

# Balance Sheet

	Company	
	Unaudited as at 31st Mar. 2012 Rs. '000	Audited as at 31st Dec. 2011 Rs. '000
<b>Assets</b>		
Investments	4,823,142	4,655,042
Intangible Assets	45,776	48,876
Property, Plant and Equipment	110,605	121,568
Loans to Life Policyholders	22,351	20,097
Reinsurance Receivables	119,613	131,210
Premium Receivables	338,991	231,385
Other Assets	686,751	638,273
Cash and Cash Equivalents	183,083	189,453
<b>Total Assets</b>	<b>6,330,312</b>	<b>6,035,904</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Insurance Provision - Life	3,141,263	2,990,998
Insurance Provision - General	986,984	924,262
Other Liabilities	509,349	366,536
Reinsurance Creditors	123,735	110,263
Employee Benefits	35,317	34,129
<b>Total Liabilities</b>	<b>4,796,648</b>	<b>4,426,188</b>
<b>Equity</b>		
Stated Capital - 50 Million Ordinary Shares	1,171,875	1,171,875
Revenue Reserves	361,789	437,841
<b>Total Equity</b>	<b>1,533,664</b>	<b>1,609,716</b>
<b>Total Liabilities and Equity</b>	<b>6,330,312</b>	<b>6,035,904</b>

These Interim Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.




**Vipula Dharmapala**  
Head of Finance / Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Interim Financial Statements.

Signed on behalf of the Board;



**J D N Kekulawala**  
Director



**Manjula de Silva**  
Managing Director / Chief Executive Officer

Colombo, Sri Lanka  
27th April 2012

# Statement of Income

Year Ended 31st  
December 2011  
(Audited)  
Rs. '000

*For the Three Months Ended 31st March,*

	Note	2012 (Unaudited) Rs. '000	2011 (Unaudited) Rs. '000	Change %
<u>2,826,870</u> Revenue	3	765,474	657,610	16
3,002,511 Gross Written Premium	4	828,803	684,016	21
(510,621) Premium Ceded to Reinsurers		(121,671)	(99,796)	22
<u>2,491,890</u> Net Written Premium		707,132	584,220	21
(142,270) Net Change in Reserves for Unearned Premium		(67,685)	(64,281)	5
<u>2,349,620</u> Net Earned Premium		639,447	519,939	23
<b>Benefits, Losses and Expenses</b>				
(865,133) Insurance Claims and Benefits (Net)		(265,268)	(198,780)	33
(605,752) Increase in Life Insurance Fund		(150,266)	(157,640)	(5)
(232,128) Underwriting and Net Acquisition Costs		(83,566)	(67,584)	24
(17,510) Other Insurance Related Costs		(4,206)	(3,511)	20
<u>(1,720,523)</u> Total Benefits, Losses and Expenses		(503,306)	(427,515)	18
<u>629,097</u> Net Earned Premium Less Benefits, Losses and Expenses		136,141	92,424	47
<b>Other Revenue</b>				
474,557 Income from Investments		126,005	137,993	(9)
2,693 Other Net Income / (Loss)		22	(322)	107
<b>Expenses</b>				
Other Operating, Investment Related and				
(805,945) Administration Expenses		(224,689)	(200,771)	12
300,402 Profit Before Taxation		37,479	29,324	28
(25,772) Income Tax Expense	7	(8,531)	(4,586)	86
<u>274,630</u> Profit for the Period		28,948	24,738	17
5.74 Earnings Per Share (Rs.)	8	0.58	0.55	5
2.10 Dividend Per Share (Rs.)		-	-	-

## Statement of Changes in Equity

<i>For the Three Months Ended 31st March 2012</i>	Number of Shares '000	Stated Capital Rs. '000	Revenue Reserves Rs. '000	Total Equity Rs. '000
<b>Audited balance as at 31st December 2010</b>	37,500	375,000	641,340	1,016,340
Dividend paid for 2010	-	-	(67,500)	(67,500)
Capitalisation of Reserves	6,250	406,250	(406,250)	-
Profit for the Period	-	-	24,738	24,738
<b>Unaudited balance as at 31st March 2011</b>	43,750	781,250	192,328	973,578
Rights Issue	6,250	390,625	-	390,625
Share issue related costs	-	-	(4,379)	(4,379)
Profit for the Period	-	-	249,892	249,892
<b>Audited balance as at 31st December 2011</b>	<b>50,000</b>	<b>1,171,875</b>	<b>437,841</b>	<b>1,609,716</b>
Profit for the Period	-	-	28,948	28,948
Dividend for 2011 *	-	-	(105,000)	(105,000)
<b>Unaudited balance as at 31st March 2012</b>	<b>50,000</b>	<b>1,171,875</b>	<b>361,789</b>	<b>1,533,664</b>

Stated Capital represents 50 Million Ordinary Shares (as at 31st December 2011 - 50 Million Ordinary Shares)

\* Dividend declared during the period was not taken for calculation of Dividend Per Share in 2012 as it represents the Dividend for 2011.

## Balance Sheet of the Life Insurance Fund - Supplemental

	Unaudited as at 31st Mar. 2012 Rs. '000	Audited as at 31st Dec. 2011 Rs. '000
<b>Assets</b>		
Investments	2,914,383	2,755,264
Intangible Assets	20,857	22,203
Property, Plant and Equipment	4,000	4,276
Loans to Life Policyholders	22,351	20,097
Reinsurance Receivables	21,496	27,849
Other Assets	339,065	327,756
Cash and Cash Equivalents	80,758	62,194
<b>Total Assets</b>	<b>3,402,910</b>	<b>3,219,639</b>
<b>Liabilities</b>		
Insurance Provision - Life	3,141,263	2,990,998
Other Liabilities	210,271	195,970
Reinsurance Creditors	47,226	28,106
Retirement Benefit Obligation	4,150	4,565
<b>Total Liabilities</b>	<b>3,402,910</b>	<b>3,219,639</b>

# Cash Flow Statement

<i>For the Three Months Ended 31st March</i>		Company	
		Unaudited 2012 Rs. '000	Unaudited 2011 Rs. '000
	Note		
<b>Cash Flows From Operating Activities</b>			
Premium Received from Customers		738,228	649,773
Reinsurance Premium Paid		(120,816)	(66,075)
Claims Paid		(261,315)	(195,492)
Reinsurance Receipts in Respect of Claims		16,972	35,462
Cash Paid to and on behalf of Employees		(123,405)	(111,401)
Interest Received		110,094	124,095
Dividend Received		4,800	2,091
Other Operating Cash Payments		(162,631)	(208,930)
Cash Inflow Generated from Operating Activities	(A)	201,927	229,523
Gratuity Paid		(1,205)	(573)
Economic Service Charges (ESC) Paid		(4,703)	(3,775)
Net Cash Generated from Operating Activities		196,019	225,175
<b>Cash Flows From Investing Activities</b>			
Purchase of Liquid Investments	(Other than Cash Equivalents)	(18,051,542)	(10,130,687)
Purchase of Other Investments	(Other than Cash Equivalents)	(159,466)	(71,206)
Sale of Liquid Investments	(Other than Cash Equivalents)	17,985,739	9,956,624
Sale of Other Investments	(Other than Cash Equivalents)	25,000	19,247
Purchase of Intangible Assets		-	(316)
Purchase of Property, Plant and Equipment		(2,279)	(2,420)
Proceeds on Sale of Property, Plant and Equipment		159	63
Net Cash used in Investing Activities		(202,389)	(228,695)
Net Cash Outflow before Financing Activities		(6,370)	(3,520)
<b>Cash Flows From Financing Activities</b>			
Net Decrease in Cash and Cash Equivalents	(B)	(6,370)	(3,520)
<b>Notes to the Cash Flow Statement</b>			
<b>A. Reconciliation of Profit Before Taxation with Cash Flow from Operating Activities</b>			
Profit Before Taxation		37,479	29,324
Amortisation Charge		3,100	3,030
Depreciation Charge		12,974	8,332
Provision for Retiring Gratuity		2,393	2,248
Provision for Diminution in Value of Investments		32,169	-
Loss on Sale of Property, Plant and Equipment		109	323
Increase in Trade and Other Receivables		(148,298)	(96,310)
Increase in Life Insurance Fund		150,266	157,640
Increase in Unearned Premium		59,460	53,976
Increase in Claims Provisions		9,157	37,370
Increase in Creditors		43,118	33,590
Cash Inflow Generated from Operating Activities		201,927	229,523
<b>B. Net Decrease in Cash and Cash Equivalents</b>			
Net Cash and Cash Equivalents at the end of the Period		183,083	77,834
Net Cash and Cash Equivalents at the Beginning of the Year		189,453	81,354
Net Decrease in Cash and Cash Equivalents		(6,370)	(3,520)

## Notes to the Interim Financial Statements

1. Figures as at 31st March 2012 are provisional and unaudited.
2. The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2011 were followed in preparation of these Interim Financial Statements.  
Comparative information has been re-classified where necessary, to confirm to the current period presentations.

Year Ended 31st December 2011 (Audited) Rs. '000	<i>For the Three Months Ended</i>	
	31st March 2012 (Unaudited) Rs. '000	31st March 2011 (Unaudited) Rs. '000
3.	<b>Revenue</b>	
3,002,511	<b>828,803</b>	684,016
(510,621)	<b>(121,671)</b>	(99,796)
<u>2,491,890</u>	<b>707,132</b>	584,220
(142,270)	<b>(67,685)</b>	(64,281)
<u>2,349,620</u>	<b>639,447</b>	519,939
474,557	<b>126,005</b>	137,993
2,693	<b>22</b>	(322)
<u>2,826,870</u>	<b>765,474</b>	657,610
4.	<b>Gross Written Premium by Segment</b>	
	<b>General Insurance</b>	
313,820	<b>68,725</b>	60,685
1,188,867	<b>315,495</b>	275,445
26,584	<b>5,904</b>	5,814
182,873	<b>97,794</b>	56,442
<u>1,712,144</u>	<b>487,918</b>	398,386
	<b>Life Insurance</b>	
1,273,025	<b>336,198</b>	282,198
17,342	<b>4,687</b>	3,432
<u>1,290,367</u>	<b>340,885</b>	285,630
<u>3,002,511</u>	<b>828,803</b>	684,016

### 5. Application of new/revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS)

The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards (SLFRS/LKAS) which has become applicable for financial periods commenced after 1st January 2012. However, we have not applied the said new/revised accounting standards in preparation of these Interim Financial Statements. Instead, we have opted to apply the Option 2 given by the Institute of Chartered Accountants of Sri Lanka (ICASL) in their "Ruling on the Comparative Figures in the Interim Financial Statements" issued on 2nd March 2012.

Accordingly, these Interim Financial Statements have been prepared in line with the accounting policies applied during the financial year ended 31st December 2011 which are in line with Sri Lanka Accounting Standards (SLAS).

## Notes to the Interim Financial Statements (Contd.)

The Company has carried out a preliminary assessment of the potential impact of the revised/new Standards and in the process of evaluating it in detail to check the final impact from implementing these standards. The Company appointed external consultants to assist and advise the management and the Board on proper implementation of these Accounting Standards.

According to the work carried out so far, the Company has identified the following areas in which could have a significant impact on Company's Financial Statements.

- Insurance Contracts (SLFRS 4)
- Investments (LKAS 32 & 39)
- Loans granted to Staff and Insurance Advisors at concessionary Interest Rates (LKAS 39)
- Leases (LKAS 17)

All Insurance Products of the Company were evaluated and it was concluded that all such products (except two products which require minor adjustments to the product features) qualify to be recorded as Insurance Contracts according to the SLFRS 4.

Approximate financial Impact from these areas to the Company's Financial Statements if the Company had prepared these Interim Financial Statements based on SLFRS/LKAS is summarised below.

- The Company's net assets as at 31st December 2011 would have increased by Rs.1.8 million whilst the Life Fund on the same date would have decreased by Rs. 18.4 million.
- Profit After Tax for the 3 months ended 31st March 2012 would have increased by Rs. 1.2 million whilst the surplus transferred to the Life Fund during the 3 months period would have decreased by Rs.1.8 million.
- Accordingly, the Net Assets position of the Company as at 31st March 2012 would have increased by Rs.3 million had we prepared these Interim Financial Statements in line with SLFRS/LKAS. Further, the Life Fund as at 31st March 2012 would have decreased by Rs. 20.3 million.

The Company is yet to perform a Liability Adequacy Test in respect of Insurance Liabilities (Insurance Provisions) as required by SLFRS 4 as at 31st March 2012. This will be carried out on an annual basis from 31st December 2012 onwards together with the liability valuations for regulatory purposes.

6. Pending a Life Fund valuation by our Consultant Actuary at the year end, no provision or appropriation has been made in respect of the transfers to or from the Life Fund.

### 7. Income Tax Expense

The Company is liable to pay income tax at the rate of 28% (2011 - 28%) of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

### 8. Earnings Per Share (EPS)

Basic Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Year Ended 31st December 2011 (Audited)	For the Three Months Ended	
	31st March 2012 (Unaudited)	31st March 2011 (Unaudited)
274,630 Profit for the period (Rs. '000)	<b>28,948</b>	24,738
47,872 Weighted average number of shares ('000)	<b>50,000</b>	44,894
5.74 Earnings Per Share (Rs.)	<b>0.58</b>	0.55

### 9. Related Party Disclosure

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements - 2011.

## Notes to the Interim Financial Statements (Contd.)

### 10. Events Occurring After The Balance Sheet Date

Mr. J M J Perera, Director of the Company resigned from the Board w.e.f. 27th April 2012.

Except for the above mentioned post balance sheet event, there have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.

### 11. Capital Commitments And Contingencies

a.) As at the end of the interim period, no capital expenditure approved by the Board and contracted for which no provision has been made in the accounts. (as at 31st December 2011 - Nil)

b.) Future commitments on operating leases;

	(Unaudited) As at 31st Mar. 2012 Rs '000	(Unaudited) As at 31st Dec. 2011 Rs '000
Less than one year	24,328	24,766
Between one and five years	29,587	24,937
More than five years	659	617
<b>Total Operating Lease Commitments</b>	<b>54,574</b>	<b>50,320</b>

c) In the opinion of the Directors, and in consultation with the Company Lawyers, litigation currently pending against the Company would not have a material impact on the reported Interim Financial results of the Company. All pending litigations for claims have been evaluated and adequate provisions are made in these Interim Financial Statements where necessary.

## Share Information

### Top 20 Shareholders

Name of the Shareholder	As at 31st March 2012	
	Shareholding	% on Issued Shares
01 Hatton National Bank PLC A/c No.1	29,993,000	59.99
02 Mercantile Merchant Bank Ltd	3,065,596	6.13
03 Ceylon Guardian Investment Trust PLC A/c No.2	2,000,000	4.00
04 DFCC Vardhana Bank Ltd / Mercantile Merchant Bank Ltd	1,156,070	2.31
05 Mr. Mohamed Faizer Hashim	521,186	1.04
06 Bank of Ceylon A/c Ceybank Century Growth Fund	517,966	1.04
07 Bank of Ceylon No.1 A/c	410,200	0.82
08 Employees Trust Fund Board	375,494	0.75
09 Union Assurance PLC/No. 1 A/c	336,266	0.67
10 Corporate Holdings (Pvt.) Ltd.	242,700	0.49
11 Deutsche Bank AG-Comtrust Equity Fund	195,200	0.39
12 Malship Ceylon Ltd.	186,345	0.37
13 Mr.Krishan Niraj Jayasekara Balendra	184,732	0.37
14 Mr.Madduma Hetti Vidanelage Upali Gunatilaka	180,437	0.36
15 National Development Bank PLC / Mr.Rajaratnam Senathirajah	156,400	0.31
16 Mr. Sithampalam Abishek	137,666	0.28
17 Mrs.Noorul Imthiyaz Hashim	136,820	0.27
18 Mr.Addara Pathiranage Somasiri	134,166	0.27
19 Phoenix Ventures Ltd	133,332	0.27
20 Mr.Bede Selvanayagam & Mrs.Lidwine Selvanayagam	120,000	0.24
	<b>40,183,576</b>	<b>80.37</b>

## Public Shareholding

	As at 31st March 2012	
	No. of Shares	% on Issued Shares
Number of Shares	19,883,757	39.77

## Directors' Shareholdings

Name of the Director	No. of Shares as at 31st March 2012
Mr. R Theagarajah - ( <i>Acting Chairman</i> )	8,332
Mr. Manjula de Silva - ( <i>Managing Director / Chief Executive Officer</i> )	38,332
Mr. M U de Silva	3,000
Mr. Pratapkumar de Silva	1,332
Mr. J M J Perera - ( <i>resigned from the Board w.e.f. 27th April 2012</i> )	7,000
Mr. J D N Kekulawala	49,998
Mr. D M de S Wijeyeratne	583
Mr. Sarath Ratwatte	14,666

## Number of Shares

No. of shares representing the Stated Capital	50,000,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

## Share Performance

	Rs.
Net Asset Value Per Share as at 31st March 2012	30.67
Highest Price Per Share for the Interim Period	56.00
Lowest Price Per Share for the Interim Period	41.50
Last traded Price Per Share as at 31st March 2012	45.80