L O L C LIFE ASSURANCE LIMITED

Directors' Report

Your Directors have pleasure in presenting their Annual Report, together with the Audited Financial Statements for the year ended 31st December 2023.

Principal activities of the Company

The principal activity of the Company is the carrying on of Life insurance business.

Profit/ (Loss) for the year ended 31st December 2023

	Rs
Profit/(Loss) before taxation	938,975,404
Income Tax Reversal	-
Net Profit/(Loss) for the year	938,975,404

Director's Interest in Contracts

In terms of Section 192 (2) the Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been noted by the Board, recorded in the Minutes and entered in the Interest Register which is maintained by the Company.

Directors interest in shares

In terms of Section 200 of the Companies Act, the Directors have declared that they do not hold any shares in the Company.

Directorate

The Directors during the year under review were as follows:

1. Mr W D K Jayawardena - Chairman
2. Mrs. K U Amarasinghe - Non-Executive Director
3. Dr (Mrs) N Nanayakkara - Non-Executive Director
4. Mrs. N N P Opatha - Executive Director / CEO
5. Mr A J L Pieris - Independent Director

Retirement and Re-election of Directors

In terms of Article No 68 of the Articles of Association of the Company, Mr W D K Jayawardena retires by rotation and being eligible, offers himself for re-election. The Directors recommend that Mr W D K Jayawardena be re-elected subject to regulatory approval.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs .The Directors are of the view that the financials have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007 and amendments/additions thereto and all relevant directions of the Insurance Regulatory Commission of Sri Lanka.

Transactions with Related Parties

The Directors have disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24.

Related Party Transactions are disclosed in Note 34 to the Financial Statements. The Directors hereby confirm that to the best of their knowledge and information available to them, the Company has complied with the requirements of the rules relating to related party transactions.

Going Concern

The Directors believe that the Company is able to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the basis that the Company is a going concern.

Shareholding Structure

The Stated Capital of the Company as at 31st December 2023 amounted to Rs. 1,350,000,000/- divided into 135,000,000 ordinary voting shares.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the financial statements and any changes thereof where applicable have been included in the Notes to the financial statements.

Statutory Payments and Compliance with Laws and Regulations

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant, provided for in the Financial Statements.

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors the Company has been in compliance with all prudential requirements, regulations and laws.

Internal Control

The Board has reviewed the internal controls covering financial, operational compliance and risk management and has obtained reasonable assurance of its effectiveness.

Auditors

The Board recommends that Deloitte Partners (Formerly known as PricewaterhouseCoopers) be re-appointed Auditors of the Company for the ensuing financial year at a fee to be agreed by the Board.

BY ORDER OF THE BOARD

Mrs. Nadika Opatha
Director/ CEO

10th June 2024
Rajagiriya

LOLC LIFE ASSURANCE LIMITED

FINANCIAL STATEMENTS
31 DECEMBER 2023

LOLC LIFE ASSURANCE LIMITED

FINANCIAL STATEMENTS
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LOLC LIFE ASSURANCE LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 2023

CONTENT

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www.deloitte.com

Independent auditor's report

To the Shareholders of LOLC Life Assurance Limited

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of LOLC Life Assurance Limited (the Company). The financial statements of the Company comprise:

- the statement of financial position as at 31 December 2023;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the board and the supplementary statements of the life assurance fund disclosed on pages 10 and 11 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent auditor's report

To the Shareholders of LOLC Life Assurance Limited (Contd)

Report on the audit of the financial statements (Contd)

Other information

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

To the Shareholders of LOLC Life Assurance Limited (Contd)

Report on the audit of the financial statements (Contd)

Auditor's responsibilities for the audit of the financial statements (Contd)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report

To the Shareholders of LOLC Life Assurance Limited (Contd)

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company. The accounting records of LOLC Life Assurance Limited have also been maintained by the management in the manner required by the rules made by the Insurance Regulatory Commission of Sri Lanka established under the Regulation of Insurance Industry Act, No. 43 of 2000 so as to clearly indicate the true and fair view of the financial position of the Company.

Deloitte Partners

CHARTERED ACCOUNTANTS

COLOMBO

31 March 2024

Deloitte Partners

Colombo

LOLC Life Assurance Limited

STATEMENT OF FINANCIAL POSITION

As at 31st December 2023

	Note	2023 Rs.	2022 Rs.
Assets			
Property and equipment	3	12,189,404	15,215,647
Right-of-use assets	4	33,341,968	65,968,754
Intangible assets	5	12,948,825	9,492,387
Deferred tax assets	31.4	90,185,867	90,185,867
Investments in associate	6	89,550,000	89,550,000
Investment securities	7	14,264,693,066	9,094,242,616
Policyholder and other loans	8	101,124,144	89,814,563
Reinsurance receivables	9	62,149,588	60,236,644
Premiums receivable	10	565,279,748	406,794,443
Amounts due from related parties	11	1,305	25,604,465
Other assets	12	77,683,712	45,845,910
Cash and bank balances	13.1	401,616,830	341,063,125
Total assets		15,710,764,457	10,334,014,421
Equity and Liabilities			
Equity			
Stated capital	14	1,350,000,000	1,350,000,000
Retained earnings		2,807,535,711	1,868,560,307
Restricted regulatory reserve	15.1	256,134,380	256,134,380
Available for sale reserve	15.2	332,912,537	(398,115,348)
Other reserve	15.3	14,130,383	14,130,383
Total ordinary shareholders' equity		4,760,713,011	3,090,709,722
Liabilities			
Insurance contract liabilities - Life insurance	16	9,529,588,904	6,074,044,114
Interest bearing borrowings	17	141,634,769	150,854,072
Lease liabilities	4	87,842,908	118,718,010
Retirement benefit obligations	18	20,292,528	22,228,004
Reinsurance creditors	19	117,563,378	138,219,473
Amounts due to related parties	20	155,960,925	63,856,895
Other liabilities	21	856,903,232	652,909,850
Income tax liability		1,896,349	1,896,349
Bank overdraft	13.2	38,368,453	20,577,932
Total liabilities		10,950,051,446	7,243,304,699
Total liabilities and equity		15,710,764,457	10,334,014,421

These Financial Statements are prepared in compliance with the requirement of the Companies Act No.07 of 2007.

....
Mrs. S. S. Kotakadeniya
Chief Financial Officer - LOLC Group

The board of directors is responsible for these Financial Statements.
Signed for and on behalf of the Board by:

....
A J Luxman Peiris
Director

....
Mrs. K. U. Amarasinghe
Director

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements.

31 March 2024
Rajagiriya (Greater Colombo)

Deloitte Partners
Colombo

STATEMENT OF INCOME

Year ended 31 December 2023

	Note	2023 Rs.	2022 Rs.
Gross written premium	22.1	5,575,626,060	4,961,325,527
Premium ceded to reinsurers	22.2	(310,636,032)	(275,448,612)
Net written premium		5,264,990,028	4,685,876,915
Other income			
Investment income			
- Interest income from available-for-sale financial assets	23	1,018,030,914	637,341,575
- Interest income from loans and receivables	23	768,336,439	546,520,149
- Fair value gains on financial assets at fair value through profit or loss	23	79,384,193	30,003,811
Fees and commission income	24	6,365,501	7,603,790
Realised gains on disposal of available-for-sale investments		12,669,463	212,809
Other income	25	48,206,417	20,347,021
Total other income		1,932,992,927	1,242,029,155
Total income		7,197,982,955	5,927,906,070
Benefits, claims and expenses			
Insurance claims and benefits (net)	26	(2,527,262,465)	(1,555,159,401)
Underwriting and net acquisition costs	27	(248,654,149)	(369,171,799)
Other operating and administrative expenses	28	(1,835,704,095)	(1,614,951,136)
Finance costs	29	(33,801,615)	(26,228,087)
Total benefits, losses and expenses		(4,645,422,324)	(3,565,510,423)
Increase in provision for insurance contract liability		(1,613,585,227)	(1,343,329,419)
Profit before income tax expense		938,975,404	1,019,066,228
Income tax expense	31	-	-
Profit for the year		938,975,404	1,019,066,228
Basic earnings per share	32.1	6.96	7.55

Deloitte Partners Colombo

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements.

LOLC Life Assurance Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	2023 Rs.	2022 Rs.
Profit for the year		938,975,404	1,019,066,228
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gratuity - actuarial gain/(loss) - Life assurance	18.2	(206,656)	1,762,325
Transferred to Life fund - actuarial gain/(loss) on gratuity		206,656	(1,762,325)
Item that may be reclassified to profit or loss			
Net gain/(loss) on available-for-sale assets - Life insurance - unrealized		1,748,913,097	(1,526,752,969)
Transferred to life fund -Net gain/(loss) on available-for-sale assets - unrealized		(1,748,913,097)	1,526,752,969
Net gain/(loss) on available-for-sale assets - Life shareholders - unrealized		731,027,885	(330,173,432)
		731,027,885	(330,173,432)
Other comprehensive loss for the year, net of tax		731,027,885	(330,173,432)
Total comprehensive income for the year, net of tax		1,670,003,289	688,892,796

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements.

LOLC Life Assurance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Note	Stated Capital	Reserve on available for sale financial assets	Retained Earnings	Restricted regulatory reserve	Other reserve	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 January 2022		1,350,000,000	(67,941,916)	849,494,079	256,134,380	14,130,383	2,401,816,926
Profit for the year		-	-	1,019,066,228	-	-	1,019,066,228
Other comprehensive loss		-	(330,173,432)	-	-	-	(330,173,432)
Total comprehensive income for the year		-	(330,173,432)	1,019,066,228	-	-	688,892,796
As at 31 December 2022		1,350,000,000	(398,115,348)	1,868,560,307	256,134,380	14,130,383	3,090,709,722
Profit for the year		-	-	938,975,404	-	-	938,975,404
Other comprehensive loss		-	731,027,885	-	-	-	731,027,885
Total comprehensive income for the year		-	731,027,885	938,975,404	-	-	1,670,003,289
As at 31st December 2023		1,350,000,000	332,912,537	2,807,535,711	256,134,380	14,130,383	4,760,713,011

Deloitte Partners Colombo

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements.

LOLC Life Assurance Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 Rs.	2022 Rs.
Cash flows from operating activities			
Premium received from policy holders		5,599,432,549	4,853,209,722
Reinsurance premiums (net of commission) paid		(297,679,772)	(243,231,532)
Claims, benefits and expenses paid		(2,603,258,576)	(1,691,365,194)
Reinsurance receipts in respect of claims and benefits		170,840,662	116,381,332
Cash paid to and on behalf of employees		(518,842,500)	(504,759,988)
Lease Interest		(15,285,122)	(14,249,880)
Payments to brokers and agents		(452,714,119)	(521,491,646)
Interest received from policy loans and cash at bank		32,115,831	23,774,824
Other operating cash payments		(967,346,155)	(950,506,657)
Cash flows generated from operating activities		947,262,798	1,067,760,981
Income tax paid		-	-
Net cash flows generated from operating activities		947,262,798	1,067,760,981
Cash flows from investing activities			
Purchase of other investments		(7,807,443,265)	(5,601,519,261)
Proceeds from financial investments		5,245,488,721	3,544,443,514
Interest received		1,808,215,586	1,200,511,133
Purchase of intangible assets	5	(10,001,585)	(2,704,466)
Purchase of property and equipment	3	(2,938,800)	(7,559,676)
Proceeds from sale of property, plant and equipment	3	43,454	15,000
Net cash flows used in investing activities		(766,635,889)	(866,813,756)
Cash flows from financing activities			
Principal element of lease payments		(12,758,962)	(12,058,729)
Repayment of/(proceeds from) long term borrowings		(9,219,304)	72,652,960
Net cash flows generated from financing activities		(21,978,266)	60,594,231
Increase/ (decrease) in cash and cash equivalents		158,648,643	261,541,456
Cash and cash equivalents at the beginning of the year		961,978,334	700,436,878
Cash and cash equivalents at the end of the year	13	1,120,626,977	961,978,334

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements.

Deloitte Partners Colombo

SUPPLEMENTARY STATEMENTS OF THE LIFE ASSURANCE FUND - STATEMENT OF INCOME

Year ended 31 December 2023

	2023				2022			
	Long Term Insurance Rs.	Life Shareholders Rs.	Life Takaful Rs.	Total Rs.	Long Term Insurance Rs.	Life Shareholders Rs.	Life Takaful Rs.	Total Rs.
Gross written premium	5,562,010,085	-	13,615,975	5,575,626,060	4,922,462,187	-	38,863,340	4,961,325,527
Reinsurance premium	(299,822,527)	-	(10,813,505)	(310,636,032)	(262,818,506)	-	(12,630,106)	(275,448,612)
Net written premium	5,262,187,558	-	2,802,470	5,264,990,028	4,659,643,681	-	26,233,234	4,685,876,915
Net change in reserves for unearned premium	-	-	-	-	-	-	-	-
Net earned premium	5,262,187,558	-	2,802,470	5,264,990,028	4,659,643,681	-	26,233,234	4,685,876,915
Other revenue								
Investment income	1,223,145,684	621,020,037	21,585,825	1,865,751,546	876,307,487	323,432,167	14,125,881	1,213,865,535
Fees and commission income	6,265,970	-	99,531	6,365,501	7,592,540	-	11,250	7,603,790
Realized capital gain on disposal of available for sale investments	12,669,463	-	-	12,669,463	212,809	-	-	212,809
Other income	28,979,623	17,471,171	1,755,623	48,206,417	16,841,815	15,000	3,490,206	20,347,021
Total other revenue	1,271,060,740	638,491,208	23,440,979	1,932,992,927	900,954,651	323,447,167	17,627,337	1,242,029,155
Total revenue	6,533,248,298	638,491,208	26,243,448	7,197,982,955	5,560,598,332	323,447,167	43,860,571	5,927,906,070
Benefits, losses and expenses								
Insurance claims and benefits (net)	(2,523,035,126)	-	(4,227,339)	(2,527,262,465)	(1,545,992,394)	-	(9,167,007)	(1,555,159,401)
Underwriting and net acquisition costs	(248,964,453)	-	310,305	(248,654,148)	(371,515,728)	-	2,343,929	(369,171,799)
Operating and administrative expenses and impairment	(1,821,170,921)	(32,000)	(14,501,175)	(1,835,704,095)	(1,537,583,280)	(65,003,008)	(12,364,848)	(1,614,951,136)
Finance costs	(25,593,201)	(8,208,414)	-	(33,801,615)	(18,563,335)	(7,664,752)	-	(26,228,087)
Total benefits, losses & expenses	(4,618,763,701)	(8,240,414)	(18,418,209)	(4,645,422,324)	(3,473,654,737)	(72,667,760)	(19,187,926)	(3,565,510,423)
Increase in provision for insurance contract liability	(1,614,484,597)	-	899,370	(1,613,585,226)	(1,336,943,595)	-	(6,385,824)	(1,343,329,419)
Profit before taxation	300,000,000	630,250,795	8,724,611	938,975,404	750,000,000	250,779,407	18,286,821	1,019,066,228
Tax expenses	-	-	-	-	-	-	-	-
Net Profit for the year	300,000,000	630,250,795	8,724,611	938,975,404	750,000,000	250,779,407	18,286,821	1,019,066,228

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements

LOLC Life Assurance Limited

SUPPLEMENTARY STATEMENTS OF THE LIFE ASSURANCE FUND - STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2023

	2023					2022				
	Life Insurance Rs.	Life Shareholders Rs.	Life Takaful Rs.	Eliminations Rs.	Total Rs.	Life Insurance Rs.	Life Shareholders Rs.	Life Takaful Rs.	Eliminations Rs.	Total Rs.
Assets										
Property and equipment	-	12,189,404	-	-	12,189,404	-	15,215,647	-	-	15,215,647
Right-of-use assets	33,341,968	-	-	-	33,341,968	65,968,754	-	-	-	65,968,754
Intangible assets	-	12,890,878	57,947	-	12,948,825	-	9,316,938	175,449	-	9,492,387
Deferred tax assets	90,185,867			-	90,185,867	90,185,867			-	90,185,867
Investments in associate		89,550,000			89,550,000		89,550,000			89,550,000
Investment securities	9,626,415,216	4,492,144,286	146,133,564	-	14,264,693,066	6,486,426,796	2,479,077,501	128,738,319	-	9,094,242,616
Policyholder and other loans	101,124,144	-	-	-	101,124,144	89,814,563	-	-	-	89,814,563
Reinsurance receivable	59,219,396	-	2,930,192	-	62,149,588	57,226,644	-	3,010,000	-	60,236,644
Premiums receivable	565,050,469	-	229,279	-	565,279,748	406,794,443	-	-	-	406,794,443
Amounts due from related parties	3,171,161	225,472,605	-	(228,642,461)	1,305	29,295,255	596,278,944	-	(599,969,734)	25,604,465
Other assets	66,562,365	9,806,407	1,314,940	-	77,683,712	43,846,770	500,005	1,499,135	-	45,845,910
Cash and cash equivalents	381,776,124	7,253	19,833,453	-	401,616,830	316,086,319	62,426	24,914,380	-	341,063,125
Total assets	10,926,846,710	4,842,060,833	170,499,375	(228,642,461)	15,710,764,457	7,585,645,411	3,190,001,461	158,337,283	(599,969,734)	10,334,014,421
Equity & Liabilities										
Equity										
Stated capital	-	1,350,000,000	-	-	1,350,000,000	-	1,350,000,000	-	-	1,350,000,000
Retained earnings	-	2,747,248,768	60,286,943	-	2,807,535,711	-	2,382,636,979	51,562,333	-	2,434,199,311
Restricted regulatory reserve	-	256,134,380	-	-	256,134,380	-	256,134,380	-	-	256,134,380
Available for sale reserve	-	332,912,537	-	-	332,912,537	-	(963,754,353)	-	-	(963,754,353)
Other reserve	-	14,130,383			14,130,383	-	14,130,383			14,130,383
Total ordinary shareholders' equity	-	4,700,426,068	60,286,943	-	4,760,713,011	-	3,039,147,389	51,562,333	-	3,090,709,722
Insurance contract liabilities - Life insurance	9,441,277,257	-	88,311,647	-	9,529,588,904	5,983,913,563	-	90,130,551	-	6,074,044,114
Interest bearing borrowings		141,634,769		-	141,634,769		150,854,072		-	150,854,072
Lease liabilities	87,842,908	-	-	-	87,842,908	118,718,010	-	-	-	118,718,010
Retirement benefit obligations	20,292,528	-	-	-	20,292,528	22,228,004	-	-	-	22,228,004
Reinsurance creditors	112,967,286	-	4,596,092	-	117,563,378	137,854,757	-	364,716	-	138,219,473
Amounts due to related parties	381,433,530	-	3,169,856	(228,642,461)	155,960,925	660,135,840	-	3,690,789	(599,969,734)	63,856,895
Other liabilities	843,022,819	-	13,880,413	-	856,903,232	640,734,421	-	12,175,429	-	652,909,850
Income tax liabilities	1,896,349	-		-	1,896,349	1,896,349	-		-	1,896,349
Bank overdraft	38,114,031	-	254,422	-	38,368,453	20,164,467	-	413,465	-	20,577,932
Total liabilities	10,926,846,708	141,634,769	110,212,430	(228,642,461)	10,950,051,446	7,585,645,411	150,854,072	106,774,950	(599,969,734)	7,243,304,699
Total liabilities and equity	10,926,846,708	4,842,060,837	170,499,373	(228,642,461)	15,710,764,457	7,585,645,411	3,190,001,461	158,337,283	(599,969,734)	10,334,014,421

The accounting policies and notes on pages 12 through 65 form an integral part of the financial statements

1. CORPORATE INFORMATION

1.1 Reporting entity

LOLC Life Assurance Limited ("Company") is an unquoted public company incorporated on 03 March 2010 and domiciled in Sri Lanka. The registered office of the Company is located at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is situated at the No.481, T. B. Jayah Mawatha, Colombo 10.

1.2 Principle activities and nature of operation

The principal activity of the Company is Life assurance business.

1.3 Parent entity and ultimate parent entity

The Company's immediate parent is LOLC Asset Holdings Limited and ultimate parent undertaking is LOLC Holding PLC.

1.4 Date of authorization for issue

The financial statements of LOLC Life Assurance Limited as at 31 December 2023 were authorized for issue by the Board of Directors on 31 March 2024. The directors have the power to amend and reissue the financial statements.

2. BASIS OF PREPARATION

2.1.1 Basis of preparation

The financial statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC"), International Financial Reporting Interpretations Committee ("IFRIC") and comply with the Companies Act No. 07 of 2007 and the requirements of the Regulation of Insurance Industry Act No. 43 of 2000. Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where are significant to the Company's financial statements are disclosed in note 2.2 to the financial statements.

The amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Company's financial statements have been adopted by the Company (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (ie year ending 31 December 2023) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

2.1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position.

- Insurance contract liability is based on actuarially determined values.
- Available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value.
- Defined benefit obligations are actuarially valued and recognized at the present value.

2.1.3 New standards and amendments – applicable for the first time for periods commencing 1 January 2023

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

(a) Amendments to LKAS 1 Presentation of Financial Statements and SLFRS practice statement 2 making materiality judgments - Disclosure of accounting policies

The amendments change the requirements in LKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in LKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events, or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in SLFRS Practice Statement 2.

(b) Amendments to LKAS 12 Income taxes - Deferred tax related to Assets and Liabilities arising from a single transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to LKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12.

(c) Amendments to LKAS 12 Income taxes—International tax reform—Pillar two model rules

The IASB amends the scope of LKAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in LKAS 12 so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

(d) Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

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2.1.4 New standards and amendments issued but not effective or early adopted in 2023

The following standards and interpretations have been issued but are not mandatory for annual reporting periods ending 31 December 2023. Further, the Company has not early adopted these new standards and/or amendments.

With the exception of SLFRS 9 Financial Instruments and SLFRS 17 Insurance Contracts, the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or financial statements in the financial period of initial application.

(a) SLFRS 9 Financial Instruments and associated amendments to various other standards

SLFRS 9 replaces the multiple classification and measurement models in LKAS 39 Financial Instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of income or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Further changes were introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduce:

i. a third measurement category (FVOCI) for certain financial assets that are debt instruments
ii. a new expected credit loss (ECL) model that involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g., trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The Company has adopted Amendments to SLFRS 4 - Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts which allows the Company to apply temporary exemption from SLFRS 9 until new insurance standards become effective.

Amendment to SLFRS 4 which addresses the concerns of insurance companies about the different effective dates of SLFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from SLFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

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SLFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards become effective.

The Company meets the specific requirements to apply the temporary exemption from SLFRS 9 as noted below and Company selected the option of temporary exemption from SLFRS 9.

i) The Company's insurance-related liabilities are less than 90% but greater than 80% of the total liabilities of the Company; and
ii) The Company is only involved in the Life Assurance businesses as noted in the Principle activities and nature of the operation (Note 1.2) section and does not hold assets or liabilities relating to business activities other than the principle business activities of the Company.

Disclosures to provide comparability

Financial assets that meet the SPPI test, Solely Payment of Principal and Interest (excluding the financial assets that meet the definition of held for trading and evaluated on a fair value basis).

Instrument	Current Classification	2023		2022	
		Carrying value under LKAS 39	Fair value	Carrying value under LKAS 39	Fair value
		Rs.	Rs.	Rs.	Rs.
Treasury bonds	AFS	8,874,136,428	8,874,136,428	4,428,312,650	4,428,312,650
Repurchase agreements	L&R	757,378,600	757,378,600	641,493,141	641,493,141
Debentures	L&R	1,965,182,263	1,965,182,263	2,079,560,190	2,079,560,190
Commercial papers	L&R	1,679,566,373	1,679,566,373	1,637,038,334	1,637,038,334
Assets backed Securities	L&R	51,136,986	51,136,986	51,123,288	51,123,288
Term deposits	L&R	438,408,223	438,408,223	256,715,013	256,715,013

All other financial assets (that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	2023		2022	
		Carrying value under LKAS 39	Fair value	Carrying value under LKAS 39	Fair value
		Rs.	Rs.	Rs.	Rs.
Unit trusts	Held for trading	498,884,193	498,884,193	-	-

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(b) SLFRS 17, 'Insurance contracts'

SLFRS 17 was issued in May 2017 as a replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying SLFRS 17 to investors and others. The amendments also deferred the application date similar to SLFRS 17.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on the initial application of SLFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of SLFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on the initial application of SLFRS 9. The classification can be applied on an instrument-by-instrument basis.

This standard will be effective from 01 January 2026 in Sri Lanka.

(c) Amendments to LKAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income, or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to LKAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the company anticipate that the application of these amendments may have an impact on the company's financial statements in future periods.

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(d) Amendments to LKAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).

Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the company anticipate that the application of these amendments may have an impact on the company's financial statements in future periods.

(e) Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.
To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

a. The terms and conditions of the arrangements
b. The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
c. The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
d. Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
e. Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

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(f) Amendment to SLFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to SLFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SLFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in SLFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in SLFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying SLFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied SLFRS 16.

(g) SLFRS Sustainability Disclosure Standards

In June 2023, the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards:

a. SLFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements standard), and
b. IFRS S2 Climate-related Disclosures (Climate standard)

The SLFRS Sustainability Disclosure Standards are structured using the Task Force on Climate related Financial Disclosures (TCFD framework) four-pillar approach, which covers governance, strategy, risk management, and metrics and targets.

SLFRS S1 and SLFRS S2 are effective for annual reporting periods beginning on or after 1 January 2025, with early adoption permitted.

2.1.5 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates.

The financial statements are presented in Sri Lankan Rupee (LKR), which is also the functional currency of the Company. All financial information presented in Sri Lankan Rupee has been rounded to the nearest Rupee unless stated otherwise.

2.1.6 Comparative information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year.

2.1.7 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.

2.1.8 Offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs.

2.1.9 Going concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and going-concern basis has been adopted in preparing these Financial Statements.

2.1.10 Supplementary statements of the life assurance fund

Fund together with the notes are disclosed in pages number 9 and 10 continuing the past practice which was a requirement of the Statement of Recommended Practice (SoRP) for Insurance Contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). These supplemental statements do not form part of the Audited annual financial statements.

2.1.11 Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with the basis of preparation as per Note 2.1.1.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.2 USE OF ESTIMATES AND JUDGMENT

The preparation of the Financial Statements in conformity with SLFRSs requires management to make judgments, estimates, and assumptions that 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 based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes to these financial statements.

a) Valuation of insurance contract liabilities (Note 16)

The liability for life insurance contracts and investment contracts with discretionary participation features (DPF) is based either on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, 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 expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

The carrying value at the reporting date of life insurance contract liabilities is Rs. 9,529,588,904 (2022 – Rs. 6,074,044,114).

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at 31 December 2023;

Mortality rates

The following best estimate assumptions have been used as at 31 December 2023:

Mortality Table	All products except Isurusahana and DTA/MRP		Isurushana		Credit Life (DTA/MRP)		Life Family Takaful	
Age Band	**% of A67_70**		**% of A67_70**		**Munich Re MRP RI Rates**		**% of A67/70**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
18-35	90%	80%	115%	115%	100%	90%	80%	80%
36-45	70%	70%	100%	100%	115%	90%	70%	70%
46-55	50%	50%	80%	80%	115%	90%	50%	50%
56 and above	40%	40%	50%	50%	115%	90%	40%	40%

Rates for benefits other than mortality

Following % of RI rate used as the best estimate morbidity rate assumption

Morbidity	% of the applicable Reinsurance premium rates	
	2023	2022
ADB	50%	50%
CI	40%	40%
HB	60%	60%
PPD	30%	30%
TPD	30%	30%
WOP	40%	40%
Health Rider	100%	100%

Lapses/ Surrender

The best estimate lapse rates for "LOLC Reality" product is assumed to be 10% level for each year. Lapse rates for other regular premium products are tabulated below.

Lapse Year	Long Term Products		Dividend -ST		Dividend -DM		Par Products	
	2023	2022	2023	2022	2023	2022	2023	2022
1	61%	56%	50%	39%	48%	47%	39%	39%
2	28%	24%	19%	17%	14%	16%	14%	14%
3	22%	21%	14%	14%	24%	26%	8%	8%
4	24%	25%	17%	18%	24%	25%	19%	19%
5	18%	18%	13%	13%	18%	18%	9%	9%
6	15%	15%	11%	11%	15%	15%	6%	6%
7	13%	11%	9%	8%	13%	11%	9%	9%
8+	8%	8%	6%	8%	8%	8%	7%	8%

Investment return

In accordance with the RBC guidelines, a risk-free interest rate curve based on Sri Lankan government bond yields has been used for discounting liability cash flows. The yield curve as at 31 December 2023 used for discounting the cash flows, provided by IRCSL, is tabulated below. The yields after year 10 have been assumed to be constant at the 10-year level.

Years to maturity	Yield	
	2023	2022
1	12.88%	29.55%
2	14.09%	27.30%
3	14.06%	28.72%
4	13.85%	27.97%
5	14.59%	26.99%
6	14.38%	25.87%
7	11.03%	27.36%
8	13.42%	25.15%
9	14.63%	25.62%
10	12.93%	27.04%
11+	12.93%	27.04%

Provision for reinsurance

In determining the policy liabilities, the valuation makes provisions for reinsurance according to the applicable reinsurance terms as per the agreements with reinsurers for all products and riders, except those for which UPR are held.

For other products, allowance for reinsurance has been made by subtracting the present value of reinsurance recoveries (calculated using prudent reserving assumptions) net of present value of reinsurance premiums from the calculated gross reserves. The reserves net of reinsurance have been floored at zero at the individual policy level.

b) Retirement benefit obligations (Note 18)

The liability for retirement gratuity is recognized based on the actuarial valuation carried out as at 31st December 2022, using the Projected Unit Credit method. The actuarial valuations involve making assumptions about discount rates, future salary increases and incidence of withdrawals. 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.

c) Fair value of financial instruments (Note 35)

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

d) Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

e) Useful life of property and equipment and intangible assets

The Company estimates the useful life of the property and equipment and software to be at least 5 years based on the expected usage and technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on the actual usage.

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.3.1 Associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and subsequently measured at cost less impairment.

The Company has applied the exemption from applying the equity method to the investment in associate as the Company meets the following:

- The Company is a wholly-owned subsidiary and its owners have been informed about, and do not object to, the Company not applying the equity method.

- The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- The Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
- LOLC Holding PLC, the ultimate parent of the Company produces consolidated financial statements available for public use that comply with SLFRSs, in which subsidiaries are consolidated.

When the Company ceases significant influence of an associate, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3.2 Insurance contracts

As permitted by SLFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies for Insurance Contracts that were applied prior to the adoption of SLFRS.

Product classification

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 those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant. All the products sold by the Company are insurance contracts. Therefore, classified as insurance contracts under the SLFRS 4 – Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the Reporting date.

Actuarial valuation of life insurance fund

The Directors agree to the long-term insurance provision for the Company at the year-end on the recommendations of the Independent Consultant Actuary following his/her annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Independent Consultant. The long-term insurance provision was valued by the appointed Actuary – Mr. Philip Jackson.

2.3.3 Financial instruments

2.3.3.1 Financial assets

a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and quoted and unquoted financial instruments.

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis.

Or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses'. Interest is accrued and presented in 'Investment income' using the effective interest rate (EIR). Dividend income is recorded in 'Investment income' when the right to the payment has been established.

The Company evaluates its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Available-for-sale financial assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve (equity). Where the insurer holds more than one investment in the same security that they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the statement of income as 'Investment income' when the right of the payment has been established. When the asset is derecognised the cumulative gain or loss is recognised in realized gain on disposal of available for sale investments, or determined to be impaired, or the cumulative loss is recognised in the statement of income in realized loss on disposal of available for sale investments and removed from the available-for-sale reserve.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of income.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'investment income' in the statement of income. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment. The EIR amortisation is included in 'Investment income' in the statement of income. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

c) Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Company has transferred substantially all the risks and rewards of the asset

Or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

d) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial assets carried at amortised cost (Contd.)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'other income' in the statement of income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Company treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income – is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income.

e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently 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. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.3.3.2 Financial liabilities

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using effective interest rate method. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities comprise of bank overdraft, interest bearing borrowings and other financial liabilities.

2.3.3.3 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and 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.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Determination of fair values

a) Financial instruments in level I

The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the last traded price in an active market. These instruments are included in level I.

b) Financial instruments in level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level II. Instruments included in level II comprise primarily investments in Treasury bills and Treasury bonds issued by the Government of Sri Lanka.
Specific valuation techniques used to value financial instruments include;

- Present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

The table below shows the different basis used in assessing the fair value of financial instruments,

Instrument category	Instrument	Fair value basis and assumptions	Fair value Hierarchy
Available for sale instruments	Treasury Bonds & Bills	Valued using market prices (the bid quotes) available in the market.	Level 02
Fair value through profit and loss	Unit Trust	Valued using market prices (the bid quotes) available in the market.	Level 02

2.3.4 Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance is recorded gross in the reporting date unless a right to offset exists. If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognizes a loss in the statement of income.

A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the reinsurer. Reinsurance assets are de-recognized when the contractual rights are extinguished or expired or the contract is transferred to another party.

2.3.5 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3.3.1 (c) have been met.

2.3.6 Other receivables and dues from related parties

Other receivables and dues from related parties are measured on initial recognition at the fair value and subsequently measured at amortised cost.

2.3.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the company cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.3.8 Intangible assets

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

Basis of measurement

Intangible assets acquired separately are initial recognized at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite useful life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied these assets. All other expenditure is expensed when incurred.

De-recognition

Intangible assets are de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as difference between the net disposal proceeds and the carrying amount of the asset are included in the statement of income.

Amortization

Amortization is recognized in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.
The estimated useful life of computer software is 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.3.9 Property and equipment

Basis of recognition

Property and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

Basis of measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation/ impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Cost model

The Company applies the cost model to all property, plant and equipment.; which records at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized 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 de-recognized. The costs of the repair and maintenance of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. 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 recognized in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods and useful life spans are assessed at the reporting date. The estimated useful lives for the current year are as follows:

- Furniture and Fittings	5 Years
- Office Equipment	5 Years
- Computer equipment	5 Years
- Air Conditioners	5 Years

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in the statement of income.

2.3.10 Leases

The Company leases various office spaces. Rental contracts are typically made for fixed periods of 6 months to 10 years, but may have extension options as described in Note 5.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.3.11 Impairment of non-financial assets

The carrying amounts of the Company's Non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in statement of income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

2.3.12 Insurance contract liabilities

a) Insurance provision-life insurance

Life insurance liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IRCSL specified guidelines and current assumptions which vary based on the contract type.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

In the accounting policy for insurance liabilities that have been adopted for the Company, realised gains or losses on certain assets have a direct effect on the measurement of certain related insurance assets and liabilities. This is either because of the way that the accounting model works or because the policyholder has a contractual right linked to realised gains and losses only. In these situations, if unrealised gains or losses on these assets exist, the Company applies 'shadow accounting'. By applying shadow accounting, the Company treats the impact of unrealised gains or losses on insurance assets and liabilities affected by an unrealised gain or loss on a financial asset in the same way as the realised gain or loss on that asset. In particular, the related adjustment to insurance liabilities is recognised in equity if the unrealised gains or losses are recognised directly in equity. Shadow accounting is consistently applied to all those situations where realised gains and losses on investments would influence insurance assets and/or insurance liabilities, and unrealised gains and losses on those investments exist. Where applicable, the adjustment to insurance liabilities is recognised in a manner consistent with the recognition of the unrealised gains and losses on the investments.

As required by the SLFRS 4 - Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Life insurance contract liabilities with the assistance of an external actuary. 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.

b) Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio whose amount or timing is contractually at the discretion of the Company. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

2.3.13 Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

2.3.14 Other liabilities

Liabilities are recognized in the financial position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

Obligations payable at the demand of the creditor within one year of the statement of financial position date are treated as current liabilities. Liabilities payable after one year from the reporting date are treated as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.3.15 Provisions

Provisions are made for all obligations existing as at the statement of financial position date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.3.16 Employee benefits

a) 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 will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of income in the periods during which services are rendered by employees.

i) Employees' Provident Fund (EPF)

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the above-mentioned funds.

ii) Employees' Trust Fund (ETF)

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

b) Defined benefits plans

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 by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; and discounting that benefit to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit (PUC) method as recommended by LKAS 19 - Employee Benefits.

Actuarial gains and losses are charged or credited to other comprehensive income statement in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 18.3 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

This retirement benefit obligation is not externally funded.

c) 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 recognized 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.

2.3.17 Equity

a) Stated capital

Stated capital in relation to the Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of calls on shares.

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

b) Movement of reserves

Movement of reserves is disclosed in the statements of changes in equity.

2.3.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes.

Gross written premium

Life insurance

Gross written premiums on life insurance contracts are recognized as revenue when payable by the policyholder. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies.

For single premium business, revenue is recognized on the date on which the policy is effective.

Premium ceded to reinsurers

Gross reinsurance premiums on insurance contracts are recognized 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 reinsurers.

Fees and commission income

Policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon the issue of the insurance policies.

Interest income

Interest income and expenses are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Other income

Other income is recognized on an accrual basis.

2.3.19 Benefits, claims and expenses

Life insurance business

Expenses relate to the acquisition and maintenance of Long-term insurance business. Claims by death or maturity are charged on notification of death or on expiry of the term. Claims payable includes direct cost of settlement. Interim payments and surrenders are accounted for at the time of settlement.

Reinsurance claims

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

Underwriting and acquisition costs

Underwriting and acquisition costs are recognised on the same basis premium income is recognised in the statement of income.

Other expenses

Expenses are recognized in the statement of income 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 & equipment in a state of efficiency has been charged to statement of income in arriving at the profit for the year.

For the presentation of the statement of income the Directors are of the opinion that the nature of the expenses method presents fairly the element of the Company's performance, and hence such presentation method is adopted.

Repairs and renewals are charged to the statement of income in the year in which the expenditure is incurred.

Finance costs

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets (other than trade receivables), that are recognized in in the statement of income.

2.3.20 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Reporting date, and any adjustment to tax payable in respect of previous years.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No 24 of 2017 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

2.3.21 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense, in the statement of income.

2.3.22 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees) of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

All foreign exchange gains and losses are presented in the statement of income on a net basis within other income or other expenses.

2.3.23 Earnings per share

The Company presents basic/ diluted earnings per share data for its ordinary shares. Basic earnings per share 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.

2.3.24 Cash flow statement

The Cash flow statement has been prepared using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 'statement of cash flows'.

3 PROPERTY AND EQUIPMENT

	Furniture & Fittings Rs.	Equipment Rs.	Computer Hardware Rs.	Total Rs.
Cost				
At 01 January 2022	39,698,826	28,303,662	46,478,395	114,480,883
Additions	-	3,171,050	4,388,626	7,559,676
At 01 January 2023	39,698,826	31,474,712	50,867,021	122,040,559
Additions	-	-	2,938,800	2,938,800
As at 31st December 2023	39,698,826	31,474,712	53,805,821	124,979,359
Accumulated depreciation				
At 01 January 2022	36,720,865	25,664,976	36,665,228	99,051,069
Charge for the year	1,587,732	2,180,388	4,005,723	7,773,843
At 01 January 2023	38,308,597	27,845,364	40,670,951	106,824,912
Charge for the year	823,856	1,386,789	3,754,399	5,965,043
As at 31st December 2023	39,132,452	29,232,153	44,425,350	112,789,955
Carrying amount				
As at 31st December 2023	566,373	2,242,560	9,380,471	12,189,404
As At 31 December 2022	1,390,230	3,629,347	10,196,070	15,215,647

3.1 During the financial year, the Company acquired property and equipment to the aggregate value of Rs. 2,938,800 (2022 - Rs.7,559,676). Cash payments amounting to Rs. 2,938,800 (2022 - Rs. 7,559,676) were made during the year for purchase of property and equipment.

As at 31 December 2023, the gross carrying value of the property and equipment fully depreciated that is still in use amounted to Rs 101,158,744 (2022 - Rs 84,740,868).

4 LEASES

This note provides information for leases where the Company is a lessee.

4.1 Amounts recognised in the statement of financial position

	2023 Rs.	2022 Rs.
Right-of-use assets		
Buildings	33,341,968	65,968,754
	33,341,968	65,968,754
Movements of right-of-use assets during the year are as follows:		
Balance as at 1 January	65,968,754	104,260,063
Remeasurement	(21,558,832)	(20,845,987)
Depreciation during the year	(11,067,954)	(17,445,322)
As at 31st December	33,341,968	65,968,754
Lease liabilities		
Current	25,682,947	25,221,874
Non-current	62,159,961	93,496,136
	87,842,908	118,718,010

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4 **LEASES (Contd...)**

Movements of lease liabilities during the year are as follows:	**2023**	**2022**
Balance as at 1 January	118,718,010	148,665,101
Remeasurement	(21,558,832)	(21,951,954)
Payments during the year	(24,601,392)	(22,245,017)
Interest for the year	15,285,122	14,249,880
As at 31st December	87,842,908	118,718,010

4.2 Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023 Rs.	**2022 Rs.**
Depreciation charge of right-of-use assets -Buildings	11,067,954	17,445,322
Interest expense (included in finance cost)	15,285,122	14,249,880
The total cash outflow for leases were,	24,601,392	22,245,017

4.3 Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable only by the Company and not by the respective lessor.

4.4 Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2023, potential future cash outflows of all lease liabilities have been included in the lease

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5 INTANGIBLE ASSETS

	2023 Rs.	2022 Rs.
Computer software		
Cost		
Balance as at 1 January	78,443,928	75,739,462
Additions	10,001,585	2,704,466
As at 31st December	88,445,513	78,443,928
Amortization and impairment losses		
Balance as at 1 January	68,951,541	63,511,484
Charge for the year	6,545,147	5,440,057
As at 31st December	75,496,688	68,951,541
Carrying amount		
As at 31st December	12,948,825	9,492,387

5.1 During the financial period, the Company acquired intangible assets to the aggregate value of Rs. 10,001,585 (2022 - Rs. 2,704,446). Cash payments amounting to Rs. 10,001,585 (2022 - Rs. 2,704,446) were made during the year for the purchase of intangible assets.

6 INVESTMENTS IN ASSOCIATE

Name of entity	Place of business / country of incorporation	Principal activities	No of shares 2023	No of shares 2022	Holding % 2023	Holding % 2022	Cost 2023 Rs.	Cost 2022 Rs.
Serendib Microinsurance Plc	Kingdom of Cambodia	Life and Non-Life Insurance	450,000	450,000	45%	45%	89,550,000	89,550,000
							89,550,000	89,550,000

In June 2021, The Company invested in 45% voting shares of Serendib Microinsurance Plc (SMIPLC).

The Company has applied the exemption from applying the equity method to the investment in associate. Company's ultimate parent LOLC Holdings PLC with its registered office in No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya produces consolidated financial statements which includes LOLC Life Assurance Limited and Serendib Microinsurance Plc.

Summarized financial information of investments in associate For the year ended 31 December	2023 Rs.	2022 Rs.
Revenue	1,123,512,107	424,966,808
Net change in reserves for unearned premium	(365,185,581)	(215,456,123)
Net earned premium	758,326,526	209,510,685
Other income	3,807,992	1,328,635
Investment income	33,662,185	5,538,292
Benefits, claims and expenses		
Insurance claims and benefits (net)	(313,599,237)	(99,400,282)
Underwriting and net acquisition costs	(248,307,703)	(63,518,104)
Other operating and administrative expenses	(220,620,269)	(98,627,891)
Interest expenses	(171,212)	(256,364)
Profit/(loss) before income tax expense	13,098,282	(45,425,030)
Income tax expenses	(56,315,847)	(21,262,030)
Loss after taxation	(43,217,565)	(66,687,060)

As at 31 December	2023 Rs.	2022 Rs.
Total assets	1,395,354,918	427,267,673
Total liabilities	1,332,316,753	301,538,231
Net assets	63,038,165	125,729,442

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		Note	2023 Rs.	2022 Rs.
7	**INVESTMENT SECURITIES**			
	Available-for-sale investment securities	7.1	8,874,136,428	4,428,312,650
	Loans and receivables	7.2	4,891,672,445	4,665,929,966
	Fair value through profit or loss	7.3	498,884,193	-
			14,264,693,066	9,094,242,616
7.1	**Available-for-sale investment securities**			
	Government securities	7.1.1	8,874,136,428	4,428,312,650
			8,874,136,428	4,428,312,650

7.1.1 **Government securities**	2023 Cost Rs.	2023 Fair Value Rs.	2022 Cost Rs.	2022 Fair Value Rs.
Treasury bonds	8,546,492,452	8,827,301,154	6,664,534,072	4,428,312,650
Treasury bills	46,663,550	46,835,274	-	-
	8,593,156,002	8,874,136,428	6,664,534,072	4,428,312,650

7.1.2 The Company uses the Level 02 input to fair value the above financial assets.

Description		Cost Rs.	Duration	Coupon Rate	Yield	Fair Value Rs.
Treasury bonds - counter party						
FIRST CAPITAL TREASURIES PLC	LKB01025C157	200,054,400	10 Years	10.25%	10.25%	198,757,789
FIRST CAPITAL TREASURIES PLC	LKB01528I017	104,165,800	13 Years	10.98%	11.50%	94,335,613
FIRST CAPITAL TREASURIES PLC	LKB01528I017	52,012,950	13 Years	11.00%	11.50%	47,167,807
FIRST CAPITAL TREASURIES PLC	LKB01528I017	52,188,150	13 Years	10.95%	11.50%	47,167,807
SEYLAN BANK	LKB01530E152	97,869,900	15 Years	11.83%	11.00%	88,631,626
SEYLAN BANK	LKB01025C157	198,094,000	10 Years	11.35%	10.25%	198,757,789
FIRST CAPITAL TREASURIES PLC	LKB01326B011	367,077,766	5 1/2 Years	6.60%	9.00%	304,352,646
FIRST CAPITAL TREASURIES PLC	LKB01226F014	122,630,700	6 Years	6.65%	11.00%	95,171,337
ACUITY SECURITIES LIMITED	LKB00827J152	59,753,300	7 1/3 Years	7.19%	10.30%	45,824,604
FIRST CAPITAL TREASURIES PLC	LKB01628G019	335,517,600	7 Years	7.08%	9.00%	263,503,620
WEALTHTRUST SECURITIES LIMITED	LKB01026H014	60,429,600	5 Years	7.48%	11.50%	49,786,971
FIRST CAPITAL TREASURIES PLC	LKB01028C151	257,882,240	7 Years	8.00%	10.75%	204,702,623
FIRST CAPITAL TREASURIES PLC	LKB01528E016	106,335,300	7 Years	8.20%	9.00%	85,158,681
FIRST CAPITAL TREASURIES PLC	LKB01027L154	48,958,050	5 Years	12.00%	11.25%	46,202,332
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	45,342,100	11 Years	12.90%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	45,747,050	11 Years	12.75%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	45,476,500	11 Years	12.85%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01032G014	38,834,550	9 Years	25.00%	18.00%	63,741,334
FIRST CAPITAL TREASURIES PLC	LKB01032G014	43,432,650	9 Years	22.95%	18.00%	63,741,334
WEALTHTRUST SECURITIES LIMITED	LKB00426E154	89,560,900	3 Years	22.50%	28.00%	121,147,897
WEALTHTRUST SECURITIES LIMITED	LKB00426E154	91,846,400	3 Years	22.50%	26.85%	121,147,897
ACUITY SECURITIES LIMITED	LKB00527E019	83,099,200	5 Years	28.07%	18.00%	113,610,860
FIRST CAPITAL TREASURIES PLC	LKB00729G156	37,995,850	7 Years	28.00%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00729G156	37,694,750	7 Years	28.25%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00425F013	88,449,300	3 Years	22.50%	17.00%	105,669,173
WEALTHTRUST SECURITIES LIMITED	LKB00729G156	133,728,000	6 Years	14.00%	20.00%	131,642,489
FIRST CAPITAL TREASURIES PLC	LKB01530E152	42,183,600	7 Years	15.20%	11.00%	44,315,813
FIRST CAPITAL TREASURIES PLC	LKB01530E152	85,103,200	7 Years	15.00%	11.00%	88,631,626
WEALTHTRUST SECURITIES LIMITED	LKB01032G014	83,190,965	9 Years	13.03%	18.00%	82,863,734
WEALTHTRUST SECURITIES LIMITED	LKB00426E154	63,117,350	3 Years	13.50%	22.50%	60,573,949
WEALTHTRUST SECURITIES LIMITED	LKB00527I150	59,334,350	5 Years	14.73%	20.00%	61,565,026
WEALTHTRUST SECURITIES LIMITED	LKB01032G014	191,189,850	8 1/2 Years	14.15%	18.00%	191,224,001
FIRST CAPITAL TREASURIES PLC	LKB00425F013	88,934,700	3 Years	22.25%	17.00%	105,669,173
FIRST CAPITAL TREASURIES PLC	LKB01528E016	212,670,600	7 Years	8.20%	9.00%	170,317,363
FIRST CAPITAL TREASURIES PLC	LKB01528E016	106,188,600	7 Years	8.02%	9.00%	85,158,681
FIRST CAPITAL TREASURIES PLC	LKB01528E016	104,888,847	7 Years	8.04%	9.00%	84,201,498
FIRST CAPITAL TREASURIES PLC	LKB01528E016	106,134,900	7 Years	8.03%	9.00%	85,158,681
FIRST CAPITAL TREASURIES PLC	LKB00527E019	86,381,900	5 Years	22.75%	18.00%	113,610,860
FIRST CAPITAL TREASURIES PLC	LKB00527E019	87,038,100	5 Years	22.50%	18.00%	113,610,860
FIRST CAPITAL TREASURIES PLC	LKB00527E019	259,183,500	5 Years	23.00%	18.00%	340,832,580
FIRST CAPITAL TREASURIES PLC	LKB00729G156	40,213,100	7 Years	26.25%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00729G156	40,546,250	7 Years	26.00%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00729G156	41,922,500	7 Years	25.00%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00729G156	41,571,750	7 Years	25.25%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00931E153	45,178,800	9 Years	21.00%	18.00%	59,637,839
FIRST CAPITAL TREASURIES PLC	LKB00425F013	43,155,200	3 Years	24.50%	17.00%	52,834,587
FIRST CAPITAL TREASURIES PLC	LKB00425F013	44,767,400	3 Years	22.75%	17.00%	52,834,587
FIRST CAPITAL TREASURIES PLC	LKB00425F013	44,298,600	3 Years	23.25%	17.00%	52,834,587

7 INVESTMENT SECURITIES (Contd...)

Description		Cost Rs.	Duration	Coupon Rate	Yield	Fair Value Rs.
Treasury bonds - counter party						
FIRST CAPITAL TREASURIES PLC	LKB00425F013	43,607,700	3 Years	24.00%	17.00%	52,834,587
FIRST CAPITAL TREASURIES PLC	LKB00527E019	81,484,600	5 Years	28.75%	18.00%	113,610,860
ACUITY SECURITIES LIMITED	LKB00628A153	131,779,800	5 Years	25.05%	18.00%	180,716,121
ACUITY SECURITIES LIMITED	LKB00426E154	180,005,400	3 Years	28.22%	22.50%	242,295,795
WEALTHTRUST SECURITIES LIMITED	LKB00628A153	96,080,300	5 Years	22.00%	18.00%	120,477,414
WEALTHTRUST SECURITIES LIMITED	LKB00628A153	48,345,200	5 Years	21.85%	18.00%	60,238,707
WEALTHTRUST SECURITIES LIMITED	LKB01032G014	49,631,650	9 Years	20.25%	18.00%	63,741,334
FIRST CAPITAL TREASURIES PLC	LKB01032G014	98,645,900	9 Years	20.40%	18.00%	127,482,668
FIRST CAPITAL TREASURIES PLC	LKB01530E152	42,924,000	7 Years	14.80%	11.00%	44,315,813
FIRST CAPITAL TREASURIES PLC	LKB01530E152	43,491,000	7 Years	14.50%	11.00%	44,315,813
FIRST CAPITAL TREASURIES PLC	LKB01530E152	43,111,900	7 Years	14.70%	11.00%	44,315,813
FIRST CAPITAL TREASURIES PLC	LKB01530E152	43,300,900	7 Years	14.60%	11.00%	44,315,813
FIRST CAPITAL TREASURIES PLC	LKB01530E152	42,737,250	7 Years	14.90%	11.00%	44,315,813
WEALTHTRUST SECURITIES LIMITED	LKB00931E153	64,274,750	7 Years	13.10%	18.00%	59,637,839
NATIONS TRUST BANK PLC	LKB01027F156	52,546,400	6 Years	11.50%	11.75%	47,364,804
ACUITY SECURITIES LIMITED	LKB00827J152	239,013,200	7 1/3 Years	7.19%	10.30%	183,298,414
FIRST CAPITAL TREASURIES PLC	LKB00524F153	44,971,711	4 Years	7.45%	10.25%	40,609,067
FIRST CAPITAL TREASURIES PLC	LKB01628G019	223,678,400	7 Years	7.08%	9.00%	175,669,080
ACUITY SECURITIES LIMITED	LKB00526A159	501,810,000	5 Years	7.32%	6.75%	455,416,840
FIRST CAPITAL TREASURIES PLC	LKB01528E016	212,670,600	7 Years	8.20%	9.00%	170,317,363
WEALTHTRUST SECURITIES LIMITED	LKB01528I017	60,725,600	7 Years	8.07%	11.50%	47,167,807
WEALTHTRUST SECURITIES LIMITED	LKB01528I017	202,807,600	7 Years	11.64%	11.50%	188,671,227
WEALTHTRUST SECURITIES LIMITED	LKB01025H016	23,898,151	4 Years	7.20%	11.00%	20,486,587
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	46,157,300	11 Years	12.60%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	46,295,250	11 Years	12.55%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	45,883,200	11 Years	12.70%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	46,433,800	11 Years	12.50%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	45,208,250	11 Years	12.95%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	46,019,950	11 Years	12.65%	11.20%	44,958,138
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	45,611,500	11 Years	12.80%	11.20%	44,958,138
FIRST CAPITAL TREASURIES PLC	LKB00527E019	85,732,600	5 Years	23.00%	18.00%	113,610,860
FIRST CAPITAL TREASURIES PLC	LKB00729G156	36,244,350	7 Years	29.50%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00729G156	35,964,850	7 Years	29.75%	20.00%	65,821,244
FIRST CAPITAL TREASURIES PLC	LKB00425F013	42,709,050	3 Years	25.00%	17.00%	52,834,587
ACUITY SECURITIES LIMITED	LKB01032G014	42,596,900	9 Years	22.00%	17.00%	63,741,334
WEALTHTRUST SECURITIES LIMITED	LKB01533A154	33,468,100	10 Years	20.00%	11.20%	44,958,138
NATIONS TRUST BANK PLC	LKB00527E019	220,682,750	5 Years	23.50%	18.00%	284,027,150
FIRST CAPITAL TREASURIES PLC	LKB01530E152	42,367,050	7 Years	15.10%	11.00%	44,315,813
FIRST CAPITAL TREASURIES PLC	LKB00425F013	89,423,700	3 Years	23.02%	18.00%	105,669,173
FIRST CAPITAL TREASURIES PLC	LKB01028C151	93,775,360	7 Years	8.00%	10.75%	74,437,317
ACUITY SECURITIES LIMITED	LKB00426E154	45,001,350	3 Years	28.22%	22.50%	60,573,949
FIRST CAPITAL TREASURIES PLC	LKB00827A151	1,038,726	5 Years	15.22%	11.40%	1,093,405
FIRST CAPITAL TREASURIES PLC	LKB00827H156	122,965,336	7 Years	7.08%	7.80%	98,174,843
Treasury Bills - counter party						
WEALTHTRUST SECURITIES LIMITED	LKA18224F219	46,663,550	6 months	14.30%	14.30%	46,835,274
		8,593,156,002				8,874,136,428

7.2 Loans and receivables

	2023 Rs.	2022 Rs.
Repurchase agreements (less than 3 months)	757,378,600	641,493,141
Debentures	1,965,182,263	2,079,560,190
Commercial papers	1,679,566,373	1,637,038,334
Assets backed Securities	51,136,986	51,123,288
Term deposits	292,274,659	127,976,694
Term deposits- Mudharabaha	146,133,564	128,738,319
	4,891,672,445	4,665,929,966

7.3 Fair value through profit or loss

	2023 Rs.	2022 Rs.
Investment in unit trusts	498,884,193	-
	498,884,193	-

8 POLICYHOLDER AND OTHER LOANS

	2023 Rs.	2022 Rs.
Policy loans	100,932,644	89,614,063
Staff loans	191,500	200,500
	101,124,144	89,814,563

		2023	2022
9	**REINSURANCE RECEIVABLES**	**Rs.**	**Rs.**
	Reinsurance receivable on claims outstanding	62,149,588	60,236,644
		62,149,588	60,236,644

9.1 An ageing of reinsurance receivable on outstanding claims is as follows

	2023	2022
Less than 365 days	41,124,556	45,122,571
over 365 days	21,025,032	15,114,073
	62,149,588	60,236,644

			2023	2022
10	**PREMIUMS RECEIVABLE**		**Rs.**	**Rs.**
	Due from policyholders	10.1	565,279,748	406,794,443
	Total insurance receivables		565,279,748	406,794,443

10.1 As at 31 December 2023, premiums receivables of Rs. 238,294,412 (2022 - Rs. 153,430,355) were past due but not impaired. These relate to a number of corporate customers for whom there is no recent history of default. The ageing analysis of these premiums receivables are as follows:

	2023	2022
Within the credit period		
0 to 60 days	326,985,336	253,364,088
Past due but not impaired		
60 days to 365 days	230,361,348	149,814,417
Over 365 days	7,933,064	3,615,938
	238,294,412	153,430,355
	565,279,748	406,794,443

			2023	2022
11	**AMOUNTS DUE FROM RELATED PARTIES**		**Rs.**	**Rs.**
	LOLC Finance PLC	Other Related Company	-	25,604,465
	Brown & Company PLC	Other Related Company	1,305	-
			1,305	25,604,465

			2023	2022
12	**OTHER ASSETS**	**Note**	**Rs.**	**Rs.**
	Financial assets	12.1	1,573,085	2,012,882
	Other assets	12.2	76,110,627	43,833,028
			77,683,712	45,845,910

		2023	2022
12.1	**Financial assets**		
	Refundable deposits	1,573,085	2,012,882
		1,573,085	2,012,882

		2023	2022
12.2	**Other assets**		
	Advances and prepayment	30,363,038	28,452,544
	Withholding taxes recoverable	35,950,135	-
	Benevolent loan - Life takaful	500,000	500,000
	Prepayments	9,297,454	14,880,484
		76,110,627	43,833,028

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13 CASH AND CASH EQUIVALENTS IN THE CASH FLOWS STATEMENTS

		2023 Rs.	2022 Rs.
	Components of cash and cash equivalents		
13.1	**Favourable cash and bank balances**		
	Bank balance	401,541,830	340,988,125
	Cash in hand	75,000	75,000
	Cash and bank balances	401,616,830	341,063,125
13.2	**Unfavourable bank balances**		
	Bank overdraft balance	(38,368,453)	(20,577,932)
	Short-term investments		
13.3	Placement with financial institutions (less than 3 months) (Note 7.2)	757,378,600	641,493,141
	Cash and cash equivalent for the statement of cash flows	1,120,626,977	961,978,334

13.4 Net debt reconciliation

This section sets out an analysis of net debt and movements in net debt for each of the periods presented

	2023 Rs.	2022 Rs.
Cash and cash equivalents	1,120,626,977	961,978,334
Borrowings		
Interest bearing borrowings	(141,634,769)	(150,854,072)
Lease liabilities	(87,842,907)	(118,718,010)
Net cash	**891,149,301**	**692,406,253**
Cash and cash equivalents	1,120,626,977	961,978,334
Gross debt – fixed interest rates	(229,477,676)	(269,572,081)
Net cash	**891,149,301**	**692,406,253**

	Liability from financing activities		**Assets**	**Total**
	Interest bearing borrowings	Lease liabilities	Cash and cash equivalents	
Net debt as at 1 January 2022	(78,201,112)	(148,665,101)	700,436,878	473,570,665
Cash flows	-	-	261,541,456	261,541,456
Loans obtained from related parties	-	-	-	-
Initial fair value adjustment (Transferred to a separate reserve)	-	-	-	-
Interest amortised	(7,664,752)	(14,249,880)	-	(21,914,631)
Translation gain	(64,988,208)	-	-	(64,988,208)
Remeasurments		21,951,954		21,951,954
Lease payments during the year	-	22,245,017	-	22,245,017
Net debt as at 31 December 2022	(150,854,072)	(118,718,010)	961,978,334	692,406,253
Cash flows	-	-	158,648,643	158,648,643
Loans obtained from related parties	-	-	-	-
Interest amortised	(8,208,414)	(15,285,122)	-	(23,493,536)
Translation gain	17,427,717	-	-	17,427,717
Remeasurments	-	21,558,832	-	21,558,832
Lease payments during the year	-	24,601,392	-	24,601,392
Net debt as at 31 December 2023	(141,634,769)	(87,842,908)	1,120,626,977	891,149,301

		2023		2022	
14	**STATED CAPITAL**	**No. of shares**	**Rs.**	**No. of shares**	**Rs.**
14.1	Fully paid ordinary shares	135,000,000	1,350,000,000	135,000,000	1,350,000,000

		2023		2022	
14.2	**Fully paid ordinary shares**	**No. of shares**	**Rs.**	**No. of shares**	**Rs.**
	Balance at beginning of the year	135,000,000	1,350,000,000	135,000,000	1,350,000,000
	Shares issued during the year (Note 14.2.1)	-	-	-	-
	Balance at end of the year	135,000,000	1,350,000,000	135,000,000	1,350,000,000

14.2.1 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 meetings of the Company.

15 CAPITAL RESERVES

15.1 Restricted regulatory 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.

15.2 Available for sale reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

15.3 Other reserves

Other reserve comprises of the day 01 fair value gain arising on the initial recognition of the related party loan obtained at a favourable interest rate.

16 INSURANCE CONTRACT LIABILITIES

	Notes	2023 Insurance Contract liabilities Rs.	2022 Insurance Contract liabilities Rs.
Life insurance contracts	16.1	9,529,588,904	6,074,044,114
Total insurance contract liabilities		9,529,588,904	6,074,044,114

The Company has satisfied liability adequacy test in life insurance businesses.

16.1 Life insurance contract liabilities

	2023 Insurance Contract liabilities Rs.	2023 Reinsurance of liabilities Rs.	2023 Adjustment Rs.	2023 Net Rs.	2022 Insurance Contract liabilities Rs.	2022 Reinsurance of liabilities Rs.	2022 Adjustment Rs.	2022 Net Rs.
At 01 January	6,657,117,808	(751,504,927)	-	5,905,612,881	6,717,877,991	(630,603,883)	-	6,087,274,108
Premiums received	5,575,626,060	(310,636,032)	-	5,264,990,028	4,961,325,527	(275,448,612)	-	4,685,876,915
Claims incurred	(2,700,016,071)	172,753,606	-	(2,527,262,465)	(1,681,005,674)	125,846,273	-	(1,555,159,401)
Fees deducted	(282,183,030)	33,612,355	-	(248,570,675)	(397,873,094)	28,701,295	-	(369,171,799)
Investment return and other income	1,288,195,567	-	-	1,288,195,567	922,080,179	-	-	922,080,179
Expenses	(1,863,796,760)	-	-	(1,863,796,760)	(1,590,296,477)	-	-	(1,590,296,477)
Gratuity - actuarial gain/(loss)	(206,656)	-	-	(206,656)	1,762,325	-	-	1,762,325
Net gain / (loss) on available-for-sale assets - Life	1,748,913,097	-	-	1,748,913,097	(1,526,752,969)	-	-	(1,526,752,969)
Life (surplus) / deficit transfer	(300,000,000)	-	-	(300,000,000)	(750,000,000)	-	-	(750,000,000)
	10,123,650,015	(855,774,998)	-	9,267,875,017	6,657,117,808	(751,504,927)	-	5,905,612,881
Claims outstanding	261,713,887	(62,149,588)	62,149,588	261,713,887	168,431,233	(60,236,644)	60,236,644	168,431,233
	10,385,363,902	(917,924,586)	62,149,588	9,529,588,904	6,825,549,041	(811,741,571)	60,236,644	6,074,044,114

16.2 Liability Adequacy Test (LAT) was performed for the Life insurance reserves as required by SLFRS 4 - Insurance Contracts, to identify whether the recorded reserves are adequate to meet future liabilities. The LAT for Life insurance was performed by the appointed Actuary –Philip Jackson and it has been concluded that the recorded reserves in respect of the Life insurance business of the company as at 31st December 2023 are adequate to meet the future liabilities of the business.

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16 INSURANCE CONTRACT LIABILITIES (Contd...)

16.3 One-off Surplus

- The Calculation of One-off surplus, comply with the IRCSL final guidelines (Section 96 A of the Regulation of Insurance Industry Act, No. 43 of 2000).
- The One-off Surplus determined by the Company is not less than the One-off Surplus as per the recommended approach by IRCSL.
- The Company calculated one-off surplus as at 1 January 2018 as follows.
    - One-off Surplus = Max (0, NPV Liabilities – GPV Liabilities)
    - NPV liabilities – minimum regulatory basis + other provisions for prudence
    - GPV Liabilities – RBC reserves but floored at zero at product/rider level

The table below sets out the One-off Surplus of the Company:

Line item	NPV liability	GPV liability	One-off Surplus	Release of one-off surplus as per IRCSL approval	Par fund-undistributed one of surplus
	Rs.	Rs.	Rs.	Rs.	Rs.
Participating business	206,847,654	50,542,694	156,304,960	-	156,304,960
Other than participating business	961,864,439	705,730,059	256,134,380	(256,134,380)	-
Total company level	**1,168,712,093**	**756,272,753**	**412,439,340**	**(256,134,380)**	**156,304,960**

For other than participating business, the One-off Surplus determined based on the recommendation above may be transferred to the shareholder fund (SHF) upon receiving approval from the IRCSL. One-off Surplus in respect of participating business should be held within the partipating fund as part of the unallocated valuation surplus and may only be transferred to the SHF by means of bonuses to policy holders in line with Section 38 of the "Regulation of Insurance Industry, Act No.43 of 2000".

The One-off Surplus amount, once transferred to the shareholder fund (SHF), shall remain unchanged until further notice from the IRCSL or until distributed to shareholders upon explicit approval of the IRCSL.

The one-off surplus amount released from the insurance contract liabilities has been presented on the financial statements as "Restricted Regulatory Reserve" and will be available to demonstrate the solvency strength only. Distribution of One-off Surplus to share holders, held as part of the Restricted Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL.

Investments Supporting One-Off Surplus

Government Debt Securities (ISIN No.)	Carrying Value Rs.
1. Treasury Bond	
a) Acuity Securities Limited LKB00628A153	180,716,121
b) Acuity Securities Limited LKB00426E154	242,295,795

Above Treasury Bonds (ISIN No. LKB00628A153 & LKB00426E154) have been allocated to the released One-off surplus of Rs. 256,134,380.

17 INTEREST BEARING LOANS AND BORROWINGS

	Company 2023 Rs.	Company 2022 Rs.
Amount payable within one year	-	-
Amount payable after one year	141,634,769	150,854,072
	141,634,769	150,854,072
Movements of interest bearing loans and borrowings		
Balance at the beginning of the year	150,854,072	78,201,112
Interest amortised	8,208,414	7,664,752
Translation (gain) / loss	(17,427,717)	64,988,208
Balance at the end of the year	141,634,769	150,854,072

Details of related party loans included in interest bearing loans and borrowings

Lender	Relationship	Interest rate	Currency	Repayment Terms	Security	2023	2022
LOLC Global Private Limited	Subsidiary of ultimate parent company	2.50%	USD	05 Years from the date of disbursement	Unsecured	141,634,769	150,854,072
						141,634,769	150,854,072

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		2023	2022
18	**RETIREMENT BENEFIT OBLIGATIONS**	**Rs.**	**Rs.**
18.1	**Defined benefit liability**		
	Defined benefit liability (18.2)	20,292,528	22,228,004
		20,292,528	22,228,004
18.2	**Changes in the defined benefit liabilities are as follows:**		
	Defined benefit obligation as of 01 January	22,228,004	18,611,691
	Amounts recognised in profit or loss		
	Current service cost	5,816,390	5,184,289
	Interest costs	3,556,480	2,140,344
	Amount recognised in other comprehensive income		
	Actuarial gain /loss	206,656	(1,762,325)
	Gratuity payment	(11,515,002)	(1,945,995)
	Defined benefit liability as of 31 December	20,292,528	22,228,004
18.3	**Key assumptions used in the above valuation are as follows:**		
	Discount rate	13.00%	16.00%
	Future salary increases	11.00%	13.00%
	Retirement age	60 Years	60 Years

An actuarial valuation for the gratuity liability was carried out as at 31st December 2023, by Mr. Piyal S. Gunathilake who is a Chartered Actuary. The valuation method used by the actuaries to value the fund is the "Projected Unit Credit Actuarial Cost Method" recommended by LKAS. 19 on Employee Benefit.

18.4 Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Comprehensive Income.

Assumption	Rate change %	Impact to Financial Position-Increment/ (Reduction) of Liability	Impact to Comprehensive Income-Charged/(Reversal)
Financial year 2023			
Discount rate	1+	(1,621,030)	(1,621,030)
Discount rate	1-	1,886,369	1,886,369
Salary increment rate	1+	1,874,563	1,874,563
Salary increment rate	1-	(1,638,199)	(1,559,381)
Financial year 2022			
Discount rate	1+	(1,557,519)	(1,557,519)
Discount rate	1-	1,783,379	1,783,379
Salary increment rate	1+	1,758,363	1,758,363
Salary increment rate	1-	(1,559,381)	(1,559,381)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

18 RETIREMENT BENEFIT OBLIGATIONS (Contd...)

18.5 An undiscounted maturity analysis of gratuity liability is given below

	2023 Rs.	2022 Rs.
	3,376,246	3,770,552
1-2 years	11,633,656	11,954,916
3-5 years	46,460,754	62,044,176
Over 5 years	61,470,656	77,769,644

19 REINSURANCE CREDITORS

	2023 Rs.	2022 Rs.
Foreign reinsurers	117,563,378	138,219,473
	117,563,378	138,219,473

20 AMOUNTS DUE TO RELATED PARTIES

		2023 Rs.	2022 Rs.
LOLC Holdings PLC	Ultimate Parent	134,655,715	26,839,891
LOLC General Insurance PLC	Other Related Company	10,987,701	25,653,745
LOLC Finance PLC	Other Related Company	2,412,428	-
LOLC Technology Services Private Limited	Other Related Company	7,660,081	11,118,259
LOLC Corporate Services Limited	Other Related Company	245,000	245,000
		155,960,925	63,856,895

21 OTHER LIABILITIES

	2023 Rs.	2022 Rs.
Other financial liabilities (21.1)	371,352,020	348,570,589
Non-financial liabilities (21.2)	485,551,212	304,339,261
	856,903,232	652,909,850

21.1 Other financial liabilities

	2023 Rs.	2022 Rs.
Agency commission payable	125,113,852	169,316,345
Accrued expenses	39,489,118	33,146,688
Accounts payable	178,585,247	116,187,265
Other creditors	28,163,803	29,920,291
	371,352,020	348,570,589

21.2 Non-financial liabilities

	2023 Rs.	2022 Rs.
Policy holders advance payments	409,256,565	252,955,742
Benevolent loan	500,000	500,000
Stamp duty payable	31,260	26,300
EPF and ETF payable	4,198,647	7,131,027
PAYE tax payable	1,461,654	1,016,460
Withholding tax payable	986,958	45,595
Other accrued expenses	3,500,000	3,000,000
Crop Insurance Levy	5,811,973	4,802,635
Unidentified deposits	59,804,155	34,861,502
	485,551,212	304,339,261

		2023	2022
22	**NET WRITTEN PREMIUM**	**Rs.**	**Rs.**
22.1	**Gross premiums on insurance contracts**		
	Long term insurance	5,562,010,085	4,922,462,187
	Life Takaful	13,615,975	38,863,340
	Total gross premiums	5,575,626,060	4,961,325,527
22.2	**Premiums ceded to reinsurers on insurance contracts**		
	Life insurance	310,636,032	275,448,612
	Total premiums ceded to reinsurers	310,636,032	275,448,612
	Total net premiums	5,264,990,028	4,685,876,915

		2023	2022
23	**INVESTMENT INCOME**	**Rs.**	**Rs.**
23.1	**Available-for-sale financial assets**		
	Interest income Treasury Bonds	1,003,109,314	637,341,575
	Interest income Treasury Bills	14,921,600	-
		1,018,030,914	637,341,575
23.2	**Loans and Receivables**		
	Repurchase agreements	89,702,639	66,226,184
	Debentures	236,904,616	220,189,472
	Commercial papers	380,159,450	229,830,115
	Fixed deposit	56,569,734	25,288,076
	Asstes back Securities	5,000,000	4,986,302
		768,336,439	546,520,149
23.3	**Fair value through profit or loss**		
	Fair value gains on invesment in unit trusts	79,384,193	30,003,811
		79,384,193	30,003,811
	Total investment income	1,865,751,545	1,213,865,535

		2023	2022
24	**FEES AND COMMISSION INCOME**	**Rs.**	**Rs.**
	Policy fees	6,365,501	7,603,790
	Total fees and commission income	6,365,501	7,603,790

		2023	2022
25	**OTHER INCOME**	**Rs.**	**Rs.**
	Interest income on policy loans	20,083,156	12,690,367
	Interest income on saving deposits	2,021,976	3,927,353
	Proceeds of Sale gain / loss	43,454	15,000
	Foreign exchange gain	15,179,092	-
	Sundry income	10,878,739	3,714,301
		48,206,417	20,347,021

		2023	2022
26	**NET BENEFITS AND CLAIMS**	**Rs.**	**Rs.**
	Life insurance contracts	2,700,016,071	1,681,005,674
	Total gross benefits and claims paid	2,700,016,071	1,681,005,674
	Claims ceded to reinsurers		
	Life insurance contracts	172,753,606	125,846,273
	Total claims ceded to reinsurers	172,753,606	125,846,273
	Net benefits and claims	2,527,262,465	1,555,159,401

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27 ACQUISITION COSTS

	2023 Rs.	2022 Rs.
Commission expenses for insurance contracts	248,654,149	369,171,799
	248,654,149	369,171,799

28 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2023 Rs.	2022 Rs.
Staff expenses (28.1)	514,584,056	517,052,743
Administration and establishment expenses	634,206,409	511,545,396
Selling expenses	652,805,505	489,291,739
Depreciation & amortization	12,510,191	13,213,900
Depreciation right of use the assets	11,067,954	17,445,322
Foreign exchange loss	-	57,030,283
Other expenses	10,529,980	9,371,753
	1,835,704,095	1,614,951,136

28.1 Staff Expenses

	2023	2022
Salaries and bonus	408,155,306	443,058,565
Contribution to defined contribution plans - EPF & ETF	27,777,911	32,475,636
Staff welfare	55,342,269	19,676,915
Staff training	12,857,140	14,965,554
Gratuity	10,451,430	6,876,073
	514,584,056	517,052,743

29 FINANCE COST

	2023 Rs.	2022 Rs.
Interest expense on lease liabilities	15,285,123	14,249,880
Other interest expense	18,516,492	11,978,207
	33,801,615	26,228,087

30 PROFIT BEFORE INCOME TAX EXPENSES

	2023 Rs.	2022 Rs.
Stated after charging;		
Auditors' remuneration	2,627,834	3,107,995
Depreciation	17,032,998	25,219,165
Amortisation of intangible assets	6,545,148	5,440,057
Advertising costs	13,890,047	14,873,529
Investment handling and fund mobilization charges	67,967,853	48,426,357
Business promotion	388,291,552	204,168,106
Agency allowance	126,245,123	155,875,577
Crop insurance levy	13,200,000	7,700,000

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31 TAXATION

31.1 The Company was liable for income tax during the period as follows.

As per Section 67 of Inland Revenue Act, No. 24 of 2017, "the surplus distributed to share holders from the life insurance policy holders fund as certified by the Appointed Actuary functioning within the Regulation of the Insurance Industry Act, No. 43 of 2000; and the investment income of the share holder fund less any expenses incurred in the production of such income" is liable for income taxes.

For the year ended 31 December 2021, the Company's income tax expenses is Rs. Nil (2021 - Rs. Nil).

31.2 Income tax expense for the year

	Note	2023 Rs.	2022 Rs.
Current income tax charge	31.3	-	-
Deferred income tax			
Deferred tax credit	31.4	-	-
Income tax reported in the income statement		-	-

31.3 Tax reconciliation statement

	2023	2022
Surplus distributed to share holders from the life insurance policy holders fund	300,000,000	750,000,000
Investment Income of Shareholder fund	626,037,569	325,658,732
Allowable expenses	(18,499,833)	(30,222,268)
Cost of Bonus (Profits attributed to policyholder)	-	-
	907,537,736	1,045,436,464
Utilisation of tax losses for which deferred tax assets previously not recognized	(907,537,736)	(1,045,436,464)
Taxable income	-	-
Income tax at 30% (2022 - 30%)	-	-
Current income tax charge for the year	-	-
Over provision for income tax in the prior years	-	-
Current income tax charge	-	-

31.4 Deferred tax

The Company computed its income tax expense for the year ended 31 December 2023 based on the section 67 of the Inland Revenue Act No 24 of 2017 and ends with a cumulative tax loss of Rs. 365,376,651 (2022 - Rs 1,606,943,3691) which generates a deferred tax asset amounting to Rs.109,612,995 at the rate of 30% (2022 - Rs 482,083,107 at the rate of 30%). Considering the new Inland Revenue Act No 24 of 2017 which came in to force effective 01 April 2018, which limits the claim ability of brought forward tax losses for six years and the considering the continued dispute the industry have with Inland Revenue Department relating to I-E losses, the Company decided book the deferred tax asset of Rs. 90,185,867 deriving from the tax losses.

A summary deferred tax assets recognised as at 31 December is as follows

	2023 Rs.	2022 Rs.
Deferred tax assets recognized for tax losses	90,185,867	90,185,867

A summary tax losses available for carry forward is as follows

	Rs.	Rs.
Cumulative tax losses as at beginning of the year	1,606,943,691	2,628,761,402
Adjustment to Tax losses	(334,029,304)	23,618,753
Set off against taxable profits	(907,537,736)	(1,045,436,464)
Tox losses available to carry forwarded (can be carry forward up to 31 March 25	365,376,651	1,606,943,691
Less:		
Tax losses for which deferred tax assets recognized	300,619,557	300,619,557
Tax losses for which no deferred tax assets recognized	64,757,094	1,306,324,134
Unrecognised deferred tax asset at the rate of 30%	19,427,128	391,897,240

32 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit after tax for the year by the weighted average number of ordinary shares outstanding during the year.

32.1 Basic earnings per share with out one off surplus

	2023 Rs.	2022 Rs.
Net profit for the year	938,975,404	1,019,066,228
Weighted average number of ordinary shares	135,000,000	135,000,000
Basic earnings per share	6.96	7.55

33 COMMITMENTS AND CONTINGENCIES

33.1 Commitments and contingencies

There were no material capital commitments which require adjustment to or disclosure in the financial statements as at the reporting date.

33.2 Letter of guarantees

The Company has obtained letters of guarantees to the value of Rs. 2,608,737 from Nations Trust Bank Plc as at 31.12.2023 for the purpose of bidding for insurance business.

33.3 Litigation filed by the Company/ against the Company

Litigation is a common occurrence in the insurance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the Company as at 31 December 2023 which would have a material impact on the financial statements.

33.4 Assessments on Income Tax

The Company has received Income Tax Assessments from the Department of Inland Revenue for the years of assessments 2011/12, 2012/13, 2013/14, 2014/15 and 2017/18 under the Inland Revenue Act, No. 10 of 2006.

Commissioner General of Inland Revenue has provided his determination against the Company relating to these assessments. Appeals have been made by the Company against these determinations of the Commissioner General of Inland Revenue to the Tax Appeal Commission. The Company is awaiting the decision of theTax Appeal Commission.

34 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows.

34.1 Transactions with the parent company

Company Name	Nature of Transaction	2023 Rs.	2022 Rs.
LOLC Holdings PLC	Fund transfers out	291,068,851	298,466,429
	Fund transfers in	258,270,883	296,966,429
	Interest expense on current account	10,308,079	4,313,456
	Expenses incurred on behalf of company	484,895,588	186,779,776
	Payments for fixed assets purchase	1,141,789	7,683,431
	Current account settlements	413,391,438	255,320,741
	Investment handling and fund mobilization charges	67,967,853	48,426,357
LOLC Global Private Limited	Interest expense on foreign currency loan	8,208,414	7,664,752

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34 RELATED PARTY DISCLOSURES (Contd...)

34.2 Transactions with affiliate companies

Company Name	Nature of Transaction	2023 Rs.	2022 Rs.
LOLC Finance PLC	Fund transfers out	-	25,189,235
	Fund transfers in	50,274,164	38,490,807
	Expenses incurred on behalf of Company	94,110,989	74,692,414
	Current account settlements	15,819,931	92,392,903
	Insurance premium in respect of customers introduced-	296,775,742	374,908,364
Seylan Bank PLC	Insurance premium in respect of customers introduced & direct	807,090,117	580,594,806
	Banc assurance fees paid	115,767,492	94,234,060
LOLC Development Finance PLC	Insurance premium in respect of customers introduced	-	43,880,096
Commercial Leasing & Finance	Insurance premium in respect of customers introduced	-	103,362,160
	Current account settlements	-	264,412
	Fund transfers out	-	47,500
	Fund transfers in	-	358,161
LOLC General Insurance PLC	Fund transfers out	-	3,769,984
	Fund transfers in	-	6,341,416
	Expenses incurred on behalf of Company	29,994,993	32,593,415
	Payments for fixed assets purchase	-	212,000
	Current account settlements	44,661,038	4,993,860
LOLC Motors Limited	Expenses incurred on behalf of Company	180,587	228,773
	Current account settlements	180,587	228,773
LOLC Technology Services Private Limited	Expenses incurred on behalf of Company	138,842,618	107,298,081
	Current account settlements	142,300,796	103,243,756
LOLC Corporate Services Private Limited	Expenses incurred on behalf of Company	2,940,000	2,940,000
	Current account settlements	2,940,000	2,940,000
Brown & Company PLC	Payment of rent	27,156,632	22,615,936

34.3 Transactions with key management personal

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director (whether executive or otherwise) of the entity and its parent.

34.4 Key management personal compensation

	2023 Rs.	2022 Rs.
Short-term employment benefits	18,077,615	34,989,610

Other transactions

	2023 Rs.	2022 Rs.
Premium of insurance policies obtained by key management personal	-	-

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - "Related Party Disclosures". The Pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers, except for the related party loan obtained during the year at a favourable interest rate.

35 FAIR VALUE OF FINANCIAL INVESTMENTS

35.1 Fair value of financial investments and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e. loans and receivables).

Cash and bank balances, premium receivable, reinsurance receivable, repurchase agreement, term deposit, reinsurance creditor, amounts due to related parties, agency commission payable, other creditors and bank overdraft carrying value amounts approximate to the fair values due to the short term nature of the instruments. Borrowings from the related party approximate to the fair value as an adjustment has been made on the favourable interest rate applied.

35.2 Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

• Level 1: The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

• Level 2:The fair value of financial instruments that are not traded in an active market (for example, over-the-counter markets) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services.

	Level 1	Level 2	Total fair value
	Rs.	Rs.	Rs.
As at 31 December 2023			
Available-for-sale financial assets			
Government securities	-	8,874,136,428	8,874,136,428
Trading assets - fair value through profit or loss			
Fair value of unit trusts	-	498,884,193	498,884,193
	-	9,373,020,621	9,373,020,621
As at 31 December 2022			
Available-for-sale financial assets			
Government securities	-	4,428,312,650	4,428,312,650
	-	4,428,312,650	4,428,312,650

The inputs used for fair valuation of Level 2 financial investments are based on current market yields.

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36 ANALYSIS OF FINANCIAL INSTRUMENT BY MEASUREMENT BASIS

	2023 Rs.	2022 Rs.
Financial Assets		
Loans and receivables		
Investment securities		
Debentures	1,965,182,263	2,079,560,190
Commercial papers	1,679,566,373	1,637,038,334
Asstes back Securities	51,136,986	51,123,288
Term deposits	292,274,659	127,976,694
Repurchase agreements	757,378,600	641,493,141
Term deposits- Mudharabaha	146,133,564	128,738,319
Policyholder and other loans	101,124,144	89,814,563
Reinsurance receivables	62,149,588	60,236,644
Premiums receivable	565,279,748	406,794,443
Amounts due from related parties	1,305	25,604,465
Other assets	1,573,085	2,012,882
Cash and bank balances	401,616,830	341,063,125
Available-for-sale investment securities		
Investment securities		
Treasury bonds	8,827,301,154	4,428,312,650
Treasury bills	46,835,274	-
Fair value through profit or loss		
Unit trust	498,884,193	-
Financial Assets	15,396,437,766	10,019,768,738
Financial liabilities at amortised cost		
Interest bearing borrowings	141,634,769	223,507,031
Amounts due to related parties	155,960,925	63,856,895
Other liabilities	371,352,020	348,570,589
Reinsurance creditors	117,563,378	138,219,473
Lease liability	87,842,908	118,718,010
Bank overdraft	38,368,453	20,577,932
Total Financial Liabilities	912,722,453	913,449,930

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES/REALIZATION OF ASSETS AT THE REPORTING DATE

	31.12.2023			31.12.2022		
	Less than 12 Months Rs.	More than 12 Months Rs.	Carrying amount Rs.	Less than 12 Months Rs.	More than 12 Months Rs.	Carrying amount Rs.
Assets						
Property and equipment	-	12,189,404	12,189,404	-	15,215,647	15,215,647
Right-of-use assets	12,195,037	21,146,930	33,341,968	17,652,036	48,316,718	65,968,754
Intangible assets	-	12,948,825	12,948,825	-	9,492,387	9,492,387
Deferred tax assets	-	90,185,867	90,185,867	-	90,185,867	90,185,867
Investments in associates	-	89,550,000	89,550,000	-	89,550,000	89,550,000
Investment securities	3,302,877,072	10,961,815,995	14,264,693,066	4,439,034,754	4,655,207,862	9,094,242,616
Policyholder and other loans	33,987,648	67,136,496	101,124,144	34,694,281	55,120,282	89,814,563
Reinsurance receivables	41,124,556	21,025,032	62,149,588	45,122,571	15,114,073	60,236,644
Premiums receivable	557,346,684	7,933,064	565,279,748	403,178,505	3,615,938	406,794,443
Amounts due from related parties	1,305	-	1,305	25,604,465	-	25,604,465
Other assets	77,683,712	-	77,683,712	45,845,910	-	45,845,910
Cash & bank balances	401,616,830	-	401,616,830	341,063,125	-	341,063,125
Total assets	**4,426,832,844**	**11,283,931,613**	**15,710,764,457**	**5,352,195,647**	**4,981,818,774**	**10,334,014,421**
Liabilities						
Insurance contract liabilities - Life insurance	1,945,042,641	7,584,546,263	9,529,588,904	2,324,057,892	3,749,986,222	6,074,044,114
Interest bearing borrowings	-	141,634,769	141,634,769	-	150,854,072	150,854,072
Lease liabilities	25,682,947	62,159,961	87,842,908	25,221,874	93,496,136	118,718,010
Retirement benefit obligations	-	20,292,528	20,292,528	-	22,228,004	22,228,004
Reinsurance creditors	117,563,378	-	117,563,378	138,219,473	-	138,219,473
Amounts due to related parties	155,960,925	-	155,960,925	63,856,895	-	63,856,895
Other liabilities	856,903,232	-	856,903,232	652,909,850	-	652,909,850
Income tax liability	1,896,349	-	1,896,349	1,896,349	-	1,896,349
Bank overdraft	38,368,453	-	38,368,453	20,577,932	-	20,577,932
Total liabilities	**3,141,417,925**	**7,808,633,521**	**10,950,051,446**	**3,226,740,265**	**4,016,564,433**	**7,243,304,699**

38 RISK MANAGEMENT FRAMEWORK

38.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and the subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance

Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

The Company willingly assume the risks of other organisations as the Company's prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non life insurance business, the most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The Company's risk management framework focuses on strategic risk, assumed risks and the potential risks. The Company identifies and categorises risks in terms of their source, their impact on the Company and preferred strategies for dealing with them. The Company follows an integrated approach for risk management by considering the size, nature and complexity of the business. It is a continuous process of scrutinizing the internal and external environment to identify elements which may have an impact on the company achieving its' objectives.

Method used to manage risks

Risk appetite and risk tolerance

The Company has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

Risk management culture

Individuals in the Company are well aware of the risk that they are bringing into the Company with their actions. It can be pricing, reserving, underwriting and investment. The concept of the risk is well spread across the Company. The strong governance structure within the Company is used as a tool to achieve this target.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that the Company identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and investment risk. The Company manage the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that the Company is willing to expose.

The Company considers insurance risk to be a combination of the following components:

a). Product design Risk
b). Underwriting Risk
c). Claims Risk

a). Product design risk

Life Insurance contracts offered by the Company include endowment plans, decreasing term assurance, mortgage protection plan, pension plan and group plans. Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total Endowment products acquire a surrender value upon completion of three years.

38 RISK MANAGEMENT FRAMEWORK (Contd...)

The main risks that the Company is exposed to, under product design risk are as follows:

Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected
Morbidity risk	Risk of loss arising due to policyholders' health experience being different from expected
Investment return	Risk of loss arising from actual returns being different from expected
Expense risk	Risk of loss arising from the expense experience being different from expected
Policyholder decision risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location and type of risk insured by the Company.

b). Underwriting risk

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits. This is largely achieved through prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose different terms at revivals and it has the right to reject the payment of fraudulent claims.

The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the reinsurers.

Life underwriting risk management

* Separate life underwriting division headed by a well qualified management along with a trained staff is in placed in order to closely monitor the life underwriting functions of the Company.
* Pricing decisions of the products are reviewed and guided by qualified actuary to convenience the management to make accurate pricing decisions.
* Reinsurers' advices are obtained before deciding the terms and conditions of the products in order to assist the proper pricing strategies.
* The Company carefully analyse the current health condition and the family medical history of the insurer before deciding the premiums.

c). Claims risk

Risk arises due to the possibility that the frequency of claims arising from Life insurance contracts exceeds the expected level when pricing the products.

Some of the specific actions by the Company to mitigate the claims risks are shown below.

d). Concentration risk

Based on the Company's operation structure, there is no significant concentration risk.

38 RISK MANAGEMENT FRAMEWORK (Contd...)

e). Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities to movements in the assumptions used in the estimation of insurance liabilities, holding all other variables constant.

			Increase in liability (Rs)		Decrease in equity and profit before tax (Rs)	
Type of risk	**Explanation**	**Stress applied**	**2023**	**2022**	**2023**	**2022**
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected, ceteris paribus all other parameters.	Mortality from best estimate (BE) to BE+10%	80,527,122	61,576,935	(80,527,122)	(61,576,935)
Morbidity risk	Risk of loss arising due to policyholders' health experience being different from expected	Morbidity from BE to BE+20%	34,483,482	27,358,157	(34,483,482)	(27,358,157)
Investment return risk	Risk of loss arising from actual returns being different from expected.	Yield curve overall 100 BP down (1% down)	196,821,349	98,749,700	(196,821,349)	(98,749,700)
Expense risk	Risk of loss arising from the expense experience being different from expected	Expenses from BE to BE+10%	146,776,605	82,327,020	(146,776,605)	(82,327,020)
Policyholder decision risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected	Lapses from BE to BE+20%	(14,885,900)	186,191,259	14,885,900	(186,191,259)

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in lapses and future mortality.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Life claims risk management

* Life fund valuation is carried out by a qualified independent actuarial valuer on regular basis.
* Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured. injury of an insured.
* Financial authority limits are set based on the claim limits.

38.2 Financial risk

The Company has exposure to the following risks from financial instruments:

i Credit risk
ii Liquidity risk
iii Market risk
iv Concentration risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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38 RISK MANAGEMENT FRAMEWORK (Contd...)

Risk management framework

The board of directors of the company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is responsible for monitoring compliance with the Company's risk management policies and procedures. The Board is assisted in these functions by Internal Audit and the Board Audit Committee. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

38.2 Financial risk

The Enterprise Risk Management Committee which consists of senior management was formed to strengthen the risk management process. Furthermore, the company's risks are assessed and monitored at the group level by the Integrated Risk Management Committee of its ultimate parent company, LOLC Holdings PLC.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations in accordance with agreed terms and arises principally from the Company's premium receivables, re-insurance receivables, investment debt securities and deposits in commercial banks such as time deposits, demand deposits.

Management of credit risk

The Company has developed a credit policy approved by the Board and credit is granted based on the same for the policyholders. The Company has taken the "Premium Warranty Clause" into consideration when developing the aforementioned credit policy. As a result of rigour follow up of outstanding premiums, the policies which are not settled within the approved credit periods are cancelled on regular basis. The Company checks the status of the outstanding premium before settling claims to reduce the credit risk. The Company has implemented an impairment review for premium receivables periodically and provide for the same based on the results.

Credit risk with regards to re-insurance receivables is mitigated by selecting the re-insurers with higher credit ratings and reviewing their ratings periodically.

The Company evaluates the credit rating of the respective investee and/or respective issue prior to the investment decision is made. Furthermore, the Company focuses on tolerable levels concentration risk and portfolio monitoring in line with Company's risk appetite. A stringent process is in place to comply with the single investment exposure limits prescribed by the regulator, the Insurance Regulatory Commission of Sri Lanka.

38 RISK MANAGEMENT FRAMEWORK (Contd...)

Credit exposure

The Company's maximum exposure to credit risk for the components of the statement of financial position as at 31 December 2023 and 31 December 2022 is the carrying amounts of respective financial instruments.

As at 31 December 2023	Neither past-due nor impaired					Past-due but not impaired	Total
	Risk free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.	Rs.	Rs.
Investments in government securities	8,874,136,428	-	-	-	-	-	8,874,136,428
Investments in unit trust	-	-	498,884,193	-	-	-	498,884,193
	-	-	-	-	-	-	-
Loans and receivables							
Repurchase agreements	757,378,600	-	-	-	-	-	757,378,600
Debentures	-	-	515,025,464	1,450,156,798	-	-	1,965,182,263
Commercial papers	-	-	1,679,566,373	-	-	-	1,679,566,373
Asstes back Securities	-	-	51,136,986	-	-	-	51,136,986
Policy loans	-	-	-	-	100,932,644	-	100,932,644
Staff loans	-	-	-	-	191,500	-	191,500
Fixed deposits	-	-	438,408,223	-	-	-	438,408,223
Premium receivables	-	-	-	-	326,985,336	238,294,412	565,279,748
Reinsurance receivables	-	62,149,588	-	-	-	-	62,149,588
Refundable deposits	-	-	-	-	1,573,085	-	1,573,085
	-	-	-	-	-	-	-
Cash in hand and balance at bank	75,000	292,458,271	95,678,811	13,404,749	-	-	401,616,830
Total	**9,631,590,028**	**354,607,859**	**3,278,700,050**	**1,463,561,547**	**429,682,565**	**238,294,412**	**15,396,436,461**

As at 31 December 2022	Neither past-due nor impaired					Past-due but not impaired	Total
	Risk free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.	Rs.	Rs.
Investments in government securities	4,428,312,650	-	-	-	-	-	4,428,312,650
Investments in unit trust	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Loans and receivables							
Repurchase agreements	641,493,141	-	-	-	-	-	641,493,141
Debentures	-	153,663,964	1,899,985,293	25,910,933	-	-	2,079,560,191
Commercial papers	-	1,637,038,334	-	-	-	-	1,637,038,334
Asstes back Securities	-	-	51,123,288	-	-	-	51,123,288
Policy loans	-	-	-	-	89,614,063	-	89,614,063
Staff loans	-	-	-	-	200,500	-	200,500
Fixed deposits	-	-	256,715,013	-	-	-	256,715,013
Premium receivables	-	-	-	-	253,364,088	153,430,355	406,794,443
Reinsurance receivables	-	60,236,644	-	-	-	-	60,236,644
Refundable deposits	-	-	-	-	2,012,882	-	2,012,882
	-	-	-	-	-	-	-
Cash in hand and balance at bank	75,000	289,324,429	41,678,943	9,984,753	-	-	341,063,125
Total	**5,069,880,792**	**2,140,263,372**	**2,249,502,537**	**35,895,686**	**345,191,533**	**153,430,355**	**9,994,164,274**

38 RISK MANAGEMENT FRAMEWORK (Contd...)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure that funds available are adequate to meet claim payments to its policyholders and to ensure operational expenses to be paid when they are due.

The main sources of the Company's funding are capital and gross written premium. The Company also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. The investment durations are diversified depending on the cash flow needs of the Company and the maturity periods are regularly reviewed. Cash flow analysis is done prior to investments are made.

The Company's treaty agreements with reinsurers contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain agreed size.

Exposure to liquidity risk

The Company monitors the liquidity position of the Company to asses funding requirements. Liquid assets include cash and short term investments and bills purchased. The Company also monitors maturity profile of its assets and liabilities.

Maturity profile of investments based on remaining maturity is given below.

As at 31 December 2023	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	3-5 years Rs.	Over 05 years	Total Rs.
Cash and cash equivalents	401,616,830	-	-	-	-	401,616,830
Available-for-sale investment securities						
Government securities	96,676,250	-	1,176,638,000	7,950,240,412	4,762,750,000	13,986,304,662
Loans and receivables						
Repurchase agreements	757,378,600	-	-	-	-	757,378,600
Debentures	185,365,252	329,150,625	219,433,750	2,109,053,750	-	2,843,003,377
Commercial papers	1,212,533,213	628,734,247	-	-	-	1,841,267,460
Asstes back Securities	-	-	55,000,000	-	-	55,000,000
Term deposit	255,475,890	141,540,807	-	-	-	397,016,697
Policyholder and other loans	17,260,928	16,726,719	23,278,042	39,812,273	4,046,181	101,124,144
Reinsurance assets	35,520,901	5,603,655	5,388,299	15,636,733	-	62,149,588
Premium receivables	477,880,048	79,466,636	6,704,377	1,228,687	-	565,279,748
Refundable deposits	-	-	-	1,573,085	-	1,573,085
	3,439,707,912	1,201,222,689	1,486,442,468	10,117,544,940	4,766,796,181	21,011,714,191
Financial Liabilities						
Interest bearing borrowings	-	-	-	163,761,750	-	163,761,750
Amounts due to related parties	155,960,925	-	-	-	-	155,960,925
Reinsurance creditors	117,563,378	-	-	-	-	117,563,378
Other financial liabilities	371,352,020	-	-	-	-	371,352,020
Lease liabilities	18,470,930	18,890,616	39,096,977	32,580,814	-	109,039,339
Bank overdraft	38,368,453	-	-	-	-	38,368,453
	701,715,706	18,890,616	39,096,977	196,342,564	-	956,045,865

As at 31 December 2022	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	3-5 years Rs.	Over 05 years	Total Rs.
Cash and cash equivalents	341,063,125	-	-	-	-	341,063,125
Available-for-sale investment securities						
Government securities	753,784,824	483,784,824	775,743,398	4,698,996,944	3,844,387,920	10,556,697,910
Loans and receivables						
Repurchase agreements	642,636,005	-	-	-	-	642,636,005
Debentures	159,096,563	301,596,563	180,418,750	1,928,457,500	218,000,000	2,787,569,375
Commercial papers	1,180,104,900	638,356,603	-	-	-	1,818,461,503
Asstes back Securities	-	-	55,000,000	-	-	55,000,000
Term deposit	155,174,471	124,500,000	-	-	-	279,674,471
Policyholder and other loans	16,503,690	18,190,591	18,627,861	36,492,421	-	89,814,563
Reinsurance assets	31,129,219	13,993,352	11,596,472	3,517,601	-	60,236,644
Premium receivables	339,905,942	63,272,564	3,492,787	123,151	-	406,794,443
Refundable deposits	-	-	-	2,012,882	-	2,012,882
	3,619,398,739	1,643,694,497	1,044,879,268	6,669,600,499	4,062,387,920	17,039,960,921
Financial Liabilities						
Interest bearing borrowings	-	-	-	185,034,375	-	185,034,375
Amounts due to related parties	63,856,895	-	-	-	-	63,856,895
Reinsurance creditors	138,219,473	-	-	-	-	138,219,473
Other financial liabilities	348,570,589	-	-	-	-	348,570,589
Lease liabilities	12,160,356	15,297,678	37,399,810	71,677,792	-	136,535,636
Bank overdraft	20,577,932	-	-	-	-	20,577,932
	583,385,245	15,297,678	37,399,810	256,712,167	-	892,794,900

38 RISK MANAGEMENT FRAMEWORK (Contd...)

(iii) Market risk

This refers to the risk of losing value of investments due to adverse movement in assets prices and possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets. This principally comprises of interest rate risk and price risks.

Management of market risk

The Company makes investment decisions based on the fundamentals rather than on speculative motive. The bond investment portfolio is monitored by the Board on a regular basis and the overall investment portfolio is reviewed by the Board on a monthly basis. The interest rate risk is managed through fixed rated investment portfolio.

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis is based on the assumption that all other variables are held constant with market interest rates increasing/ decreasing by 100 basis points. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

An increase in 100 basis points in interest yields would result in a loss for the period of Rs.249 million (2022: Rs 108Mn). A decrease in 100 basis points in interest yields would result in a gain for the period of Rs.254 million (2022: Rs 106Mn). These balances would be directly recognized in equity.

The exposure of the Company's bond investment portfolio to interest rate changes at the end of the reporting period are as follows:

	2023	% of total investment portfolio	2022	% of total investment portfolio
Company's bond portfolio				
Maturity dates				
Less than 1 year	43,101,250	0%	1,237,569,648	14%
1-5 years	9,126,878,412	64%	5,474,740,342	60%
Over 5 years	4,762,750,000	33%	3,844,387,920	42%
	13,932,729,662	98%	10,556,697,910	116%

Sensitivity analysis – price risk

The sensitivity analysis for price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date.

(iv) Concentration risk

This refers to the risk that the Company will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security.

Management of concentration risk

To comply with the risk tolerance and appetite of the Company a significant amount of total investments are made in government securities which are risk free. A careful analysis is done before investing in equity investments. A stringent process is in place to comply with the single investment exposure limits prescribed by the Insurance Regulatory Commission of Sri Lanka. Furthermore the Board reviews the company's investments portfolio on a monthly basis.

The composition of the Company's investments as at 31 December 2023 and 31 December 2022 are given in the note number 6.

(v) Foreign currency risk

This refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sensitivity analysis – foreign currency risk

The sensitivity analysis for foreign currency risk illustrates how changes in the fair value of financial instruments will fluctuate because of changes in foreign exchange rates at the reporting date.

A strenghtening of 10% of the USD against the LKR would result in a loss for the period of Rs.14.16 million (2022 - Rs.15.09 million). A weakening of 10% of the USD against the LKR would result in a gain for the period of Rs.14.16 million (2022 - Rs.15.09 million).

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Rs. was as follows:

	2023		2022	
	USD	Total	USD	Total
Foreign currency loans	141,634,769	141,634,769	150,854,072	150,854,072
	141,634,769	141,634,769	150,854,072	150,854,072

(d) Capital management

The Company's objectives when managing capital, which consists of total equity on the statement of financial position, are:

- To comply with the insurance capital requirements required by the regulator, the Insurance Regulatory Commission of Sri Lanka.
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

The Insurance Regulatory Commission of Sri Lanka specifies the minimum amount and solvency ratio that must be maintained, based on the Regulation of Insurance Industry Act, No.43 of 2000 and other applicable laws and regulations governing the insurance industry. The minimum capital requirements applicable to the Company is Rs 500,000,000. The Company has complied with all of the externally imposed capital requirements and solvency ratio requirements to which it is subject.

39 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the statement of financial position date which requires adjustments to or disclosures in the financial statements.

Deloitte Partners
Colombo