature and purpose of fair value reserve

The Company has adopted SLFRS 9 Financial Instruments Accounting Standard with effect from 1 January 2019. Accordingly, the fair value reserve comprises the balance transferred from available for sale reserve as a result of transition to SLFRS 9 from LKAS 39 as at 1 January 2019 and cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	(3,229,988)	(1,855,391)
Net fair value gains / (losses) on remeasuring financial assets at FVOCI;		
Equity instruments	649,841	(837,146)
Debt instruments	261,028	(538,268)
Reclassification from OCI to income statement - Debt instruments	711	817
Reclassification of realised gain from fair value reserve to retained earning - Equity instruments		-
Balance as at 31 December	(2,318,408)	(3,229,988)

37.2 Revaluation reserve

Accounting Policy

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings as at the date of revaluation.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		129,733	129,733
Gain on revaluation of land and building	26.17	43,783	-
Balance as at 31 December		173,516	129,733

37.2.1 Nature and purpose of revaluation reserve

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous written down 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.

38. RETAINED EARNINGS

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	12,112,675	10,453,584
Realised gain on equity instruments directly recognised in equity	-	-
Profit for the year	2,838,403	2,682,876
Defined benefit plan actuarial gain / (losses) on net of tax	(20,844)	26,215
Dividend paid	(1,312,500)	(1,050,000)
Balance as at 31 December	13,617,734	12,112,675

39. INSURANCE CONTRACT LIABILITIES

Accounting Policy

39.1 Recognition and measurement

Life insurance liabilities are recognised when contracts are entered into and premiums charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 (RBC) with effect from 1 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

As per RBC rules, w.e.f. 1 January 2016 the value of the life insurance liabilities are determined as follows;

Life insurance liabilities = Best Estimate long term Liability (BEL) + Risk Margin for adverse deviation (RM)

Best estimate liability is measured at the sum of the present value of all future best estimate cash flows calculated as per the RBC principles and the discount rate estimated as per the clarification note issued by CA Sri Lanka on financial reporting.

Measurement is usually done based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for the calculation includes, in particular, assumptions relating to;

- Mortality rates
- Morbidity rates
- Participating fund yield
- Persistency rates
- Expense and future inflation
- Discount rates

Accounting Policy

Assumptions are estimated on a realistic basis at the end of financial year with 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). However, any negative liabilities that arise have been zerorised at product level when determining the aggregate liability.

Derecognition

The liability is derecognised when the contract is expired, discharged or cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by performing the liability adequacy test.

39.2 Accounting judgements, estimates and assumptions

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. Contracts where the Company does not assume an insurance risk is classified as investment contracts.

Investment contracts

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings, credit index or other variables; provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

NOTES TO THE FINANCIAL STATEMENTS

39.2 Accounting judgements, estimates and assumptions (Contd.)

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 expired. 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.

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: and 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, and
- The profit or loss of the company, fund or other entity that issues the contract

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 group (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.

Refer Notes 39.9 and 39.10 for more information on use of judgements, estimates and assumptions relating to insurance contract liabilities.

39.2.1 Insurance contract liabilities

As at 31 December	Notes	2023 Rs. '000	2022 Rs. '000
Life insurance fund		26,145,333	23,412,163
Surplus created due to change in valuation method from NPV to GPV	39.17	1,056,535	1,056,535
Life fund with one-off surplus	39.5	27,201,868	24,468,698
Claims payables / Unclaimed benefits	39.22	723,606	869,804
Total insurance contract liabilities		27,925,474	25,338,502

39.3 Impact of uncertain macro economic conditions

Refer integrated risk management report on pages 242 and 243 for more details on the risk and risk management initiatives on uncertain macro economic conditions

39.4 Details of policy liabilities for the participating and non-participating funds are provided as follows

As at 31 December	2023			2022		
	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000	Participating Rs. '000	Non-participating Rs. '000	Total Rs. '000
Policy liabilities	10,783,705	15,361,628	26,145,333	9,154,197	14,257,966	23,412,163
One-off surplus	1,056,535	-	1,056,535	1,056,535	-	1,056,535
Total policy liabilities	11,840,240	15,361,628	27,201,868	10,210,732	14,257,966	24,468,698

39.5 Movement in life insurance fund

As at 31 December	Note	2023			2022		
		Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000	Insurance contract liabilities (Gross) Rs. '000	Reinsurance Rs. '000	Net Rs. '000
As at 1 January		28,879,985	(4,411,287)	24,468,698	23,839,691	(2,959,381)	20,880,310
Premiums received	10	26,341,321	(2,490,889)	23,850,432	23,083,425	(2,678,803)	20,404,622
Liabilities released for payments on death, surrender and other terminations in the year	16.1	(13,396,642)	553,304	(12,843,338)	(9,327,514)	933,929	(8,393,585)
Net finance and other income		5,768,826	-	5,768,826	3,316,804	-	3,316,804
Net acquisition and other expenses		(11,226,154)	293,316	(10,932,838)	(7,525,735)	292,968	(7,232,767)
Surplus distributed to shareholders	39.13	(3,015,000)	-	(3,015,000)	(4,378,000)	-	(4,378,000)
Change in contract liabilities life fund	17	4,472,351	(1,644,269)	2,828,082	5,168,980	(1,451,906)	3,717,074
Tax on policyholder bonus		(94,912)	-	(94,912)	(128,686)	-	(128,686)
Balance as at 31 December		33,257,424	(6,055,556)	27,201,868	28,879,985	(4,411,287)	24,468,698

39.6 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 certified by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31 December 2023.

39.7 Financial reinsurance arrangement

Accounting Policy

Recognition of initial commission

Reinsurance commission income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Accordingly, initial commission income generated from life quota share agreement is recognised when it is received or due in full.

Subsequent amortisation

Initially the Company has made one off release from the initial reinsurance commission to absorb in the new business strain arising from newly launched non-participating universal life product. The remaining unallocated surplus arising from initial commission of reinsurance agreement will be released to the Income statement over the period (as best estimate duration) of quota share agreement on equal installments.

39.8 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 31 December 2023. In determining the policy liabilities, provisions for reinsurance have been allowed according to the applicable reinsurance terms as per the current agreements.

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 for accounting standards purpose in arriving at the surplus calculation.

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).

NOTES TO THE FINANCIAL STATEMENTS

39.8 Methodology used in determination of market value of liability (Contd.)

Details of calculation of policy liability and net cash flows are provided in the 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" using a discount rate	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 the above
Individual traditional participating products	Max (guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal life non-participating products	Discounting "Net Cash Flows" using a discount rate	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 (+)
	Max (account value, discounted cash flow liability)	Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of the above
Group traditional non-participating products - group term (life) and per day insurance	Discounting "net cash flows" using a discount rate	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

39.9 Key assumptions used in determinations of Best Estimate Liability (BEL)

Details of key assumptions used and basis of arriving the same are summarised in the following table:

Assumption	Basis of estimation
Economic assumption	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 39.10.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.
Operating assumptions	
Mortality rate	A67/70 Mortality rates table was used. Calibrated to experience of the products.
Morbidity rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the expenses incurred during 2023.
	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.
Bonus rates	Bonus rate scale assumed has been arrived based on bonus declared as at 31 December 2023, 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	The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.

Accounting judgements, estimates and assumptions

39.10 Discount rate

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

Assumption	Basis of estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity – the spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re)investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

39.11 Sensitivity analysis

Sensitivity analysis of life insurance fund is provided in Note 6.3.d (Table-3) on page 292.

39.12 Analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance

As at 31 December	2023 Rs. '000	2022 Rs. '000
< 1 year	855,192	606,229
1 to 3 years	2,374,545	1,522,575
> 3 years	11,955,754	3,751,513
Total	15,185,491	5,880,317

39.13 Recommendation of surplus transfer

The valuation of life insurance fund as at 31 December 2023 was made by the appointed actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited. Based on the recommendation, the Company transferred surplus from the policyholder fund to the shareholder fund as follows;

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Participating life insurance fund to the shareholder fund	-	-
Non-participating life insurance fund to shareholder fund	3,015,000	4,378,000
Total	3,015,000	4,378,000

Subsequent to the transfer the surplus transfer of Rs. 3,015 million, life fund stands as Rs. 27,202 million as at 31 December 2023 (2022 - Rs. 24,469 million), including the liability in respect of bonuses and dividends declared up to and including for the year 2023 as well as surplus created due to change in valuation method of policy liabilities from NPV to GPV in the participating fund.

NOTES TO THE FINANCIAL STATEMENTS

39.14 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of the Inland Revenue Act No. 24 of 2017, 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 30% from 01 October 2022 as described in the Note 22 on page 328.

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 518 million (2022 - Rs. 436 million). Please refer point (f) of the Actuarial report provided on page 264 for the year 2023 to life insurance policyholders who participating in the profit of life insurance business. Accordingly, the Company has adjusted the tax liability in to the life insurance fund.

39.15 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 367% on regulatory basis and Total Available Capital (TAC) of Rs. 37,107 million as at 31 December 2023, 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.

39.16 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 sufficient 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 31 December 2023. 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 31 December 2023.

No additional provision was required against the LAT as at 31 December 2023.

Details of the LAT report is provided on page 265 to this report.

39.17 Surplus created due to change in valuation method - One-off surplus zeroed at product level

Accounting Policy

Refer Note 39.1 for accounting policy

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.

	Participating fund Rs. '000	Non-participating fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	3,866,780	2,472,575	6,339,355
Less: Value of Insurance contract liability based on Independent Actuary - GPV 31 December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 1 January 2016	1,056,535	798,004	1,854,539

39.18 Transfer of one-off surplus from non participating fund to shareholder fund

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all life insurance companies to comply with the direction. Based on the guidelines, life insurance companies are directed to transfer One-off surplus attributable to policyholder non-participating fund to shareholder fund as at the reporting year ended 31 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.

Further, distribution of one-off surplus to shareholders, held as part of the restricted regulatory reserve, is subject to meeting governance requirements (Refer Note 39.20) stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The one-off surplus in the shareholder fund will remain invested in government debt securities and deposits as disclosed in Note 36.1 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 shareholder fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

39.19 Movement of one-off surplus after transfer

	Participating fund Rs. '000	Non-participating fund Rs. '000	Total Rs. '000
Surplus created due to change in valuation method - One-off surplus as at 1 January 2016 (Note 39.17)	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)
Remaining One-off Surplus in insurance contract liabilities as at 31 December 2023	1,056,535	-	1,056,535

39.20 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 shareholder fund and the policyholder fund as well as between different lines of business within the policyholder 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.

NOTES TO THE FINANCIAL STATEMENTS

39.21 Disclosures as required by Direction 16 issued by IRCSL

Disclosure in financial statements	Compliance with the requirement	Note	Page
Equity and statement of changes in equity to include as a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Compiled		274
The transfer of one - off surplus to be treated as a release permitted by the IRCSL during the relevant period and accounted through Income Statement.	N/A for current year		
Income Statement to carry a new line item 'change in contract liability due to transfer of one - off surplus'.	N/A for current year		
Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied	39.20	363
The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied	39.17	362
One-off surplus relating to participating and other than participating should be disclosed separately	Complied	39.17	362
Financial ratios, excluding the impact of transfer of one - off surplus may be disclosed separately.	Complied		
Disclosure on composition of investments supporting the restricted regulatory reserve.	Complied	36.1	356

39.22 Direction 18 - Unclaimed benefits of long term insurance business

Unclaimed benefits of long term insurance business are recorded in the life insurance fund. There were no transfer of any unclaimed benefits from the policyholder fund to shareholder fund during the period ended 31 December 2023 (31 December 2022 - Nil).

As at 31 December	2023 Carrying value Rs. '000	2022 Fair value Rs. '000
Unclaimed benefits	387,986	481,927
Other claim payables	335,620	387,877
Total	723,606	869,804

The Company is complied with Direction - 18 "Unclaimed benefits of long term insurance business" issued by Insurance Regulatory Commission of Sri Lanka.

40. EMPLOYEE BENEFIT LIABILITIES

Accounting Policy

Refer Note 19.1 for accounting policy

40.1 Defined contribution plans

Following contributions have been made to Employees Provident Fund and Employee Trust Fund during the year.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Employees' provident fund		
Employer's contribution (12%)	125,011	108,142
Employees' contribution (8%)	83,341	72,095
Employees' trust fund		
Employer's contribution (3%)	31,251	27,036

40.2 Defined benefit plans - Provision for employee benefit liabilities

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 and is a final salary defined benefit plan.

Recognition of actuarial gain / (losses), current services cost and interest cost

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the 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 the Income Statement.

When the benefits of a plan is changed or when a plan is curtailed, resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Valuation of employee benefit liabilities

An actuarial valuation of the retirement gratuity payable as at 31 December 2023 was carried out 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'.

The actuarial valuation involves making assumptions. Further, the Company has considered the impact of the economic crisis on the defined benefit obligations. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The defined benefit plans typically expose the Company to following risks.

Interest risk	Present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, a decrease in the long-term interest rate will increase the plan liability.
Longevity risk	Present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	Present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

40.3 Actuarial assumptions

Actuarial assumptions	Criteria	2023	2022	Description
Demographic assumptions	Mortality - In service			1967/70 Mortality table issued by the Institute of Actuaries, London.
	Staff turnover	25%	19%	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.
	Normal retirement age	60	60	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.
Financial assumptions	Rate of discount	13.5%	18.5%	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	10%	13%	In respect of active employees.

NOTES TO THE FINANCIAL STATEMENTS

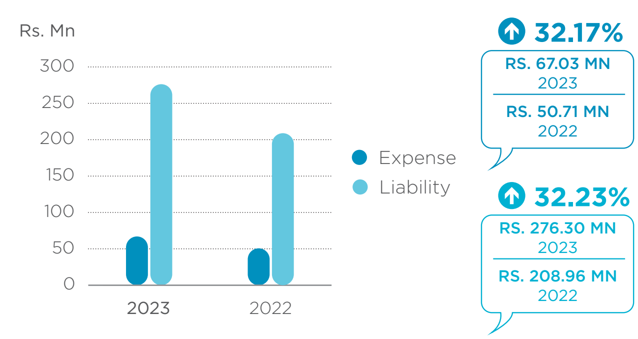
40.4 Movement in the present value of employee benefit liabilities

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Present value of unfunded obligation		276,302	208,959
Defined benefit obligations as at 1 January		208,959	192,629
Expenses recognised in income statement	40.5	67,029	50,714
Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income	40.6	20,844	(26,215)
Other			
Gratuity payments during the year		(20,530)	(8,169)
Defined benefit obligations as at 31 December		276,302	208,959

40.5 Expenses recognised in the income statement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest cost	38,657	20,226
Current service costs	28,372	30,488
Total expenses recognised in income statement	67,029	50,714

EMPLOYEE BENEFIT LIABILITIES / EXPENSES



40.6 Actuarial (gain) / losses recognised in statement of profit or loss and other comprehensive income

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Actuarial (gain) / loss arising from;		
Change in demographic assumptions	5,844	-
Change in financial assumptions	9,066	(34,499)
Change in experience adjustment	5,934	8,284
Total	20,844	(26,215)

40.7 Expected contributions to defined contribution and defined benefit plans

For the year ended 31 December	2024 Rs. '000
Employees' provident fund	
Employer's contribution (12%)	137,512
Employees' contribution (8%)	91,675
Employees' trust fund	
Employer's contribution (3%)	34,378
Defined benefit plans	54,208

40.8 Maturity analysis of the payments

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Within next 12 months	87,233	58,406
Between 1 to 2 years	95,092	55,338
Between 2 to 5 years	53,683	56,857
Between 5 to 10 years	33,507	28,595
Beyond 10 years	6,787	9,763
Total expected payments	276,302	208,959
Weighted average duration of defined benefit obligation	3.00 years	3.54 years

40.9 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary increment rates assuming all other variables held constant in the employment benefit liability measurement.

As at 31 December	2023	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(7,045)	269,257
1% decrease in discount rate	7,478	283,780
Salary increment rate		
1% increase in salary increment rate	8,984	285,286
1% decrease in salary increment rate	(8,579)	267,723

As at 31 December	2022	
	Effect on defined benefit liability Rs. '000	Estimated defined benefit liability Rs. '000
Discount rate		
1% increase in discount rate	(6,076)	202,883
1% decrease in discount rate	6,510	215,469
Salary increment rate		
1% increase in salary increment rate	7,752	216,711
1% decrease in salary increment rate	(7,338)	201,621

40.10 Method and assumptions used in preparing the sensitivity analysis

The above sensitivity analysis are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The Company has used "Projected Unit Credit method (PUC)" when calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions as at 31 December 2023.

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the prior period.

40.11 Employee benefits for key management personnel

Employee benefits of key management personnel is disclosed in Note 45.6.1 on page 373.

41. LOANS AND BORROWINGS

Accounting Policy

Refer Note 4.3 on page 287 for accounting policy.

41.1 Loan movement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 01 January	5,643,918	3,064,994
Cash movement		
Loans obtained / capital repayments	-	-
Interest payments	(599,383)	(450,446)
Non cash movement		
Interest expenses	616,295	456,141
Exchange rate adjustments	(645,833)	2,573,229
Balance as at 31 December (Note 41.1.a)	5,014,997	5,643,918
41.1.a Current and Non Current Portions		
Repayable within one year	155,338	153,807
Repayable after one year	4,859,659	5,490,111
Total	5,014,997	5,643,918

Lease liabilities included in the statement of financial position as at 31 December.

41.2 Nature and purpose the transaction

The Company entered into a long-term financing agreement with the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and the Norwegian Investment Fund for Developing Countries for USD 15 million Tier II subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24 August 2020.

41.3 Defaults and breaches

The Company did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the years ended 31 December 2023 (2022 - Nil).

41.4 Security and repayment terms

Nominal Interest rate	6 month LIBOR plus margin
Repayment terms	The loan shall be repaid in full on the maturity date
Carrying value of collaterals	None of assets have been pledged as securities for these liabilities
Interest payable frequency	Bi annually
Allotment date	2/10/20
Maturity Date	2/10/25

NOTES TO THE FINANCIAL STATEMENTS

41.5 Tier II capital securities

Tier II capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. According to the RBC rule, the Company's subordinated debt securities are included within the Company's regulatory capital base as Tier II capital.

41.6 Maturity analysis

The maturity analysis of loans and borrowings is given in Note 6.5.3.a (Table-21) on pages 305.

42. REINSURANCE PAYABLE

Accounting Policy

Reinsurance payable represents balances due to reinsurance companies. Payable amounts are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are derecognised when the contractual liabilities are extinguished or expired, or when the contract is transferred to other party.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
As at 1 January	2,246,237	1,040,255
Arose during the year	2,490,889	2,678,803
Utilised during the year	(4,018,271)	(1,472,821)
Balance as at 31 December	718,855	2,246,237

43. OTHER LIABILITIES

Accounting Policy

Financial liabilities

Refer Note 4.3 for accounting policy relating to financial liabilities.

Other liabilities

Other liabilities include accruals and advances, and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial liabilities			
Commission / Incentive payable	43.2	923,022	1,024,564
Premium deposit		248,911	231,551
Amounts due to related parties	43.3	15,846	11,036
Other payables		117,864	35,488
Lease liabilities	43.4	606,520	590,039
Total financial liabilities		1,912,162	1,892,678
Non financial liabilities			
Accruals		734,376	890,324
Tax and other statutory payables	43.8	120,049	45,453
Total non financial liabilities		854,426	935,777
Total other liabilities		2,766,588	2,828,455

43.1 Maturity Analysis

Maturity schedules of other financial liabilities are disclosed in Note 6.5.3.a (Table 21) on page 305.

43.2 Commission / Incentive payable

Provisions

As at 31 December	2023 Rs. '000	2022 Rs. '000
As at 01 January	1,024,564	739,173
Provision made during the year	4,256,368	5,128,521
Payments made during the year	(4,357,910)	(4,843,130)
Balance as at 31 December	923,022	1,024,564

43.3 Amounts due to related companies

Amounts due to related companies represents fund management fees and rent payable to group companies as follows.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Softlogic Asset Management (Pvt) Ltd	45.11	15,846	11,036
Total		15,846	11,036

43.4 Lease liabilities

Please refer Note 27 for accounting policy relating to leases under SLFRS 16.

As at 31 December	2023			2022		
	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000	Leasehold properties Rs. '000	Motor Vehicle Rs. '000	Total Rs. '000
Lease liabilities as at 1 January	581,650	8,389	590,039	640,289	13,136	653,425
Recognition of new lease agreement during the period*	281,150	-	281,150	104,274	-	104,274
Interest Expenses	110,933	515	111,448	95,699	935	96,634
Payment of lease liabilities	(370,435)	(5,682)	(376,117)	(345,351)	(5,682)	(351,033)
Modification	-	-	-	122,488	-	122,488
De-recognition	-	-	-	(35,749)	-	(35,749)
Cumulative lease liabilities as at 31 December	603,298	3,222	606,520	581,650	8,389	590,039

***Rent prepayments has been recognised as RoU assets and therefore additions to lease liabilities are not equivalent to newly recognised RoU assets.*

43.5 Maturity analysis – Contractual undiscounted cash flows

As at 31 December	2023 Rs. '000	2022 Rs. '000
Less than one year	357,402	335,139
Between one and five years	437,477	387,890
More than five years	-	-
Total undiscounted lease liabilities as at 31 December	794,879	723,028
Lease liabilities included in the Statement of Financial Position as at 31 December	606,519	590,039
Undiscounted cash flows		
Current	357,402	335,139
Non current	437,477	387,890
Total	794,879	723,028

43.6 Maturity Analysis – Discounted cash flows

Refer Note 6.5.3.a (Table-21) on page 305.

43.7 Sensitivity analysis of lease liabilities

The following table demonstrate the impact arising from the possible changes in the incremental borrowing rate on the lease liabilities of the Company as at 31 December 2023 and 2022 assuming all other variables are remain constant.

As at 31 December	2023		2022	
	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000	Effect on Profit Before Tax Rs. '000	Estimated lease liabilities Rs. '000
1% increase in discount rate	(7,216)	599,303	(5,854)	584,185
1% decrease in discount rate	7,428	613,947	5,723	595,762

NOTES TO THE FINANCIAL STATEMENTS

43.8 Tax and other statutory payables

As at 31 December	2023 Rs. '000	2022 Rs. '000
Stamp duty	1,300	1,080
Crop insurance levy	3,504	11,062
EPF / ETF payable	20,455	17,871
CESS payable	14,329	11,274
PAYE tax payable	65,010	2,922
WHT Payable	14,207	-
Other	1,244	1,244
Total	120,049	45,453

43.9 Income Tax Liabilities

As at 31 December	2023 Rs. '000	2022 Rs. '000
Income Tax Payable	927,170	801,030
	927,170	801,030

44. OPERATING SEGMENTS

Accounting Policy

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Key Management Personnel of the Company (being the Company's chief operating decision maker) to make decisions about resources allocated to each operating segment and assess performance, and for which discrete financial information is available.

Segment results that are reported to the KMP include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There were no unallocated items. All items of income, expenses, assets, and liabilities are properly allocated.

Segment capital expenditure included total cost incurred by the Company during the year to acquire property, plant and equipment, and intangible assets.

Basis for segmentation

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. These segments are managed separately because they require different operational, risk management and marketing strategies.

The following summary describes the products and services that each segment offers;

Reportable segment	Product and services
Life policyholder fund	Policyholder fund represents all long term insurance business related products and riders and known as the Life Insurance Fund.
Shareholder fund	Shareholder fund represents the investment income and their attributable profits

Aggregation

No operating segments have been aggregated to form the above reportable segments.

Graphical representation of segment information are provided in financial highlights on page 262 to 263.

44.1 Geographic information

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.

44.2 Information about reportable segments

Segment performance and reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items are summarised below. Segment profit before tax, as included in the management reports reviewed by the Key Management Personnel of the Company is used to measure performance of the segments as this information is the most relevant in evaluating the results of individual segments.

44.2.1 Summary of segment financial performances and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended December	2023				2022			
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated Rs. '000
Segment Revenue (Gross written premiums)	26,341,321	-	-	26,341,321	23,083,425	-	-	23,083,425
Premiums ceded to reinsurers	(2,490,889)	-	-	(2,490,889)	(2,678,803)	-	-	(2,678,803)
Segment net written premiums	23,850,432	-	-	23,850,432	20,404,622	-	-	20,404,622
Segment other revenue	5,768,826	2,179,338	-	7,948,164	3,316,802	1,803,389	-	5,120,191
Inter segment revenue	-	-	-	-	-	-	-	-
Segment total net revenue	29,619,258	2,179,338	-	31,798,596	23,721,424	1,803,389	-	25,524,813
Net claims and benefits expenses	(12,843,338)	-	-	(12,843,338)	(8,393,585)	-	-	(8,393,585)
Change in contract liability - life	(2,828,082)	-	-	(2,828,082)	(3,717,074)	-	-	(3,717,074)
Underwriting and net acquisition costs (including reinsurance)	(5,486,208)	-	-	(5,486,208)	(4,955,888)	-	-	(4,955,888)
Other operating and administrative expenses	(5,054,455)	(56,656)	-	(5,111,111)	(4,294,149)	(62,730)	-	(4,356,879)
Impairment (charge) / reversal on financial investments	42,194	(1,123,971)	-	(1,081,777)	(90,495)	(2,048,295)	-	(2,138,790)
Finance costs	(434,369)	(816,540)	-	(1,250,909)	2,107,767	(39,980)	-	2,067,787
Segment profit before tax	3,015,000	182,171	-	3,197,171	4,378,000	(347,616)	-	4,030,384
Income tax expense	-	(358,768)	-	(358,768)	(1,143,420)	(204,088)	-	(1,347,508)
Segment profit for the year	3,015,000	(176,597)	-	2,838,403	3,234,580	(551,704)	-	2,682,876

Evaluation of segment performance

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Company's financial statements.

44.2.2 Summary of segment financial position and reconciliation of information on reportable segments to the amounts reported in the Financial Statements

For the year ended 31 December	2023				2022			
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated assets and liabilities Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Unallocated/ eliminations Rs. '000	Consolidated assets and liabilities Rs. '000
Total assets	39,400,301	11,939,121	-	51,339,422	35,399,068	12,849,275	-	48,248,343
Total equity	(856,820)	14,190,166	-	13,333,346	(1,141,990)	12,014,914	-	10,872,924
Liabilities	40,257,120	(2,251,044)	-	38,006,076	36,541,058	834,361	-	37,375,419
Total equity and liabilities	39,400,300	11,939,122	-	51,339,422	35,399,068	12,849,275	-	48,248,343
Capital expenditure	-	218,199	-	218,199	-	96,682	-	96,682

NOTES TO THE FINANCIAL STATEMENTS

44.2.3 Summary of segment cash flows

For the year ended 31 December	2023			2022		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Cash flows from,						
Operating activities	2,281,986	(593,960)	1,688,026	3,750,288	1,374,070	5,124,358
Investing activities	(1,627,498)	1,919,452	291,954	(3,382,958)	(315,111)	(3,698,069)
Financing activities	(370,437)	1,318,180	(1,688,617)	(345,351)	(1,055,682)	(1,401,033)

44.3 Major customers

The Company doesn't have any major customers.

44.4 Impairment

For the year ended 31 December	2023			2022		
	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000	Policyholder fund Rs. '000	Shareholder fund Rs. '000	Total Rs. '000
Impairment losses / (reversal) recognised in profit or loss	(42,194)	1,123,971	1,081,777	90,495	2,048,295	2,138,790

Financial assets pledged as collateral for liabilities

There was no financial investment pledged as collateral for liabilities or contingent liabilities (2022 - Nil).

45. RELATED PARTY DISCLOSURE

Accounting Policy

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'.

45.1 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at year end are unsecured and interest free. Settlement will take place in cash.

45.1.1 Guarantees

No guarantees given or received during the period (2022 - Nil).

45.2 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2023 audited financial statements, which require additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

45.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue of the Company as per 31 December 2023 audited financial Statements, which require additional disclosures in the 2022 Annual Report under Colombo Stock Exchange listing Rule 9.14.7 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

45.4 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.

45.4.1 Ultimate parent of the group

The Group does not have an identifiable parent of its own.

45.5 Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

45.6 Transactions with KMP

Please refer Note 45.1 for terms and conditions of transactions.

45.6.1 Compensation of KMP

As at 31 December For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Short term employment benefits	70,518	60,540
Post-employment benefits	5,806	4,838
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Fees paid	10,260	10,510
Total	86,584	75,888

45.6.2 Transactions with KMP recorded in Income Statement

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Insurance premiums		2,089	1,790
Compensation to KMP	45.6.1	86,584	75,888
Total		88,673	77,678

45.6.3 Transactions with KMP Recorded in statement of financial position

As at the reporting date, there were no receivable/payable amount relating to KMP.

Therefore, no Impairment losses have been recorded against balances outstanding from KMP.

45.6.4 Loans to directors

No loans have been granted to the Directors of the Company.

45.7 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 dependents of the KMP or the KMP domestic partner. IFM are related parties to the Company.

There are no transactions with IFM of KMP of the Company during the year (2022 - Nil).

45.8 Share-based transactions of KMP and their Immediate Family Members (IFM)

There were no share-based transaction with KMP and IFM during the reporting period. (2022- Nil).

45.9 Changes to the board of directors

During the year, there have been no any changes to the board of directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

45.10 Transactions with parent and ultimate parent

Please refer Note 45.1 for terms and conditions of transactions.

Transactions recorded in income statement

For the year ended 31 December	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
Nature of transactions	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Insurance premiums	607	1,300	5,835	10,564
Receiving of services	270,267	187,898	1,840	7
Interest income	14,999	14,999	111,269	97,843

Transactions recorded in statement of financial position

For the year ended 31 December	Transactions with parent (Softlogic Capital PLC)		Transactions with ultimate parent (Softlogic Holdings PLC)	
Nature of transactions	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Dividend paid	678,810	543,048	615	492
Investments	100,368	100,344	400,394	411,266
Insurance premium receivable	8	818	-	10,029

Impairment

The Company has recognised a reversal of expense of Rs. 24,557 during the year (2022 – expense of Rs. 130,937 has been charged in the financial statements) as impairment on the investment in corporate debt resulting in a provision balance of Rs. 107,778 as at 31 December 2023 (2022 - Rs. 132,335).

Except for above, there is no impairment losses have been recorded (2022 - Nil) on the above outstanding balances from parent and ultimate parent.

45.11 Transactions with other related entities

45.11.1 Transactions with subsidiary companies of the parent and ultimate parent

Please refer Note 45.1 for terms and conditions of the transactions.

Nature of the relationship

Other related entities are those which are controlled, directly or indirectly by key management personnel of the Company and transactions with companies under common control.

Further, Directors' interest in contracts with the company have been disclosed on page 208.

Transactions recorded in income statement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Nature of the transaction		
Insurance premiums	91,646	235,030
Dividend received	-	17,948
Claims paid	5,000	2,155
Expenses	350,659	240,692
	447,305	495,825

Transactions recorded in statement of financial position

As at 31 December	2023 Rs. '000	2022 Rs. '000
Nature of the transaction		
Investments	460,499	561,666
Insurance premium receivable	48,149	224,539
Purchases of property plant and equipment	31,573	24,038
Other payable / receivable (Note 43.3)	15,846	11,036
	556,067	821,279

Impairment

The Company has recognised an impairment expenses on insurance premium receivable amounting to Rs. 24.8 million during the year (2022 - Rs. 9.36 million) resulting in a provision balance of Rs. 48.33 million as at 31 December 2023 (2022 - Rs. 23.53 million).

Except for above, there is no impairment losses have been recorded (2022 - Nil) on the above outstanding balances from other related entities.

45.12 Purchase of its own shares

The Company has not purchased its own shares from related parties during the period ended 31 December 2023 (2022 - Nil).

46. CAPITAL AND OTHER 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 31 December	2023 Rs. '000	2022 Rs. '000
Approved and contracted for	53,581	44,580
Total capital commitments	53,581	44,580

Bank guarantees

Following Bank Guarantees have been provided as at 31 December 2023.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Relating to tax	88,860	97,779
Relating to others	28,650	34,414

47. 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 authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

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

Non adjusting events after reporting date

47.1 Proposed Dividend

As disclosed in Note 24 on page 331, an interim dividend of Rs. 3.75 per share has been declared on 01 March 2024 which complies with the Direction No. 01 of 2021 issued by IRCSL for the financial year ended 31 December 2023.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company has satisfied the solvency test in accordance with Section 57 prior to declaring the interim dividend. A statement of solvency duly completed and signed by the Directors on 14 February 2024 has been reviewed by Messrs. KPMG.

In accordance with Sri Lanka Accounting Standard – LKAS 10 on "Events after the Reporting Period", the interim dividend has not been recognised as a liability in the Financial Statements as at 31 December 2023.

48. PROVISIONS AND CONTINGENCIES

Accounting Policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised in the Income Statement.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

Use of judgements and estimates provisions and contingencies

Refer Note 3.2.9 on page 281 for use of judgements and estimates relating to provisions and contingencies.

The contingent liability of the Company relates to the followings;

Assessment in Respect of Value Added Tax (VAT)

1) VAT assessments have been issued by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commission (TAC) on 22 August 2019. Out of total 11 assessments, 08 assessments were determined in favour of Commissioner General of Inland Revenue amounting to Rs. 46.5 million including the penalty and 03 assessments were determined in favour of Softlogic Life Insurance PLC amounting to Rs. 24.8 million including the penalty.

The Company transmitted the former case to the Court of Appeal being dissatisfied with the determination which determined in favour of the Commissioner General of Inland Revenue and case is stated for the opinion of the Honourable Court of Appeal. The Total tax exposure of this appeal is Rs. 46.5 million including the penalty.

The Commissioner General of Inland Revenue, transmitted the latter case to the Court of Appeal being dissatisfied with the determination which determined in favour of Softlogic Life Insurance PLC and case is stated for the opinion of the Honourable Court of Appeal.

Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

2) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs. 68.7 million, Rs. 28.0 million and Rs. 102.4 million respectively, in favour of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

NOTES TO THE FINANCIAL STATEMENTS

3) Assessments have been issued for the Company under the Value Added Tax Act, in relation to the Y/A 2018/19 and 2019/20 amounting to Rs. 72.6 million and Rs. 147.7 million respectively. The Company has filed an appeal in relation to 2018/19 to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of the VAT Act and filled an objection letter and the Company is awaiting the CGIR determination. In January, it has been informed that the assessment has been annulled in determining the appeal. Further, the company has requested administration review for the assessment issued for the Y/A 2019/20.

Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

4) The Department of Inland Revenue has confirmed that for the Y/A 2017/18 under the Nation Building Tax Act; the tax in default along with the penalty assessed amounting to Rs. 13.7 million existed at the year-end has been written off as per the provisions in the Finance Act which results in no present exposure to the Company.

5) An assessment has been issued under the Nation Building Tax Act, in relation to the Y/A 2018/19 amounting to Rs. 9.7 million. The Company has filed an appeal to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of the NBT Act. The Company is awaiting the CGIR's determination.

6) An assessment has been issued by the Department of Inland Revenue under the Nation Building Tax, in relation to the Y/A 2019/20 amounting Rs. 18 million including penalty. The company has filed an appeal to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of NBT Act. Since it is a mandatory requirement in law to communicate the CGIR's decision on the request for administrative review in writing to the taxpayer, the Company intends to make an appeal once the decision of the CGIR is served to the company.

Economic Service Charge (ESC)

7) The Department of Inland Revenue has confirmed that for the Y/A 2017/18 under the ESC Act; the tax in default along with the penalty assessed amounting to Rs. 7.3 million existed at the year-end has been written off as per the provisions in the Finance Act which results in no present exposure to the Company..

Life Insurance Taxation

8) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2010/11 amounting to Rs. 0.68 million, in favour of the Company. Then the Commissioner General of Inland Revenue has transmitted this case to the Court of Appeal being dissatisfied with the said determination and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decision of the Court of Appeal.

9) The Tax Appeals Commission issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2011/12 and 2012/13 amounting to Rs. 10.1 million and Rs. 12.4 million respectively, in favour of CGIR and The Company has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honourable Court of Appeal. The Company is awaiting the decision of the Court of Appeal.

10) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs. 681.7 million along with penalty, in favour of the Commissioner General of Inland Revenue. For the Y/A 2014/15, determination of the Tax Appeal Commission has been received in favour of the company in January 2024. The Company is in the process of hearing the other appeals with Tax Appeals Commission.

11) An assessment has been issued under the Income Tax Act by the Department of Inland Revenue in relation to the Y/A 2018/19, amounting to Rs. 533.4 million including penalty and interest. The Company has filed an appeal to the Commissioner General of Inland Revenue and awaiting the CGIR determination.

12) The Commissioner General of Inland Revenue issued its determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2019/20 amounting to Rs. 1,114 million along with penalty, in favour of the Commissioner General of Inland Revenue. The Company has submitted a petition of appeal with Tax Appeals Commission.

13) The Company has received an assessment on PAYE Tax for the Y/A 2016/17 amounting to Rs. 0.9 million along with penalty for which company has submitted an appeal.

14) An assessment has been issued under the Income Tax Act by the Department of Inland Revenue in relation to the Y/A 2020/21, amounting to Rs. 931.23 million including penalty and interest. The Company has filed an appeal to the Commissioner General of Inland Revenue.

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 probability of company having to settle any of this tax assessments are very low.

In addition, there are no litigations and claims involving the Company that may have a material effect on the financial statements in the Directors' view.

49. COMPARATIVE INFORMATION

The presentation and classification of Notes to the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

50. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. Please refer to pages 205 to 206 of the Statement of Directors' Responsibility for Financial Reporting.