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OUR VISION

"To become a strong assurance company operating with a large customer base as a global tendency pavior of Micro Assurance"

OUR MISSION

- **To give our clients an excellent service on all occasions and at all stages to mitigate their risk in order to improve their living conditions and secure economic development**
- **To provide a developed platform of assurance for all our stakeholders and contribute for development of the society through realization of the Vision of SANASA**

OUR VALUES

Aspiration

To build a closer relationship between SANASA Insurance Company and its clients and transform it into a unique company.

Maturity

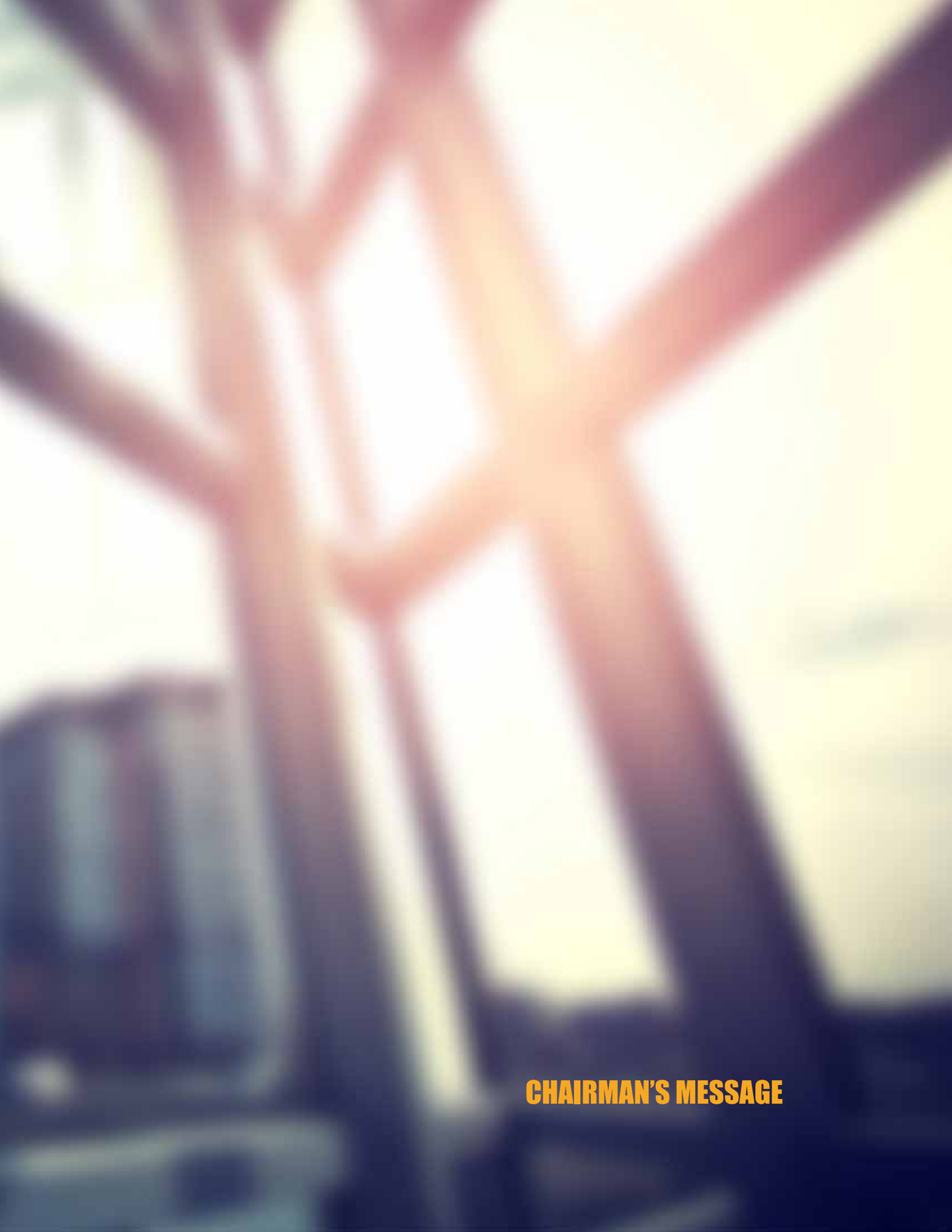
To provide our clients with complete and satisfactory service.

Commitment

As agree with our clientele, we dedicate ourselves to their insurance problems and resolve them.

Efficiency

To render our services to the satisfaction of our clientele and to expedite their all insurance requirements efficiently and without delay.



CHAIRMAN'S MESSAGE

CHAIRMAN'S MESSAGE

In keeping with our cooperative principles, we continued to serve tens and thousands of grass-root masses, bringing them essential insurance solutions for a better-tomorrow. We at Sanasa Insurance Company Ltd made much progress in the year, demonstrating our resilience and our business acumen in managing a challenging industry environment. On behalf of the Board, I am honoured to welcome you to the 15th Annual General Meeting and present our Annual Report together with the financial statements for the financial year ended 31st December 2017. The report highlights our operational results, the milestones and our future plans that will define our path ahead in the years to come.

Economic Perspective

Moving away from downturn economic trends, the world economy in the year firmed up with broad-based growth across all major economies. World trade posted stronger results with greater investor and consumer confidence. In the domestic front, we saw the economy improving for the first nine months, despite the hit on the agriculture sector due to adverse weather conditions from drought to deluge. Both industry and services sectors led the economy. Policy directives, particularly, a tighter stance in monetary policy along with fiscal measures were brought in to manage the imbalances that prevailed within the macroeconomic environment. The inflation in the year settled at upper single-digit territory and the private sector credit growth was contained. The external sector was buoyed to an extent by higher exports and inflows to the financial account. The balance of payment position recorded a surplus with higher reserves.

Industry Performance

Positioned within an emerging economic backdrop, the insurance industry has been progressively gaining ground with much potential to contribute significantly to the national economy. Yet, the penetration level compared to the total population remained negligible, just above one percent of the country's GDP. Resilient to the challenging socio-political and economic conditions, the industry in the year sustained a double-digit growth. Yet, the growth was more subdued compared to the corresponding period in the previous year. This was more pronounced within the life insurance sub-sector which performed below potential with the gross premium income growing way below the results achieved in the previous year. Non-life insurance sub-sector was more buoyant, leading the industry. Reflecting the mediocre results posted by the life insurance sub-sector and the higher claims, the overall profits of the insurance sector decelerated. Higher fixed investment income in a tighter monetary policy regime, however, cushioned the bottom-line profits. The assets of the industry recorded an improvement.

Regulatory Challenges

In the recent years, our industry has been rapidly evolving and making significant changes in keeping with the demands set by the new revised regulatory framework. Accordingly, we saw the industry contending with the segregation of business lines, mergers, listing on the public domain, raising capital to meet the minimum requirement and implementing the risk-based capital regime. At Sanasa Insurance, we worked diligently to meet these mandated changes. This was no easy feat, taking up our valuable resources, time and energy. Yet, we stayed true to our commitment to comply with the regulatory framework, although, the reforms were not sensitive to address the issues inherent in a business model such as ours, where we blend in social aspirations with commercial goals. Notwithstanding this, we were conscientious and proactive to find middle-ground and realign our business model to best fit the regulatory dynamics whilst being steadfast to our social ideals. We now have the necessary requisites in place to segregate our composite business into life and non-life insurance entities on a holding company structure. We are currently waiting for the necessary approvals from our regulator to complete the segregation process. Plans are underway to list our proposed holding company on the Colombo Stock Exchange in the ensuing years. We have also successfully adopted and internalised the risk-based capital model. We are in line with the mandatory minimum capital requirement and the solvency margin. The Sanasa Movement played a critical role in boosting our capital and we are deeply indebted for their support and show of confidence in our organisation.

Best Practices

Our value proposition is essentially intertwined with cooperative principles acclaimed worldwide. Standing by these ideals, we are committed to create value responsibly upholding and fostering impartiality, professionalism and transparency in our daily operations. This is our mainstay and our forte, underscoring our positioning as an esteemed micro insurer, trusted by the undeserved grass-root masses living across the country. My Board recognises their role

and firmly believes in their duty to act in good faith in the best interest of all stakeholders. It is in this spirit that we seek to nurture best practices in business and in governance, both, at the mandatory level as well as at the voluntary level. The measures we have adopted in the recent years including bringing quality and standards to the Board composition and proceedings speak volumes of our efforts in this regard.

Corporate Results

With our roots going back over thirty years to the days of All Lanka Mutual Organisation, we have been steadfast in following through with our mission. We have made our mark with a significant presence as a micro insurer within the evolving industry backdrop. Our outreach today is extensive, reaching out to over 8000 Sanasa primary societies and progressively penetrating the retail segment. Despite the industry issues, our organisation in the year moved ahead, registering sound operational and financial results. Our life segment recorded a modest improvement, growing at 8 percent. Our non-life segment, on the other hand, rebounded from a sluggish performance in the previous year to record a strong growth of 35 percent. Our investment income improved whilst we were judicious and meticulous in managing our claims and underwriting. Our profits for the year after taxation reached Rs12 million. Our financial position as at the year-end was healthy, with the asset position well above our liabilities.

Ensuing Years

With an extensive grass-root market base, it is critical that our nation moves ahead on an inclusive development trajectory. Nearly half of the population falls under the low-income strata. The nation's wealth lies herein with much potential to create economic value and benefits cascading across the society. In this light, sectors like micro-insurance could take up a focal role in mobilising savings from the low-income masses and in turn, paving the path for greater economic activity. However, our industry is yet to fully tap this promising market segment and capitalise on the growth prospects. Our organisation is positioned at the very core of the grass-root communities. We have upheld strong bonds and have been closely working with them the over the years through the Sanasa Movement. Our cooperative values we uphold complement our mission and more so, set us apart and give us an edge over competition rapidly building up in this nascent market territory. Anyhow, we are perceptive in our strategy making and committed to move forward. We are now well-poised to manage the evolving business landscape and well-prepared to transition to a new paradigm. We have what it takes to be agile and responsive to meet the industry and the regulatory challenges. In the ensuing years, we will gear ourselves to meet the new age thinking whilst keeping our social consciousness underlining our foundation. To this end, we have a firm platform in place to segregate into two entities and list on the public domain. We will continue to follow through with our strategic goals, not only focusing on the members of the Sanasa societies within informal sector, but, also reaching out to the small and medium sector and the retail market. Firm plans are in place to expand our outreach through a cost effective distribution mechanism; further invest in technology to bring in greater efficiency and streamline operations; nurture a well rounded team; and strengthen our product offer to best fit the changing times.

Appreciation

Our organisation in the year under review continued to be in good stead despite the uncertainties that prevailed in the socio-economic and industry backdrop. Our stakeholders were the pillars, believing in our ideals and standing by our side, supporting us to be sustainable in the long-term. My gratitude goes out to my colleagues on the Board. Their strategic thinking and concerted effort successfully guided our organisation to the next phase of our corporate journey. My sincere appreciation is extended to our General Manager, senior management and the team for giving their best to the organisation. Kudos for their hard work, professionalism and loyalty, enabling us to stand tall and reach for our goals amidst difficult market conditions.

I wish to extend my appreciation, once again, to the village leaders and members of the Sanasa societies for their loyalty and commitment. I also thank our strategic partners for their contributions and for their confidence in us. I wish to commend the Insurance Regulatory Commission of Sri Lanka for their regulatory efforts to streamline and foster best practices within the insurance industry. We are unwavering in our mission. We are well aware and prepared to take up the challenges in the years to come. I trust our stakeholders will continue to have confidence and support our efforts to reach out and serve the grass-root mases and thus, partner the nation to achieve inclusive development.

To all stakeholders, thank you.

Dr. P A Kiriwandeniya
Chairman/Managing Director
Seemasahitha Sanasa Rakshana Samagama
23 May 2018

GENERAL MANAGER'S REVIEW

GENERAL MANAGER'S REVIEW

Steadfast and focused, we at Seemasahitha Sanasa Rakshana Samagama strived to progressively shape a stronger and a stable organisation in the year 2017 amidst an intensely competitive and volatile industry backdrop. We remained well positioned and confident in serving the grass-root communities, enabling them with best fit risk management solutions to empower their lives and livelihoods. In the year, we continued to work towards greater consolidation and resolutely followed through with our strategy and plans to modernise our operations and to reach out to higher growth opportunities whilst upholding good business practices. It is in this light that I set forth my review of the Company's performance in the financial year ended 31st December 2017 and highlight our future plans to achieve long-term success.

Strategy Overview

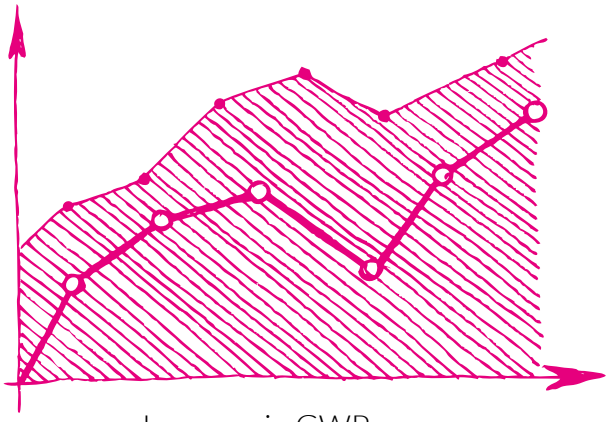
Responding to a rapidly changing industry with a demanding regulatory framework, the onus was on us to drive a well-focused and a relevant strategy to create sustainable value and be adept in executing our action plans. We remained committed to strike a balance between commercial viability and our social aspirations in keeping with our role as a micro insurer. Thus, this year, we intensified our efforts to build our top-line, progressively growing our presence amongst the undeserved grass-root communities and untapped market segments.

Complementing our growth trajectory, we looked at streamlining the operational structure; boosting our efficiency to optimise underwriting; and bring in greater discipline to claims management. We continued to invest in product development and innovation; further automate our work processes; and empower the team with tactical training and performance-based work values. We also focused on reinforcing our engagement and pursued to build closer ties with the Sanasa network and with our business and strategic partners, in turn, underscoring our positioning within a dynamic industry landscape.

Expanding the Outreach

Following through with our growth strategy, we sought cost-effective ways to expand our outreach in both rural areas as well as in towns. Whilst strengthening our operations across our branches totalling to 46 at present, we looked at adding on window units to our distribution channel.

Demonstrating our efforts, we reached out to 8000 Sanasa primary societies in numerous districts. Apart from the Sanasa network which took up over a significant portion of our portfolio, we also pursued to position our organisation amongst the retail segment, including the micro and small shop entrepreneurs in town areas.



Increase in GWP

21%

Complementing our expansionary drive, we launched a comprehensive and a structured below-the-line marketing campaign. Themed on 'Happiness' with family values, the campaign looked to create awareness on the benefits of insurance and brand Sanasa as a partner in providing integral product solutions to support and protect underprivileged masses from possible life risks. Targeting both Sanasa societies and the retail segment, we took the campaign across village to village and towns and also rolled it out on social media.

Financial Results

Bolstered by our intensive growth drive, our consolidated top-line premium income recorded a marked improvement by 21 percent to Rs. 1023 million in the year under review. This was led by our non-life segment which took up 56 percent of the consolidated portfolio. This segment recorded a noteworthy performance compared to the preceding year, with gross premium income registering a growth of 35 percent to R 569million. However, the

life insurance segment was more subdued in its growth performance in the year under review. The gross premium income generated from this segment recorded a growth of 8 percent to Rs454 million.

Total Asset Increase

In the year, our total claims grew by almost 65 percent, reaching to Rs. 451 million. We saw higher claims within the life segment mainly due to maturity of policies and higher motor and weather-related claims within the non-life segment. On a consolidated basis, the claims ratio touched almost 56 percent. However, higher net earned premium income cushioned the higher claims and our underwriting result remained positive. Although overhead expenses were high, the positive underwriting result together with investment income buoyed the bottom-line. Net profits for the year stood at Rs12 million.

We maintained a stable and a healthy financial position as at 31st December 2017. Our assets grew by 5 percent as against the previous year, in turn, cushioning the increase in liabilities. The financial position of both life and non-life sectors remained sound. Assets within the life segment recorded an increase of 1 percent to Rs1945 million. Our investment portfolio was well managed and posted good returns. Aligned to the statutory requirement, the solvency margin stood at 174 percent for life segment and 124 percent for general segment with the combination of Sanasa General Insurance Company Limited. Our minimum capital requirement was also in line with the prescribed levels.

Team Strength

Dynamic, talented and diligent, our team stands as our mainstay supporting us to be robust and current in the face of challenges posed by an emerging industry. Aligned to 'Happiness' our marketing campaign launched this year, we aspired to be a 'best place to work for'. Thus, empowering the team and encouraging them to perform at their best remained central to our strategy. We continued to give precedence to developing employee skills to build a well-rounded team; drive, recognise and reward performance; and nurture a well-balanced workplace.

Our permanent team stood at 377as at the year-end including 132 talented and young new recruits. Closely engaging, we encouraged them to be technically competent and uphold professionalism in their corporate conduct. This year, we sought and continued to invest on structured strategic training opportunities at all levels including foreign training. We collaborated with our strategic partners Sanasa Campus in Kegalle, International Finance Corporation and Asia Oceania Association in Japan in this regard. We also structured a comprehensive training programme for new recruits and for new insurance agents to educate them on micro-insurance, our product offer and our corporate ethos. During the year, we trained 202 employees at an investment of Rs. 4.6 million.

We also intensified our efforts to strengthen the role of performance within our operations with well-defined collective and individual goals, evaluation standards and reward scheme. We worked towards changing employee mind-set, inculcating positive work values. Yet, we continued to be committed to ensure employee well-being and thus, bring in a 'happy' workplace. In this regard, we took proactive measures to encourage our employees to strike a balance in their work-life-giving them flexibility in their work hours, if needed, enabling them to work online and looking into their health, safety and wellness.

Modernising Operations

With technology playing an essential role in the present-day world, we continued to invest and follow through with our plans to virtualise our operations. All work processes of both life and non-life business segments including issuing of quotations, handling applications, underwriting and collecting premiums are now carried out on our CORE

insurance system. This virtualise platform has paved the way for the centre, the head office, to efficiently manage and monitor all business activities of our branch and window network, both cost effectively and with shorter turn-around time. Indeed, this assumes greater significance in the light of our ongoing expansionary plans.

We made headway with our mobile applications on issuing premium receipts and offering quotations, thus, underscoring our customer service. We also continued to focus on revamping our official website with an online payment gateway which we expect to launch by the end of the ensuing year.

This year, we invested a sum of Rs. 10 million in technology, taking the total to almost Rs 20 million over the past five years.

Solid Fundamentals

With cooperative values as the foundation of our business model, we stand committed to uphold professionalism and be responsible and accountable to all our stakeholders. Our operations are guided and in compliance with the good governance practices set out by our regulator, the Insurance Regulatory Commission of Sri Lanka. We have also progressively made way in complying with the Updated Code of Corporate Governance, jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka. This no doubt is a prelude, preparing and paving the way to go public as anticipated in the ensuing years.

In the year, we were honoured to be recognised for our corporate stewardship. The Institute of Chartered Accountants of Sri Lanka awarded us a certificate of compliance for our reporting standards at the 53rd Annual Report Awards. We were also recognised by the National Chamber of Commerce of Sri Lanka at the National Business Excellence Awards 2017 for Merit Award in Insurance Sector.

Future Focus

Operating amidst demanding industry trends, it is critical that we remain focused and clear about the future course of action and our strategic objectives to be achieved over the short, medium to long term. Over the past few years, we have taken proactive measures to build on our key success factors our positioning as a trusted micro insurer; the support of the Sanasa network; vast distribution channel; versatile product; talented and dynamic team; strategic investments in innovation and modernisation of operations; and more so, our solid ethical business values that define our organisation. Our strategic planning efforts, particularly targeting the next three years from 2018 to 2020, will seek to reinforce and further leverage on these factors. We are collaborating with our strategic partners and solicited the support of professional organisations to improve our planning endeavours.

In terms of complying with regulatory directives, we are hopeful and await necessary license from our regulator to complete the segregation process of our business lines by 2018. Subsequently, we will seek to list our life company on the Colombo Stock Exchange as the holding company, the foundation for which is already in place.

Apart from these structural changes, we will continue to further expand our operations, through cost-effective window units in strategic towns and villages. Our target for the next year stands at 34 new branches and 60 window offices along with the new recruits. We are also looking at changing our product paradigm within the life segment. We intend to focus more on daily/monthly premium policies instead of single premium policies. This will support our drive to increase our market share within the retail segment which we believe holds much potential for our product offer. In terms of the non-life segment, we will seek to innovate and promote index-based insurance products in the lines of our weather index insurance scheme.

Rs. 1,271,381,240

Life fund Reaching to Rs. 1 Billion

Appreciation

We at Sanasa Insurance stood strong and well-poised against a challenging industry in the year under focus. The trust and the support extended by our stakeholders underlined the success we have achieved thus far, particularly, through difficult market conditions.

My colleagues in the management team and all employees were tireless in their efforts to follow through with our strategy and achieve our corporate goals. I extend my gratitude and truly appreciate their hard work and commitment to maintain professional excellence. I am confident that they will continue to give their best in the year ahead.

On behalf of my team, I take this opportunity to extend our gratitude to the Chairman and the Board of Directors for their far-sighted vision, enabling us to stand tall against the industry demands and leading our organisation towards greater stability and sustainability.

We place on record our sincere appreciation to the members and the staff of the Sanasa Federation, Sanasa societies, death donation societies and farmer associations for their allegiance and steadfastness to our mission. We commend and thank all our business partners for their unstinted support. Our appreciation also goes out to the Insurance Regulatory Commission of Sri Lanka for their proactive efforts in building a stable industry and for the support given to our organisation to address our concerns and progress to the next level.

To all stakeholders, thank you and we sincerely hope that you will support our corporate journey as we reinforce our commitment to serve the grass-roots of our nation.

I.K. Kiriwandeniya
CEO/General Manager
Seemasahitha Sanasa Rakshana Samagama
23 May 2018

BOARD OF DIRECTORS

Dr. P A Kiriwandeniya
Chairman / Managing Director

Mr. S.M.T.H. Subasinghe
Director

Mr. T. Karunasena
Director

Prof. J.M.U.K. Jayasinghe
Director

Dr. T. Senthilverl
Director

Mr. K.K.Weerakkody
Director

Mr. J.V. Nanda Kumara
Director

Mrs. S. Nilusika Sanjeewanie
Director

Dr. H.J.S.K. Wickramaratne
Director

BOARD OF DIRECTORS

Dr. P A Kiriwandeniya
Chairman / Managing Director

Dr. Kiriwandeniya is an innovative thinker and an institutional builder in the co-operative movement of Sri Lanka. He was instrumental in forming the Sanasa Movement.

He graduated from the University of Sri Jayawardanapura in 1965 and he was awarded a Doctorate from the University of Ruhuna for the yeomen service rendered to uplift the cooperative movement in Sri Lanka.
He has functioned as the President of the National Cooperative Council, The Asian Confederation of Credit Unions and The International Cooperative Banking Association (Asia & Pacific Region). He has also served as the Chairman of People's Bank and Sanasa Development Bank and has been a long term consultant (International Affairs) of the Canadian Cooperative Association. He currently serves as a Director of Sanasa Security Service (Pvt) Ltd. and as the Chairman of Sanasa Federation of Sri Lanka, Sanasa Campus, Sanasa Media Networks (Pvt) Ltd., Small & Medium Wealth Management (Pvt) Ltd., SDBL North East Constructions (Pvt) Ltd., Sanasa Corporate Secretarial (Pvt) Ltd., Sanasa General Insurance Company Ltd., Sanasa International (Pvt) Ltd. and Sanasa Travels (Pvt) Ltd.

Dr. Kiriwandeniya is a recipient of the Vishwaprasadani Presidential Award in 1996, one of Sri Lanka's highest and most prestigious national honors. Also he is a recipient of Sri Jayewardenepura Pradeepa Pranama Award in 2017 by University of Sri Jayewardenepura

Mr. S.M.T.H. Subasinghe
Independent Non Executive Director

Mr. S.M.T.H. Subasinghe was appointed to the board in 2009 as a non executive independent director and reappointed in 2013. He is an Associate Member of the Society of Certified Management Accountants of Sri Lanka (ASCMA) and Fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA). Also he is a Partner of Moore Stephens Aiyar.

Mr. T. Karunasena
Independent Non Executive Director

Mr. Karunasena was appointed to the Board in 2013 as a Non – Executive Director & reappointed to the Board as an independent Director in 2016. He Served as the Senior Director/ Deputy Chairman of Sanasa Development Bank. He has also served as the Deputy General Manager and Senior Deputy General Manager of People's Bank. He holds a Bachelor of Arts (Hons) Degree in Economics from the University of Kelaniya.

Prof. J.M.U.K. Jayasinghe
Independent Non Executive Director

Prof. J.M.U.K. Jayasinghe appointed to the board in 2013. He is a Professor/ Agric. Econ & Business Mgt. of Wayamba University of Sri Lanka. He holds a Bachelor's Degree in Agriculture and Master's Degree from the University of Peradeniya. He earned Doctor of Philosophy Degree from the Senate of the University of Guelph.

Dr. T. Senthilverl
Non- Executive Director

Dr. T. Senthilverl was appointed to the board in 2015. He serves as a non-executive director of SMB Leasing Plc, The Finance Plc and served as a non-executive director of Amana Takaful Plc, CDB Finance, MBSL savings bank, Nations Lanka Plc, Seylan Merchant Leasing Plc. And also he served as the chairman of Ominimetals and Dollar Corporation and as the General Manager of Aluminium industries (Ceylon) Ltd.

Mr. K.K.Weerakkody
Non- Executive Director

Mr. Weerakkody was appointed to the board in 2016. He serves as the chairman of Kesbewa Sanasa Shareholders Trust Company and Undurugoda Sanasa Society. And also he served as a director of Colombo District Sanasa society Union limited and as an executive committee member of Sri Lanka Foot Wear & Leather Products Manufactures Association.

Mr. J.V. Nanda Kumara
Non- Executive Director

Mr. Nanda Kumara was appointed to the board in 2016. He serves as the chairman of Midigama Prajawaruna Sanasa Society.

Mrs. S.N.Sanjeewanie
Non- Executive Director

Mrs. Sanjeewanie was appointed to the board in 2017. She is an Officer of the Sri Lanka Administrative Service since 10 years. During her service she has served as the Assistant Divisional Secretary of Alawwa panduwasnuwara & Assistant Director of Department of Pension and Department of Fisheries & Aquatic Resources. Currently she works as a director of Finance Commission of Sri Lanka. She holds Bachelor of Arts degree from University of Peradeniya & Master of Arts degree from University of Kelaniya.

Dr.H.J.S.K.Wickramaratne
Independent Non Executive Director

Dr. Wickramaratne appointed to the board in 2017. He served as an Inspector General of Police, Additional Secretary of Ministry of defence and as a Commissioner of Independent Commission to investigate bribery & corruption. He serves as a director of Sanasa Security Services (Pvt) Ltd. He holds a BSc (Honors) degree in Management from University of Sri Jayawardanapura & a Diploma in Criminology.

CORPORATE MANAGEMENT TEAM

Life

Dr. P.A. Kiriwandeniya
[PhD, BA]
Chairman/Managing Director

Indika Kiriwandeniya
[Dip. in Ins (Cey), Cert. in Chartered Insurance (Lon)], MBA
CEO/General Manager

Joe Karunarathne
[ACII (Lon.)]
Specified Officer

Wasantha Perera
[ACA]
Deputy General Manager
Finance/HR/Admin

Prasadika Senadheera
[Attorney-at-Law, Notary Public]
Assistant General Manager
Company Secretary

Samantha Dharmakeerthi
[B.Sc. (1st Class), AIII]
Assistant General Manager
Life Insurance

Non-Life

Kapila Mangala Rajapaksha
[Dip in Ins. (NIBM),Dip.in HRM]
General Manager (Acting)

Vijayalakshmi Hewakapuge
[B.A, Dip.in Ins. (Cey), ACII (Lon.)]
Specified Officer

Neranjan Wanasinghe
Assistant General Manager
Claims

MANAGEMENT TEAM

Life

Thanuja Krishnarathna
[AIA (UK) MSc (UK) PG Dip (UK)]
Consultant
Actuarial

Chandralatha Mudalige
[B.Sc. Accountancy (Sp), ACA, Dip in Ins.]
Senior Manager
Audit & Inspection

Nuwanpriya Gunawardena
[MBCS, CCNA]
Senior Manager
Information Technology

Ravinda Herath
[B.Sc. Agri, Post Grad. Dip. in Mgt,.Dip in Busi. Mgt.,]
Senior Manager
International Relations

Jayantha Halloluwa
[B.Sc. (Physical Science), Post Grad. Dip in Management, Dip. In Insurance (CII,)FII]
Senior Manager
Insurance Technical & Training

Indrani Balasooriya
[Licentiate .in C.A. (SL). Ad. Cert. in Fin. & Mgt. Accountancy.]
Senior Manager
Administration

Yasaranga Godawela
[Dip.in Ins. (Wayamba), HDII (Wayamba)]
Senior Manager
Resources Mobilization

Prasad Pansalawatte
[B.Sc. Mathematics & Computer Science]
Senior Manager
Actuarial

Saman Wijeweera
[B.Sc. Physical Science]
Senior Manager
Marketing

MANAGEMENT TEAM

Withanapathirana Upasena
[Dip. In Ins.]
Consultant

Dinusha Jayakody
[B.B.A. (Colombo)] Licentiate III]
Manager
Reinsurance

Chandra De Silva
Manager
Life Insurance

Dayananda Ranasinghe
Manager
Agency Development & Training

Muditha Geethanjali
[ACA, BBA (Fin) Sp.]
Manager
Finance

Nilupul Pathmaransi
[Dip. in Mgt]
Manager
Operations

Suyama Senarath
[DCSD,HDBIS]
Manager
Information Technology

Madusanka Wedanagamage
[PQHRM, AMIPM, MBA (OUSL)]
Manager
Human Resources

Nuwan Galhena
Manager
Audit & Inspection

MANAGEMENT TEAM

Suranga Muhandiram
[Dip.in Ins. (Wayamba,]
Manager
Sales

Upali Nandasiri
[Cert.in Accountancy & Taxation]
Manager
Administration

Supun Hewawidana
Regional Manager

S.P. Gamini
Manager
Society Development

MANAGEMENT TEAM

Non-Life

Nirmal Mendis
[B.Sc. Agri. Technology & Management]
Head of Underwriting

Manel Peris
[Dip. In Ins.]
Senior Manager
Underwriting

Duleeka Vidanapathirana
[LLB., Attorney-at-Law, PQHRM]
Legal Officer

Rathika Wijerathne
[BA]
Manager
Underwriting

Wasantha Aponsu
Manager
Underwriting

Shanaka Waidyawansha
Manager
Claims (Motor)

Kosala Thenuwara
Manager
Leasing

Kumudini Jayasinghe
[HND. Accountancy]
Manager
Payment Certification

Anusha Pushpakumari
Manager
Claims (Non-Motor)

MANAGEMENT TEAM

Janaka Jayarathne
[BBA (ACT) UOC, ACA]
Manager
Finance

Nihal Dissanayake
Manager
Corporate Business

Sadeesha Abeysooriya
Manager
Underwriting (Agri)

Keerthi Wijayabandara
Regional Manager

Pradeep Basnayake
Regional Manager

Srimal Amarasinghe
Regional Manager

Aruna Prasad
Regional Manager

BRANCH NETWORK

General

WENNAPPUWA	Main Street, Wennappuwa.	031-2250250
KULIYAPITIYA	No. 437, Madampe Road, Kuliyapitiya.	037-2284561
POLGAHAWELA	No. 89, Godawela, Polgahawela.	037-2244560
NIKAWARATIYA	No. 34, Heelogama, Nikaweratiya.	037-2260235
POLPITHIGAMA	Kudawewa Junction,Polpithigama.	037-2273160
ANURADHAPURA	No.280/1, Maithreepala Senanayake Mawatha, New Town, Anuradhapura.	025-2227486
POLONNARUWA	No. 245 I,Limola Juntion, Kaduruwela.	027-2226889
DAMBULLA	No.365/C,Near bus stand,Kandy Road, Dambulla.	066-2284354
GALLE	No. 18 1/1, Sri dewamiththa mw, Cheena koratuwa, Galle	091-2235054
MAPALAGAMA	Ethumale,Mapalagama.	091-2296503
MATARA	No.24, Angarika Dharmapala Mw, Mathara.	041-2235965
AKURESSA	New Rohana Bakery, No 63/6, Matara Road, Akuressa.	041-2284350
AMBALANTHOTA	Sanasa Insurance, Maha Weediya, Ambalanthota.	047-2225480
MATHUGAMA	1st Floor,1/118, Aluthgama Road, Mathugama.	034-2248399
EMBILIPITIYA	No. 15, H.K.T. Building, Pallegama, Embilipitiya.	047-2261925
MONARAGALA	No. 100, In Front of New Bus Stand, Monaragala.	055-2276934
MAHARAGAMA	No. 136, Piliyandala Road,Godaigamuwa, Maharagama.	011-2850554
KADUWELA	No. 50/A, Colombo Road, Kaduwela.	011-2548560
DELGODA	No. 330/4/9, New Kandy Road, Delgoda.	011-2402233
DIVULAPITIYA	Infront of filling station, Colombo rd, Divulapitiya.	031-2243772
KANDY	No. 99, Katugasthota Road, Kandy.	081-2204958
RUWANWELLA	No.261, Avissawella Road, Ruwanwella.	036-2268842
KEGALLE	No. 314, Kandy road, Kegalle.	035-2222019
JAFFNA	Kasthuriya Lane, Jumma Mosque Lane, Jaffna.	021-2219318
BADULLA	2nd Floor, Kopi Watta Road, Badulla.	055-2225443

BRANCH NETWORK

Life

KULIYAPITIYA	Solangaarchchi building, 1st floor, No. 1/587, Madampe road, Meegahakotuwa, Kuliyapitiya.	077-3663218
COLOMBO	No.68, Piliyandala Road, Godigamuwa, Maharagama	011-2850554
ANURADHAPURA	No. 561/6, Maithreepala Senanayake Mawatha,New Town, Anuradhapura	025-2235670
POLPITHIGAMA	Polpithigama District Sanasa Society, Kabukulawa, Polpithigama.	077-0039855
GALLE	No.60, Sri dewamiththa mw, Cheena koratuwa, Galle	077-3702782
KANDY	No.281, D.S Senanayaka Street, Kandy	081-2237947
MATARA	No. 7/1, Aruna Industries Upper Floor, Railway Road, Matara	077-0154002
KEGALLE	No. 1/4, Meerigama Road, Warakapola	035-2268077
DIVULAPITIYA	No. 76, Meerigama road, Divulapitiya.	077-3869446
AMBALANTHOTA	No.05, Thissa Road, Ranna	077-0309117
AKURESSA	No. 21/A, Deniyaya road, Akuressa.	077-2294183
MAHIYANGANAYA	No 44 1/2, Padiyathalawa road, Mahiyanganya.	077-7308076
RATHNAPURA	Alukon building, No. 9A, Badugabadawa road, Rathnapura.	045-2225506

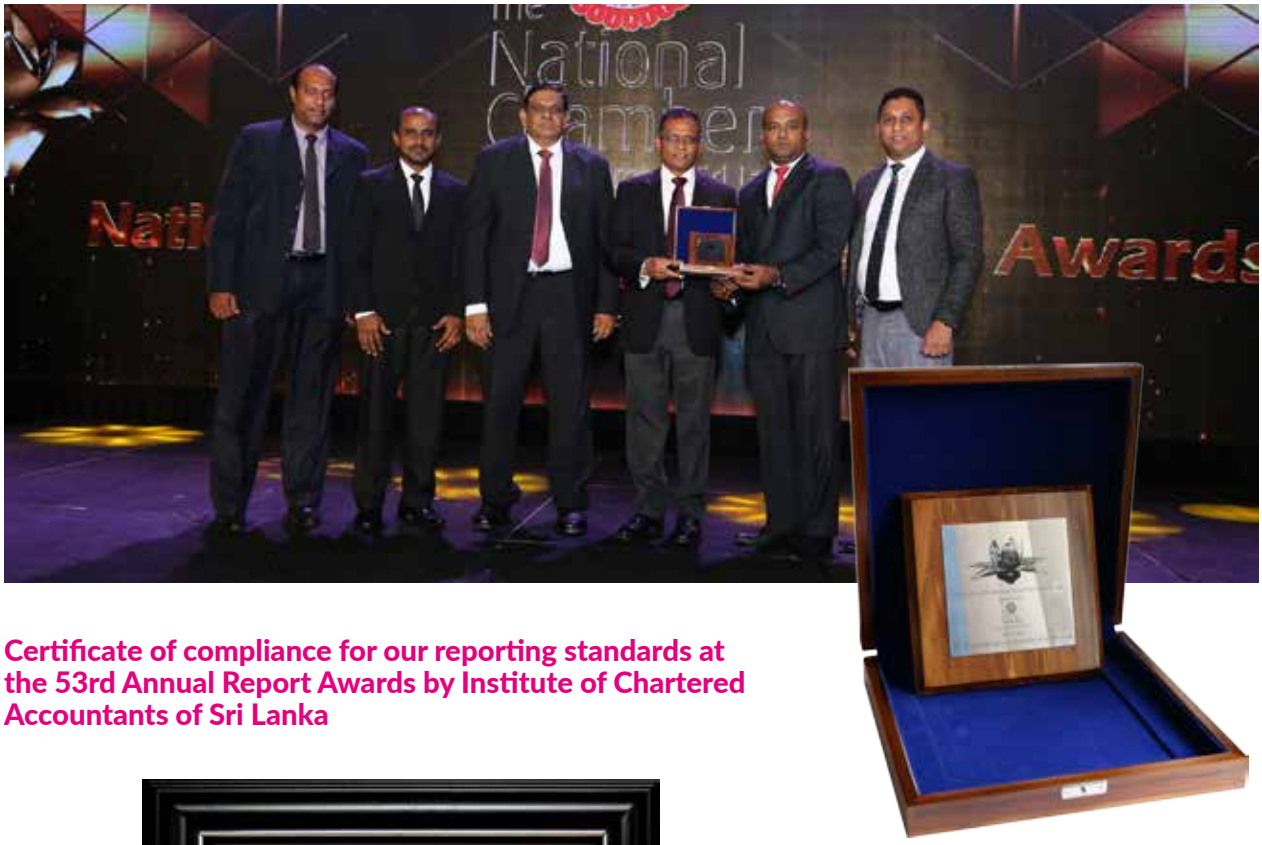
Composite

CHILAW	No.14, Koraya Mawatha,Chilaw.	032-2223386
KURUNAGALA	No.2/A Darmayathana Mw, Kurunagala	037-2233913
AMPARA	No. 72, D.S.Senanayake Street, Ampara.	077-6534119
KILINOCHCHI	Near Kandassami Kovil, A9 Road, Kilinochchi.	021-2280181
GAMPAHA	Sanasa Square, Court Road, Gampaha.	033-2231661
RATHNAPURA	Alukon building, No 90 A, Goodshed road, Rathnapura.	045-2225506
KALUTARA	No.398, 2nd Floor, Galle Road, Kaluthara - North.	034-2236743

SANASA FAMILY

AWARDS

Merit Award for Insurance Sector in National Business Excellence Awards 2017 by The National Chamber of Commerce of Sri Lanka



Certificate of compliance for our reporting standards at the 53rd Annual Report Awards by Institute of Chartered Accountants of Sri Lanka

MANAGEMENT DISCUSSION AND ANALYSIS

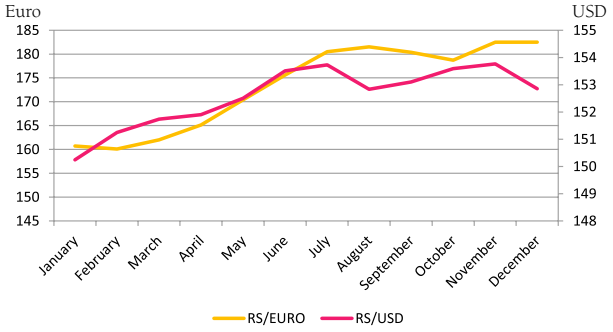
External Environment

The Economy

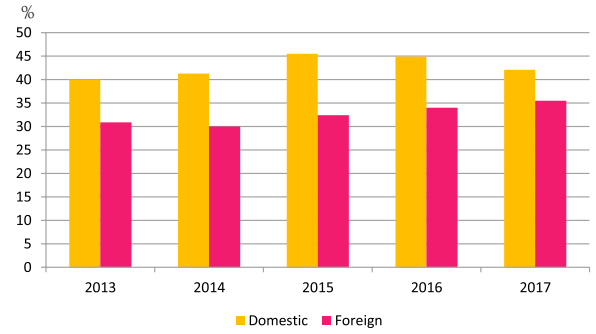
A complex political environment and the impact of natural disasters, such as floods in May and prolonged drought across the country, made 2017 a challenging year for Sri Lanka. As a result, Sri Lanka's macroeconomic performance slowed down. Sri Lanka's real GDP growth decelerated further during 2017 to 3.1 percent, from the growth of 4.5 percent recorded in 2016.

Sri Lanka is a lower middle-income country of 21.4 million people with per capita GDP in 2017 of $4,065. A sharp increase in interest expenditure forced the overall deficit to slightly increase while public debt to GDP ratio marginally decreased thanks to primary surplus and relatively low currency depreciation. FDI, due mainly to the long-leasing of a port asset and a large land reclamation project along with other debt creating capital flows, helped improve the reserve cover of imports to 3.8 months of imports. The currency depreciated by 2 percent against the US Dollar.

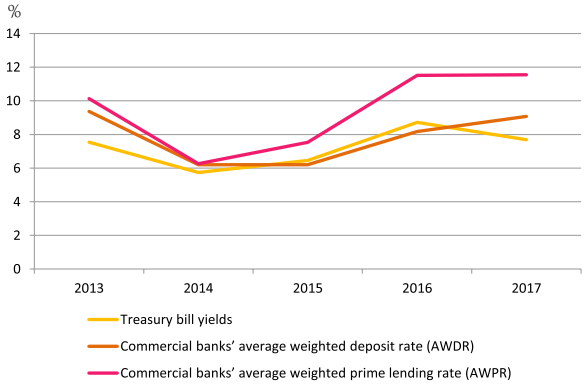
Exchange rate fluctuations 2017



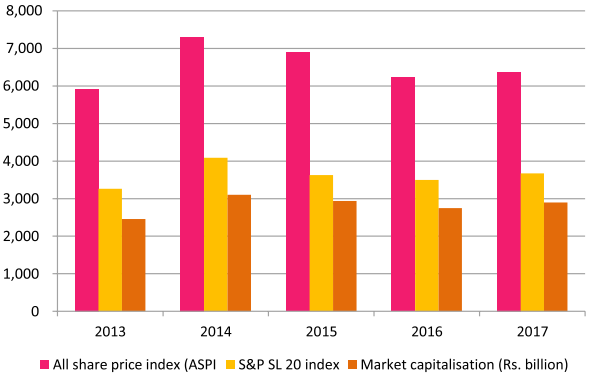
Central Government Debt (as a % of GDP)



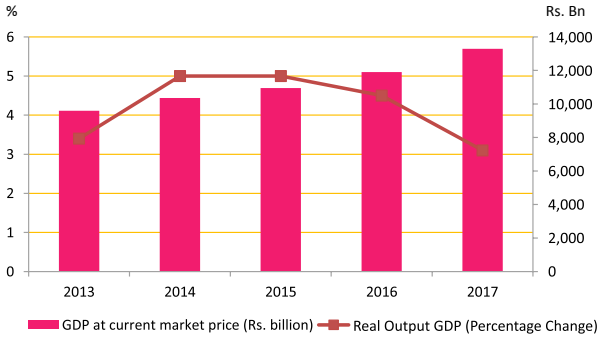
Interest rates



Share market



GDP



Source: Central Bank Annual Report 2017

Performance of the Insurance Industry

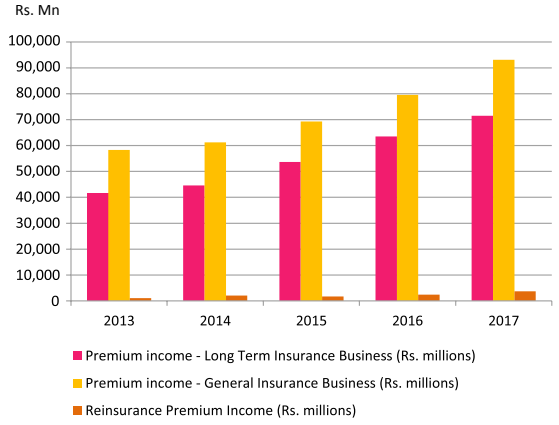
Premium income and growth rate

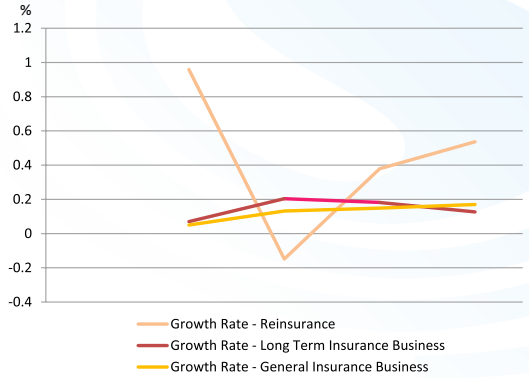
The Sri Lankan insurance industry remains focused on higher sales and profitability regardless of the challenges faced with regulatory demand, advance technology and higher customer expectations. Total Gross Written Premium (GWP) of the insurance industry has grown by 15.07percent to Rs. 164,623 million in the year 2017 compared to Rs. 143,067 million in 2016.

The growth in premium was largely driven by general insurance business, mainly from motor and health insurance sub-classes. Total GWP of general insurance business amounted to Rs. 93,119 million in 2017 compared to Rs. 79,590 million in 2016, reflecting a growth of 17percent.

The life insurance industry also positively contributed to the premium income by reporting a growth rate of 12.65percent. Sale of investment type products and decreasing term assurance products have driven the growth of life insurance premium in 2017 compared to 2016. Accordingly, life insurance companies reported total GWP of Rs. 71,504 million (2016: Rs. 63,477 million) in year 2017.

The reinsurance premium income generated by National Insurance Trust Fund (NITF) the compulsory cession of reinsurance premiums of general insurance business amounted to Rs. 3,683 million during 2017, recording a significant increase of 54percent against the reinsurance premium of Rs. 2,397 million generated in 2016.





Following are notable trends, opportunities and regulatory changes in relation to Sri Lankan insurance industry in the year under review.

Economic forecast shows a green light to the insurance industry as it is expected that in the medium to long term, the country will move into high middle income level bracket and thus expecting improved disposable income resulting in higher insurance penetration. Further, the expected regulatory developments in the medium term in relation to micro insurance, targeting needs of the low income population will have potential to enhance the insurance penetration level of the country.

Demographic transitions in Sri Lanka expect an increase in the ageing population where one out of every four persons will be an elderly person in another two decades' time. This will result in creating demand for insurance products specially on health and pension.

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

Amendments to the taxation laws which will be in effect on 01st April 2018 caused significant effects in certain areas such as life insurers' surplus distribution to shareholders and policyholders, computation of taxable profit etc. Accordingly, during the year, certain life insurers have transferred relevant surpluses to shareholders' fund from the life fund with the recommendations of their Appointed Actuaries. As a result, profits of the year 2017 have significantly improved.

In recent years, Sri Lankan insurers tend to reap the benefits of advanced technology by many ways in the life cycle of insurance including product development,

distribution, customer service etc. Several insurance companies and also some insurance brokering companies have engaged with telecommunication providers to broaden the landscape of insurance service.

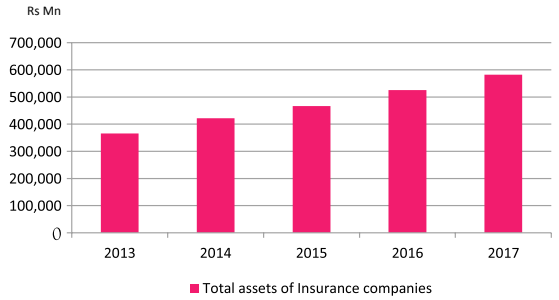
Insurance penetration & Density

Insurance penetration remained as 1.24percent in 2017 which long term and general insurance businesses contributed by 0.54percent and 0.70percent respectively. Insurance density is expressed by the total premium income as a percentage of total population. In 2017, insurance density has slightly improved to Rs. 7,677 compared to Rs. 6,747 recorded in 2016.

Total Assets

The total assets reported by the insurers amounted to Rs. 582,417 million as at 31st December 2017 whist posting moderate growth of 10.87percent compared to growth rate of 12.61percent in 2016. Macro-economic conditions, such as high volatility in interest rate, inflation and meeting the regulatory compliance requirements create challenges for insurers in managing their assets and liabilities.

Total assets reported by life insurers amounted to Rs. 392,400 million in 2017. In contrast, general insurers tend to maintain substantial liquid assets as they experience claims from the day the policy is underwritten. Total assets reported by general insurers amounted to Rs. 185,767 million in 2017.



One-Off Surplus

Subsequent to the implementation of the Risk Based Capital regime in year 2016 by the IRCSL, transition of policy liability valuation methodology resulted in a reduction in policy liabilities leading to a significant increase in surplus of certain long term insurers. The said surplus was named as "One-off Surplus" and recommended to be kept in the life fund.

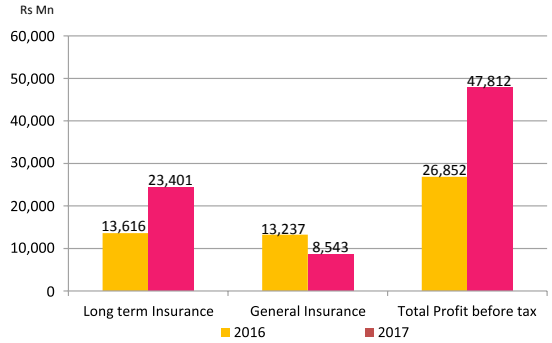
However, with the amendments in taxation laws concerning the life insurance segment the industry requested the approval of the IRCSL to transfer the said surplus to the shareholders' fund and to maintain it as a restricted reserve. In order to address same, the IRCSL issued Direction 16 on the identification and treatment of One-off Surplus.

Accordingly, the IRCSL permitted long term insurers to transfer the One-off Surplus other than participating business to shareholders for year ended 31st December 2017 or on a subsequent date after complying with the requirements stated in the Direction. Further, insurers were directed to maintain this surplus as "Restricted Regulatory Reserve" in the shareholders' fund.

Upon receipt of approval of the IRCSL, total One-off Surplus transferred to the shareholders' fund as restricted regulatory surplus amounted to Rs. 15,867 million as at 31st December 2017. Said transfers directly resulted in increasing the profits reported by the specific life insurers in 2017.

Profitability of Insurance companies

Life insurers have reported profit before tax of Rs. 23,401 million during the year 2017 prior to One-off Surplus Transfer. Total profit before tax reported by general insurers amounted to Rs. 8,543 million in year 2017 compared to Rs. 13,237` million reported in 2016.



Source: IRCSL Industry Review Report 2017

Company Performance

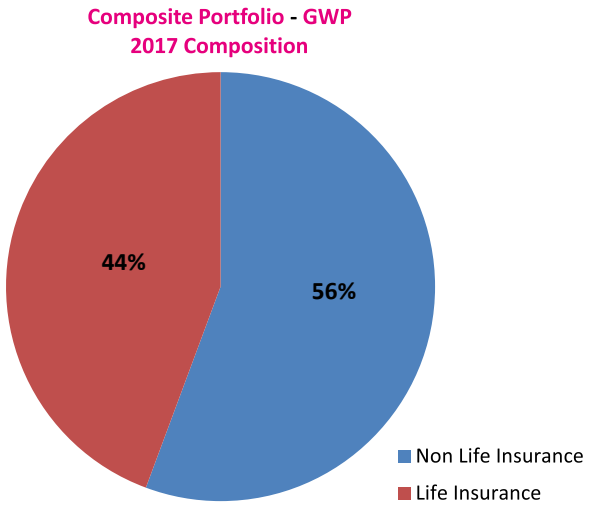
Operational Performance

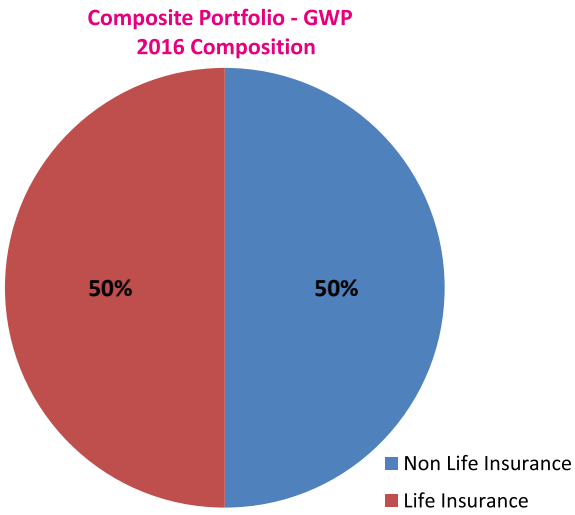
Composite Portfolio

The composite portfolio in the year under review had 287,473 policies in effect including 125,763 new policies and 161,710 renewals; representing a renewal ratio of 56 percent. The non-life insurance business led the portfolio, absorbing 56 percent share of the total GWP whilst the life segment took up the balance 44 percent.

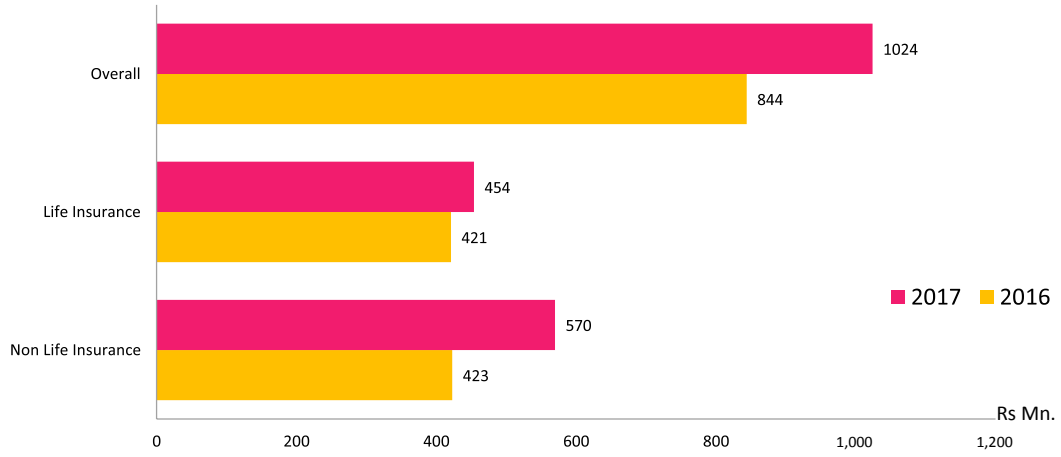
	Policies	GWP Income	GWP Growth	Claims Ratio	Underwriting Result
Composite Portfolio Key Indicators	2016: 243,782	2016: Rs. 844 Mn	2016: 25%	2016: 41%	2016: Rs. 349 Mn
	2017: 287,473	2017: Rs 1,024 Mn	2017: 21%	2017: 56%	2017: Rs 207 Mn

Accounting for 94 percent of the total income generated, the GWP stood at Rs. 1,024 million in the year under review. This represented a growth of 21 percent over the previous year, led by the non-life insurance business. The overall net claims and benefits ratio stood at 56 percent compared to 41 percent registered in the preceding year, whilst the combined ratio increased to 116 percent from 67 percent. The underwriting result contracted by 41 percent to Rs.207 million.





GWP 2017 Vs 2016



Non Life Insurance

Non-Life Insurance - Key Indicators	Market Share	Policies	GWP Income	GWP Growth	Claims Ratio	Underwriting Result
	2016: 0.48%	2016: 82,851	2016: Rs. 422.6 Mn	2016: 17%	2016: 47%	2016: Rs.149.2 Mn
	2017: 0.60%	2017: 125,911	2017: Rs.569.5 Mn	2017: 35%	2017: 46%	2017: Rs.182.4 Mn

Policies & GWP

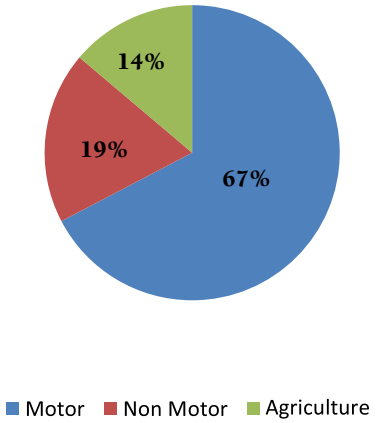
In an intensely competitive backdrop, our non-life insurance portfolio gained 91,260 new policies along with 34,651 renewals, taking the total portfolio to 125,911 policies in the year under review. Skewed towards the motor segment income, our non-life insurance segment registered commendable growth performance with the premium income level at Rs. 569.5 million, considerable increase by 35 percent as compared to the preceding year.

With focused and disciplined efforts in claims management, we were able to control claim settlements in most of the sub-sectors within the portfolio. However, claims within the agriculture sector, particularly, based on the weather index remained high given the adverse weather conditions that prevailed in the year. The total net claims increased substantially to Rs. 174 million whilst the net ratio stood at 46 percent as against 47 percent registered in the previous year. The underwriting result of the non-life insurance sector remained positive, increased by 22 percent to Rs. 182.4 million.

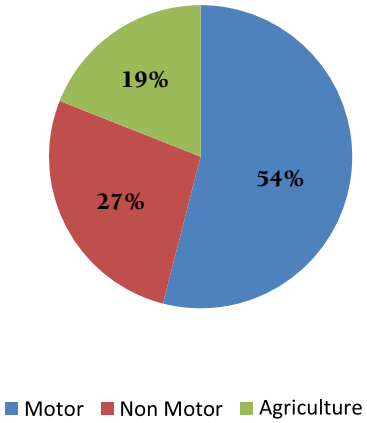
Product Mix & Performance

Our non-life insurance arm deals in motor, non-motor and agriculture.

Non Life Insurance - GWP Mix 2017



Non Life Insurance - GWP Mix 2016



As the dominant segment, the motor class absorbed 67percent of the total non-life portfolio GWP income, whilst non motor and agriculture based insurance products took up 19percent and 14 percent respectively.

Non-Life Insurance – Product Performance

'Motor' - Comprehensive and Third Party Insurance

GWP Income	Claims	Claims Ratio
2016: Rs 228 Mn	2016: Rs 93Mn	2016: 41%
2017: Rs. 383Mn	2017: Rs118Mn	2017: 31%

- Accounted for the highest share in terms of GWP income within the non-life insurance portfolio.
- Motor portfolio increased by 85,486 new policies and 30,240 renewals to reach a total of 115,726 policies.
- GWP income increased by 68 percent over 2016 and the contribution share registered a growth to 67 percent from 54 percent in 2016.
- Supported by efficient claims settlement, claims as a percentage of GWP declined to 31percent.

'Non Motor'

GWP Income	Claims	Claims Ratio
2016: Rs 114Mn	2016: Rs 53Mn	2016: 46%
2017: Rs 107Mn	2017: Rs 27 Mn	2015: 25%

- Accounted for 19 percent of the non- life insurance GWP, Posted a 6 % decline in GWP income as against 2016.
- The "Insurance for Corporative Society Asset" products recorded sound results, supporting the overall micro portfolio performance.
- Significant claims within this sub segment came from Health Insurance products.

Agriculture - Weather Insurance on Crops, Tea and Livestock

GWP Income	Claims	Claims Ratio
2016: Rs 80Mn	2016: Rs 63Mn	2016: 78%
2017: Rs.78Mn	2017: Rs33Mn	2017: 42%

- Accounted for 14percent share of the non-life portfolio, Posted a 2.5 % decline in GWP income as against 2016
- Claims were well managed and the ratio stood at a lower level.

Life Insurance

	Market Share	Policies	GWP Income	GWP Growth	Underwriting Result
Life Insurance - Key Indicators	2016: 0.58%	2016: 79,142	2016: Rs. 421 Mn	2016: 35%	2016: Rs.199.9 Mn
	2017: 0.53%	2017: 161,562	2017: Rs.454 Mn	2017: 8%	2017: Rs.24.2Mn

Policies and GWP

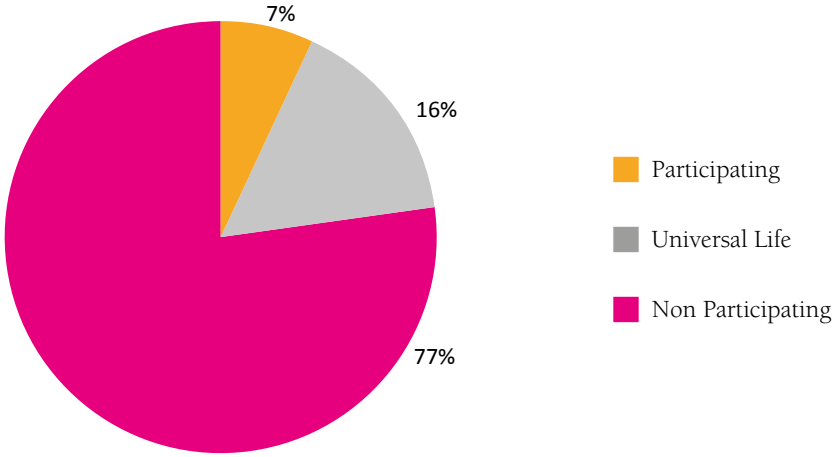
Consolidating our positioning within the life insurance segment, we succeeded to post a creditable performance in terms of premium income. Our life insurance portfolio in the year stood at 161,562 policies including 127,059 as renewals and 34,503 as new policies.

Our life segment regained its growth momentum, registering an increase of 8 percent in GWP income as compared to 35 percent noted in the year 2016. The GWP income touched Rs. 454 million vis-à-vis Rs. 421 million in the previous year.

In absolute terms, following the trends of the preceding year, the overall net claim settlements increased substantially to Rs. 276 million given the higher number of maturity and surrender claims; this represented a 103 percent increase over the previous year. The net claims ratio also noted an increase to 65percent, as against 36 percent registered in 2016. The Long Term Insurance Fund increased by Rs. 359 million in the year under review.

Given the higher claims and benefits, the underwriting result declined, recording Rs.24 million compared to Rs. 199 million in the year 2016.

Product Mix & Performance



We continued to offer in the year a full range of life insurance products covering risks with over ten types of policies including endowment, investment, child benefits, whole life and loan protection. Our investment oriented product, 'Divijaya' with a single premium and fixed benefits, continued to take up the largest share of 57percent of the total life insurance GWP share, closely followed by investment policy, taking up 10 percent share.

In terms of contract, Participating contract products Jayathura', 'Pilisarana', 'Senehasa' and 'Situmina' took up the share of 7percent, Universal Life products of 'Pension' and 'Investment policy' took up 16 percent whilst Non-participating products of Divijaya', 'Divithura', 'Janamituru' and 'Loan Protection' took up 77 percent.

Financial Review

Our financial capital comes from equity raised from our shareholders mainly within the Sanasa societies or like-minded investors who aspire to be socially responsible, funding from financial institutions and internal cash flow generations.

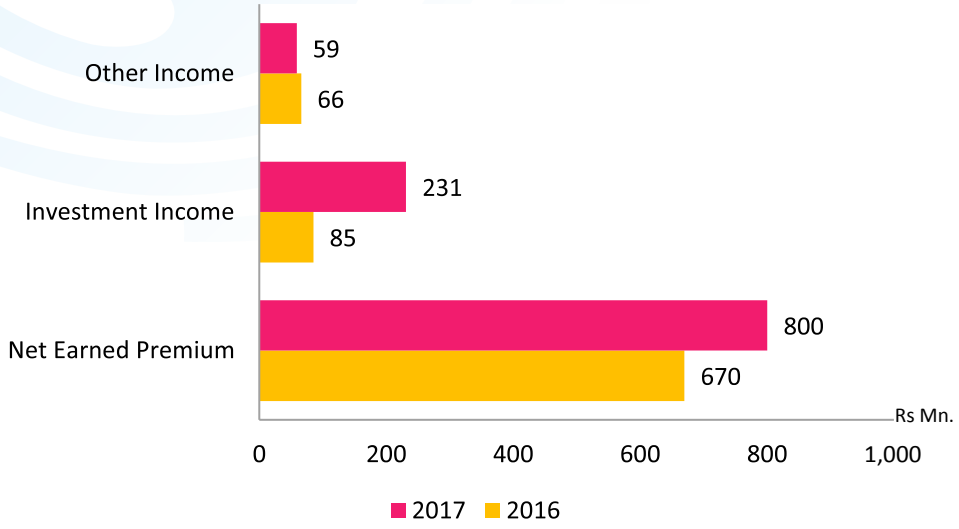
Navigating through the challenges in both the operational and regulatory environment, our organisation followed through with a decisive strategy to sustain its positioning within the micro insurance market segment and delivered a creditable financial performance in the year 2017. The financial position was maintained satisfactorily. Given below is a review of the financial results achieved in the year along with the key financial ratios.

Key Financial Indicators

Non-Life Insurance	Life Insurance	Company
Net Earned Premium •2016: Rs. 292.1Mn •2017: Rs. 376.4 Mn	**Net Earned Premium** •2016: Rs. 377.7 Mn •2017: Rs. 423.9 Mn	**Net Earned Premium** •2016: Rs. 669.8 Mn •2017: Rs. 800.3Mn
Underwriting Profit •2016: Rs. 149.2 Mn •2017: Rs. 182.4Mn	**Underwriting Profit** •2016: Rs.199.9 Mn •2017: Rs. 24.2 Mn	**Underwriting Profit** •2016: Rs. 349.0Mn •2017: Rs. 206.7 Mn
Investment & Other Income •2016: Rs. 5.3 Mn •2017: Rs. 71.9 Mn	**Investment & Other Income** •2016: Rs. 146.2 Mn •2017: Rs. 218.1 Mn	**Investment & Other Income** •2016: Rs. 151.4Mn •2017: Rs.290.1Mn
Profit Before Tax •2016: Rs. (75.0Mn) •2017: Rs. 15.3 Mn		**Profit Before Tax** •2016: Rs. 74.9 Mn •2017: Rs. 15.3 Mn

Profitability Performance

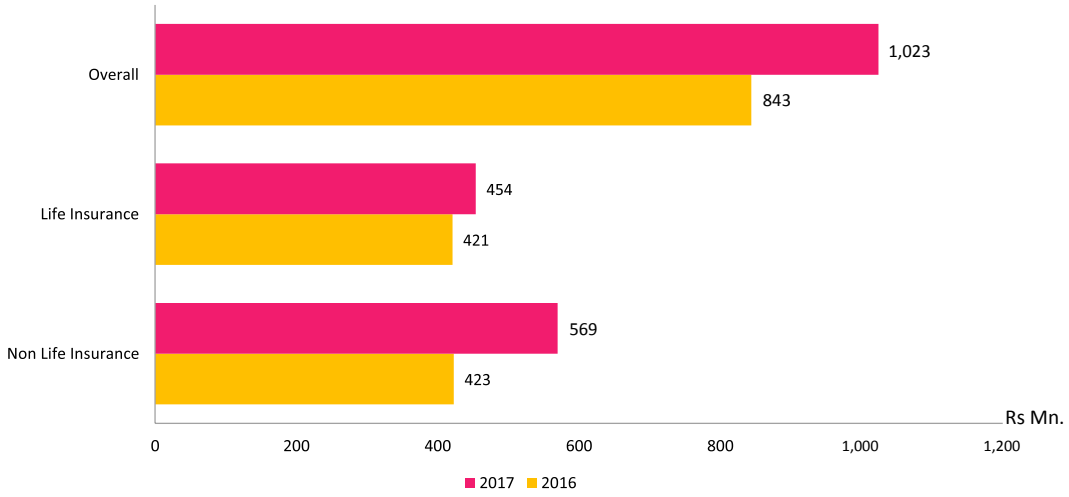
Revenue



The total revenue in the year including net earned premium, investment and other income, stood at Rs. 1,091 million in the year under review. This corresponded to an impressive growth of 33 percent over Rs. 821 million achieved in the previous year.

Gross Written Premium

The income generated from the overall GWP posted a growth of 21 percent in the year 2017 to Rs. 1,023 million as against Rs. 843 million in the preceding year. The life insurance segment took up 44 percent of the total GWP, whilst posting an increase of 8 percent as against the preceding year to Rs.454 million. The GWP income generated from the non-life insurance increased by 35 percent over the previous year to Rs.569 million.



Net Written Premium

The premium ceded to reinsurers stood at Rs. 149 million in the year under review; corresponding to a 10 percent decrease over the previous year. This accounted for 14.5 percent share of the total GWP. The net written premium for the year hence stood at Rs. 874 million, an increase of 29 percent as against Rs. 678 million posted in the preceding year.

Net Earned Premium

This year under review, the net change in unearned premium reserve moved to Rs. 74 million from Rs. 8 million in the previous year. This buoyed the net earned premium to reach up to Rs. 377 million, corresponding to an increase of 28 percent from Rs. 292 million in the year 2016. The life insurance segment accounted for the major share of 53 percent of the overall net earned premium whilst the non life segment took up 47 percent share.

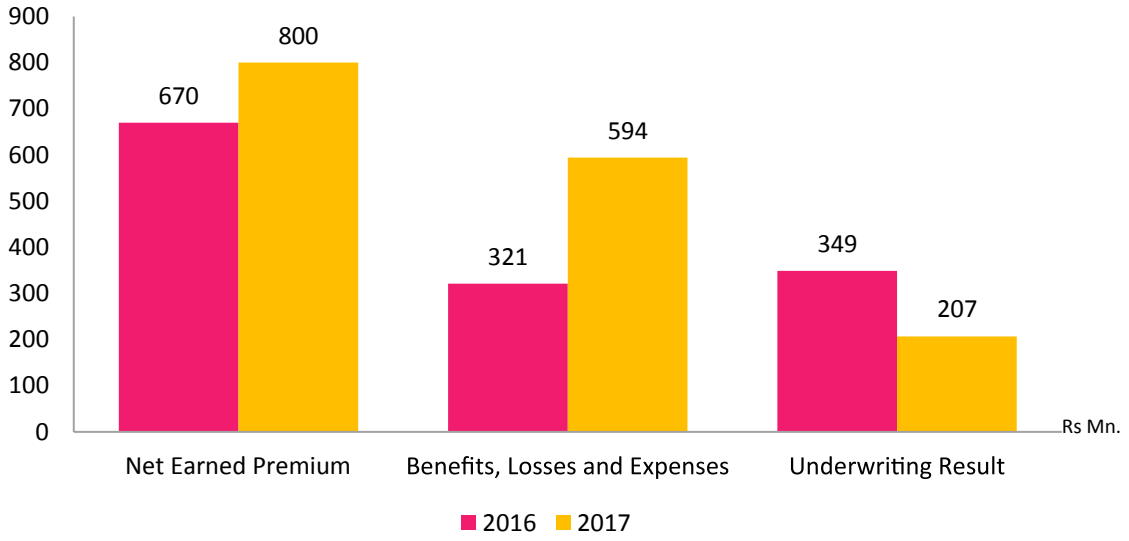
Benefits, Losses & Expenses

In both business segments, net claims and benefits registered substantial increases in the reporting year, which compromised the Company's underwriting results.

Within the life segment, net claims and benefits stood at Rs.276 million, an increase by almost 103 percent over the previous year. Rs. 97 Mn transferred to long term fund in 2017 which resulted in positive underwriting result of Rs. 24.2 Mn in 2017.

Within the non-life segment as well, the net claims and benefits registered to Rs 174 million, up by 26 percent which together with underwriting and acquisition cost curtailed the underwriting result from reaching out to its full potential. On an overall basis, the total benefits, losses and expenses in the reporting year expanded by almost 85 percent from Rs. 321 million in 2016 to Rs. 594 million in the reporting year.

Underwriting Result



Despite the substantial increase in total benefits, losses and expenses, the underwriting result broadly remained positive at Rs. 207 million; however, this represents a significant contraction of 41 percent as compared to Rs. 349 million achieved in the previous year. The non-life segment result of Rs.182 million completely backed the overall performance.

Investment & Other Income

Investments and other income continued to complement the overall profitability; growing outstandingly by 92 percent to Rs. 290 million as against Rs.151 million in 2016. With focused efforts and perceptive strategies to maximise returns amidst a volatile investment climate, investment income improved significantly by 172 percent to Rs.231 million. Changes in fair value adjustments to the investment portfolio amounting to Rs. 0.4 million in the year compared to Rs. 104 million in the previous year, further cushioned the investment income. Other income posted a decrease of 1 percent to reach Rs. 59 million in the year under review.

Expenses

Broadly underscored by the measures adopted to segregate the business lines, other operating and administrative expenses expanded by 13 percent to Rs.481.5 million in the reporting year, compared to Rs.425.4 million in the year 2016. Out of these expenses, staff costs absorbed the highest share, growing at 15 percent whilst operational and administrative expenses grew relatively slowly by 3.4 percent. However, marketing and promotion costs registered a substantial increase of over 50 percent, reflecting on the efforts taken to reinforce the brand positioning and product promotions to meet the emerging industry demands.

The non-life insurance arm accounted for 50 percent of the total operating and administrative expenses amounting to Rs 239 million whilst the life segment took up the balance 50 percent.

Operating Profit

Complemented by a strong top-line and more so, given the impressive performance in investment and other income, our operating profit was robust at Rs.21 million, corresponding to a contraction of 75 percent compared to the previous year's operating profit of Rs. 83.5 million. The non-life insurance sector accounted for 85percent share of the operating profit whilst the life insurance accounted for the balance 10percent.

Profit Before Tax

Underscored by an impressive operating profit, our bottom-line profits were strong and noteworthy. Our finance costs were well managed; an decrease of 32 percent was noted as against the previous year. With this decrease in finance costs, the profit before tax stood at Positive Rs. 15.3 million, compared to negative Rs. 75 million recorded in the previous year; representing a substantial reduction of 80 percent.

In terms of the business lines, non-life insurance segment took up the 100percent share of the profit before tax, amounting to Rs. 15.3 million.

Taxation

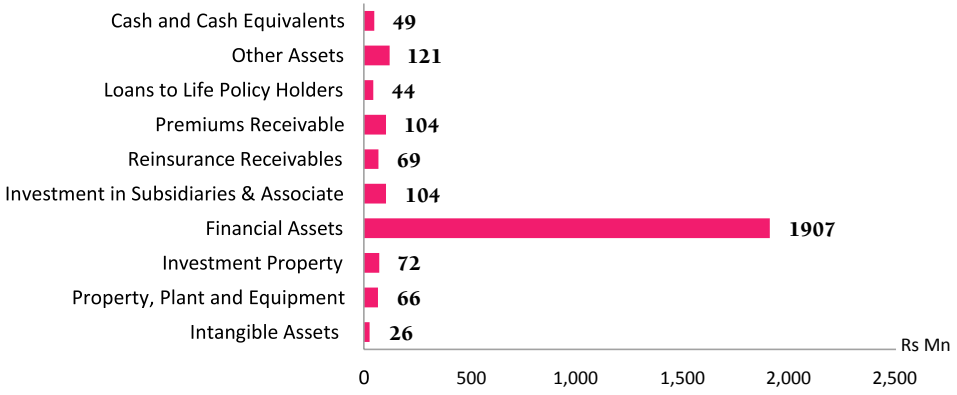
In the year under review, the non-life segment, given the adjustments to the taxable income and the deferred tax component, the tax for the year under review registered expenses of Rs. 3.2 million.

Profit After Tax

Complemented by the top-line performance, investment and other income, profit after tax stood at Rs. 12 million in the year 2017.

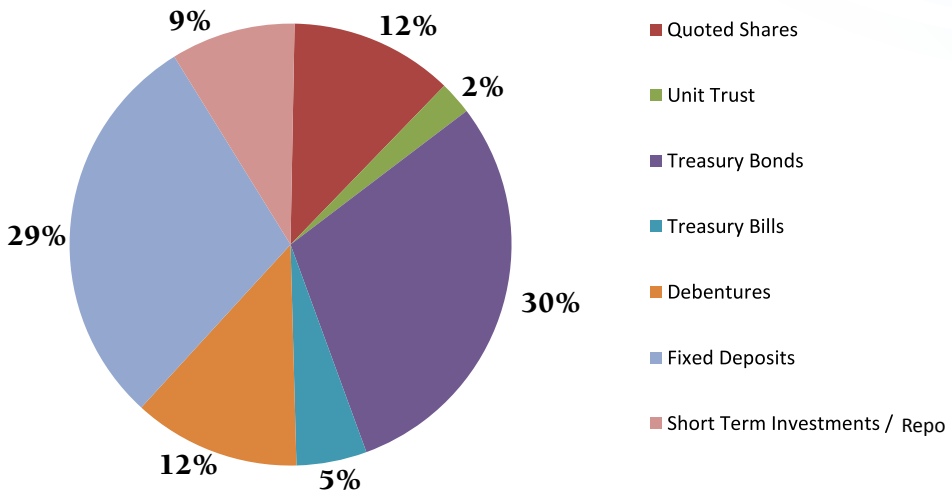
Financial Position

Assets 2017



Surpassing the two billion mark, the total asset position as at 31st December 2017 stood at Rs. 2,561.5 million. This corresponded to a 5.4 percent increase as against the position of Rs 2,429 million as at the preceding year-end. Out of the total, financial assets accounted for the major share of almost 74 percent whilst the other assets including property, plant and equipment, investment property, intangibles, reinsurance and premium receivables, investments in subsidiaries and cash and cash equivalents took up the balance 26 percent.

Financial Assets



Taking up 74.6 percent of the total assets, financial assets comprised government securities, quoted and unquoted equities, debentures, unit trust, fixed deposits and short term investments in repos. Financial assets as at 31st December 2017 stood at Rs. 1,907 million, corresponding to a 1 percent increase over Rs. 1,885 million position as at the year-end 2016. Majority of the financial assets, representing 82 percent were within the purview of the life insurance segment.

The unquoted equity investments of Rs. 5.5 million relate to the group companies (available for sale). The quoted equity portfolio at fair-value determined on profit/loss together with the unit trust stood at Rs. 274 million. The investments in quoted shares of Sanasa Development Bank Plc took up over 90percent of the investments in quoted companies whilst the balance was invested in blue-chip companies on the Colombo Stock Market. The equity investment related to the Sanasa Development Bank Plc entailing 2.016 million shares increased at fair value by 3 percent to Rs. 205 million. The loans and receivables including government securities, debentures and fixed deposits taking up the largest share of 85 percent in terms of the total financial assets, reflected an improved position by 1 percent to Rs. 1,627 million.

In terms of credit risk exposure, over 44 percent of the financial assets are well secured in risk-free government guaranteed instruments and the balance financial assets are invested within 'AAA to BBB' credit rated entities.

Property Plant & Equipment

All property, plant and equipment, except motor vehicles, were revalued as at 31st December 2014. The net book value of property, plant and equipment was Rs. 65.6 million as at 31st December 2017, as against the position of Rs. 79.2 million registered in the previous year-end. The non-life segment took up almost 52 percent of the total property, plant and equipment.

Intangible Assets

Intangible asset position comprising computer software stood at Rs. 26.4 million as at the reporting year-end as against the position of Rs. 26.8 million as at the previous year-end.

Investment Property

The Company's investment property measured at fair value as at end December 2017 reflected a marginal increase to Rs. 72 million from Rs. 56 million as at end December 2016. Out of these assets, life insurance segment took up just over 77 percent share. The fair value gains reached Rs. 16 million.

Investments in Subsidiaries & Associates

Apart from the investments (available-for-sale) within the Sanasa network, the Company maintained unquoted equity investments of Rs. 103.9 million in two associate companies. The newest associate, Sanasa General Insurance Company Ltd established in compliance to the RII Act took up the largest investment of Rs.103.6 million and Sanasa Security Services (Pvt) Ltd stood as an associate company, absorbing Rs. 400,000 in investment.

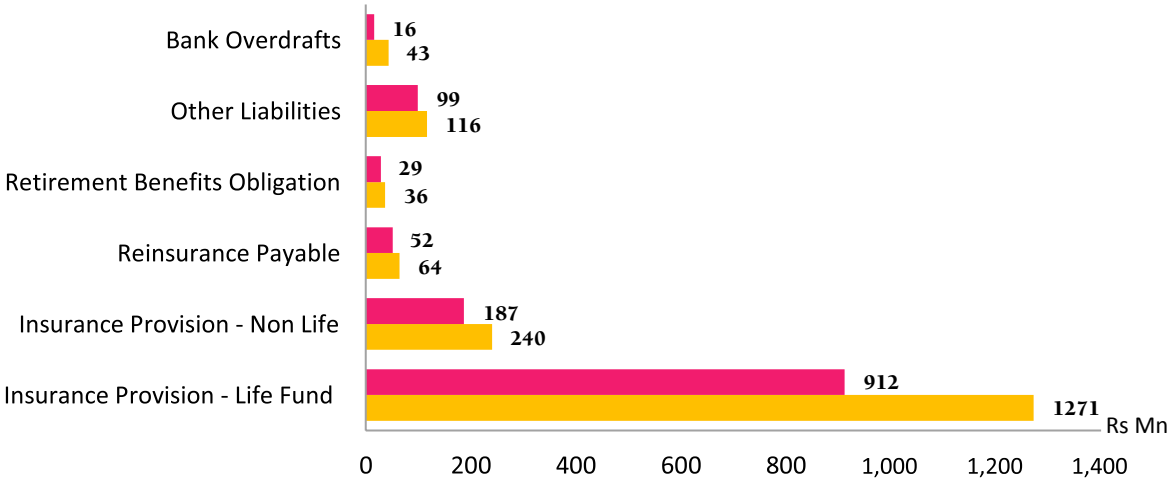
Receivables & Other Assets

As at 31 December 2017, reinsurance receivables increased to Rs. 68.5 million as against Rs. 66.9 million as at the previous year-end. The premiums receivables net of impairment provision for the year stood at Rs. 103.9 million and the loans to life policyholders were at Rs. 43.5 million that included new loans of Rs. 34.6 million in the year and repayments of Rs. 30.6 million. Other assets including inventories, advances and deposits, current accounts and other receivables were Rs. 121.4 million as against the position of Rs. 64.9 million in the preceding year.

Cash & Cash Equivalents

As at 31 December 2017, cash and cash equivalents reflected an improved position of Rs. 48.9 million.

Liabilities composition



Liabilities

The total liabilities comprising insurance provisions, retirement liabilities, bank overdrafts, creditors and other payables stood at Rs. 1,772.1 million as at end December 2017, reflecting a 37 percent increase as against the position as at end December 2016.

Insurance Provisions

In terms of the life fund, provisioning increased by 39 percent to Rs. 1,271.3 million as compared to the year-end 2016. Provisioning for the non-life segment, however, increased by 29 percent to Rs. 240.3 million as at the year-end 2017.

Employee Benefit Liability

The retirement benefit obligations as at 31st December 2017 stood at Rs. 36.4 million, an increased position compared to the previous year-end of Rs. 28.7 million. The provision for the year stood at Rs. 9.7 million.

Other Liabilities

Other liabilities including government levies, commissions, claims, accruals and other payables reached Rs. 116.4 million as at the reporting year-end. This reflects a increase of 18 percent as compared to Rs. 99 million as at the year-end 2016.

Share Capital

Share capital increased by Rs. 1.76 million to Rs. 1,044.6 million as at end December 2017, moving closer towards compliance with the latest regulatory requirement. The life insurance segment absorbed 73 percent of the total share capital, corresponding to Rs.758.1 million whilst the non-life insurance arm took up Rs.286.5 million.

Retained Earnings

Reflecting the absorption of deficit arised through Life Insurance fund Valuation in profitability, retained earnings reached into negative Rs. 249 million as against the position of Rs. 95.5million in the previous year.

Cash Flow

Complemented by the strong premium income together with investment income, net cash generated from operating activities in the year was positive at Rs.154 million. Net cash generated from investing activities however, reported a negative balance of Rs. 98.5 million mainly on account of purchase of liquid investments. The balance from the financing activities stood negative at Rs. 91.5 million. The cash and cash equivalent balance was Rs. 5.7 million in 2017 compared to Rs. 42 million in 2016.

Key Ratios

Key Ratios	Earnings Per Share	Return on Assets	Return on Equity
	2016: Rs.0.60	2016: 2.23%	2016: 4.77%
	2017: Rs.0.12	2017: 0.47%	2017: 1.52%

Due to unfavourable investment climate and unpredicted claim experience, the profit after tax was decrease in the year 2017 and led to EPS of Rs. 0.12 in the year 2017. This was 80percent decrease to the last year whilst return on Assets and return on equity decreased to 0.47percent and 1.15percent respectively.

The Company maintained a healthy financial position with a strong asset position, enabling to meet its long and short-term liabilities in the year under review. The capital adequacy ratio of 120percent was also in line with the minimum stipulated by the regulator of both life and non-life segment.

Group Performance

The group as at the balance sheet date comprised two associates including the newly established Sanasa General Insurance Company Ltd as per the RII Act regulatory requirements to take on the segregated function of non-life insurance. This company awaits the licence from the IRCSL to commence commercial operations as at the reporting date.

As per the consolidated results, our financial performance was sound and solid in the year under review. With almost 99 percent accounted for by the parent, SICL, the consolidated revenue registered a 1 percent increase as against the year 2016 to Rs. 1,100.5 million. Net earned premium generated by the parent company stood at Rs. 800.3 million; whilst Rs. 9.9 million was contributed by the revenue generated from the operational associates. Yet, noteworthy income generated from investments and other income cushioned the substantial increases posted in total benefits, losses and expenses and operating and administrative expenses across the group. The Group achieved an outstanding profit before tax of Rs. 25.2 million. The tax component stood at an expense of Rs. 3.2 million, taking the profit after tax to Rs. 21.9 million.

Growing at 2.9 percent as against the preceding year, the Group's asset base touched the two billion mark to record Rs. 2,541.7 million as at 31 December 2017. Out of the total assets, financial asset portfolio accounted for the largest share with Rs. 1,907 million, corresponding to 75 percent. The credit risk exposures were duly managed with financial assets maintained within prudent levels 44 percent in risk free government securities and 56 percent in rated institutions as equity investment. Only less than one percent fell under the speculative and unquoted investment category.

The total liabilities as at the year-end reached to Rs. 1,777 million, a 37 percent increase from the position of Rs. 1,300 million as at the preceding year-end. Increases in provisioning in terms of both life fund and non-life along with other liabilities contributed to the overall liability position. The total equities including the stated capital, retained earnings and non-controlling interest stood at Rs. 764 million as at the year-end, corresponding to a 30 percent decline over the previous year.

Branch network

Majority of the companies GWP is generated through the agency channel which operates through branch network. Company has strategically located its branches across the country. In the year under review the company invested in expanding, repositioning and upgrading existing branches to optimize geographical reach while enhancing customer convenience.

Service unit are located to facilitate the customers specially for premium payments claim settlement etc. further this unit will support to improve the GWP of this branch.

Branches and units expansions

Following table depicts the changes made to the branches and units.

	2017	2016
New Units/Branches	06	02
Upgrades	-	10
Relocation	14	02
Closed Down	06	05

Employees

At SICL, we understand that the human capital we possess is instrumental to create sustainable value to all stakeholders. Therefore we continuously strive to invest in the human capital we have, enhancing it through training, development, motivation and appropriate recruitment decisions to enable this capital to continuously create value within a strong ethical and governance framework.

We believe that people are at the core of everything we do at SICL. Providing a great place to work is a critical component of our journey towards sustainable performance. We want to foster an open, safe, inclusive and stimulating working environment for our employees. We also seek to be the preferred employer for existing and potential employees. We aim to consistently provide our people with the tools they need to be successful and to create a work environment that supports their physical and mental well-being.

We encourage our people to make a positive difference to our customers and we also encourage them to develop and advance in their careers and contribute positive towards the company & the society.

To develop a sustainable business, it is important to attract, retain and develop the appropriate skills. In doing so, proper understanding of needs of the business and the expectations of our employees is paramount important. Every effort is made to reasonably meet their needs while supporting the requirements of the business.

Employee Diversity

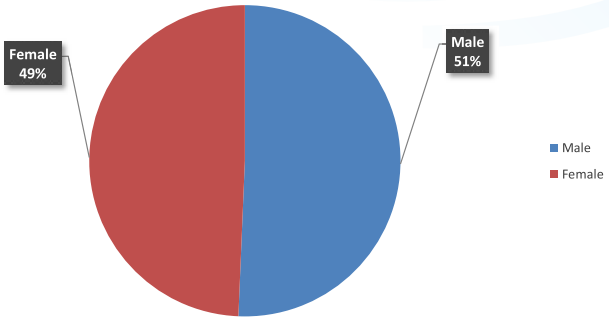
Diversity brings innovative ideas, perspective and experiences in a welcoming environment where everyone has an equal opportunity. We believe that it is vital to respect the individuality of every person working with us and to embrace the opportunity that diversity in the workplace brings. Diversity and an inclusive workplace are critical to our company and we are taking extensive measures to ensure that the attitudes of openness and inclusivity are embedded at every level in the company. The workforce as at 31 December 2017 was 377 of which 279 employees were serving on permanent basis, 79 employees were serving on probation and 19 employees were serving on contract basis.

We want to be inclusive in our hiring process across race, age, sexual orientation, Physical abilities and personal philosophies. However, we mainly report on gender equality due to difference in measuring diversity.

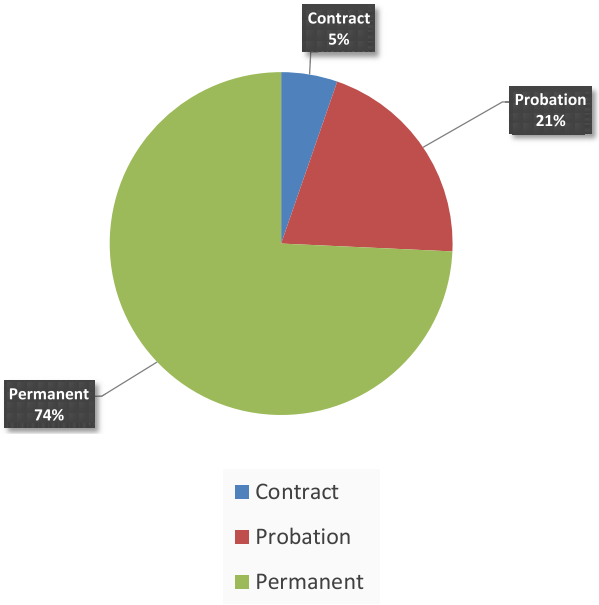
The company monitors the diversity of its workforce based on several factors as illustrated by the following diagrams.

Total Workforce

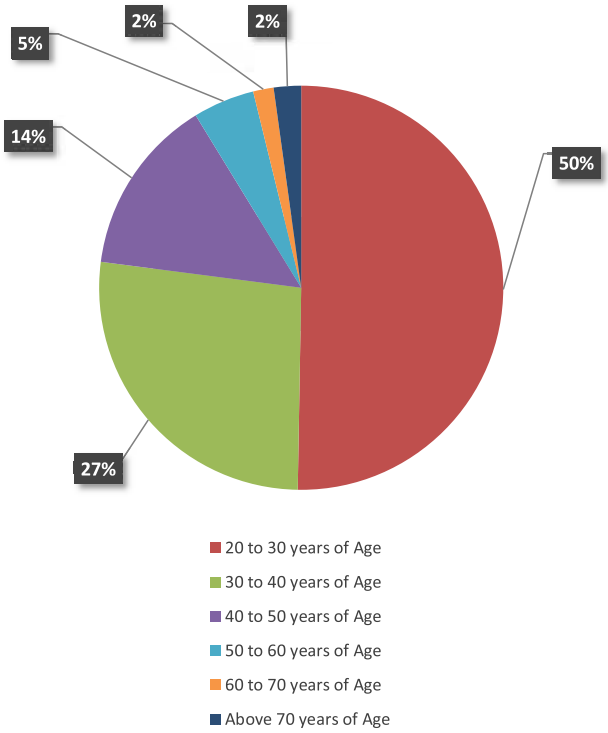
Gender Analysis



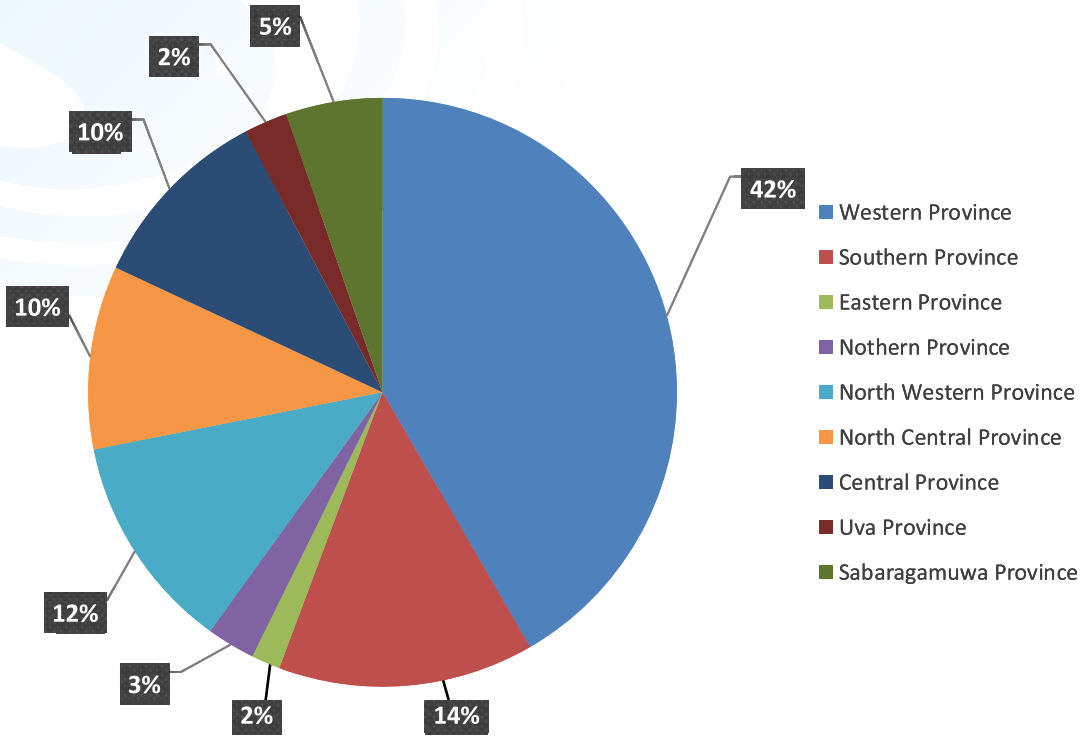
Service Analysis



Age Analysis



Number of Employees by Province

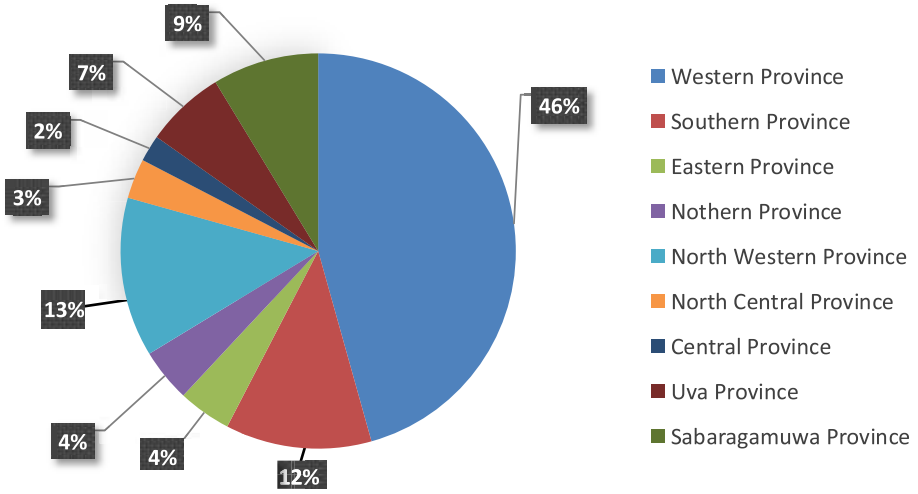


Employee Retention

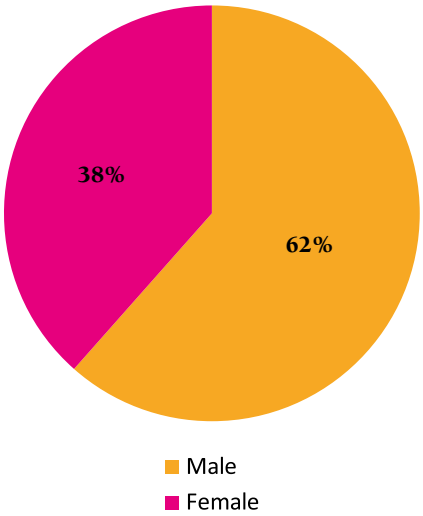
The company continuously monitors its employee retention and, in particular, seeks to address staff attrition in typically high attrition departments through proactive initiatives that engage employees. These include surveys, which enables employees voice their opinion in credibility, caring and fairness.

The company monitors the attrition based on several factors as illustrated by the following diagrams.

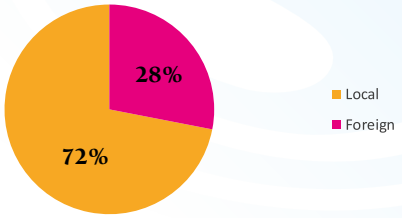
Attrition by Province



Attrition by Age



Local & Foreign Trainings



Health And Safety

SICL follows various guidelines with regard to workplace health and safety. This initiative has been introduced to enhance worker's occupational safety and health. We have introduced a range of activities related to health and safety to ensure we have a safe environment to work.

Employee Benefits

Employees are eligible for the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) contributions. The total contribution made to the trust fund for the reporting year was Rs. 20.25 million. Employees are also entitled to retirement gratuity.

Performance Management

SICL has implemented a robust performance management system where each employee's performance is assessed in a fair and equitable manner.

Employees' performance against the set objectives is first self-assessed by his/her immediate supervisor and recommendations provided. A 360 degree feedback from peers and subordinates is also obtained.

Appeals Process

SICL also has a grievance handling and appeals process if the employee is not satisfied or disagree with the performance rating.

Rewards and Recognition

SICL has initiated several reward and recognition schemes to motivate staff, especially for the marketing staff to achieve even higher standards of performance.

Training and Development

The company invests heavily training and development initiatives. Our approach covers a range of technical, functional, information technology and general management skills with a wide range of resources and programs established for training and development (T&D) purposes.

In 2017, we conducted 30 Local Training programs, and 12 overseas training programs. Our training programs are created based on the training need of each employee and it is designed to build capacities of employees, in all categories, for which the company invested on 4.6 million rupees on training and development.

HR Policies And Processers

Resignation, Terminations And Transfer Policy

SICL has a comprehensive HR manual which addresses resignation, termination and transfer of employees. Employees may resign from the company subjects to the terms and conditions set in their appointment letters, while retirement of employees would be at the age of 55. The company conducts exit interviews prior to employees leaving the company, in order to identify reasons for their exit and to strengthen HR practices if necessary. Where applicable relevant compensation is provided based on existing labour regulations and company policies.

Non Discrimination, Child Labour, Forced And Compulsory Labour

The company has a strong mechanism to avoid discrimination when recruiting, promoting and granting recognitions. During the period, there were no incidents reported on such cases. At SICL our policy is to recruit employees above 18 years and to comply with local regulations on child labour. No incidents were reported on forced labour.

Grievance Management Process

SICL has a very effective grievance handling process in place. SICL acknowledges that as an equal opportunity employer, a grievance handling procedure will provide

opportunities to employees who are aggrieved by alleged unfair, unjust or inequitable practice to seek redress without prejudice to the complainant. The company has implemented an grievance handling system where employees could present their case in an anonymous manner. After careful evaluation of the issue it is communicated to the individual/s affected and solutions are provided in an efficient manner.

Open Door Policy

Open door policy has become an integral part of the companies culture and creates a very conducive atmosphere for employees to openly express their concerns. This allows people inside and outside the company to report any concerns about possible alleged unfair, unjust or inequitable practices.

Employee Engagement

We have developed number of communication strategies to ensure that all our employees are fully aware regarding the company's operations, strategies and its progress against objectives and any other areas which directly impacts them. Employee satisfaction surveys are conducted time to time where we allow all our employees to air any grievance in an anonymous manner and identify any areas which require improvements.

Management Meetings

Open and transparent communication plays a vital role in our strategy to engage with our employees. The company conducts a number of meetings weekly, monthly, biannually and annually to discuss and evaluate business developments, company activities and progress against the strategies set to attain the goals & objectives of the company. Also this information is then cascaded to every employee in a formal manner by the respective departmental / branch managers.

Field Staff

Our field staff members are an integral part of the SICL family. Currently 90percent of the company GWP is contributed by field staff.

Hence, we provide them with adequate training and development opportunities and structured sales tools and techniques that enhance their productivity and professionalism. We also strive to create a rewarding career with local and international rewards and recognitions schemes and well defined career paths.

CORPORATE GOVERNANCE

Corporate governance plays a significant role in any business determining and guiding on how corporate goals and objectives can be accomplished without compromising ethical business practices whilst adding value in the long term to all stakeholders. Following good governance is paramount in today's weak and lax business environment. Successful companies demonstrate highly developed structures and processes that have established strong risk management practices through enhanced accountability and transparency. A well governed company promotes development of the community and the economy of a country, thereby ensuring good relations between the company, its shareholders, employees, community and all other stakeholders.

The scope of the micro insurance model adopted by SICL is not limited to commercial viability but focuses on social-economic development of the grass root communities in Sri Lanka. The responsibility that lies in supporting the rural masses to manage their day to day risks necessitates the Company to uphold the ideals in governance. Hence, the Company is dedicated in meeting these ideals and through the years has built trust and loyal relationships with the stakeholders in ensuring the deliverance of the Company's mission.

In this light, the Company led by the Chairman and the Board of Directors is responsible to build sustainable value for the shareholders and other stakeholders. The annual audit plays a major role in achieving high standards of accountability and transparency. The audit provides an external and objective check on the way the financial statements are being prepared and presented. The Audit Committee and other sub committees in place under the supervision of the Board complement the objectivity and effectiveness of the audit and ensure that the Company has effective methods of internal controls and risk management in place.

Composition & Independence of the Board

The Company is led by a multi-disciplined and well experienced Board. As at the reporting year, the Board consists of 9 Directors, possessing a wide range of skills, knowledge and experience. Out of the 9 Directors, 5 of them are elected as representatives of the Sanasa movement. Four Independent Directors were appointed to the Board by elected Directors by means of power and right vested in them in accordance with the provision of Article 76(ii) & 76 (vii) of the Company's Articles of Association. All except the Managing Director are Non-Executive Directors. Qualifications and experience of Directors are given in Director's Profile on pages 14 to 17 of this Annual Report. Independent Directors are appointed for a period of 01 year. All Directors can serve on the Board for a maximum of 09 years. One-third of the elected Directors are rotated every three years at the Annual General Meeting.

At the end of each financial reporting period, the Company seeks confirmation from the Directors in respect to any transactions of the Company with parties they are related to. The identified significant related party transactions are disclosed in note number 30 to the financial statements of the Annual Report.

The entire Board meets once a month. Details of Directors' attendance at the Board meetings and Board Sub Committee meetings held in 2017 are given on page 76 of this Annual Report.

Board Committees

The Board performs its supervisory functions through the Board Audit Committee, Human Resources & Remuneration Committee, Selection and Nomination Committee, Risk Management Committee, Investment Committee and Related Party Transaction Review Committee, thus ensuring the effectiveness of decision making and leading to the success of operations. The following tables describe the responsibilities and the work undertaken, on behalf of the Board, by each Board Sub Committee during 2017.

Audit Committee

Chairman	Mr. S. M. T. H. Subasinghe
Members	Mr. K. K.Weerakkody
	Dr. H.J.S.K.Wickramaratne
Frequency of Meetings	Monthly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager Specified Officer Head of Finance Head of Internal Audit
Key Functions	• Review key findings of internal investigations and management's responses. • Review the financial information including the annual and interim financial statements and reports of the Company in line with best governance practices. • Recommend to the Board on remuneration, appointment re-appointment and termination of the External Auditors. • Review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process. • Continuous review of the Company's compliance with financial reporting requirements such as Sri Lanka Accounting Standards, Companies Act, Regulation of Insurance Industry Act and other regulations of the Insurance Regulatory Commission of Sri Lanka.

Human Resources & Remuneration Committee

Chairman	Mr. T. Karunasena
Members	Pro. J.M.U.K.Jayasinghe
	Mrs. S.N.Sanjeewanie
Frequency of Meetings	Monthly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager Head of HR
Key Functions	• Review staff recruitment, termination and remuneration • Recommend staff recruitment. • Appoint promotions up to assistant manager grade. • Approve and review policies and procedures relating to human resources. • Review the effectiveness of training and development programmes of the Company.

Investment Committee

Chairman	Mr. T. Karunasena
Members	Mr. S. M. T. H. Subasinghe
	Dr. T. Senthilverl
	Mr. K. K. Weerakkody
Frequency of Meetings	Quarterly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager Specified Officer Head of Finance
Key Functions	• Ensure that the shareholder and the policyholder assets of the Company are invested appropriately with in the investment risk management parameters as per investment policy approved by the board. • Consider and recommend to the Board the Company's overall investment policy having regard to the requirement that the assets should be invested to produce the best possible return consistent with a prudent approach to the security of policyholders' and shareholder's interest and the fair treatment of policyholders. • Ensure that the investment policy takes account of any investment guidelines determined by the Board, any constrains imposed by the regulatory authorities or recommended by investment consultant or the Actuary having regard to the solvency requirements. • Monitor the effectiveness and implementation of the investment policy of the company on an ongoing basis.

Selection/ Nomination Committee

Chairman	Dr. P. A. Kiriwandeniya
Members	Prof. J. M. U. K. Jayasinghe
	Mr. J.V. Nanda Kumara
Frequency of Meetings	As required
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager
Key Functions	• Implement a procedure to select/appoint new directors & key management personnel. • Deliberate & recommend the election of current directors.

Risk Management Committee

Chairman	Mr. S. M. T. H. Subasinghe
Members	Prof. J. M. U. K. Jayasinghe
	Mr. J. V. Nanda Kamara
Frequency of Meetings	Quarterly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager Specified Officer Head of Finance Senior Manager (International Relations)
Key Functions	• To assist the Board in setting risk strategy policies, including annually agreeing risk tolerance and appetite levels, in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and integrated reporting. • To ensure that an appropriate policy and plan for a system of risk management is developed by management, approved by the Board and distributed throughout the SICL. • To annually review, assess the quality, integrity and effectiveness of the risk management plan and systems and strategies are effectively managed by management and that risks taken are within the agreed tolerance and appetite levels.

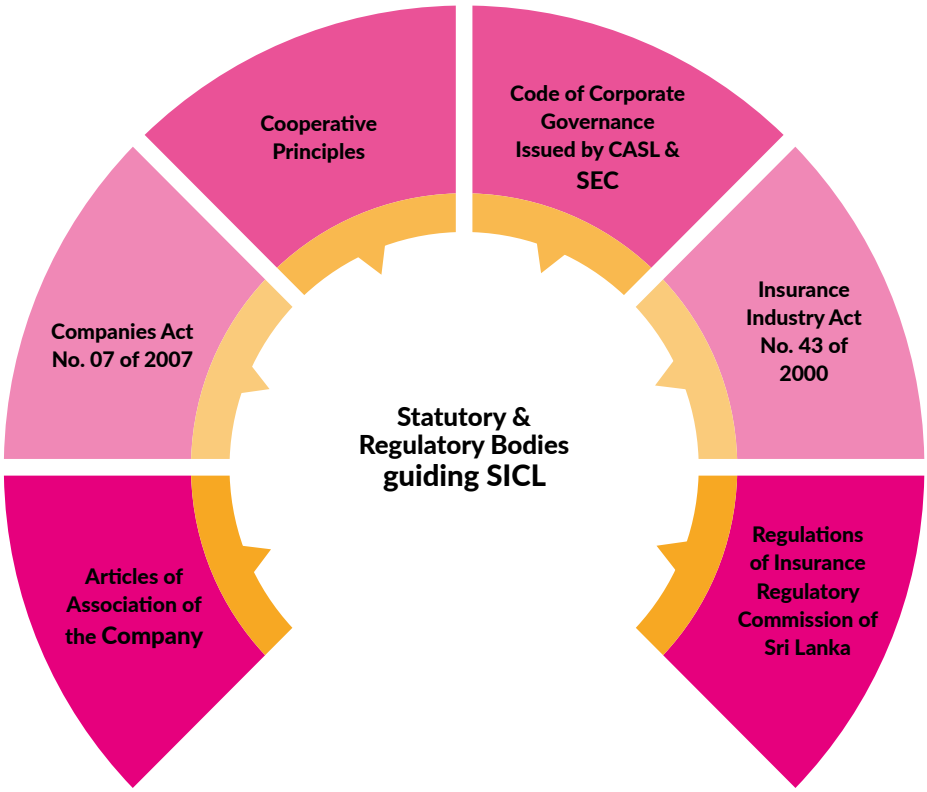
Related Party Transactions Review Committee

Chairman	Mr. S. M. T. H. Subasinghe
Members	Mr. K. K.Weerakkody
	Dr. H.J.S.K.Wickramaratne
Frequency of Meetings	Quarterly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager Specified Officer Head of Finance Head of Internal Audit

Key Functions

- All related party transactions should be reviewed by "the Related Party Transactions Review Committee" (the committee), either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions, and where necessary, they should obtain appropriate professional and expert advice from an appropriately qualified person.
- Where necessary, the committee shall request the Board of Directors to approve the subject related party transactions. In such instances, the approval of the Board of Directors should be obtained prior to enter into the relevant party transaction.

Corporate Governance at SICL



Salient governance practices of the Company in compliant to the applicable regulations and principles set out by the statutory bodies in Sri Lanka are as follows:

Governance Principle	Compliant Status	Level of Compliance
1. Directors		
1.1 Board of Directors		
Effective Board	Compliant	A multi-disciplinary and well experienced Board comprising 9 directors leads the Company operations and monitors the performance including financial as well as non-financial targets and corporate objectives. The names of the Directors of the Company who held office as at the yearend together with their profiles are presented on pages 14 to 17 of this Annual Report.
Frequency of Board Meetings	Compliant	The Board meets on a monthly basis to review the Company's performance.
		During the year 2017, 13 Board meetings were held which were presided over by the Chairman
1.2 Board Responsibilities		
Formulation and implementation of a sound business strategy	Compliant	The Board of Directors is ultimately responsible for the overall success of the Company and is actively involved in formulating and implementing the business strategy with the assistance and recommendations of the Board Sub Committees and the Management Team. Board approves the corporate plans, annual budgets, HR and business plans in line with the overall strategy set out by the Management led by the General Manager.
Qualifications and experience of the General Manager and the Management Team	Compliant	The Board ensures that the General Manager and the management team possess the required skills, experience and knowledge to implement the strategy. The Board has delegated this responsibility to Human Resources & Remuneration Committee.
Effective systems for internal controls, risk management and integrity of information	Compliant	The Board holds the overall responsibility to ensure that effective systems are in place to secure integrity of information, internal controls & risk management. Such systems are continuously monitored by the Board, Audit Committee & by the Management.
Compliance with all applicable laws and regulations	Compliant	The Board ensures that the Company complies with all statutory requirements. Compliance check lists are signed by the relevant officers on a monthly basis & submitted to the Audit Committee for their review.
Consideration of stakeholder interests in corporate decision making process	Compliant	The Board ensures that the interests of all stakeholders are considered and safeguarded in making corporate decisions.

Compliance with the Laws & access to obtain independent professional advice	Compliant	The Board and Sub Committees have the authority, at the Company's expense, to obtain professional advice in discharging their duties as and when required.
Dedicate time and efforts to matters of the Board and the Company	Compliant	Board of Directors are expected to be present in person at all Board and Board Sub Committee meetings on which they serve, other than meetings specifically arranged. Directors are provided with minutes, agenda and Board Papers well in advance of the meetings. The Board of Directors are encouraged to add value and contribute with independent opinions and judgments to Board deliberations and decisions.
1.3 Composition of the Board & Board Balance		
Segregation of responsibilities between the Chairman and the Head of the Management Team	Compliant	The function of the Chairman and General Manager are clearly separated to ensure balance of power & authority. The Chairman is responsible to conduct Board meetings and encourage effective participation of all Directors. Their individual contribution and concerns are objectively assessed prior to making key decisions and the balance of power is maintained. The Chairman ensures that the Board is in complete control of the Company's affairs. The General Manager, as the Head of the Management Team is responsible to carry out the day-to-day operations and monitor the Company performance in line with the corporate goals of SICL and is accountable to the Board of Directors.
Independent Directors	Compliant	The Board comprises 9 Directors with 4 of them serving as Non-Executive Directors and another 4 as Independent Non-Executive Directors. Managing Director serves as an Executive Director.
Company Secretary	Compliant	The Company Secretary, an Attorney -at-Law by profession, advises the Board and ensures that the Board proceedings are conducted in accordance with the Companies Act No. 7 of 2007 and other applicable rules and regulations. All Directors have access to the advice and services of the Company Secretary. Appointment and/or termination of the Company Secretary are at the discretion of the Board as per Article 110 of the Articles of Association.
1.4 Chairman's Role		
Facilitate the effective discharge of Board functions	Compliant	The Chairman leads the Board in the best interests of its stakeholders. The Chairman is also the ultimate point of contact for shareholders at the shareholders meetings and other sub-committee meetings.

Conduct effective Board proceedings	Compliant	The Chairman ensures appropriate composition of the Board and effective participation of both Executive and Non-Executive Directors and encourages them to attend meetings consistently. The Chairman also ensures that the views of each Director on any issue under consideration are ascertained and that the Board is in complete control over the affairs of the Company.
1.5 Disclosure of information in respect of Directors		
Provision of relevant, quality and timely information for effective decision making	Compliant	Set of comprehensive information as mentioned above is provided to the Directors one week prior to the Board Meetings.
1.6 Appointments to the Board		
Formal and transparent procedure for new Board appointments	Compliant	The Company follows a formal and transparent procedure for the appointment of new Directors. All the appointments are recommended by the Selection/Nomination Committee.
Nomination Committee	Compliant	The Selection/Nomination Committee is appointed by the Board to make recommendations regarding appointments, re-appointments, termination and composition of the Board. The Selection/ Nomination Committee comprise 03 Directors. The Details and composition of the Selection/ Nomination Committee are set out on page 50 of this Annual Report.
2. Relationship with Shareholders		
Constructive use of the Annual General Meeting (AGM).	Compliant	The Board encourages all shareholders to attend and actively participate at the AGM. The Board of Directors and the Management are available to answer queries made by the shareholders.
Separate resolutions for each substantially separate issue	Compliant	Each substantially separate issue is proposed as a separate resolution. The adoption of the Annual Report and the Financial Statements is proposed as a separate issue.
Annual Report to the shareholders	Compliant	The Annual Report which is the main communication tool between the Company and the shareholders is prepared and presented in compliance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and other applicable rules and regulations of the country. The Annual Report provides a comprehensive assessment of the Company's operations, performance against corporate goals and future prospects and plans.
Shareholders to participate in AGM and exercise their voting rights.	Compliant	All Shareholders are encouraged to cast their vote at the AGM.
Regular and structured dialogue with shareholders	Compliant	The AGM is used as a forum to have a structured and objective dialogue with shareholders. It provides an opportunity for shareholders to seek clarifications on the performance of the Company. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.

3. Major Transactions		
Disclosure on all proposed corporate transactions that would alter the company's net assets base.	Compliant	The Board is responsible to disclose all corporate transactions to shareholders that would materially alter the Company's net asset base. The Company's future strategies and their potential impact if any, on the net assets base have been disclosed in the Chairman's Message (pages 04 to 07), the General Manager's Review (pages 8 to 13) and Management Discussion & Analysis (page 28 to 46).
4. Accountability & Audit		
4.1 Financial Reporting		
Financial Reporting	Compliant	The Company presents its Financial Statements in line with the Sri Lanka Accounting Standards and other applicable Laws and Regulations.
Statutory and Regulatory Reporting	Compliant	The Annual Financial Statements and Regulatory Reports are submitted on a timely basis.
Directors' responsibilities for preparation of financial reporting and Reporting responsibilities of Auditors.	Compliant	The responsibilities of the Board of Directors are described in the Statement of the Directors' Responsibilities on page 81 of this Annual Report. Statement of the Auditors are set out on page no. 84-85.
Directors' Report	Compliant	The Directors Report is set out on pages 74 to 80 of this Annual Report.
4.2 Internal Control		
Review the effectiveness of the internal control system annually.	Compliant	The Board has the ultimate responsibility for the system of internal controls and has delegated some of these duties to the Audit Committee. The Board and the General Management Committee reviewed the financial and non-financial performance and operating systems during the year 2017.
4.3 Audit Committee		
Accounting policies, financial reporting and internal control principles	Compliant	Formal and transparent arrangements are in place for selecting and applying accounting policies, financial reporting and internal control principles. The Board has delegated their responsibility with regard to financial reporting, internal controls and maintaining appropriate relations with the company's Auditors to the Audit Committee.
Composition of the Audit Committee to include Non-Executive Directors	Compliant	The Audit Committee comprises one Non-Executive Directors and two Independent Non- Executive Director. The chairman of the Audit Committee is a Fellow Member of the Chartered Accountants of Sri Lanka. The Report of the Audit Committee is set out on page 84 of this Annual Report.
Scope, results of the audit and its effectiveness and the independence and objectivity of the Auditors.	Compliant	The Audit Committee contributes to the effectiveness of the Internal Audit functions by reviewing the material findings of the internal audit and Management's response. The Audit Committee also reviews and makes necessary recommendations to the Board on the External Auditors Reports including IT controls and security, overall controls and accounting and financial controls.

Term of Reference for Audit Committee including authority and duties.	Compliant	The Audit Committee is a sub-committee of the Board. It operates within clearly defined terms of reference which has been approved by the Board of Directors.
4.4 Corporate Governance Disclosures		
Disclosures of Corporate Governance	Compliant	It is the Board's view that the Company has been fully compliant with the applicable provisions set out in the Company's corporate governance practices. This report from pages 47 to 56 herein this Annual Report sets out the manner and extent to which the Company is compliant to accept its corporate governance principles.

CSR Review

Dear Stakeholder,

We at Seemasahitha Sanasa Rakshana Samagama have always looked beyond short-term business decisions. We strive and stand committed to uphold a holistic management approach in achieving our corporate goals. This year under focus, we continued to build on our mainstay on ethical business practices, balancing our commercial operations with key initiatives taken to foster social and environmental change. This section is dedicated to highlight our efforts to create sustainable value in our quest to secure long-term prosperity.

Management Approach

We operate under a micro-insurance business model, predominantly supporting the grass-root masses to be financially and socially empowered. The value we create essentially exemplifies our commitment to be socially responsible. The key social responsibility projects we select and champion, therefore, are well structured to complement our business ethos and our long term strategic goals. They are well attuned to meet our obligations to fulfil our stakeholder aspirations; encompassing shareholders, employees, Sanasa societies, customers, regulator, communities in which we operate, the broader society and the environment. We reach out to our stakeholders through our comprehensive product offer and our widespread distribution channel across the country; our initiatives to develop skills and ensure the well-being of our employees; our community development, philanthropic and religious and culturally oriented activities; and our green campaigns in a bid to reduce our carbon footprint.

CSR Investment

Continuing to invest substantially, the year saw a concerted effort across the Sanasa network to initiate and follow through meaningful and well-planned socially responsible programmes and campaigns with a strategic best-fit to our corporate mission and goals.

The 'Happiness' campaign we rolled out this year looked at reaching out to the grass-roots and educating them and advocating to be prepared against life perils through micro insurance solutions. Complementing this campaign, we continued to give precedence to our 'village development' programme of capacity building across 8000 Sanasa societies. Our religious and cultural programmes sought to reinforce 'peace and harmony' within the workplace and amongst the communities in which we operate.

From an environmental stand point, we remained committed to curtail our carbon footprint; following through with 'Thuru Sevena', our national tree planting campaign. As at the reporting date, we have planted 200 trees under this initiative.

Sustainability Reporting

Staying true to our commitment to be a responsible corporate, we continued to strengthen our reporting efforts. We upheld transparency and accountability in reporting both financial and non-financial aspects of our operations. We take pride to note that we were awarded a Certificate of Compliance for our Annual Report 2016 under the small and medium sector award category at the 53rd Annual Report Awards organised by The Institute of Chartered Accountants of Sri Lanka.

Strengthening our efforts, we seek to further develop our sustainability reporting initiatives aligned with best practices. This year, we strive to bring in a triple-perspective to sustainability reporting elaborating on the economic impact of our operations along with our corporate role from a social and environmental standpoint.

In Closing

Our team across the Sanasa network and members of the Sanasa Societies continued to be resolute and worked hard to further our sustainability agenda. We take this opportunity to recognise, appreciate and extend our gratitude for their enthusiasm and effort. It is indeed an inspiration to us all. We sincerely hope that they continue to be spirited in their sustainability endeavours whilst seeking the support of all our stakeholders in our aspirations to be a responsible corporate citizen.

CEO/General Manager
Seemasahitha Sanasa Rakshana Samagama
23 May 2018

Stakeholder Engagement

As a micro insurer with a significant presence amongst the grass-root communities, we have a diverse set of stakeholders, both internally and externally. We recognise that we have to keep our business decisions well aligned to meet their wide and varied expectations. The strategy we follow seeks to take into account stakeholder concerns and their perspectives. We stand committed to build solid and mutually beneficial relationships with our all our stakeholders. We uphold the tenets of transparency, accountability and integrity in our stakeholder engagement process.

This year, we carried out a stakeholder analysis and prioritised key stakeholders as per their level of influence on our operations and their level of interest in the progress of the organisation. This process enabled us to identify our strategy of stakeholder engagement for stakeholder segment as per influence and interest.

Prioritising Stakeholders & Engaging Strategy

High Influence - Low interest
Strategy: Keep Satisfied
- Local Communities
- Suppliers

High Influence - High Interest
Strategy: Closely Engage & Manage
- Shareholders
- Sanasa Societies
- Customers
- Employees
- Insurance Agents and Brokers

Low Influence - Low Interest
Strategy: Engage When Required
- Non-government Organisations
- Environmental Activists
- Media

Low Influence - High Interest
Strategy: Keep Informed
- Regulator
- Bi-lateral and Multi-lateral Agencies

Stakeholder Engagement				
	Method	Frequency	Concerns/Expectations	Strategic Response
Shareholder	• Annual Report • Annual General Meeting • Circulars and letters	• Annually • Bi-Annually	• Profitability and returns • Good governance • Social responsibility	• Inform and engage on key decisions • Strategic planning initiatives to grow shareholder value • Risk management • Good governance practices • Best practices in reporting • Socially responsible programmes/activities

Stakeholder Engagement				
	Method	Frequency	Concerns/Expectations	Strategic Response
Employee	• Staff meetings • Memorandum • Newsletters • Circulars • Training • Performance evaluation scheme	• Regularly	• Equal opportunity • Job stability • Industry competitive compensation • Performance recognition and rewards • Welfare • Skills training	• Timely salary revisions • Comprehensive employee welfare scheme • Performance evaluations and rewards • Training programmes • Promoting work-life balance • Compliance to labour laws
Sanasa Societies	• Meetings • Workshops • Field visits • Correspondence • Promotional Material	• Regularly • Monthly • Bi-annually	• Customised and value-added insurance products • Awareness on product offer • Complaints management	• One-stop-financial provider with comprehensive product solutions • Capacity building of members • Effective grievance handling mechanism
Customers	• Meetings • Door-to-door awareness programmes • Official website • Promotional Material	• Daily • Monthly • Annually	• Accessibility • Comprehensive product offer • Fair and transparent pricing • Efficient claims management	• Training on customer service • Structuring customised insurance products • Following best industry practices in business
Community	• Meetings with village leaders, religious dignitaries and non-government organisations • Community based programmes	• Periodically	• Financial literacy • Employment opportunities • Community infrastructure and amenities • Social values and community harmony	• Philanthropic programmes • Capacity building • Workshops and road-shows to educate communities on financial and risk management • Community based employment
Environment	• Employee volunteerism • Meetings with local government and non-government agencies	• Periodically	• Reducing corporates carbon footprint	• Biodiversity initiatives • Efficient resource utilisation • Compliance to environmental laws and regulations

Stakeholder Engagement				
	Method	Frequency	Concerns/Expectations	Strategic Response
Regulator	• Annual Report • Compliance statement • Periodic disclosures	• Quarterly • Bi-annually • Annually	• Uphold laws, rules, regulations and statutory requirements	• Ensure compliance with laws, rules and regulations • Follow best practices in good governance • Focus on risk management as per industry norms

Sustainable Value Creation

Standing at the forefront of micro-insurance domain, encompassing both life and non-life insurance segments, we are well positioned to support and empower the grass-roots of the nation, thereby, creating significant value with benefits trickling down across the nation. The approach to value creation is long term focused, blending in our corporate goals with ethical and responsible values. We give top priority to uphold good governance and risk management in all our operational undertakings.

The triple perspective of our value creation process is set out below:

Economic
Product Responsibility
Team Development
Community Recruitment
Inclusive Distribution
Sanasa Societies
Agents and Brokers
Suppliers
Strategic Partners

Social
Community Development
Youth Empowerment
Child Development
Nation's Wellbeing
Religious and Cultural Harmony

Environmental
Efficient Resource Utilisation
Tree Planting

Economic Impact

Our value creation is underlined by our vast distribution channel; comprehensive product offer; young and dynamic team; collaborations with 8000 Sanasa Societies entailing a membership of over one million and our strategic ties with our business partners including agents, brokers, re-insurers, suppliers and bi-lateral and multi-lateral agencies.

Responsible Product

We are well aware that our customers, both Sanasa Societies and the retail segment, place their trust in our product offer. Our products are well-thought-out and customised to give innovative and total insurance solutions to meet diverse insurance needs of our target customer segments. Our focus is to develop new products and add value, thereby, extending a versatile product offer. We also rely heavily on introducing digital solutions to enhance our product range for flexibility, convenience and quick turn-around.

We also ensure that we serve our customers with care, giving precedence to uphold quality and standards. We seek to educate our customers on the benefits of insurance and disseminate product information responsibly. We are prudent in our underwriting process and thus, ensure fair pricing. Our in-house actuary consultant along with an external consultancy firm support our endeavours in this regard.

We strive to be efficient and fair in claims management. We are conscientious in following a structured process under a dedicated claims committee and we ensure that we settle all legitimate claims speedily and effectively. We also follow best practices in obtaining reinsurance from internationally renowned re-insurers with 'BBB' rating and above.

Our investments of premium income are well planned to optimise our returns through a mix portfolio of fixed deposits, securities and debentures.

The reporting year did not record any incidence of non-compliance with applicable laws and regulatory requirements with regard to product responsibility.

Team Development

Our team is central to our value creation process, underscoring our corporate journey thus far. With a team of 377 inclusive of new recruits within the year under review, we are committed to follow best practices in HR management. We give top priority to build and nurture a dynamic work environment where employees could grow and enhance their skills and move forward in their careers. We invest well in employee training and ensure that they are recognised, remunerated on par with the industry and rewarded on performance merits. We have in place a comprehensive welfare programme along with necessary processes to enable employees to enjoy balanced work-life conditions.

The internal synergistic ties we have with Sanasa Campus also play a significant role in the way we create value. The campus currently offers risk management and social development courses ranging from the certificate level, diploma to degree, accredited by the University of Grants Commission in Sri Lanka. Our employees have the opportunities to further their education, qualify and enhance skills and thereby, lead our mission as well as add value to the industry as a whole.

In the reporting year, we incurred a sum of Rs235 million as remuneration for our permanent employees. We also contributed 20 percent to Employee Provident Fund (EPF) and 3 percent to the Employee Trust Fund (ETF) as stipulated by the labour laws of Sri Lanka; totalling to a sum of Rs 20.25 million. Gratuity provisions stood at Rs.36.49million.

Inclusive Distribution

Our vast distribution channel reaches out to the underprivileged masses living across the country, covering even the communities living in remote areas that otherwise would not have had easy access to such services. This includes districts along with representation in the North and the East.

In the year, we looked at expanding our distribution to complement our marketing drive 'Happiness'. We added on 6 new branches and sub-units. As at the reporting year, our network comprised of 46 branches. our network has made available a diverse range of insurance products, empowering the low-income segment, generally excluded or undeserved by many other financial institutions.

Support of Sanasa Societies

The strength of our value creation is directly linked to the Sanasa network with a wide presence across the country. We have the support of the Sanasa Federation, the apex body of over 8000 Sanasa primary societies with a membership of over 1 million grass-root masses. The societies span both villages to towns across the entire island. We work closely with the Societies to uplift and empower the people, particularly women educating them and creating awareness on the necessity of insuring the risks faced in daily lives for a better tomorrow.

Agents and Brokers

Adding significant value to our organisation, we seek to build and maintain strong relationships with our insurance agents and brokers. We have 725 agents brokers registered with us as at date and they represent our operations across the country. We have in place a comprehensive agent/ broker training programme covering our product offer as well as their job responsibilities and the best practices they must comply with when they are discharging their duties. Our agents also have to comply with the set of rules prescribed by our regulator, the Insurance Regulatory Commission of Sri Lanka. Their business conduct is closely monitored both by the regulator and our marketing and the internal audit divisions. Necessary punitive action is taken if the agents violate business ethics and responsibilities.

Suppliers

Our general procurement of supplies including stationery products, office furniture, equipment and computer hardware and software is carried out mainly through local suppliers. Our procurement decisions are made on quality and standards, costs as well as delivery time-lines and professionalism. We are conscientious in meeting our supplier payments fairly, in a timely manner. IT supplies took up almost 3.6 mn of the procurement expenditure, reflecting on our drive to modernise and automate our work processes.

Strategic Partners

The ties we have built over the years with our strategic partners, especially with multilateral and bi-lateral agencies like the International Finance Corporation and International Labour Organisation support our endeavours to create value responsibly. We muster their support and work in concert to empower the underprivileged masses, mainly living in the rural areas, through micro insurance. Apart from funding collaborations, we rely on their technical and market know-how to strengthen our capacities, operational processes, product development and skills of our team. Our ties with these organisations have enabled us to adopt best and current global practices in terms of micro-insurance, human resource management, risk management and governance.

Social Impact

Seeking to go beyond economic impact, our strategy embraces key initiatives from a social perspective enabling the needy of our society through philanthropy, following through with civic conscious programmes and campaigns and advocating ethno-religious diversity and harmony. The key initiatives in the year include community development; village development programme; Dengue prevention campaign; and our annual religious and cultural activities.

Community Development

With a business model that stands for grass-root empowerment, our recruitment strategy innately advocates community recruitments in areas where we operate. This strategy has supported our operations to blend with the local communities, understand their diverse needs and win their trust and support in taking forward our business decisions. We also looked for young talent within the communities to follow through with our marketing campaign, 'Happiness'.

Village Development

We cemented our commitment to take forward our efforts in community development and empowerment aligned to our 'village development' vision. Working closely with the Sanasa network, we continued to build on our policies and plans to advocate financial literacy and empower the members of the societies. We continued to build capacity and train key officials of the societies on micro insurance solutions to support in their efforts to develop their respective village communities. Our marketing campaign, 'Happiness', enabled us to further engage these societies and reinforce our brand message.

Bus Branding promotions

Religious and Cultural Harmony

Continuing to nurture good values across the organisation and the communities we operate in, we organised our annual Buddhist programme, 'Nelum Mal Pujawa' on the first Saturday of January in the new year. We offered lotus flowers to the most venerated 'Ruwanweli Maha Seya' and 'Jaya Siri Maha Bodhi' in Anuradhapura and sought to invoke blessings on the organisation, Sanasa societies, employees and all other stakeholders. Our Chairman, the directorate, management and the team along with the members of the societies participated at this event. This year too, we saw the participation of over 100,000 people including employees and Sanasa society members from different ethnic and religious beliefs thereby, strengthening and advocating peace and harmony across the Sanasa network.

Dengue Prevention Campaign

Joining the national effort, we organised a Dengue awareness and prevention campaign across numerous districts including Colombo. Our team together with the members of the Sanasa Societies sought to educate the public on dengue and their role in keeping their villages and towns clean and Dengue free. We produced necessary communication material including video clips and leaflets to drive in the message effectively.




Environmental Impact

As an insurance entity, our impact on the environment is not that substantial. Yet, driving a sustainable business model, caring for the environment is a part-and-parcel of our corporate culture. Hence, we are aware and proactively seek to carry out our operations with environmental responsibility. We strive to do our part, to protect and care for the environment, minimise the usage of resources and limit our carbon footprint.

'Greener' Workplace

We have been increasingly moving towards virtualising our work processes. We have now the necessary systems in place to carry out our core operations along with administrative functions on a digital platform. Complementing our sustainability agenda, this initiative has paved the way to enhance our operational efficiency as well as to enable us to be 'greener' in our operations in terms of minimising our hardware usage and thereby, e-waste generation; savings on energy consumption levels; and reducing our paper usage to be a 'less-paper office'.

Apart from this initiative, we also follow up with our awareness building programmes on environmental issues targeting the staff and communities we work in. Whenever possible, we opt to use energy saving equipment and lighting.

Tree Planting Campaign

As initiated in the preceding year, we followed through with 'Thuru Sevana', our national tree planting campaign. Under this programme, we together with the support of the Sanasa network have thus far planted 200 Kumbuk trees along the route to the 'Ruwanweli Maha Seya' and 'Mahamewna Gardens' in the sacred city of Anuradhapura. This year, we sought to be more structured and sustainable in our endeavours. We solicited the support of the Anuradhapura regional branch along with volunteers, society members and the community to upkeep and nurture the trees up to a period of five years.

RISK MANAGEMENT

Risk management is a series of steps that are identification, assessment, and prioritization of risks in order to minimize, monitor, and control the likelihood and/or impact of unfortunate events by using managerial resources to maximize the realization of opportunities. Various sources can be identified as risk originators such as uncertainty in financial markets, threats from the project failures, legal liabilities, credit risk, accidents, natural disasters, deliberate attack from an opposition, or events of uncertain or unpredictable root-cause. These impacts can be categorized in to two types that negative impact of event is known as risk while positive impact is opportunities. Several standards for risk management were developed in different sectors such as Project management, Actuarial societies and ISO standers. Risk management methods, Goal and definition may be vary according to the sector of its involvement.

Risk Management Process

Risk management is an integral part of SICL's daily operations. The Company's core business in itself focuses on risk management through insurance for the grass-root communities in the country. The insurance risk management function ensures that product and portfolios are structured and managed appropriately, in compliance with internal and external regulations and guidelines. It also helps to predetermine possible risks faced by the Company at a given point of time through risk identification methods and enables SICL to be successful in achieving its financial and non-financial goals, providing a sustainable competitive advantage.

The Company risk management process focuses on identification, evaluation and prioritization of risks and takes necessary measures to minimize and monitor the negative impact of these on operations. A key element in controlling risks is the expertise of our management team in identifying risk factors and formulating solutions to mitigate them. The Company emphasizes on the need and gives necessary training for managers to enhance their capability to make sound judgments in taking risks in their day to day operations. In fact, the Company has well experienced and energetic individuals at all levels of management who are dedicated in protecting the interests of the Company. All officers including managers submit Compliance Reports on a monthly basis to the Board for their review. The Board and its Sub Committees play a major role in the process of risk management. The Audit Committee and the Risk Management Committee are delegated to ensure that the risk management function is effectively implemented and recommend to the Board the best course of action to be taken to safeguard the Company from negative consequences.

The Risk Management Committee chaired by Board members and comprising the respective departmental heads, identifies potential risks and opportunities therein and sets out an action plan to mitigate and manage these risks essential to the upward progress of the Company. The Audit Committee is in charge of ensuring that adequate internal controls are in place to manage the potential risks.

Internal and external audit functions assume a significant role in this process. The external auditors make recommendations in their annual audit to control or mitigate risks faced by the Company. Internal audit, an independent and objective function in the Company structure examines and evaluates the internal control and governance processes.

The core role of internal audit is to provide assurance that the main business risks are being managed and that the relevant internal controls are operating effectively.

Although the management is primarily responsible for providing assurance on the adequacy of internal controls and risk management, the Audit Committee requires independent and objective assurance to validate the management assurance. For this purpose, the Audit Committee depends on the sound judgment and recommendations of the internal auditor which are set out on monthly internal audit Reports. The Audit Committee contributes to the effectiveness of internal audit by; ensuring that the recommendations set out in the internal audit reports are effectively implemented, monitoring on a monthly basis the key internal control issues reported by the Internal Auditor along with the management responses, ensuring the independence and objectivity of the internal audit function and ensuring that the internal audit charter is adequate.

Risk Management Structure

Risk Policy, Strategy & Decision Making
Board of Directors

Monitors solvency & investment risks
Reviews Internal & External Audit findings
Ensures adequacy of internal controls
Audit Committee

Develops action plans to mitigate risks
Review company risks
Improves risk management process
Risk Management Committee

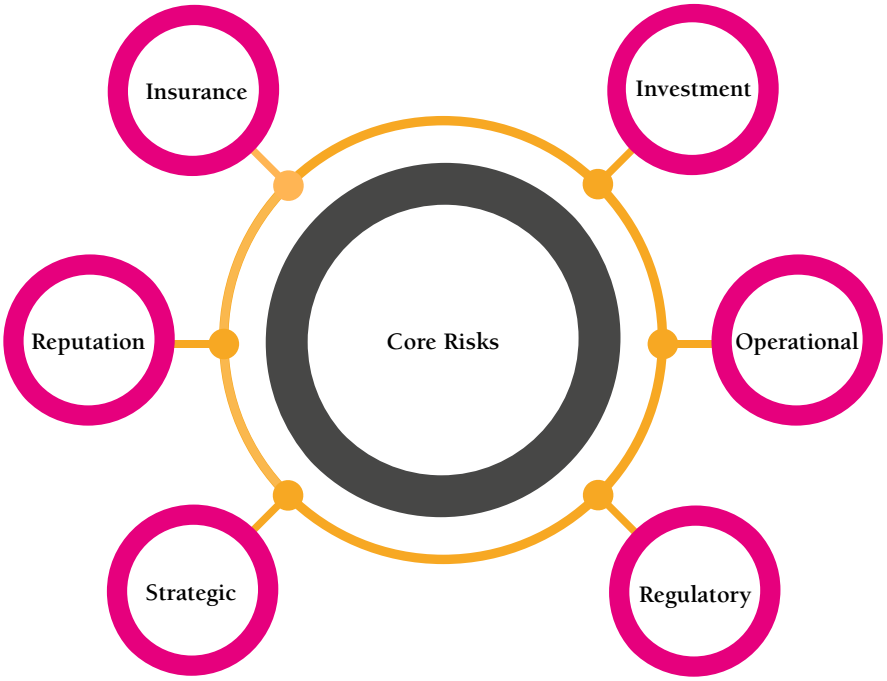
Reviews the effectiveness of risks management
Monitors the implementation of risk controls
Recommends improvements and corrective actions
Internal & External Audit

Oversee risks mitigation action
Exercise authority as per the Delegation of Authority
Improve risk strategies & design new controls
Divisional & Operational Heads

Risk Management Frame work/ Internal controlling process

The Company has taken necessary steps to control the significant risks arising from its business activities as well as risks arising through the activities of employees. The Company has in place several manuals, policies and procedures on underwriting, claims management and investments. In addition, the Company issues circulars to introduce new and updated guidelines for compliance.

The Company takes necessary steps to review all manuals, policies, procedures, codes & circulars annually. This enables the guidelines therein to be current, appropriate and applicable to the changing business environment.



	Category of Risk	Description	Mitigatory Measures
1.	Insurance Risk		
1.1.	Underwriting Risk	This arises due to processing insurance policies at rates that do not commensurate the risk adequately, in most instances, due to limited understanding of the changes in the environment.	Strict adherence to the Manual of Financial Authority which is reviewed and updated regularly. Significant investments are made in training and development for employees involved in underwriting and claims management including the staff attached to the distribution network. Post-underwriting audits are carried out to ensure compliance to the prescribed guidelines. Adequate reinsurance arrangements are in place and the adequacy of these covers especially in view of the possible catastrophic events is periodically reviewed. Maximum input is obtained from Consultant Actuary and re-insurer in deciding on the terms and conditions of products ensuring that products are adequately priced. Claims settlements are processed only based on medical reports from registered laboratories. Internal actuarial department is alert on underwriting procedures those are in line with the regulatory requirement and also its impact on RBC.
1.2	Claim Settlement Risk	This refers to the risk of potential disputes - legal disputes, fraudulent Claims etc., which may arise when settling claims.	Customers are advised on any deductibles, adequacy of sum insured and any risk prevention/ minimization strategies. Effective claim settlement is set out in Claims Management Manual which is reviewed and updated regularly. Employees are required to carry out proper and systematic investigations and verify policy conditions, sum insured and underwriting details prior to claims settlement. Duties are adequately segregated in the claims settlement function in terms of recommendations and approvals based on authorized limits.
1.3	Reserving Risk	This refers to the risk of not providing adequate reserves for intimated claims as well as incurred but not reported (IBNR) claims and maturities in the life Insurance business.	Necessary reserves are made as soon as information is received for claims settlement. Reserves are updated on a timely basis for all information received as at the end period. Internationally accepted actuarial basis for valuing the IBNR claims is in place. The Life Fund is reviewed by Consultant Actuary on an annual basis. The Claims Panel and Claims Committee make decisions on significant/ problematic claims and appeals. Significant outstanding claims are reviewed during Section head meetings in weekly basis.

	Category of Risk	Description	Mitigatory Measures
1.4	Reinsurance Risk	This refers to retaining risk beyond the Company's net retention capacity without having adequate reinsurance. This risk also includes the inability of re insurers to meet their commitments due to inadequate financial strength.	Very close and professional links are maintained with re insurers. All policies are issued with proper confirmed reinsurance for risks above treaty limits. Reinsurance is placed with reputed and rated re insurers with respect to both life and non-life insurance.
1.5	Credit Risk	This may arise due to policyholders or intermediaries failing to settle their dues to the company, particularly in the non-life business. In life insurance, credit risk is minimal since premium is accounted on cash basis and typically paid before the liability is assumed.	Premium Warranty Clause is in place cautioning the policyholder that claims will not be payable if the premium is not settled within 60 days. Customers are alerted on the Premium Warranty Clause on a regular basis. Credit is granted as per Board approved Credit Policy. Outstanding credit is followed on a daily basis. Policies which are not settled within a reasonable period of time are routinely cancelled. Outstanding debts are checked and confirmed before settling claims. Separate division is formed for the recovery and dues are frequently coordinated and reported to the section head meeting.
1.6	Exposure Risk	This risk may arise if the insurance business is unduly exposed to high risk of claims i.e. accepting risk at rates that do not contain an adequate risk premium. Exposure risk may lead to holding risk beyond the Company's net retention capacity and may not have sufficient and adequate reinsurance arrangements.	Profitability, pricing and terms & conditions offered to customers are reviewed on a regular basis. Risk surveys are conducted in the case of large risk to ensure that such risk is accurately rated and recommendations are made on risk prevention strategies. Underwriting staff are expected to scrutinise all relevant information including proposal forms, broker information (if any) and risk assessment reports before granting cover. Underwriting is done selectively, considering both the risk and the return without merely focusing on the growth of the top-line. All risks exceeding the Company's retention levels are re-insured with rated and reputed re-insurers who meet the criteria set by the Insurance Regulatory Commission of Sri Lanka (IRCSL). Regular training is given for underwriting and claims management staff. In the life insurance segment, maximum input is obtained from the Consultant Actuary in deciding on the terms and conditions of products to ensure adequate pricing.

	Category of Risk	Description	Mitigatory Measures
2	Investment Risk		
2.1	Concentration Risk	This risk may arise when investment portfolio is not sufficiently diversified.	Investment Committee reviews the asset allocation of the investment portfolio of life and non-life division on a regular basis. As recommended by the Investment Committee, investment portfolio of life and non-life is diversified, based on factors such as regulatory requirements, macro and micro economic environment, external opportunities and the liquidity position of the Company. Regulations for investments stipulated by IRCSL are complied with and thereby maintain a fair diversification of investments. Investments in government securities are well above the minimum requirement of IRCSL regulations.
2.2	Liquidity Risk	This risk arises when obligations cannot be met even at increased costs and the company is unable to liquidate assets or obtain adequate funding. It includes both the risk of being unable to fund portfolio assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner at reasonable prices.	As recommended by the Investment Committee, Investments are well diversified to match the duration of cash flow forecasts. Investment decisions are based on macro and micro economic fundamentals. Highly liquid asset mix of short-term and long-term maturities is maintained.
2.3	Credit Risk	This risk arises when investees are unable to pay the contractual interest or principal due to declining financial strength.	Credit worthiness and financial stability of institutions are assessed and monitored prior to making any investments. All investments in government securities are made through approved primary dealers of the Central Bank. Conservative policy in investments is followed by investing more in government securities in preference to corporate investments.
2.4	Market Risk	This risk arises through loss of value of investments due to adverse movements in asset prices.	Investment decisions are based on an analysis of fundamentals rather than on speculation. Share market investments are limited to selected blue chip companies. Investments are classified into different categories as required by Sri Lanka Financial Reporting Standards following a systematic basis considering both intention and ability of the Company to hold such investments as per the classification.

	Category of Risk	Description	Mitigatory Measures
3	Operational Risk		
3.1.	Technology Risk	This refers to potential losses arising due to improper use or misuse of information systems or result of a disaster or breakdown and disruptions.	System audits are periodically carried out to ensure accuracy and security of the IT systems. Due investments are made in security infrastructure appropriate to the Company's needs and the scale of operations. Security arrangements are constantly updated to be aligned to the latest in technology. Appropriate measures are taken to mitigate the risks of technology in business interruptions in order to support company business continuity plan.
3.2	Human Resources Risk	This is a critical human resource issue impacting all sectors of the economy. Turnover affects productivity, product and service quality and profitability. The cost of replacing workers is high, finding skilled employees could be difficult and investments in training are less secure.	A 03 year Human Resources Plan is in place for development and retention of employees at all levels. Continuous and consistent training and development through the Education Campus and Insurance College within the Sanasa Group to enhance knowledge and skills of employees. Motivational programmes are conducted to increase team spirit. Employee recognition and rewards Remuneration packages are in line with the industry standards. Amended employee salaries in 2015 based on performance and increased employee benefits viz. vehicle and housing loans and staff bonus. Revised performance measurement system based on action plan which is used as the basis for recognition and rewards. Provide an appropriate working environment balancing work-life and opportunities for career development, thereby improving job satisfaction. Provide relevant training and education loans to employees to further their educational and professional qualifications. Identify opportunities for job rotation. New policies for flexi working houses and distance working facilities for senior management are newly introduced to the staff.
3.3	Fraud Risk	This refers to internal control weaknesses and inadequacies leading to fraudulent actions and mismanagement of assets.	Internal Audit functions are carried out to monitor internal controls. Authority limits, segregation of duties and access limits are set out in the Manual of Financial Authority. Any complaint received from customers regarding fraud or misuse of the Company assets is investigated immediately and corrective action taken to prevent any recurrence of fraud or misuse. Strongly advise all employees to follow the Code of Conduct & enforce the Disciplinary Code. Internal audit reports are submitted to the Audit Committee on a monthly basis, highlighting the internal control weaknesses and recommendations.

	Category of Risk	Description	Mitigatory Measures
3.4	Socio – economic and Political Risk	The risk is associated with the impact from political and socio-economic dynamics on Company's operations. This has a direct impact on the Company's core business - insurance as well as on investment activities. An economic downturn could lead to a slowdown in insurance business whilst leading to payment defaults amongst debtors.	Regular SWOT analysis is carried out considering the SICL's business strategies in relation to internal and external environment. Lapsing of life policies is monitored on a regular basis. Risks are assessed and closely monitored taking into account the changes in the external environment due to political and socio-economic factors. Alternative distribution channels have been developed. Customer surveys are carried to identify the perception of insurance in order to take appropriate deterrents to minimize the socio economic risk on company's operations.
4	Regulatory Risk	Risk which may arise if the company is not able to comply with existing and new regulatory requirements and expectations.	All employees are strongly advised to comply with legal and regulatory requirements. All investments are based on investment guidelines recommended by the regulator. Duly signed Compliance Checklist are tabled at the Audit Committee meetings. Financial reports and statutory returns are reviewed by the management and relevant officers prior to submission to IRCSL. Internal Auditors review and report any non-compliance with laws & regulations, if any, to both the management and the Audit Committee.
5	Strategic Risk (Business Risk)	This is associated with the Company's future business plans and strategies. It includes risks that may arise due to failure of business plans and corporate goals therein, unexpected threats from new entrants, the strategy not being compatible with market conditions and/ or customer requirements, corporate plan not aligned to the available budgets and inadequate contingencies to meet unforeseen changes in external and internal environment.	Board approved annual budget is in place and operations are carried out accordingly. Department's action plans are prepared in accordance with the annual budget. Risk register developed by each department are reviewed on quarterly basis A summary of business achievements and financial performance against targets are reported to the Board on a monthly basis. Structured performance appraisals are carried out for the management and all employees annually, based on mutually agreed objectives.

	Category of Risk	Description	Mitigatory Measures
6	Reputation Risk	This refers to risk that is associated with events that may have adverse consequences on the Company's image which will impact the long term sustainability.	Precedence is given to uphold corporate values of transparency, accountability and integrity. Revere and contribute positively towards the ultimate responsibility of maintaining a sound reputation through all corporate actions and through the conduct of management, employees and representatives of the Company. Good interpersonal relationship are maintained by the SICL management with all stakeholders so as to ensure that any potential risk is identified in advance and taken possible action adequately to mitigate those risks in advance.

REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting their Report and the audited financial statement of the company for the year ended 31st December 2017.

Seemasahitha Sanasa Rakshana Samagama (Sanasa Insurance Company Ltd) is a public limited liability company incorporated in Sri Lanka on 20th November 2002 under the Companies Act No. 17 of 1982 and re-registered under the companies Act No. 07 of 2007.

Contribution of directors & employees in order to achieve the Vision & Mission

In order to Company's Vision & Mission all directors & employees conduct their activities with the higest level of ethical standards and integrity.

Principal Activities

The principal activities of the Sanasa Insurance Company are to design, introduce and implement all kinds of Insurance Facilities to Sanasa Primary Societies, District Unions, Federation, Sanasa Companies and Organizations, Members of Organizations working with the poor and the other communities in general and in particular the low income group.

There were no significant changes in the nature of the aforesaid principal activities of the company during the year. The company engaged its business according to the Laws and Regulations of the country.

Going Concern

The Board has made necessary reviews and inquiries including a review of the Company's Budget & Financial position, Capital expenditure requirements, cash flows, etc. Accordingly, the Board is satisfied that the company has adequate resources to continue its operations into the foreseeable future and continues to adopt the going concern basis in preparing these financial statements.

Employment

It is in the policy of the company to maintain a dedicated and motivated team of employees, committed to achieve the targets set by management.

Turnover/Gross Written Premium (GWP)

The total turnover measured by the Gross Written Premium (GWP) of the Company for the financial year under review amounted to Rs. 1,023 million (Rs. 844 million in 2016). The above GWP is made up of Non -Life and Life Insurance premium income amounting to Rs. 569 million (Rs. 423 million in 2016) and Rs. 454 million (Rs. 421 in 2016) respectively.

Financial Results and Appropriations (Company)

	2017 (Rs.)	2016 (Rs.)
Profit before tax	15,312,667	74,984,312
Income tax	(3,297,435)	(3,279,314)
Deferred tax	-	(17,627,215)
Profit after tax	12,015,232	54,077,782
Unappropriated profit brought forward	95,518,270	109,096,782
Funds available for appropriation	107,533,501	163,174,563
Dividends paid	93,718,211	67,487,704
Transferred to received	218,096,203	168,590
Unappropriated profits carried forward	(204,280,914)	95,518,270
Earnings per share (Rs.)	0.12	0.60

Provisions for taxation

Taxation provisions for the current year was LKR 3.3 Mn (LKR 3.3 Mn for the year 2016 also). Further details are provided under Note No. 28 of the Financial Statements.

Subsidiary & Associate Companies

The impact from the subsidiaries and associates company as at 31st December 2017 is as follows.

	Group (Rs.)	Company (Rs.)
Total Assets	2,541,769,436	2,561,585,030
Profit Before Tax	25,291,349	15,312,667

Financial Statements & Report of the Auditors.

The financial Statements of the company are prepared in conformity with the Sri Lanka Accounting Standards laid down by the Chartered Accountants of Sri Lanka (CASL) and comply with the requirements of the companies Act No. 07 of 2007 and the Regulation of the Insurance Industry Act No. 43 of 2000 and other rules issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). The formats and the disclosures are also in accordance with the Statements of Recommended Practice (SORP) for insurance contracts, adopted by the Chartered Accountants of Sri Lanka (CASL).

Compliance with Laws and Regulations

The company has complied with all applicable laws and regulations. A compliance checklist is signed on a monthly basis and reported to the Audit Committee. The company has submitted all returns and other required details to the relevant regulators on or before the due dates.

Outstanding Litigation

In the opinion of the Directors and the company's Lawyers, pending litigation against the company will not have a material impact on the reported financial results or future operations of the company.

Internal Control

The Board has the overall responsibility for the company's system of internal financial control. The Directors hereby give reasonable assurance that they will safeguard the entire assets of the company. The Directors also affirm that all transaction executed were well authorized, properly recorded and that material errors and irregularities, if any, are either prevented or detected within a reasonable period of time.

The Directors also affirm that they are satisfied with the effectiveness of the system of financial controls operative for the period up to the date of signing of the accounts.

Corporate Governance.

The Directors are directly responsible for the governance of the company maintenance an effective corporate governance structure and process.

Directors

The Board of the Company consists of 09 Directors who posses wide range of skills, knowledge and experience. Five of them are elected as representatives of the Sanasa Thrift and Credit Co-operative Societies or any other Sanasa Institute. Four Independent Directors were nominated to the board by elected Directors by means of power and right vested in them in accordance with the provision of Article 76(ii) & 76 (vii).

The following Directors held office as at the Balance Sheet date.

Name	Status
Dr. P.A. Kiriwandeniya- Chairman/Managing Director	Executive Director
Dr. T. Senthilverl	Non- Executive Director
Mr. K.K. Weerakkody	Non- Executive Director
Mr. J.V. Nanda Kumara	Non- Executive Director
Mrs. S. N. Sanjeevanie	Non- Executive Director
Mr. S.M.T.H. Subasinghe	Independent Non-Executive Director
Prof. J.M.U.K. Jayasinghe	Independent Non-Executive Director
Mr. T. Karunasena	Independent Non-Executive Director
Dr. H. J. S. K. Wickremarathne	Independent Non-Executive Director

The names and representation of the Directors as at 31st December 2017 are given below.

Name	Designation	Sanasa Society/ Institution	Value of Shares as at 31/12/2017
Dr. P.A. Kiriwandeniya	Chairman/Managing Director	All Lanka Mutual Assurance Organization	2,464,767
Mrs. S. N. Sanjeevanie	Director	Forum on Development (Sanwardana Sansadaya)	2,388,500
Dr. T. Senthilverl	Director	-	20,000,000
Mr. K.K. Weerakkody	Director	Undurugoda Thrift & Credit Cooperative Societies Limited	1,714,570
Mr. J.V. Nanda Kumara	Director	Midigama Prajawaruna Thrift & Credit Co-operative Society Limited	710,000

Board Meetings & Board Committees

The Chairman presides over Board Meetings ensuring the contribution of each Director towards the success of the company at the Board Meetings. The Board while assuming the overall responsibility and the accountability in the Management of the company has also appointed Board Committees to ensure oversight, control over certain affairs of the company. The following committees were established by the board.

1. Audit Committee
2. Human Resources & Remuneration Committee
3. Risk Management Committee
4. Investment Committee
5. Related Party Transaction Review Committee
6. Nomination & Selection Committee

All Directors are furnished with comprehensive information on all relevant issues to be discussed at each of the Board Meetings & Committee Meetings, prior to the date of meeting and all decision are recorded by the Board Secretary.

Attendances of the directors for the above Board Meetings and other Committee meeting are set below.

	Name	Board Meeting		Audit Committee		Related Party and Transaction Committee		HR Committee		Investment Committee		Risk Management Committee		Nomination & Selection Committee	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B
1	Dr. P.A. Kiriwandeniya	13	11	-	-	-	-	-	-	-	-	-	-	02	01
2	Dr. T. Senthilverl	13	08	-	-	-	-	-	-	05	03	-	-	-	-
3	Mr. K.K. Weerakkody	13	11	05	05	01	01	-	-	05	05	-	-	-	-
4	Mr. J.V. Nanda Kumara	13	12	-	-	-	-	-	-	-	-	03	03	-	-
5	Mrs. S. N. Sanjeevanie	07	03	-	-	-	-	05	03	-	-	-	-	-	-
6	Mr. S.M.T.H. Subasinghe	13	12	13	13	04	04	-	-	05	05	03	03	-	-
7	Prof. J.M.U.K. Jayasinghe	13	09	-	-	-	-	05	02	-	-	03	02	01	01
8	Mr. T. Karunasena	13	13	-	-	-	-	12	12	02	02	-	-	-	-
9	Dr. H. J. S. K. Wickremarathne	04	04	04	04	01	01	-	-	-	-	-	-	-	-

A - Number of Meetings Held during the Period of the Director held office in the Year 2017.
B - Number of Meetings attended.

Directors Changes during the year

Mr. P.A.P. Bandara, Mr. K.M.Ananda Jayathilaka has resigned from the board with effect from 30/06/2017 and Ms. D.M. Prema Dissanayake has resigned from the board with effect from 26/07/2017.

During the year under review Mrs. S. N. Sanjeevanie and Dr. H. J. S. K. Wickremarathne was appointed to the board during the year 2017 by representing Sanwardhana Sansadaya & as an independent director respectively. And also a resolution has been forwarded to the Annual General Meeting to appoint a director representing Federation of Thrift & Credit Cooperative Societies Limited in Sri Lanka (Sanasa Federation) for the existing vacancy. This vacancy was created as the Insurance Regulatory Commission of Sri Lanka has decided that Mr. Anil Nishantha Wickramarachchi who was appointed as a director of the company at the 14th Annual General Meeting is not qualified to be appointed as a director of the Company.

Retirement, re-appointment & election of the Directors

Resolutions & relevant details regarding the Retirement, re-appointment & election of the Directors of the company in this Annual General Meeting were included in the Notice of Meeting.

Share Capital and Share Holding

The number of shares of the company as at 31st December 2017 was 104,460,942 and there were 756 shareholders. The analysis of share holders is given in the schedule below.

Institute	As at 31st Dec. 2017		As at 31st Dec. 2016	
	No. of Institutions/ Persons	No. of Shares	No. of Institutions/ Persons	No. of Shares
Federation of Thrift & Credit Cooperative Societies Limited in Sri Lanka (Sanasa Federation)	1	9,012,027	1	8,267,914
All Lanka Mutual Assurance Organization	1	2,464,767	1	2,464,767
Sanasa Campus Ltd	1	548,484	1	548,484
NTUC Income Insurance Cooperative Limited	1	2,625,000	1	2,625,000
Sanasa Development Bank PLC	1	7,590,496	1	7,590,496
Forum on Development (Sanwardana Sansadaya)	1	2,388,500	1	2,388,500
Small & Medium Wealth Management (Pvt) Ltd	1	1,265,495	1	1,265,495
Sanasa Uththamavi Company	1	150,000	1	150,000
Gampaha Development Company (Pvt) Ltd	1	3,000,000	1	3,500,000
Sanasa Primary Societies/ Secondary Societies/ District Unions	545	55,028,111	535	55,097,726
Individuals & other Institutes	202	20,388,062	206	20,386,204
Total	756	104,460,942	750	104,284,586

20 Major Share Holders as at 31st December 2017

Details of the 20 Major shareholders of the company and the percentages held by them are disclosed below.

		As at 31/12/2017		As at 31/12/2016	
		No of Shares	percentage	No of Shares	percentage
1.	Dr. T. Senthilverl	20,000,000	19.15%	20,000,000	19.17%
2.	Federation of Thrift & Credit Cooperative Societies Limited in Sri Lanka (Sanasa Federation)	9,012,027	8.63%	8,267,914	7.92%
3.	Nikawaratiya Thrift & Credit Co-Operative Society Union Ltd.	8,739,383	8.37%	8,739,383	8.38%
4.	Sanasa Development Bank PLC	7,590,496	7.27%	7,590,496	7.27%
5.	Kuliyapitiya Thrift & Credit Co-Operative Society Union Ltd.	7,069,300	6.77%	7,069,300	6.77%
6.	Gampaha Development Company (Pvt) Ltd	3,000,000	2.87%	3,500,000	3.35%
7.	NTUC Income Insurance Cooperative Limited	2,625,000	2.51%	2,625,000	2.51%
8.	All Lanka Mutual Assurance Organization	2,464,767	2.36%	2,464,767	2.36%
9.	Forum on Development (Sanwardana Sansadaya)	2,388,500	2.29%	2,388,500	2.29%
10.	Polgahawela Thrift & Credit Co-Operative Society Union Ltd.	2,131,450	2.04%	2,131,450	2.04%
11.	Gampaha Thrift & Credit Co-Operative Societies Union Ltd.	1,934,113	1.85%	1,774,415	1.70%
12.	Undurugoda Thrift & Credit Co-Operative Societies Ltd.	1,714,570	1.64%	1,573,000	1.50%
13.	Athurugiriya South Thrift & Credit Co-Operative Societies Ltd.	1,605,000	1.54%	1,505,000	1.44%
14.	HambanthotaThrift & Credit Co-Operative Societies Ltd.	1,367,500	1.31%	1,367,500	1.31%
15.	Small & Medium Wealth Management (private) Ltd	1,265,495	1.21%	1,265,495	1.21%
16.	Herathgama Thrift & Credit Co-Operative Societies Ltd.	1,060,375	1.02%	1,060,375	1,01%
17.	Health Services Saving Credit Co-Operative Society Ltd	1,000,000	0.96%	1,000,000	0.96%
18.	Rajya Sewa Credit Co-Operative Society Ltd	1,000,000	0.96%	1,000,000	0.96%
19.	Bodhirajapura Thrift & Credit Co-Operative Societies Ltd.	750,000	0.72%	750,000	0.71%
20.	Midigama Prajawaruna Thrift & Credit Co-Operative Societies Ltd.	712,500	0.68%	710,000	0.68%

Directors Interest to the Company

a) Directors' Interest in contracts

None of the Directors had direct or indirect interest in any contract or proposed contract with the company other than those disclosed on note No. 30 under the financial statement.

b) Directors dealings with the shares of the company.

The following table discloses the directors individual shareholdings in the company as at 31st December 2017.

Name	Classes of Shares	No. of Shares
Dr. P.A. Kiriwandeniya	Ordinary	4,971
Dr. T. Senthilverl	Ordinary	20,000,000

c) Disclosures in respect of shares of the company, which have been acquired during the year.

None of the Directors of the company have acquired shares during the year under review.

d) Disclosures in respect of shares, which have been disposed during the year.

None of the Directors of the company have disposed shares during the year under review.

e) Remuneration and fees paid to the Directors

Executive Director's remuneration is duly determined by the Board. No remuneration is paid to Non- executive Directors other than the fees paid in line with the attendance of each Director at Board and Sub Committee meeting.

f) Loans to the Directors

No loans have been granted to any Director of the company during the year under review.

Investments

The details of investment held by the Company are disclosed in Note 08 to the Financial Statements.

Property, Plant & Equipment

The book values of the property, Plant & Equipment were Rs. 65.6 Million (Rs. 79.3 Million in 2016) as at the Balance Sheet date. Details of the Property, Plant & Equipment and movement during the year are disclosed under the Note 06 to the Financial Statements.

Intangible Assets

The Capital expenditure on acquisition of Intangible Assets during the year amounted to Rs. 3.6 Million (Rs. 1.54 Million in 2016).

Provisions

The Directors have taken reasonable steps to ensure adequate provisioning for all known liabilities and insurance related reserves i.e. Unearned premiums reserves, Claims Outstanding reserve and provisions for claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) in Non - Life Insurance.

Statutory Payments

The Directors, to the best of their knowledge, are satisfied that all statutory payments in relation to the Government, the Insurance Regulatory Commission of Sri Lanka (IRCSL) and related to employees have been made on time.

The Auditors

The retiring Auditors, Messers, Ernst & Young Company, Chartered Accountants have expressed their willingness to continue in office for the year ending 31st December, 2018. A resolution relating to their reappointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Auditors' Remuneration

The remuneration paid to Messers, Ernst & Young Company for the year under review are stated below.

	2017
Audit fees & expenses	3,022,200
Audit Related fees & expenses	366,850
Non Audit fees	-
Total	3,389,050/-

Messers, Ernst & Young Company, does not have any relationship with the Company other than that of Auditors of the Company.

Post - Balance Sheet Event

Post balance sheet are disclosed under the Note 32 to the Financial Statements.

Annual General Meeting

The Fifteenth Annual General Meeting of the company will be held at Siyawasa Committee Meeting Hall, Sanasa Campus Ltd., Paragammana, Hettimulla at 9.00 am on the 25th day of June 2018.

By Order of the Board,

Prasadika Senadheera
Company Secretary
23rd May, 2018.

DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of Seemasahitha Sanasa Rakshana Samagama state below their responsibilities in connection with the financial statements of the company for the year ended 31st December 2017.

The company's financial statements for the year ended 31st December 2017 were prepared in conformity with the requirement of the Sri Lanka Accounting stands, the companies Act. No 07 of 2007 and Insurance Industry Act No. 43 of 2000. The financial statements presented in this Report reflect a true and fair view of the state of the company.

In preparing these financial statements, appropriate accounting policies have been adhered to and agreeable judgments and estimates have been made. The Board of Directors has instituted effective and comprehensive systems of internal control. The Directors oversee the management in the letter's discharge of responsibilities with respect to the preparation and presentation of financial statement at their regular meetings and those of the Audit Committee. The Directors have adapted sensible steps and protective measures to safeguard the assets of the company.

The company's Auditors, Messers, Ernst & Young, carryout checks on internal control as and when necessary. The Directors are responsible for providing the Auditors with every opportunity to carry out their audits to ensure the accuracy & reliability of accounting records and to enable the preparation of financial statements. Every opportunity has also been provided to the Auditors, on a transparent basis, to present any audit opinion that was considered necessary.

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the company as at the balance sheet data have been paid or sufficiently provided for.

Prasadika Senadheera
Company Secretary

23rd May 2018

IBNR & IBNER REPORT

18 May 2018

To the shareholders of Seemasahitha Sanasa Rakshana Samagama

Seemasahitha Sanasa Rakshana Samagama 31 December 2017 Net IBNR and LAT Certification

I hereby certify that the discounted 75% confidence level IBNR provision of LKR33,909,496 is adequate in relation to the Claim Liability of Seemasahitha Sanasa Rakshana Samagama as at the 31 December 2017, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2017, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR209,267,442 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of Seemasahitha Sanasa Rakshana Samagama as at 31 December 2017, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the Company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonability of the data.

Ngoc Hung Phan
Fellow of the Institute of Actuaries of France (FIAF)
For and on behalf of NMG Consulting Dated 18 May 2018

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LIFE ACTUARIAL REPORT

SPARK
Actuarial and Risk Consultants
Spark Actuarial (Pvt.) Ltd, No. 435/2, 2/2, Longdon Hill, Thimbirigasyaya Road, Colombo 5, Sri Lanka. Tel: 0778874415, Email: milanthi@sparkactuarial.com

To the shareholders of Seemasahitha Sanasa Rakshana Samagama

ACTUARIAL VALUATION OF THE LONG-TERM INSURANCE BUSINESS AS AT 31 DECEMBER, 2017

CERTIFICATE UNDER SECTION 48 OF THE REGULATION OF INSURANCE INDUSTRY ACT NO. 43 OF 2000

I, Dr. Milanthi Sarukkali, being the appointed actuary for Seemasahitha Sanasa Rakshana Samagama (The Company), certify that to the best of my knowledge,

1. I have included each and every policy provided by the company, for which there is a liability, in conducting the Actuarial Valuation of the long-term insurance business as at 31 December 2017.
2. I have taken reasonable steps to ensure the accuracy and completeness of the data provided by the company.
3. The assumptions used for this valuation are not reflective of results of experience studies carried out in 2017. This valuation is based on assumptions used for an independent valuation carried out as of 31 July 2017, as per instructions issued by the Insurance Regulatory Commission of Sri Lanka.
4. Provisions for liabilities under all products except for non-participating riders are developed under prevailing RBC guidelines issued by IRCSL, with the exception of disallowing negative reserves at the product level and a more conservative discount rate. The non-participating riders were not modelled under the Gross Premium Valuation method as per instructions issued by IRCSL to be consistent with the methodology adopted for the independent valuation.
5. In my opinion, adequate and proper reserves have been provided as at 31 December 2017 for all liabilities in respect of the long-term insurance business of the company.
6. The total long-term insurance provisions on non-participating business is LKR 1.154 Billion. The value of assets allocated to the non-participating portfolio is LKR 964 Million. Therefore, there is a deficit of LKR 190 Million in the non-participating portfolio as of 31 December 2017.
7. The total long-term insurance provisions on participating business is LKR 115 Million, inclusive of the cost of current bonus declaration as well as a reserve for future bonus declaration. This also includes a one-off surplus of LKR 10.8 Million, resulting from the change in valuation methodology in 2016. This one-off surplus must be maintained as a policyholder liability as per current guidance issued by the Insurance Regulatory Commission of Sri Lanka.
8. It is recommended to transfer LKR 1.39 million to participating policyholders as at 31 December 2017 through a simple reversionary bonus.
9. A transfer of LKR 154,000 is recommended from the participating fund to the shareholder fund based on the current bonus declaration. The bonus declaration is subject to approval by the Board of Directors of the company.
10. The Capital Adequacy Ratio for long term insurance business is 178% and Total Available Capital is at LKR 553 million.
11. The provisions held in the long-term insurance fund as per the audited accounts as of 31 December 2017 are not sufficient to cover the actuarial liability developed in the valuation.

Dr. Milanthi Sarukkali,
Fellow of Society of Actuaries

15 May 2018

AUDIT COMMITTEE REPORT

The Role of Audit Committee

The key objective of the audit committee is to assist the board to fulfill their responsibility with regard to audit, financial reporting and internal Control.

The Audit committee's authority, responsibilities and functions have been defined in terms of reference of Audit Committee approved by the Board of Directors.

The Audit Committee comprises of the following non executive Directors

- Mr. S.M.T.H. Subasinghe (Chairman)
- Mr. Keerthi Kumara Weerakkodi
- Dr. H.J.S.K.Wickramaratne

The Secretary to the Board functions as committee secretary. CEO/General Manager, Specified Officer, Head of Finance & Head of Audit & Inspection attend the committee meetings on invitation. The Audit committee met the external Auditors and discussed matters relating to their respective areas. During the year Mr. S.M.T.H. Subasinghe serves as the chairman, who is a Chartered Accountant by profession.

Proceedings

During the financial year ended 31st December, 2017 thirteen committee meetings were held and reports of these meetings were submitted regularly to the board. All matters of significant nature were discussed by the board of directors.

Financial Reporting

The committee reviews the monthly and year end financial statements prior to their release. The extent of compliance with accounting standards and disclosure requirements are also reviewed.

Internal & External Audit

Internal Audit findings are considered by the Audit Committee and corrective actions taken by the Branch Managers and Management on reported weaknesses are duly followed up. Furthermore, the committee studies changes to the internal control system and processes prior to changes are effected to ensure appropriateness and adequacy of such changes.

The Audit committee peruses the Report of the External Auditors and Management letters issued by them and also follows up on recommendations made in those reports and action taken by the management.

Findings

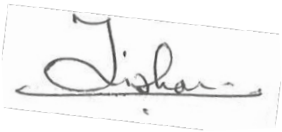
The committee is of the view that sufficient inspection and audit work has been carried out at our branches and head office in the year under review.

The committee is of the view that satisfactory control and procedures are in place to provide responsible assurance that the company's assets are safeguarded.

Having inspected the reports of both the external and internal auditors, the committee expresses its satisfaction with the internal control systems of the company. However we believe that some of the internal controls can be further improved and strengthened.

Recommendations

The committee has recommended to the Board of Directors that Ernst & young Chartered Accountants to be appointed as Auditors to the company for the financial year ending 31st December 2018, subject to the approval of shareholders at the forthcoming Annual General Meeting.



Mr. S.M.T.H. Subasinghe
Chairman - Audit Committee
Colombo
23 May 2018

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEEMASAHITHA SANASA RAKSHANA SAMAGAMA

Report on the Financial Statements

We have audited the accompanying financial statements of Seemasahitha Sanasa Rakshana Samagama, ("the Company"), and the Consolidated Financial statements of the Company and its subsidiaries ("Group") which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

As further discussed in Note 3.2 in the financial statements, the General Insurance Segment of the Company had not met the Solvency Margin (Risk Based Capital Rules) as per the Regulation of Insurance Industry Act No 43 of 2000 and amendments thereto ("Act") throughout year 2017, issued by the Insurance Regulatory Commission of Sri Lanka.

This indicate the existence of a material uncertainty for which mitigating factors are explained in Note 3.2. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

   a) The basis of opinion, scope and limitations of the audit are as stated above.

   b) In our opinion:

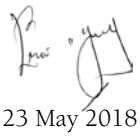
- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

- the financial statements of the Company give a true and fair view of its financial position as at 31st December 2017 and of it's financial performance and cash flow for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the financial statements of the Company comply with the requirements of section 151 and 153 of the Companies Act No.07 of 2007.

2. The Company has not complied with the requirements of segregation of the life and non-life business and listing requirements as per section 53 and section 15A of the Regulation of Insurance Industry Act, No. 43 of 2000.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000, as far as appears from our examination, except for the requirements of the Solvency Margin under section 26(1) and segregation of life and non-life business under section 53 and 15A of the Act as stated above and further elaborated in Note 3.2, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



23 May 2018
Colombo

STATEMENT OF FINANCIAL POSITION

As At 31 December

		Group		Company	
		2017	2016	2017	2016
Assets	**Notes**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Intangible Assets	(5)	26,433,716	26,883,752	26,433,716	26,883,752
Property, Plant and Equipment	(6)	65,660,536	79,284,294	65,660,536	79,284,294
Investment Property	(7)	72,000,000	56,000,000	72,000,000	56,000,000
Financial Assets	(8)	1,907,143,339	1,884,637,549	1,907,143,339	1,884,637,549
Investment in Subsidiaries & Associate	(9)	84,053,354	74,074,236	103,969,420	104,469,420
Reinsurance Receivables		68,521,137	66,902,162	68,521,137	66,902,162
Premiums Receivable	(10)	103,909,492	47,832,983	103,909,492	47,832,983
Loans to Life Policy Holders	(11)	43,556,038	39,578,361	43,556,038	39,578,361
Other Assets	(12)	121,407,309	64,931,580	121,407,022	64,931,323
Deferred Tax Asset	(13)	-	-	-	-
Cash and Cash Equivalents	(14)	49,084,515	59,250,629	48,984,331	58,350,147
Total Assets		**2,541,769,436**	**2,399,375,546**	**2,561,585,030**	**2,428,869,991**
Liabilities and Shareholders' Equity					
Liabilities					
Insurance Provision - Life Fund	(15)	1,271,381,240	911,876,820	1,271,381,240	911,876,820
Insurance Provision - Non Life	(16)	240,357,320	186,736,331	240,357,320	186,736,331
Reinsurance Payable		64,222,832	51,629,448	64,222,832	51,629,448
Retirement Benefits Obligation	(17)	36,491,849	28,792,638	36,491,849	28,792,638
Other Liabilities	(18)	121,722,096	104,850,539	116,453,564	99,094,501
Bank Overdrafts	(19)	43,233,372	16,277,976	43,233,372	16,277,976
Total Liabilities		**1,777,408,712**	**1,300,163,752**	**1,772,140,178**	**1,294,407,714**
Shareholders' Equity					
Stated Capital	(20)	1,044,609,420	1,042,845,860	1,044,609,420	1,042,845,860
Other Reserves		(6,119,030)	(3,901,853)	(6,119,029)	(3,901,852)
Retained Earnings		(277,925,069)	56,472,347	(249,045,539)	95,518,269
Total Shareholders' Equity		**760,565,322**	**1,095,416,354**	**789,444,852**	**1,134,462,277**
Non controlling interest		3,795,402	3,795,440	-	-
Total Equities		**764,360,724**	**1,099,211,794**	**789,444,852**	**1,134,462,277**
Total Liabilities and Shareholders' Equity		**2,541,769,436**	**2,399,375,546**	**2,561,585,030**	**2,428,869,991**

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

.....
Head of Finance

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

Directors	Name	Signature
	1. Dr. P.A. Kiriwandeniya	.....
	2. Mr. T Karunasena	.....

Date of approval by the Board - 23 May 2018

The Notes to the Financial Statements in pages 93 to 132 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December

		Group		Company	
		2017	2016	2017	2016
	Notes	Rs.	Rs.	Rs.	Rs.
Revenue	(21)	**1,100,498,040**	**834,916,757**	**1,090,518,921**	**821,238,904**
Gross written premium		**1,023,565,008**	**843,577,598**	**1,023,565,008**	**843,577,596**
Less: premium ceded to reinsurers		(149,105,853)	(165,509,681)	(149,105,853)	(165,509,681)
Net written premium		**874,459,156**	**678,067,916**	**874,459,156**	**678,067,914**
Net change in reserve for unearned premium		(74,062,041)	(8,271,986)	(74,062,041)	(8,271,986)
Net earned premium		**800,397,115**	**669,795,930**	**800,397,114**	**669,795,928**
Share of profit from Associates		**9,979,118**	**4,933,454**	**-**	**-**
		810,376,233	**674,729,384**	**800,397,114**	**669,795,928**
Benefits, losses and expenses					
Insurance claims and benefits (net)	(22)	450,593,651	273,909,555	450,593,651	273,909,555
Increase in Long Term Life Fund		97,317,810	24,818,820	97,317,810	24,818,820
Underwriting and net acquisition costs/income (including reinsurance)	(23)	45,768,443	21,986,155	45,768,443	21,986,155
Total benefits, losses and expenses		**593,679,904**	**320,714,530**	**593,679,904**	**320,714,530**
Underwriting Result		**216,696,330**	**354,014,854**	**206,717,212**	**349,081,400**
Investments & Other Income	(24)	290,121,807	160,187,373	290,121,807	151,442,974
Expenses					
Cost of sales of subsidiaries		-	(5,993,555)	-	-
Other Operating & Administrative Expenses	(25)	(475,813,248)	(416,985,814)	(475,813,248)	(416,985,814)
Profit From Operation		**31,004,889**	**91,222,858**	**21,025,771**	**83,538,560**
Finance Cost	(26)	(5,713,539)	(8,554,249)	(5,713,103)	(8,554,249)
Profit before taxation	(27)	**25,291,349**	**82,668,610**	**15,312,667**	**74,984,312**
Taxation	(28)	(3,297,435)	(20,906,529)	(3,297,435)	(20,906,529)
Profit after taxation		**21,993,913**	**61,762,080**	**12,015,232**	**54,077,781**
Other Comprehensive Income					
Net change in Employee Benefits		(2,217,177)	(285,592)	(2,217,177)	(285,592)
Total Other Comprehensive Income for the year		**(2,217,177)**	**(285,592)**	**(2,217,177)**	**(285,592)**
Total Comprehensive Income for the year		**19,776,738**	**61,476,488**	**9,798,055**	**53,792,189**
Profit attributable to					
Equity holders of the parent		21,993,952	58,219,237	12,015,231	54,077,781
Non-controlling interest		(39)	3,257,251	-	-
		21,993,913	**61,476,488**	**12,015,231**	**54,077,781**
Total comprehensive Income attributable to					
Equity holders of the parent		19,776,776	58,219,237	9,798,055	53,792,189
Non-controlling interest		(39)	3,257,251	-	-
		19,776,738	**61,476,488**	**9,798,055**	**53,792,189**
Earnings Per Share (EPS)	(29)	**0.21**	**0.65**	**0.12**	**0.60**

The Notes to the Financial Statements in pages 93 to 132 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December

Group

Description	Stated Capital	Accumulated Profit/ (Loss)		Other Reserves			
	Ordinary Shares	Non-life	Life	Revaluation Gain/Loss	Employee Benefits	Non Controlling Interest	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs	Rs.
Balance as at 01st January 2016	745,058,050	59,606,858	53,314,811	4,094,345	(7,676,329)	103,749,273	958,147,008
Shares Issued	297,787,810	-	-	-	-	-	297,787,810
Dividends paid during the year	-	(28,628,951)	(38,858,753)	-	-	-	(67,487,704)
Net change in Employee Benefits	-	-	-	-	(285,592)	-	(285,592)
Net change in Revaluation Reserve	-	-	-	(34,277)	-	-	(34,277)
Change in controlling interest	-	(47,180,855)	-	-	-	(103,211,083)	(150,391,938)
Profit/(loss) for the Year	-	58,219,237	43,797,753	-	-	3,257,251	61,476,488
Balance as at 31st December 2016	**1,042,845,860**	**42,016,289**	**14,456,058**	**4,060,069**	**(7,961,921)**	**3,795,441**	**1,099,211,7954**
Shares Issued	1,763,560	-	-	-	-	-	1,763,560
Dividends paid during the year	-	-	(93,718,211)	-	-	-	(93,718,211)
Transferred to Title Insurance Fund	-	(674,218)		-	-	-	(674,218)
Net change in Employee Benefits	-	-	-	-	(2,217,177)	-	(2,217,177)
Deficit for Life Fund	-		(262,186,610)	-	-	-	(262,186,610)
Sale of Subsidiary	-	187,710	-	-	-	-	187,710
Profit/(loss) for the Year	-	21,993,913	-	-	-	(39)	21,993,874
Balance as at 31 December 2017	**1,044,609,420**	**63,523,694**	**(341,448,763)**	**4,060,069**	**(10,179,098)**	**3,795,403**	**764,360,724**

The total amount received by the Company or due and to the Company in respect of the issue and application for the shares are referred to as stated capital.

The Notes to the Financial Statements in pages 93 to 132 form an integral part of these Financial Statements.

Sanga Insurance Company Ltd

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December

Company

Description	Stated Capital	Accumulated Profit/ (Loss)		Other Reserves		
	Ordinary Shares	Non-life	Life	Revaluation Gain/ Loss	Employee Benefits	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2016	745,058,050	55,781,971	53,314,811	4,094,345	(7,676,329)	850,572,848
Shares Issued	297,787,810	-	-	-	-	297,787,810
Dividends paid during the year	-	(28,628,951)	(38,858,753)	-	-	(67,487,704)
Net change in Employee Benefits	-	-	-	-	(285,592)	(285,592)
Net change in Revaluation Reserve	-	-	-	(34,277)	-	(34,277)
Transferred to Title Insurance Fund	-	(168,590)	-	-	-	(168,590)
Profit/(loss) for the Year	-	(95,922,219)	150,000,000	-	-	54,077,781
Balance as at 31st December 2016	**1,042,845,860**	**(68,937,789)**	**164,456,059**	**4,060,069**	**(7,961,921)**	**1,134,462,277**
Shares Issued	1,763,560	-	-	-	-	1,763,560
Dividends paid during the year	-	-	(93,718,211)	-	-	(93,718,211)
Transferred to Title Insurance Fund	-	(674,218)	-	-	-	(674,218)
Net change in Employee Benefits	-	-	-	-	(2,217,177)	(2,217,177)
Deficit for Life Fund	-	-	(262,186,610)	-	-	(262,186,610)
Profit/(loss) for the Year	-	12,015,231	-	-	-	12,015,231
Balance as at 31 December 2017	**1,044,609,420**	**(57,596,776)**	**(191,448,763)**	**4,060,068**	**(10,179,098)**	**789,444,852**

The total amount received by the Company or due and to the Company in respect of the issue and application for the shares are referred to as stated capital.

The Notes to the Financial Statements in pages 93 to 132 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 December

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Cash Flows from Operating Activities				
Premium Received from Customers	964,088,752	830,340,253	964,088,752	830,340,253
Reinsurance Premium Paid	(136,176,669)	(125,680,623)	(136,176,669)	(125,680,623)
Claims Paid	(523,704,868)	(367,790,272)	(523,704,868)	(367,790,272)
Reinsurance Receipts in respect of Claims	136,773,103	81,844,676	136,773,103	81,844,676
Cash Paid to and on behalf of Employees	(233,801,652)	(203,168,201)	(233,801,652)	(203,168,201)
Investment income Received	180,829,538	183,180,424	180,829,102	183,180,424
Other operating income	70,099,331	61,446,999	70,099,331	61,446,999
Other Operating Cash Payments	(304,751,115)	(223,070,768)	(303,950,381)	(223,070,768)
Cash inflow Generated from Operating Activities	**153,356,419**	**237,102,489**	**154,156,717**	**237,102,489**
Net Cash Generated From Operating Activities of Subsidiaries	-	(2,183,176)	-	-
Net Cash Generated From Operating Activities (A)	**153,356,419**	**234,919,313**	**154,156,717**	**237,102,489**
Cash Flow from Investing Activities				
Purchase of Liquid Investments	(75,918,130)	(498,936,111)	(75,918,130)	(498,936,111)
Purchase of Intangible Assets	(3,682,667)	(1,540,794)	(3,682,667)	(1,540,794)
Purchase of Tangible Assets	(18,922,480)	(19,569,280)	(18,922,480)	(19,569,280)
Proceed from Disposal of Motor Vehicle	-	5,623,465	-	5,623,465
Net Cash used in Investing Activities	**(98,523,278)**	**(514,422,719)**	**(98,523,278)**	**(514,422,719)**
Cash Flows from Financing Activities				
Dividends Paid	(93,718,211)	(67,487,704)	(93,718,211)	(67,487,704)
Proceeds from Share Issue	1,763,560	297,787,810	1,763,560	297,787,810
Net Cash Generated from Financing Activities	**(91,954,651)**	**230,300,106**	**(91,954,651)**	**230,300,106**
Net Increase in Cash and Cash Equivalents (B)	**(37,121,510)**	**(49,203,300)**	**(36,321,212)**	**(47,020,124)**
Net Cash and Cash Equivalents at the beginning of the Year	42,972,653	92,175,953	42,072,171	89,092,295
Net Cash and Cash Equivalents at the end of the Year	5,851,143	42,972,653	5,750,959	42,072,171
Net Increase in Cash and Cash Equivalents (B)	**(37,121,510)**	**(49,203,300)**	**(36,321,212)**	**(47,020,124)**

The Notes to the Financial Statements in pages 93 to 132 form an integral part of these Financial Statements.

CASH FLOW STATEMENT

Year Ended 31 December

Reconciliation Of Profit Before Tax With Cash Flow From Operating Activities

	Group		Company	
	2017	2016	2017	2017
	Rs.	Rs.	Rs.	Rs.
Profit / (Loss) before Taxation	25,291,349	82,668,610	15,312,667	74,984,312
Depreciation Charges	20,077,799	19,773,443	20,077,799	19,773,443
Amortization of Intangible Assets	4,132,704	5,456,919	4,132,704	5,456,919
Unrealized Market value movement	969,846	104,352,465	969,846	104,352,465
Gain on Disposal of Motor Vehicle	-	(4,781,947)	-	(4,781,947)
Provision for Retiring Gratuity	(9,735,126)	5,579,377	(9,735,126)	5,579,377
Gratuity Payments	(1,266,739)	(1,062,312)	(1,266,739)	(1,062,312)
Revaluation gain	16,000,000	(2,500,000)	16,000,000	2,500,000
(Increase)/Decrease in Receivables	(107,218,455)	7,272,152	(107,218,455)	7,272,152
Increase in Long Term Insurance Fund	97,317,810	24,818,820	97,317,810	24,818,820
Increase / Decrease in Unearned Premium	74,062,042	15,409,896	74,062,042	15,409,896
Decrease/(Increase) in Deferred acquisition costs	(10,366,010)	(1,008,420)	(10,366,010)	(1,008,420)
Increase/(Decrease) in Claim payables	(3,538,482)	(14,924,172)	(3,538,482)	(14,924,172)
Increase /(Decrease) in Payables	47,629,684	(6,135,519)	58,408,664	(1,268,042)
Net Cash Generated From Operating Activities (A)	**153,356,419**	**234,919,313**	**154,156,717**	**237,102,489**

The Notes to the Financial Statements in pages 93 to 132 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

1. CORPORATE INFORMATION

1.1 Reporting Entity

Seemasahitha Sanasa Rakshana Samagama ("The Company") is a Company incorporated and domiciled in Sri Lanka. The Company regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto. The Company was re - registered under the Companies Act No. 07 of 2007 and the principal place of business is situated at No. 340 2/1, R. A. De Mel Mawatha, Colombo 3.

1.2 Principal Activities and Nature of Operations

Sanasa Insurance Company Limited is primarily involved in Life Insurance and General Insurance Business providing Life and General Insurance solutions for both individual and corporate customers.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended and as at 31 December 2017, comprise “the Company” referring to Sanasa Insurance Company Limited as the holding Company and the “Group” referring to Sanasa Insurance Company Limited, its subsidiary Sanasa Media Network (Pvt) Ltd. and it's associates Sanasa Security Service Pvt Ltd. and Sanasa General Insurance Company Limited (SGIC) have been consolidated therein.

1.4 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements as per the provisions of the Companies Act No.07 of 2007 and Sri Lankan Accounting Standards, Regulations of Insurance Industry Act, No. 43 of 2000.

1.5 Date of authorization for issue

The Financial Statements for the year ended 31 December 2017, were authorized for issue by the Board of Directors on 23 May 2018.

1.6 Number of Employees

The staff strength of the Company as at 31 December 2017 is 377 (2016: 334)

2. BASIS OF PREPARATION

2.1 Basis of preparation of Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and comply with the requirements of Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

The Consolidated Financial Statements include;

- Statement of Financial Position of the Group and the Company as at 31 December 2017 (Refer page 87).
- Statement of Comprehensive Income of the Group and the Company for the year (Refer page 88)
- Statement of Changes in Equity of the Group (Refer page 89) and Company (Refer page 90).
- Cash Flows Statement for the 12 months ended 31 December 2017 of the Group and the Company (Refer page 91).
- Notes to the Financial Statements comprising Accounting Policies adopted and other explanatory information (Refer page 93 to 132)

2.2 Statement of Compliance

The financial statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

2.3 Basis of Measurement

The Financial statements have been prepared on the accrual basis and historical cost basis except for the following material items in the statement of financial position:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.
- Investment Property is measured at fair value.
- Defined benefit obligation valued by the actuarial and recognized at present value.
- Life Fund at actuarial determined values
- Insurance Provision Non-Life at actuarial determined values.

The Company presents its statement of financial position broadly in the order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to off set the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional currency.

2.5 Comparative Information

The Consolidated Financial Statements provide comparative information in respect of the previous period. The presentation and classification of assets and liabilities in the Financial Statements of the previous year have been amended, where relevant for better presentation and to be comparative with those of the current year.

2.6 Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standards (LKAS) 7, Cash Flow Statements.

Cash and cash equivalent comprise cash in hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For cash flow purposes, cash and cash equivalents arc presented net of bank overdrafts.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Use of Estimates and Judgments

The preparation of the financial statements in conformity with SLFRSs/LKASs 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 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:

3.2 Going Concern

These Financial Statements are presented on the assumption that the Company is a going concern. The Directors have neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations in both Life Insurance and General Insurance segments. The plans of the Management to meet the Risk based capital requirements of General Insurance business are given below.

Compliance with Risk Based Capital Solvency Margin Rules

As per the RBC Solvency Margin Rule, an insurance company engaged in either long term insurance business or general insurance business is required to maintain a capital adequacy ratio of 120% and a total available capital of LKR. 500Mn.

However, as per the RBC computation prepared for 31 December 2017, Company has not met the minimum capital requirement of LKR. 500Mn in the General Insurance Segment.

The regulatory compliances as of 31 December 2017 are as follows

Total Available Capital (TAC)	LKR. 134,329,752
Risk Based Capital Adequacy Ratio (CAR)	124%

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

Therefore, the Company's General Segment is not in compliance with the RBC rules set out by the Insurance Regulatory Commission of Sri Lanka.

As a mitigating factor Company is planning to make an additional investment of LKR. 190 Mn to the already incorporated Sanasa General insurance Company Limited (SGIC) with a Stated Capital of LKR. 3I3Mn and transfer the General Insurance Business to SGIC with the approval of IRCSL. The said plan has been informed to the Insurance Regulatory Commission of Sri Lanka by a letter dated 2nd April 2018.

Taking these circumstances into consideration, the Directors have assessed, and are confident that the company will be able to continue its operation for a foreseeable future, hence the going concern assumption is adopted in presenting these financial statements.

3.3 Insurance Contract Liabilities – Life Insurance

The liability for Life Insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract reflecting the best estimate at the time increased with a margin for risk and adverse deviation.

All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used are mortality, morbidity, longevity, investment returns, expenses lapse and surrender rates and discount rates. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing Life Insurance Contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

The valuation of the Long Term insurance business as at 31st December 2017 was carried out by the Consultant Actuary.

3.4 Insurance Contract Liabilities – Non - Life Insurance

The estimates of General Insurance contracts, have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred (IBNR), but not yet reported, at the reporting date (IBNER). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

3.5 Fair Value of Financial Instruments

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 models.

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. This judgment may include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of the financial instruments.

3.6 Valuation of Employee Benefit Obligation - Gratuity

The cost of defined benefit plans from which the gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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The actuarial valuation involves making assumptions on the discount rate, salary increment rate and balance service period of the employees. Due to the long term nature of the plans these assumptions and estimates are subject to significant uncertainty. Details of the key assumptions used by the Actuary in the estimates are contained in Note 17.3.

3.7 Deferred Tax Assets and Liabilities

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 13.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Foreign Currency Transactions

Transactions in foreign currencies are translated in to the respective functional currencies 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 re translated in to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency is translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re translated in to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re translation are recognised in profit or loss, except for differences arising on the re translation of available for- sale equity instruments, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4.2 Impairment

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the Income Statement.

4.3 Product Classification

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

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 policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders. 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

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.

Subsequent Classification and Reclassification

Once a contract has been classified as an insurance contract, it remains an insurance contract for the

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Product Portfolio of the Company

All the products sold by the Company are insurance contracts and 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.

4.3.1 Recognition and Measurement

Insurance contracts and investment contracts with DPF are classified into Short-term & Long-term insurance contracts, depending on the duration of risk and on whether the terms and conditions are fixed.

4.3.1.1 Short-term Insurance Contracts - Non-life Insurance

Property insurance contracts mainly compensate the insured customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption coverage).

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and actuarial value of the claims incurred but not reported, and the estimate of expected ultimate cost of more complex claims that may be affected by external factors.

4.3.1.2 Long-term Insurance Contracts with Fixed and Guaranteed Terms - Life Insurance

These contracts insure events are associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when cash is received from the contract holder. Premiums are shown before deduction of commission.

Death claims are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Claims payable includes direct cost of settlement. The interims payments and surrenders are accounted for only at the time of settlement.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistent, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

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4.4 Intangible assets (Software)

4.4.1 Basis of recognition

An Intangible Asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

4.4.2 Subsequent Expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specified asset to which it relates. All other expenditure is expensed as incurred.

4.4.3 Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is ten years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4.4.4 De-recognition

An Intangible Asset is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such Intangible Assets is included in the Statement of Comprehensive Income when the item is derecognized. Gains shall not be classified as revenue.

4.5 Property, Plant and Equipment

4.5.1 Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

4.5.2 Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

The Company applies the cost model to Plant and Equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any Accumulated impairment losses.

4.5.3 Subsequent Costs

The cost of replacing a part of an item of Plant 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 cost of day to day servicing of Property, Plant and Equipment is charged to the Statement of Comprehensive Income as incurred.

4.5.4 Repairs and Maintenance

Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

4.5.5 Depreciation

The Company provides depreciation from the month of purchase of the assets up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

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Furniture & Fittings	10%
Computer & Printers	25%
Other Computer Equipment	15%
Electrical Equipment	10%
Office Equipment	25%
Motor Vehicles	20%

4.5.6 Revaluation

All items of Property plant and Equipment are initially recorded at cost. Where items of Property plant and equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date. Subsequent to the initial recognition as an assets at cost, revalued amounts less any subsequent depreciation thereon. When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation surplus unless it reverses a previous revaluation decrease relating to the same assets, which was previously recognized as expenses. In these circumstances the increases is recognized as income to the extent of the previously write down.

When an assets' carrying amount is decreased as a result of revaluation, the decreases are recognized as an expenses unless it reverses a previous increment relating to that assets, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same assets. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to Accumulated Profit/ (Loss) on retirement or disposal of the assets.

4.5.7 De-recognition

The carrying amount of an item of Property, Plant and Equipment is derecognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of an item of Property, Plant and Equipment is included in the Statement of Comprehensive Income when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognized.

Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspection is derecognized. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Accumulated Profit/ (Loss)

4.5.8 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred on Property, Plant and Equipment, awaiting capitalization.

4.6 Leasehold Assets

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease if fulfilment of the arrangement is dependent on the use of a specific assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

"Leases in which the Company has substantially all the risks and rewards of ownership" are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

4.7 Investment Property

Investment property is property held either to earn rental income or for capital appreciations or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to- day servicing of the investment property. Subsequent to initial recognition. The investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in the fair values are included in the Income Statement in the year in which they arise. Fair values are evaluated with sufficient frequency by an accredited external, independent valuer.

NOTES TO THE FINANCIAL STATEMENTS

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4.7.1 Subsequent Costs

Cost includes expenditure that is directly attributable to the acquiring of the investment property. The cost of self - constructed investment property included the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

4.7.2 De-recognition

Investment properties are derecognized when disposed of or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognized in the Income Statement in the year of retirement or disposal.

4.8 Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in Income Statement.

4.9 Financial Assets and Financial Liabilities

4.9.1 Non-Derivative Financial Assets

4.9.1.1 Initial Recognition and Measurement

The Company initially recognizes loans and receivables and deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A Financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. At inception a financial asset is classified into one of the following categories:

1. Fair value through profit or loss (FVTPL);
2. Loans and receivables (L&R);
3. Held to maturity investments (HTM); and
4. Available-for-sale (AFS) Financial assets, as appropriate

The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Company's ability. Financial assets are classified as at fair value through profit or loss where the Company's investment strategy is to manage financial investments on a fair value 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 amortized cost. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the settlement date, i.e., the date that the Company receives/settles money for the sale/purchase of the financial asset. However, when it comes to investment in quoted equities and corporate debt, the transaction date (i.e. trade date) is used to recognize/derecognized the asset. The Company's existing types of financial assets and their classifications are shown in the table below.

Financial Asset	Category
Treasury Bonds	Loans and Receivables
Treasury Bills	Loans and Receivables
Listed Equity Shares	Fair Value through Profit or Loss
Un Listed Equity Shares	Available for Sale
Unit Trusts	Fair Value through Profit or Loss
Corporate Debts	Loans and Receivables
Fixed Deposits	Loans and Receivables
Short Term Investments	Loans and Receivables

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Year ended 31 December

4.9.1.2 Subsequent Measurement

Financial Assets at fair value through Profit or Loss (FVTPL)

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. For investments designated as at fair value through profit or loss, the following criteria must be met:

- If the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis,

Or

- The assets and liabilities are part of a Company's financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's 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' in the Statement of Comprehensive Income. Interest is accrued and presented in 'Investment income' or 'Finance cost', respectively, using the Effective Interest Rate (EIR). Dividend income is recorded in the '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.

Available-for-sale Financial Assets (AFS)

Available-for-sale financial investments include equity and debt securities (Government Securities and Corporate Debt). 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 unrealized gains or losses recognized in Other Comprehensive Income (OCI) in the available-for-sale reserve.

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 recognized in the income statement as 'Investment Income' when the right of the payment has been established. When the asset is derecognized, the cumulative gain or loss is recognized in the Investment Income. If the asset is determined to be impaired, the cumulative loss is recognized in the income statement in the 'Investment Income' 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 that is 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 income statement.

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Loans and Receivables (L & R)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company also decided to classify quoted Corporate Debt under this category since there is no active market for these instruments even if such instruments are listed.

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.

Amortized cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment Income' in the income statement.

Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortization process.

Held to maturity financial assets (HTM)

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

4.9.2 Non-Derivative Financial Liabilities

The Company initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

4.9.3 De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in Income Statement.

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

4.9.4 Off-setting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under SLFRSs/LKASs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

4.9.5 Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.9.6 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

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.

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.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Income Statement on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

4.9.7 Financial Assets Carried at Amortized 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.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

4.9.7.1 Inventories

Inventories, which are mainly of stationary and printed materials, are stated at the lower of cost or net realizable value. Cost is determined on a first in first out basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

4.10 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to Non - Life Insurance Contracts. No DAC is calculated for Life Insurance Contracts as the acquisition costs are incurred in line with the revenues earned.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

In line with the available regulatory guidelines from the Insurance Regulatory Commission of Sri Lanka (IRCSL), the DAC is calculated based on the 1/24th basis.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the income statement. No such indication of impairment was experienced during the year. DAC is derecognized when the related contracts are either settled or disposed.

4.11 Reinsurance

The Company cedes insurance risk in the normal course of business to recognized reinsures through formal reinsurance arrangements. Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsures are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss, if any is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

4.12 Premium Receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration receivable. Collective of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), all General Insurance policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled.

4.13 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts, if any, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

4.14 Liabilities and Provisions

4.14.1 Insurance Contract Liabilities

4.14.1.1 Insurance Provision – Life Insurance

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

4.14.1.2 Insurance Provision – Non-life Insurance

Non - Life Insurance contract liabilities include the outstanding claims provision including IBNR and IBNER, the provision for unearned premium, title insurance reserve and farmer's insurance reserve

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The valuation of Unearned Premium Reserve is measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 1/24th basis).

The Incurred but Not Reported (IBNR) and Incurred but Not Enough Reported (IBNER) claim reserves are actuarially computed.

The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies.

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

4.15 Employee Benefits

4.15.1 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

4.15.2 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.

All employees of the Company are members of the Employees' Provident Fund and Trust Fund to which the Company contributes 12% and 3% respectively, which are charged to Statement of Income when incurred.

4.15.3 Actuarial Gains and Losses

All Actuarial gains or losses are recognised immediately in profit or loss applying the faster recognition approach.

4.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

4.17 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. However, no borrowing costs in the Company during the financial periods are under review.

4.18 Revenue Recognition

4.18.1 Life Insurance Business

Gross Written Premium on Life Insurance contracts are recognized as revenue when payable by the policyholder. Any premiums received in advance is not recorded as revenue and recorded as a liability until the premium is due unless otherwise the relevant policy conditions require such premiums to recognised as income. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies. For single premium business, revenue is recognised on the date on which the policy is effective.

4.18.2 Non - Life Insurance Business

Gross written premiums - Non - Life Insurance comprise the total premiums received /receivable for the whole period of cover provided by contracts entered into during the accounting period. Gross Written Premium is generally recognized is written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on 1/24th basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums which is included under liabilities.

Net Written Premium on Title Insurance after deducting acquisition cost has been transferred to the Title Reserves account to pay potential claims arising from the Title Insurance policies.

4.18.3 Reinsurance Premiums

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 1/24th basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000).

4.19 Benefits, Claims and Expenses

4.19.1 Gross Benefits and Claims

4.19.1.1 Life Insurance Businesses

Claims by death and maturity are charged against revenue on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement. Expenses on Life Insurance relates to the acquisition expenses and expenses

For maintenance of Life Insurance business, investment related expenses not treated as a part of the capital cost of investment, etc which are accounted on accrual basis.

4.19.1.2 Non - Life Insurance Business

Non - Life insurance claims include all claims occurring during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

The provision in respect of Claims Incurred but Not Reported (IBNR) and Claims Incurred but Not Enough Reported (IBNER) is actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends. Actuarial valuations are performed on an annual basis.

Whilst the Directors consider that the provisions for claims are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the Financial Statements for that period.

The methods used to estimate claims and the estimates made are reviewed regularly.

4.19.1.3 Reinsurance Claims

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

4.20 Net Deferred Acquisition Expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business, are deferred and amortised over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

4.21 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 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 Actuary.

4.22 Other Expenses

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to the income statement. Share issue related expenses are charged against the reserves in the equity statement.

4.23 Income Tax Expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in Income Statement except to the extent that it relates to items recognized directly in equity, when it is recognized in equity.

4.23.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and the amendments thereto.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods. Current income tax relating to items recognised directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in the income statement.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

4.23.2 Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount substantively enacted by the reporting date.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be fully utilized. Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax relating to items recognized outside Income Statement, if any is recognized outside Income Statement. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are off set, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.23.3 Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Company is recognized at the same time as the liability to pay the related dividend is recognized.

4.23.4 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act, No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed receivable ESC amount can be carried forward and set off against the income tax payable as per the relevant provisions in the Act. However, with the amendment made by Inland Revenue, if the Company in relation to any relevant quarter Commencing on or after April 01, 2012, where such part of the taxable income as consists of profits from any Trade, business, profession or vocation assessed under the provisions of Inland revenue Act No, 10 of 2006 for The year of assessment 2011/2012, is more than zero, the relevant turnover for such quarter shall be deemed to be Zero.

4.24 Segmental Reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or Services (business segment) or in providing products or services within a particular economic environment (Geographical segment), which is subject to risks and returns that are different from those of other segments.

The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Accordingly, segmental information of the Company reflects Non - Life Insurance and Life Insurance. Inter-segment transfers are based on fair market prices.

4.25 Capital Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

4.26 Events Occurring after the Reporting Date

All material-post Statement of Financial Position events have been considered and where appropriate, Adjustments or disclosures have been made in the respective notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

5. INTANGIBLE ASSETS

	Group		Company	
Computer Software	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Cost				
Balance as at 01st January	57,012,214	55,471,420	57,012,214	55,471,420
Acquisition & Capitalized during the year	3,682,667	1,540,794	3,682,667	1,540,794
Balance as at 31st December	**60,694,881**	**57,012,214**	**60,694,881**	**57,012,214**
Amortization and Impairment Losses				
Balance as at 01st January	30,128,462	24,671,544	30,128,462	24,671,544
Amortization for the year	4,132,7053	5,456,918	4,132,703	5,456,918
Balance as at 31st December	**34,261,165**	**30,128,462**	**34,261,165**	**30,128,462**
Net Carrying Value	**26,433,716**	**26,883,752**	**26,433,716**	**26,883,752**

5.1 Acquisition Of Intangible Assets During The Year

During the Financial year, the Company acquired/capitalized Intangible Assets (Computer Software) to the aggregate value of Rs.3.6 Million. Cash payments amounting to Rs. 3.6 Million (2016 - Rs. 1.5 Million) were made during the year for purchase of Intangible Assets (Computer Software).

5.2 Title Restriction On Intangible Assets

There are no restrictions that existed on the title of the Intangible Assets of the Company as at the Reporting date. There were no items pledged as securities for Liabilities.

5.3 Assessment Of Impairment Of Intangible Assets

The Board of Directors has assessed potential impairment loss of intangible assets as at 31 December 2017. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of intangible assets.

6. PROPERTY, PLANT & EQUIPMENT

Group

	Furniture & Fittings	Computer & Printers	Office Equipment	Other Computer Equipment	Electrical Equipment	Motor Vehicles	Work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost /Revalued								
As at 1st January, 2016	15,996,723	19,972,751	-	1,297,031	8,401,973	52,763,667	4,000,000	102,432,145
Additions during the year	967,628	3,110,100	82,395	405,480	4,003,677	11,000,000	1,384,710	20,953,990
Disposal during the year	-	-	-	(9,100)	(37,900)	(6,815,565)	-	(6,862,565)
As at 31st December, 2016	**16,964,351**	**23,082,851**	**82,395**	**1,693,411**	**12,367,750**	**56,948,102**	**5,384,710**	**116,523,570**
As at 1st January, 2017	16,964,351	23,082,851	82,395	1,693,411	12,367,750	56,948,102	5,384,710	116,523,570
Additions during the year	1,638,617	6,050,857	57,284	782,090	4,483,328	4,401,769	1,508,534	18,922,480
Capitalised during the year	-	-	-	-	-		(4,401,769)	(4,401,769)
Disposal during the year	-	-	-	-	-	(11,000,000)	-	(11,000,000)
As at 31st December, 2017	**18,602,968**	**29,133,708**	**139,679**	**2,475,501**	**16,851,078**	**50,349,871**	**2,491,475**	**120,044,281**
Depreciation								
As at 1st January, 2016	1,500,894	4,105,475	-	172,206	738,421	16,922,883	-	23,439,879
Charges for the year	1,630,744	5,384,976	13,625	204,298	927,221	11,612,580	-	19,773,444
Depreciation for Disposal	-	-	-	-	-	(5,974,047)	-	(5,974,047)
As at 31st December, 2016	**3,131,638**	**9,490,451**	**13,625**	**376,504**	**1,665,642**	**22,561,416**	**-**	**37,239,276**
As at 1st January, 2017	3,131,638	9,490,451	13,625	376,504	1,665,642	22,561,416	-	37,239,276
Charges for the year	1,749,410	6,540,230	29,479	276,717	1,461,083	10,204,216	-	20,261,135
Depreciation for Disposal	-	-	-	-	-	(3,116,667)	-	(3,116,667)
As at 31st December, 2017	**4,881,048**	**16,030,681**	**43,104**	**653,221**	**3,126,725**	**29,648,966**	**-**	**54,383,745**
Carrying Amounts								
As at 31st December, 2017	**13,721,920**	**13,103,027**	**96,575**	**1,822,280**	**13,724,353**	**20,700,905**	**2,491,475**	**65,660,536**
As at 31st December, 2016	**13,832,714**	**13,592,401**	**68,771**	**1,316,908**	**10,702,109**	**34,386,686**	**5,384,710**	**79,284,294**

6. PROPERTY, PLANT & EQUIPMENT

Company

	Furniture & Fittings	Computer & Printers	Office Equipment	Other Computer Equipment	Electrical Equipment	Motor Vehicles	Work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost /Revalued								
As at 1st January, 2016	15,996,723	19,972,751	-	1,297,031	8,401,973	52,763,667	4,000,000	102,432,145
Additions during the year	967,628	3,110,100	82,395	405,480	4,003,677	11,000,000	1,384,710	20,953,990
Disposal during the year	-	-	-	(9,100)	(37,900)	(6,815,565)	-	(6,862,565)
As at 31st December, 2016	**16,964,351**	**23,082,851**	**82,395**	**1,693,411**	**12,367,750**	**56,948,102**	**5,384,710**	**116,523,570**
As at 1st January, 2017	16,964,351	23,082,851	82,395	1,693,411	12,367,750	56,948,102	5,384,710	116,523,570
Additions during the year	1,638,617	6,050,857	57,284	782,090	4,483,328	4,401,769	1,508,534	18,922,480
Capitalised during the year	-	-	-	-	-		(4,401,769)	(4,401,769)
Disposal during the year	-	-	-	-	-	(11,000,000)	-	(11,000,000)
As at 31st December, 2017	**18,602,968**	**29,133,708**	**139,679**	**2,475,501**	**16,851,078**	**50,349,871**	**2,491,475**	**120,044,281**
Depreciation								
As at 1st January, 2016	1,500,894	4,105,475	-	172,206	738,421	16,922,883	-	23,439,879
Charges for the year	1,630,744	5,384,976	13,625	204,298	927,221	11,612,580	-	19,773,444
Depreciation for Disposal	-	-	-	-	-	(5,974,047)	-	(5,974,047)
As at 31st December, 2016	**3,131,638**	**9,490,451**	**13,625**	**376,504**	**1,665,642**	**22,561,416**	**-**	**37,239,276**
As at 1st January, 2017	3,131,638	9,490,451	13,625	376,504	1,665,642	22,561,416	-	37,239,276
Charges for the year	1,749,410	6,540,230	29,479	276,717	1,461,083	10,204,216	-	20,261,135
Depreciation for Disposal	-	-	-	-	-	(3,116,667)	-	(3,116,667)
As at 31st December, 2017	**4,881,048**	**16,030,681**	**43,104**	**653,221**	**3,126,725**	**29,648,966**	**-**	**54,383,745**
Carrying Amounts								
As at 31st December, 2017	**13,721,920**	**13,103,027**	**96,575**	**1,822,280**	**13,724,353**	**20,700,905**	**2,491,475**	**65,660,536**
As at 31st December, 2016	**13,832,714**	**13,592,401**	**68,771**	**1,316,908**	**10,702,109**	**34,386,686**	**5,384,710**	**79,284,294**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

6.1 Acquisition of Property, plant and equipment during the Year

During the financial year, the Company has acquired PPE to the aggregate value of Rs.18.9 Million (2016 Rs. 20.9 Mn). Cash payments amounting to Rs. 18.9 Mn (2016- Rs. 20.9Mn) were made during the year for purchase of Property, Plant and Equipment.

6.2 Title Restriction On Property, Plant & Equipment

There are no restrictions that existed on the title of the Property, Plant & Equipment of the Company as at the Reporting date. There were no items pledged as securities for Liabilities.

6.3 Revaluation Of Property, Plant & Equipment

All Property, Plant and Equipment except Motor Vehicles were revalued as at 31st December 2014, by Mr.H.B.M.Basnayake an independent valuer.The results of such revaluation were incorporated in these financial statements from its effective date. Such assets were valued on a Depreciated Replacement Cost Approach. The surplus arising from revaluation was transferred to revaluation reserve after setting off the revaluation loss recognized in previous year.

6.4 Assessment Of Impairment Of Property, Plant & Equipment

The Board of Directors has assessed potential impairment loss of PPE as at 31st December 2017. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Property, Plant & Equipment.

7. INVESTMENT PROPERTY

	Group		Company	
	2017	2016	2017	2016
Cost	Rs.	Rs.	Rs.	Rs.
As at 1st January	56,000,000	53,500,000	56,000,000	53,500,000
Fair value gain	16,000,000	2,500,000	16,000,000	2,500,000
As at 31st December	**72,000,000**	**56,000,000**	**72,000,000**	**56,000,000**

The investment property is measured at fair value. The Fair Value of the Investment Property was assessed by Mr G.D Asoka on 31st December 2017 (an Independent Valuer). The fair value gain arise is accounted in the Statement of Income.

Address	Segment	Building Sq Ft	Extent perches	Fair Value as at 31/12/2017		
				Land	Building	Total
No 40, Karandupona, Kegalle	Life Insurance	5,613	248.00	49,600,000	6,400,000	56,000,000
Kovil Road, Pullyar Junction, Anuradhapura	Non Life Insurance	2,541	93.60	11,700,000	4,300,000	16,000,000
				61,300,000	10,700,000	72,000,000

The Board of Directors has assessed potential impairment loss of Investment Property as at 31st December 2017. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Investment Property.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

8. FINANCIAL ASSETS

		Group		Company	
	Note	2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Available-for-sale Financial Investments	(8.1)	5,500,000	5,500,000	5,500,000	5,500,000
Financial Assets at Fair Value through Profit or Loss	(8.2)	274,261,066	264,701,313	274,261,066	264,701,313
Loans and Receivables	(8.3)	1,627,382,273	1,614,436,236	1,627,382,273	1,614,436,236
		1,907,143,339	**1,884,637,549**	**1,907,143,339**	**1,884,637,549**

8.1 Available For Sale Financial Investments

	Group			Company		
	No. of Shares	2017 Rs.	2016 Rs.	No. of Shares	2017 Rs.	2016 Rs.
Unquoted Investments In Saneepa	1,000	100,000	100,000	1,000	100,000	100,000
Unquoted Investments In SEDCO	2,000	200,000	200,000	2,000	200,000	200,000
Unquoted Investments In Sanasa Campus	45,000	4,500,000	4,500,000	45,000	4,500,000	4,500,000
Unquoted Investments In Sanasa Travels	5,000	500,000	500,000	5,000	500,000	500,000
Unquoted Investments In Sanasa Wealth Management	2,000	200,000	200,000	2,000	200,000	200,000
		5,500,000	**5,500,000**		**5,500,000**	**5,500,000**

8.2 Financial Assets At Fair Value Through Profit Or Loss

	Group			Company		
Investment in Quoted Equity	No. of Shares	2017 Rs.	2016 Rs.	No. of Shares	2017 Rs.	2016 Rs.
Central Finance PLC	20,667	1,907,564	2,066,700	20,667	1,907,564	2,066,700
Diesel & Motor Engineering PLC	1,000	490,000	581,000	1,000	490,000	581,000
Sampath Bank PLC	35,030	11,058,971	7,706,798	35,030	11,058,971	7,706,798
Ceylan Guardian Investment Trust PLC	9,601	816,085	1,012,906	9,601	816,085	1,012,906
Seylan Bank PLC	5,103	443,961	450,000	5,103	443,961	450,000
John Keels Holdings PLC	20,571	3,054,794	2,982,795	20,571	3,054,794	2,982,795
Nations Trust Bank PLC	10,000	780,000	809,000	10,000	780,000	809,000
National Development Bank PLC	415	56,606	62,400	415	56,606	62,400
Commercial Bank of Ceylon PLC	28,203	3,829,967	3,234,745	28,203	3,829,967	3,234,745
Sanasa Development Bank PLC	2,016,341	205,465,148	200,328,904	2,016,341	205,465,148	200,328,904
Investment in Unit Trusts		46,357,970	45,466,065		46,357,970	45,466,065
		274,261,066	**264,701,313**		**274,261,066**	**264,701,313**

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Year ended 31 December

8.3 Loand and Receivables

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Treasury Bonds	567,416,809	706,626,717	567,416,809	706,626,717
Treasury Bills	98,278,389	-	98,278,389	-
Debentures	233,221,678	230,143,497	233,221,678	230,143,497
Fixed Deposits	560,254,992	499,405,869	560,254,992	499,405,869
Short Term Investments / Repo	168,210,406	178,260,153	168,210,406	178,260,153
	1,627,382,273	**1,614,436,236**	**1,627,382,273**	**1,614,436,236**
Total Financial Assets	**1,907,143,339**	**1,884,637,549**	**1,907,143,339**	**1,884,637,549**

8.4 The following table consists of the fair values of the Financial Investments together with their carrying values:

As at 31st December,	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.	Rs.	Rs.	Rs.
Available-for-sale Financial Investments	5,500,000	5,500,000	5,500,000	5,500,000
Financial Assets at fair value through Profit or Loss	274,261,066	274,261,066	264,701,313	264,701,313
Loans and Receivables	1,627,382,273	1,654,356,150	1,614,436,236	1,635,436,236
	1,907,143,339	**1,934,117,216**	**1,884,637,549**	**1,905,637,549**

8.5 Movement Of Carrying Values In Financial Investments

	Available -for-sale Financial Investments	Financial assets at fair value through Profit or Loss	Loans and Receivables	Total
	Rs.	Rs.	Rs.	Rs.
As at 01st January, 2017	5,500,000	264,701,313	1,614,436,236	1,884,637,549
Purchases/Dividend Income	-	4,865,826	4,392,240,374	4,397,106,201
Maturities	-	-	(356,602,019)	(356,602,019)
Disposals	-	-	(4,022,692,318)	(4,022,692,318)
Fair value gains/(Loss) recorded in the Income Statement	-	4,693,926	-	4,693,926
As at 31st December, 2017	**5,500,000**	**274,261,066**	**1,627,382,273**	**1,907,143,339**

8.6 Credit Risk Management

Credit risk is the risk that one party to a Financial Instrument will cause a Financial Loss to the other party by failing to discharge an obligation.

The table below provides information regarding the credit risk exposure of the Company as at 31st December 2017 by classifying assets according to the respective credit ratings. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB- are classified as speculative grade.

Government securities have been classified as a separate category as it is considered a risk free investment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

Credit risk exposure on Assets

Group

31st December 2017	Government Guaranteed	AAA+AAA-	AA+AA-	A+A-	BBB+B	Not rated	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and receivables	833,905,603	-	230,637,337	237,585,995	325,253,339	-	1,627,382,273
Available-for-sale financial assets	-	-	-	-	-	5,500,000	5,500,000
Financial assets at fair value through Profit or Loss	-	-	6,884,761	60,605,072	206,771,233	-	274,261,066
Total	**833,905,603**	**-**	**237,522,097**	**298,191,067**	**532,024,572**	**5,500,000**	**1,907,143,339**

Company

31st December 2017	Government Guaranteed	AAA+AAA-	AA+AA-	A+A-	BBB+B	Not rated	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and receivables	833,905,603	-	230,637,337	237,585,995	325,253,339	-	1,627,382,273
Available-for-sale financial assets	-	-	-	-	-	5,500,000	5,500,000
Financial assets at fair value through Profit or Loss	-	-	6,884,761	60,605,072	206,771,233	-	274,261,066
Total	**833,905,603**	**-**	**237,522,097**	**298,191,067**	**532,024,572**	**5,500,000**	**1,907,143,339**

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Some of the specific actions taken by the Company to mitigate Credit Risks are shown below.

* Creditworthiness of potential investment entities is checked mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.
* Investments are carried out only with the explicit approval of the Investment Committee.
* Master Repo Agreements are signed with all primary dealers the Company works with in order to ensure zero level of default risk in respect of Government Securities bought through such parties in the event of their bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

8.7 Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The table below summarizes the maturity profile of the financial assets of the Company based on remaining contractual obligations, including interest payable and receivable.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Maturity Analysis of Assets 2017

Group

	Carrying Amounts Rs.	Less than 01 Year Rs.	1-2 Year (365-730 Days) Rs.	2-3 Year (730-1095 Days) Rs.	3-5 Year (1095-1825 Days) Rs.	More than 5 Years Rs.
Loans and Receivables	1,627,382,273	713,355,869	340,814,769	25,281,250	450,726,906	97,203,480
Available-for-sale-financial-assets	5,500,000	-	-	-	-	5,500,000
Financial Assets at fair value through Profit or Loss	274,261,066	274,261,066	-	-	-	-
	1,907,143,339	**987,616,935**	**340,814,769**	**25,281,250**	**450,726,906**	**102,703,480**

Company

	Carrying Amounts Rs.	Less than 01 Year Rs.	1-2 Year (365-730 Days) Rs.	2-3 Year (730-1095 Days) Rs.	3-5 Year (1095-1825 Days) Rs.	More than 5 Years Rs.
Loans and Receivables	1,627,382,273	713,355,869	340,814,769	25,281,250	450,726,906	97,203,480
Available-for-sale-financial-assets	5,500,000	-	-	-	-	5,500,000
Financial Assets at fair value through Profit or Loss	274,261,066	274,261,066	-	-	-	-
	1,907,143,339	**987,616,935**	**340,814,769**	**25,281,250**	**450,726,906**	**102,703,480**

Some of the specific actions taken by the Company to mitigate Liquidity Risks are shown below.

* The maturity mix of the investment portfolio is reviewed and agreed upon by the management and the Investment Committee on a regular basis.
* All large cash outflows are planned in advance and necessary arrangements are made to ensure the availability of funds to meet such outflows.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

8.8 Market Risk Management

Market risk is the risk that the fair value / present value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market price risk.

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

* Investment decisions are based on fundamental principles.
* Investments are classified into different categories as required by new Sri Lanka Accounting Standards (SLFRS/ LKAS) following a systematic basis considering both intention and ability of the Company to hold such investments as per the classification.
* Investments are made only on selected companies which are identified subsequent to an evaluation process.
* The investment portfolio is reviewed by the Managing Director and Head of Finance on a monthly basis with the participation of both front office and back office investment staff.
* Meetings are arranged with the Investment Committee on a monthly basis to discuss investment portfolios, investment strategy and future outlook.
* Market interest rates and other macro-economic indicators are monitored closely by both the management and the Investment Committee and necessary changes are made to the asset allocation and the maturity mix of investments on a periodic basis.

9. INVESTMENT IN SUBSIDIARIES & ASSOCIATES

9.1 Investment In Subsidiaries

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Unquoted Investments In Sanasa Media Network (Pvt) Ltd	-	-	1,635,000	1,635,000
Unquoted Investments In SDBL North East Construction (Pvt) Ltd	-	-	-	500,000
Less: Provision for Impairment for Sanasa Media Network (Pvt) Ltd	-	-	(1,635,000)	(1,635,000)
Total	**-**	**-**	**-**	**500,000**

9.2 Investment In Associates

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Unquoted Investments In Sanasa Security Service (Pvt) Ltd	400,000	400,000	400,000	400,000
Unquoted Investments In Sanasa General Insurance Company Limited	73,674,236	73,674,236	103,569,420	103,569,420
Net Income from associates	9,979,118	-		
Total	**84,053,354**	**74,074,236**	**103,969,420**	**103,969,420**
Total	**84,053,354**	**74,074,236**	**103,969,420**	**104,469,420**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

10. PREMIUMS RECEIVABLE

	Non-life Insurance	
	2017	2016
	Rs.	Rs.
Premiums Receivable	105,740,474	49,663,965
Less: Impairment provision	(1,830,982)	(1,830,982)
As at 31st December	**103,909,492**	**47,832,983**

Premium Receivables disclosed above include amounts that are past due at the end of the reporting period against which the Company has recognised an allowance for impairment loss where the receivables are beyond the extended credit period. The Board of Directors has assessed potential impairment loss of Premium receivables as at 31st December 2017. Based on the assessment, no additional impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Premium receivables.

11. LOANS TO LIFE POLICY HOLDERS

	Life Insurance	
	2017	2016
	Rs.	Rs.
Balance as at 1st January	39,578,361	14,652,370
Loans granted during the year	34,647,448	32,166,279
Repayments during the year	(30,669,771)	(7,240,288)
Balance as at 31st December	**43,556,038**	**39,578,361**

11.1 Number of policy loans due as at 31st December, 2017 was 123 (2016- 99)

11.2 Impairment losses on loans to life policyholders

The Board of Directors has assessed potential impairment loss of loans to life policy holders as at 31st December 2017. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of loans to life policy holders.

12. OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Inventories	8,313,945	9,947,091	8,313,945	9,947,092
Advances & Deposits	27,925,424	23,360,740	27,925,424	23,360,740
Other Receivables	25,557,592	6,812,902	25,557,305	6,812,644
Tax Receivable	34,535,676	24,810,850	34,535,676	24,810,850
Current Account with Life/General	25,074,672	-	25,074,672	-
	121,407,309	**64,931,580**	**121,407,022**	**64,931,323**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

13. DEFERRED TAX ASSETS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	-	17,834,541	-	17,834,541
Credited/Debited to the Income Statement	-	(17,834,541)	-	(17,834,541)
Balance as at 31st December	-	-	-	-

13.1 Deferred tax is provided using the balance sheet liability method providing for temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Temporary differences associated with the company for which a deferred tax assets and liabilities are disclosed as follows;

Deferred Tax Assets consisted of followings;	2017		2016	
	Temporary Difference	Tax on Temporary Difference	Temporary Difference	Tax on Temporary Difference
	Rs.	Rs.	Rs.	Rs.
On Property, Plant and Equipment	(43,898,494)	(12,291,578)	(51,121,169)	(14,313,927)
On Retirement Benefit Liability	12,309,218	4,846,581	12,585,240	3,523,867
On Tax Loss carried forward	26,589,275	7,444,997	38,535,928	10,790,060
Deferred Tax Assets	-	-	-	-

In terms of the provisions of Inland Revenue Act No.10 of 2006, and subsequent amendments thereto the Company is liable to income tax at the rate of 28% from 2012/2013 onward.

The company has not recognized Deferred Tax Asset amounting to Rs 31.8Mn as it not probable that the future taxable profits will be adequate to utilise the available tax losses in the foreseeable future.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Cash in Hand	9,057,751	6,282,396	9,057,751	6,281,804
Cash at Bank	40,026,764	52,968,233	39,926,580	52,068,343
	49,084,515	**59,250,629**	**48,984,331**	**58,350,147**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

15. INSURANCE CONTRACT LIABILITIES - LIFE FUND

	Group		Company	
	2017	2016	2017	2016
Movement In Insurance Provision-Life Fund	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	911,876,820	887,058,000	911,876,820	887,058,000
Increase in Long Term Life Fund	97,317,810	174,818,820	97,317,810	174,818,820
Deficit for Life fund transfer from Retained earnings	262,186,610	-	262,186,610	-
Transfer from /(to)shareholders	-	(150,000,000)	-	(150,000,000)
Balance as at 31st December	**1,271,381,240**	**911,876,820**	**1,271,381,240**	**911,876,820**

15.1
* Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating and non-participating policies.
* Life Insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products. The actuarial reserves have been established based upon the following.
* Interest rates which vary by product and as required by regulations issued by the Insurance Regulatory Commission of Sri Lanka.
* Mortality rates based on published Mortality tables adjusted for actual experience as required by regulations issued by the Insurance Regulatory Commission of Sri Lanka.
* Surrender rates based upon actual experience.
* The valuation of the Life Insurance business as at 31st December 2017 was made by Dr. Milanthi Sarukkali, of M/S Spark Actuarial (Pvt) Ltd. In accordance with the Consultant Actuary's report the long term insurance fund in the audited accounts is lesser than the required long term insurance liabilities as at 31 December 2017 by LKR. 262 Million before allocation of reversionary bonus for policies with contractual participation in profits.

15.2 As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

The IRCSL had directed insurance Companies to maintain this One-off Surplus arising from change in the policy liability valuation within the long term insurance fund / insurance contract liabilities separately in the name of "Surplus created due to change in valuation method from NPV to GPV" and not to transfer / distribute any part surplus until specific instructions are issued in this regard.

Subsequently IRCSL, through the Direction No 16 issued on 20th March 2018 on "Directions for identification and treatment of One-off Surplus" Life Insurance Companies were directed to transfer One-off Surplus attributable to Policyholder Non-Participating Fund to Shareholder Fund in the relevant period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

Surplus created due to Change in Valuation Method

Description		Participating Fund Rs. '000	Non-Participating Fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on NPV as at 31st December 2015	A	126,298	760,760	887.058
Value of Insurance contract liability based on GPV 31st December 2015	B	115,506	908,675	1,024,181
Zerorisation of Negative Surplus as per Direction No 16	C	10,792	-	10,792
Surplus created due to Change in Valuation Method - One-off Surplus as at 01st January 2016	A+B+C	10,792	-	10,792

Further, distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. Company has reported Zero surplus in Non-participating fund and therefore no surplus has transferred.

As per the Direction One-off Surplus in respect of participating business is to be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Shareholder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

15.3 Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT) for Life Insurance contract liability was carried out by Dr. Milanthi Sarukkali, of M/S Spark Actuarial (Pvt) Ltd. as at 31st December 2017 as required by SLFRS 4- Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31st December 2017. No additional provision was required against the LAT as at 31st December 2017.

16. INSURANCE PROVISION - NON - LIFE

	Notes	Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Opening Balance		135,205,401	126,933,762	135,205,401	126,933,762
Net Change in Reserve for Unearned Premium		74,062,041	8,271,639	74,062,041	8,271,639
Balance for the year end	(16.1)	**209,267,442**	**135,205,401**	**209,267,442**	**135,205,401**
Net Deferred Acquisition Cost	(16.2)	(17,002,555)	(6,636,546)	(17,002,555)	(6,636,546)
Closing Balance		**192,264,887**	**128,568,855**	**192,264,887**	**128,568,855**
Claim Payables	(16.3)	14,182,936	17,721,418	14,182,936	17,721,418
Claim Payable IBNR/IBNER	(16.4)	33,909,496	40,446,058	33,909,496	40,446,058
Reserve for Title Insurance Fund	(16.5)	-	-	-	-
		240,357,320	**186,736,331**	**240,357,320**	**186,736,331**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

16.1 Reserves For Net Unearned Premium

Reserves For Net Unearned Premium	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Reserve for Unearned Premium				
Balance as at 1st January	177,048,875	168,241,619	177,048,875	168,241,619
Transfer during the year	68,364,414	8,807,256	68,364,414	8,807,256
Balance as at 31st December	**245,413,289**	**177,048,875**	**245,413,289**	**177,048,875**
Reserve for Unearned Reinsurance Premium				
Balance as at 1st January	41,843,474	41,307,857	41,843,474	41,307,857
Transfer during the year	(5,697,626)	535,617	(5,697,626)	535,617
Balance as at 31st December	**36,145,848**	**41,843,474**	**36,145,848**	**41,843,474**
Total Reserves for Net Unearned Premium	**209,267,442**	**135,205,401**	**209,267,442**	**135,205,401**

16.2 Reserves For Net Deferred Acquisition Expenses

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Reserve for Deferred Acquisition Expenses				
Balance as at 1st January	12,404,473	13,061,445	12,404,473	13,061,445
(Decrease)/Increase in Deferred Acquisition Expenses	9,285,920	(656,972)	9,285,920	(656,972)
Balance as at 31st December	**21,690,393**	**12,404,473**	**21,690,393**	**12,404,473**
Reserve for Deferred Reinsurance Commission				
Balance as at 1st January	5,767,928	7,433,320	5,767,928	7,433,320
Decrease/(Increase) in Deferred Acquisition Expenses	(1,080,090)	(1,665,392)	(1,080,090)	(1,665,392)
Balance as at 31st December	**4,687,838**	**5,767,928**	**4,687,838**	**5,767,928**
Total Reserve for Net Deferred Acquisition Expenses	**17,002,555**	**6,636,546**	**17,002,555**	**6,636,546**

16.3 Reserves For Outstanding Claims

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	17,721,418	33,214,921	17,721,418	33,214,921
Claims Incurred during the year	293,682,743	203,620,003	293,682,743	203,620,003
Claims Paid during the year	(297,221,225)	(219,113,505)	(297,221,225)	(219,113,505)
Balance as at 31st December	**14,182,936**	**17,721,418**	**14,182,936**	**17,721,418**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

16.4 Reserves For IBNR / IBNER

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	40,446,058	25,978,430	40,446,058	25,978,430
Increase in IBNR / IBNER	(6,536,561)	14,467,628	(6,536,561)	14,467,628
Balance as at 31st December	**33,909,496**	**40,446,058**	**33,909,496**	**40,446,058**

16.5 Reserves For Title Insurance

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	-	6,760,038	-	6,760,038
Transfer to Title Insurance Reserve	-	169,533	-	169,533
Title fund classified under other Liabilities	-	(6,929,571)	-	(6,929,571)
Balance as at 31st December	-	-	-	-

16.6 Significant delays occur in the notification of claims and a substantial measure of experience and, judgment is involved in assessing outstanding liabilities, the ultimate cost of which can not be known with certainty as of the reporting date. The Reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

16.7 The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims Reserves as at 31st December 2017 has been actuarially computed by NMG Financial Services Consulting Pte Ltd, based on a comparison of the three methods namely Graphical, Delay Triangles as well as Empirical Method. The valuation is based on internationally accepted actuarial methods and is performed on an annual basis.

Changes in Assumption

The estimation technique used for the IBNR/IBNER reserve has not changed during the year.

16.8 Gross Written Premium on Title Insurance is transferred 100% to the Title Insurance Reserve account.

16.9 Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT) for Non-Life Insurance contract liability was carried by actuary,NMG Financial Services Consulting Pte Ltd as at 31st December 2017 as required by SLFRS 4- Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the Consultant Actuary's report, the Company adequately satisfies the LAT as at 31st December 2017. No additional provision was required against the LAT as at 31st December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

16.10 Non-Life Claims Risk Management

* Claim intimation is conducted through a 24-hour fully fledged Customer Relation Centre (CRC).
* Significant outstanding claims are subjected to monthly reviews by the management.
* The service of a qualified Independent Actuary is obtained bi-annually to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims. All third party claim intimations are separately reviewed with the support of the Manager – Legal.
* "The table below sets out the concentration of Non- Life Insurance contract liabilities. This includes Unearned Premium, Insurance Contracts - Deferred Acquisition, Claims outstanding and IBNR / IBNER Reserve.
* Key assumptions for valuation of liabilities in Non-Life Insurance
* The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, such as one–off occurrences, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.
* The Non-Life Insurance claim liabilities are sensitive to the key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.
* The following analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. It should be noted that movements in these assumptions are non–linear.

16.11 Note I

Non-life Insurance Contract Liabilities

	31.12.2017			31.12.2016		
	Gross Liabilities	Reinsurer's Share	Net Liabilities	Gross Liabilities	Reinsurer's Share	Net Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Unearned Premium	245,413,289	36,145,848	209,267,442	177,048,875	41,843,475	135,205,401
Deferred Acquisition Cost	(21,690,393)	(4,687,838)	(17,002,555)	(12,404,473)	(5,767,928)	(6,636,546)
Claim Payable	14,182,936	-	14,182,936	17,721,418	-	17,721,418
Claim Payable IBNR / IBNER	33,909,497	-	33,909,497	40,446,058	-	40,446,058
	271,815,330	**31,458,009**	**240,357,320**	**222,811,879**	**36,075,547**	**186,736,331**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

Note II
Sensitivity analysis of Non-life Insurance Claims Liabilities

	Change in assumptions Increase/(Decrease)	Reported Claim Outstanding Rs.	Impact on Gross Liabilities Rs.	Impact on net Liabilities Rs.	Impact on Profit Before tax Rs.
		Rs.	Rs.	Rs.	Rs.
2017	10%	14,182,936	1,418,294	1,418,294	(1,418,294)
2016	10%	17,721,418	1,772,142	1,772,142	(1,772,142)

17. RETIREMENT BENEFITS OBLIGATION

17.1 Movements In The Present Value Of The Employee Benefits

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	28,792,638	22,498,948	28,792,638	22,498,948
Transfer to Other Comprehensive income	(769,177)	-	(769,177)	-
Provision for the year	9,735,126	7,356,003	9,735,126	7,356,003
	37,758,587	29,854,951	37,758,587	29,854,951
Payments during the year	(1,266,739)	(1,062,312)	(1,266,739)	(1,062,312)
Balance as at 31st December	**36,491,849**	**28,792,638**	**36,491,849**	**28,792,638**

17.2 Provisions Recognised In The Statement Of Comprehensive Income

	Company	
	2017	2016
	Rs.	Rs.
Current Service Cost	2,589,140	4,933,008
Interest on Obligations	2,879,264	2,137,402
Actuarial gain/(loss) during the plan year	2,217,177	285,592
	8,965,950	**7,356,003**

As at 31st December 2017, the Gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Ms. Thanuja Krishnarathna, Associate member - Institute and faculty of Actuaries UK as required by Sri Lanka Accounting Standards (LKAS) 19-Employee Benefit.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

17.3 Principal Assumptions Used

	Company	
	2017	2016
Discount Rate	10.00%	12.00%
Future Salary Increment Rate	6.00%	6.00%
Retirement Age	55 Years	55 Years
Mortality	A 67/70	A 67/70
Staff turnover - Life Segment	17%	26%
- Non Life Segment	32%	19%

18. OTHER LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Commission Payable	13,911,274	6,549,212	13,911,274	6,549,212
Government Levies	4,718,221	2,189,254	4,718,221	1,058,097
Premium Deposits	4,652,673	5,750,891	4,652,673	5,750,890
Other Payables	51,194,297	28,339,060	45,925,763	23,949,552
Current Account with Life/General	25,062,673	-	25,062,673	-
Funds awaiting for Allotments	4,030	-	4,030	-
Claims Payable	9,550,745	10,262,619	9,550,745	10,262,619
Accruals and Others	12,628,184	51,579,503	12,628,185	51,524,130
	121,722,096	**104,850,539**	**116,453,564**	**99,094,501**

19. BANK OVERDRAFTS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Bank Overdrafts	43,233,372	16,277,976	43,233,372	16,277,976
	43,233,372	**16,277,976**	**43,233,372**	**16,277,976**

20. STATED CAPITAL

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Ordinary shares	1,044,609,420	1,042,845,860	1,044,609,420	1,042,845,860
	1,044,609,420	**1,042,845,860**	**1,044,609,420**	**1,042,845,860**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

21. REVENUE

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Gross Written Premium	1,023,565,008	843,577,598	1,023,565,008	843,577,598
Less: Premium Ceded to Reinsurers	(149,105,853)	(165,509,681)	(149,105,853)	(165,509,681)
Net Written Premium	874,459,156	678,067,916	874,459,156	678,067,916
Net Change in Reserve for Unearned Premium	(74,062,041)	(8,271,986)	(74,062,041)	(8,271,986)
Net Earned Premium	800,397,115	669,795,930	800,397,115	669,795,930
Income from Investments	208,022,476	89,995,974	208,022,476	89,995,974
Other Income	82,099,331	70,191,398	82,099,331	61,446,999
Revenue from subsidiaries	9,979,118	4,933,454	-	-
Total Revenue	**1,100,498,040**	**834,916,757**	**1,090,518,921**	**821,238,904**

21.3 Non-Life Insurance Revenue Account

	Company	
	2017	2016
	Rs.	Rs.
Gross Written Premium	**569,509,307**	**422,566,312**
Net Earned Premium	376,491,727	292,075,585
Net Claim Incurred	(174,295,009)	(137,817,654)
Net Commission	(19,698,117)	(5,035,629)
Net Underwriting Result	**182,498,601**	**149,222,302**
Expenses	(239,124,694)	(229,515,273)
Investments & Other Income	71,938,759	5,277,281
Net Profit Before Tax	**15,312,667**	**(75,015,690)**

21.4 Life Insurance Revenue Account

	Company	
	2017	2016
	Rs.	Rs.
Gross Written Premium	**454,055,701**	**421,011,286**
Net Earned Premium	423,905,387	377,720,346
Net Claim Incurred	(276,298,642)	(136,091,901)
Net Commission	(26,070,326)	(16,950,526)
Increase in Long Term Insurance Fund	(97,317,810)	(24,818,820)
Net Underwriting Result	**24,218,609**	**199,859,099**
Expenses	(242,401,657)	(196,024,790)
Investments & Other Income	218,183,048	146,165,692
(Surplus/Deficit) from Life Insurance	**-**	**150,000,000**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

22. NET INSURANCE CLAIMS & BENEFITS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Insurance Claim	592,215,156	367,790,272	592,215,156	367,790,272
Provision for IBNR/IBNER	(6,536,561)	14,467,628	(6,536,561)	14,467,628
Reinsurance Recoveries	(135,084,943)	(108,348,345)	(135,084,943)	(108,348,345)
	450,593,651	**273,909,555**	**450,593,651**	**273,909,555**

23. UNDERWRITING & NET ACQUISITION COST

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Underwriting & Policy Acquisition Cost	75,554,580	47,683,002	75,554,580	47,683,002
Deferred Acquisition Cost	(10,366,010)	(1,008,420)	(10,366,010)	(1,008,420)
Reinsurance Commission	(19,420,127)	(24,688,427)	(19,420,127)	(24,688,427)
	45,768,443	**21,986,155**	**45,768,443**	**21,986,155**

24. INVESTMENT & OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Investment Income	208,487,820	194,348,438	208,487,820	194,348,438
Changes in Fair Value Adjustments	(465,344)	(104,352,463)	(465,344)	(104,352,463)
Other Income	66,099,331	67,691,398	66,099,331	58,946,999
Fairvalue gain on Investment Property	16,000,000	2,500,000	16,000,000	2,500,000
	290,121,807	**160,187,373**	**290,121,807**	**151,442,974**

25. OTHER OPERATING & ADMINISTRATIVE EXPENSES

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Staff Costs (Note 25.1)	235,019,795	203,168,200	235,019,795	203,168,200
Operational & Administrative Expenses	179,900,603	173,841,248	179,900,603	173,841,248
Sales & Marketing Expenses	60,892,850	39,976,367	60,892,850	39,976,367
	475,813,248	**416,985,814**	**475,813,248**	**416,985,814**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

25.1 Staff Costs

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Salaries & Wages	190,038,106	149,419,827	190,038,106	149,419,827
EPF & ETF	20,251,491	18,958,139	20,251,491	18,958,139
Gratuity	7,021,662	7,070,408	7,021,662	7,070,408
Others	17,708,536	27,719,826	17,708,536	27,719,826
	235,019,795	**203,168,200**	**235,019,795**	**203,168,200**

26. FINANCE COST

	Company		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Bank Charges/Debit Tax/NBT/VAT	3,988,066	4,570,904	3,988,066	4,570,904
Others	1,725,474	3,983,345	1,725,038	3,983,345
	5,713,539	**8,554,249**	**5,713,103**	**8,554,249**

27. PROFIT FROM OPERATION

Profit from operation for the year is stated after charging all the expenses including the followings:

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Depreciation & Amortization	20,261,133	25,230,362	20,261,133	25,230,362
Auditors Remuneration	3,169,200	2,000,000	3,022,200	2,000,000
Professional Fees	2,769,653	10,988,136	2,769,653	10,988,136

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

28. INCOME TAX

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
(Loss)/Profit Before Tax-Non Life	15,312,667	(75,015,690)	15,312,667	(75,015,690)
Adjustment				
Allowable Exp. General	(10,599,269)	(11,603,004)	(10,599,269)	(11,603,004)
Disallowable Exp. General	24,370,868	80,394,639	24,370,868	80,394,639
Income from Other Sources & Exempt Income	(25,553,543)	(42,858,677)	(25,553,543)	(42,858,677)
Profit on Sale of Fixed Assets (Motor Vehicle)	-	643,739	-	643,739
Business Loss for the Year	**3,530,722**	**(48,438,993)**	**3,530,722**	**(48,438,993)**
Statutory Income	14,587,052	66,457,202	14,587,052	66,457,202
Business Losses used	(6,341,220)	(6,306,373)	(6,341,220)	(6,306,373)
Taxable Income	**11,776,553**	**11,711,836**	**11,776,553**	**11,711,836**
Income Tax provision for the year @ 28% from Taxable Income	3,297,435	3,279,314	3,297,435	3,279,314
Deferred Tax (Assets)/Liabilities	-	17,627,215	-	17,627,215
	3,297,435	**20,906,529**	**3,297,435**	**20,906,529**

29. EARNINGS PER ORDINARY SHARE

29.1 Basic Earnings Per Ordinary Share

The computation of the basic Earning per Ordinary Share has been done based on net profit attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares in issue as at the Balance sheet date and calculated as follows.

	Group		Company	
	2017	2016	2017	2016
Amounts used as the Numerator	Rs.	Rs.	Rs.	Rs.
Net Profit Attributable to Ordinary Shareholders	21,993,952	58,219,237	12,015,231	54,077,781
Amounts used as the Denominator				
Weighted average number of Ordinary Shares in issue (Nos.)	104,330,311	89,479,010	104,330,311	89,479,010
Basic Earnings/ (loss) Per Ordinary Share(Rs.)	**0.21**	**0.65**	**0.12**	**0.60**

29.2 Diluted Earnings Per Ordinary Share

The calculation of diluted Earnings per Ordinary share is based on Net profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during year/previous year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

30. RELATED PARTY DISCLOSURES

The company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures. Details of related party transactions are given below.

30.1 Transactions With Key Management Personnel (Kmps)

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

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

30.3 Transactions With Associates

Name of the Related Party	Name of the Director in SICL	Position hold in other companies	Details of Transactions	Value of the Transaction for 2017 year
Sanasa General Insurance Co Ltd	Dr P.A Kiriwandeniya	Chairman	Nil	
	S.M Tishan Subasinghe	Director	Nil	
	Dr T Senthilverl	Director	Nil	
Sanasa Security Service (Pvt) Ltd	Dr P.A Kiriwandeniya	Director	Payment for service rendered	927,880
	Dr. H.J.S.K. Wickramaratne	Director		

30.4 Transactions With Other Related Companies

Name of the Related Party	Name of the Director in SICL	Position hold in other companies	Details of Transactions	Value of the Transaction for 2017 year
Sanasa Campus Ltd	Dr P.A Kiriwandeniya	Chairman	Payments for Service rendered	2,926,923
			Dividend Paid	476,646
Sanasa Producer and Consumer Alliance Co.Ltd. (SANEEPA)	Dr P.A Kiriwandeniya	Director	Payments for Service rendered	2,279,165
Small & Medium Wealth Management Company Ltd	Dr P.A Kiriwandeniya	Chairman	Dividend Paid	1,099,747
Sanasa Travels Co.Ltd.	Dr P.A Kiriwandeniya	Chairman	Nil	
Sanasa Corporate secretarial (Pvt) ltd	Dr P.A Kiriwandeniya	Chairman	Nil	
Sanasa International Co.ltd.	Dr P.A Kiriwandeniya	Chairman	Nil	
SDBL North East Construction (Pvt) Ltd	Dr P.A Kiriwandeniya	Chairman	Nil	
Sanasa Media Network (Pvt) Ltd	Dr P.A Kiriwandeniya	Chairman	Nil	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December

31. CONTINGENT LIABILITIES

In the normal course of business the Company has not incurred contingent liabilities which give rise to legal recourse , hence losses are not reported.

32. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to the reporting date, which would have any material effect on the company.

33. COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

34. DIRECTORS' RESPONSIBILITY

The Board of Directors of the company is responsible for the preparation and presentation of these financial statements.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

1 **Acquisition Expenses - Long Term Insurance**
All expenses which vary with and are primarily related to, the acquisition of new insurance contracts.

2 **Acquisition Expenses - General**
All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.

3 **Actuary**
An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

4 **Actuarial Valuation**
A determination by an actuary at a specific date of the value of a life insurance Company's asset and its liabilities. The purpose of a valuation is to ensure that the Company holds adequate assets to fund the Company's liabilities.

5 **Admissible Assets**
Assets that are included in determining an insurer's statutory solvency margin, specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the regulation of Insurance Industry Act No. 43 of 2000 (No 50 and No. 51)

6 **Annuity**
A series of regular payments. Annuities include annuities, where payments are made at definite times and life annuities where payments depend on the survival of an annuitant. A life Annuity is a contract that provides a regular payment, typically monthly, during the life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.

7 **Beneficiary**
The person or financial institution (for e.g. a trust fund) named in the policy as the recipient of insurance money in the event of the policyholder's death.

8 **Bonus**
Bonus is a method of distribution of surplus amongst the participating policyholders of a Life Insurance Company. A bonus is an enhancement to the basic sum assured under a contract and is declared as a percentage of the sum assured.

9 **Claims**
The amount payable under a contract of insurance arising from occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.

10 **Claims Incurred**
The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve (No.18) at the beginning and end of the accounting period.

11 **Claims Incurred But not Reported (IBNR)**
A Reserve to cover the expected cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.

12 **Claims Outstanding - Long Term Insurance**
The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

13 **Commission**
Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.

14 **Deferred Acquisition Expenses / Deferred Acquisition Expense Reserve**
Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.

15 **Dividend Cover**
Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.

16 Earned Premium
Written premium adjusted by the unearned premium reserve at the beginning and end of the accounting period.

17 Earnings Per Share
Net Profits of the Company after tax divided by the Number of Ordinary shares in issue.

18 Gross Claims Reserve - General
The amount provided, including claims incurred but not reported (No.11) and claims handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.

19 Gross Written Premium - Life
Premium to which the insurer is contractually entitled and receivable in the accounting period.

20 Gross Written Premium - General
Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.

21 Insurance
Insurance is a contract whereby one party the insurer, in return for a consideration i.e, the premium, undertakes to pay to the other party - the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

22 Insurance Provision - General
This comprises of the gross claims reserve, unearned premium reserve net of re-insurance and the deferred acquisition expenses

23 Insurance Provision - Long Term
The funds or funds to be maintained by an insurer in respect of its Long Term insurance business in accordance with the Regulation of Insurance Industry Act.

24 Interim Payments
Periodic payments to the policyholders on a specific type of policy.

25 Life Surplus
The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.

26 Lapsed Policy
A policy terminated at the end of the grace period because of non - payment of premiums.

27 Long Term Insurance
Commonly referred to life insurance contracts, as opposed to annual Non - Life insurance policies.

28 Market Capitalisation
Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.

29 Maturity
The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.

30 Net Combined Ratio - General
This ratio indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio.

31 Net Earned Premium
Gross Written Premium adjusted for the reinsurance incurred and for the increase or decrease in Unearned Premium

32 Net Expense Ratio - General
A formula used by insurance companies to relate to income to acquisition and administrative (e.g. commissions, taxes, staff, selling and operating expenses).

$$\text{Formula} = \frac{\text{net commission expenses} + \text{corporative expenses}}{\text{Net Earned Premium}}$$

33 Net Loss Ratio - Non Life
A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reinsurance)

$$\text{Formula} = \frac{\text{Net claims incurred}}{\text{Net earned Premium}}$$

34 Net Assets Per Share
Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.

35 Net Written Premium
Gross Written Premium less reinsurance premium

36 Net Claims Incurred
Claims incurred less reinsurance recoveries.

37 Non Life Insurance
Non Life Insurance and General Insurance have the identical meaning.

38 Policy
The printed document issued to the policyholder by the Company stating the terms of the insurance contract.

39 Policy Loan
Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.

40 Price Earning Ratio
Market Price of a share divided by earnings per share.

41 Premium
The payment of one of the regular periodic payments that a policyholder makes to own an insurance policy.

42 Reinstatement
The restoration of a lapsed policy to full force and effect. The Company requires evidence of insurability and payment of past due premiums plus interest.

43 Reinsurance
A method of insurance arranged by insurers to share the exposure of risks accepted.

44 Reinsurance Commission
Commission received or receivable in respect of premium paid or payable to a reinsurer.

45 Reinsurance Premium
The premium payable to the reinsurer.

46 Segment
Constituent business units grouped in terms of nature and similarity of operations.

47 Return on Shareholders' Equity
Profits after tax divided by the Capital employed as at Balance Sheet date.

48 Return on Total Assets
Profits after Tax divided by Total assets attributable to Shareholders.

49 Revenue Reserve
An account which shows a financial summary of the insurance related revenue transactions for the accounting period.

50 Rider
An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

51 Risk Based Capital (RBC)
An amount of capital based on an assessment of risks that company should hold to protect policy holders against adverse developments.

52 Surplus
This is the excess of assets held by the Company after deducting the actuarial liability and the provision for margin of solvency as determined by the actuary at the actuarial valuation.

53 Surrender
The amounts refundable to Life policyholders when they terminate their insurance contracts after a specific period.

54 Underwriting Result
This is the profit generated purely from the Non life Insurance business without taking into account the investment income and other non-technical income and expenses.

55 Unearned Premium / Unearned Premium Reserve
It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.

56 Written Premium
Total premium received or due from all sources, including premiums for reinsurance assumed, during a period.

FIFTEENTH ANNUALGENERAL MEETING - AGENDA

SEEMASAHITHA SANASA RAKSHANA SAMAGAMA

(Sanasa Insurance Company Limited)

Date	25th June, 2018.
Venue	Siyawasa Committee Meeting hall, at Sanasa Campus Ltd, Paragammana, Hettimulla
Time	
9.00 - 10.00 a.m.	Registration
10.00 - 10.15 a.m.	Fifteenth Annual General Meeting call to order
	Lighting of the oil lamp
	Religious observances
	Reading the Pledge of the Co-operative Movement
10.15 - 10.18 a.m.	Observing one minute silence in memory of departed members of the Sanasa Movement.
10.18 - 10.20.m.	Notice of Meeting
10.20 - 10.30 a.m.	Confirmation of the minutes of the Fourteenth Annual General Meeting held of 30th June, 2017.
10.30- 11.30 a.m.	Presentation of the Statement of Board of Directors and the Financial statements and Auditors report Accounts and Balance sheet for the year ended 31st December, 2017.
	Re-appointment of Dr. P.A.Kiriwandeniya as a director who attained 70 years of age.
	Re-appointment of Dr. T. Senthilverl as a director who attained 70 years of age.
	Re-appointment of Mr. T.Karunasena as a director who attained 70 years of age.
	Appointing a director by representing Sanasa Federation
	Appointing a director by representing Sanwardhana Sansadaya
	Election of Directors for the existing vacancies in the Board of Directors
	Appointment Ernst & young Chartered Accountants as Auditors for the year 2018 and to authorize board to determine their remuneration.
	Ratify the issued shares
	Authorize the board to determine payment for charitable and other a purposes for the year 2018.
11.30 - 11.40	Any other business
11.40 - 12 noon	Chairman's address
12.00 - 12.15 p.m.	Vote of thanks

NOTICE OF MEETING OF FIFTEENTH ANNUAL GENERAL MEETING OF THE SEEMASAHITHA SANASA RAKSHANA SAMAGAMA

(Sanasa Insurance Company Limited)

Notice is hereby given that the Fifteenth Annual General Meeting of the Seemasahitha Sanasa Rakshana Samagama will be at the Siyawasa Committee Meeting hall at Sanasa Campus Ltd, Paragammana, Hettimulla, Sri Lanka at 9.00 a.m. on 25th June, 2018 for the following purposes;

Ordinary resolutions

1) To receive and consider the Director's report and the Financial Statements for the year ended 31st December 2017 along with the Auditors' Report thereon.

2) To re-appoint Dr. P.A. Kiriwandeniya as a director of the company who retires at the Annual General Meeting, having attained the age of 70 years on 14/11/2011 and who represent All Lanka Mutual Assurance Organization Ltd in terms of Section 211 of the Companies Act no.7 of 2007 to adopt the following ordinary resolution.

"IT IS HEREBY RESOLVED that it be declared that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply in relation to Dr. P.A. Kiriwandeniya"

3) To re-appoint Dr. T. Senthilverl as a Director of the Company who retires at the Annual General Meeting having attained the age of 70 years on 14/10/2015, in terms of Section 211 of the Companies Act no.7 of 2007 to adopt the following ordinary resolution.

"IT IS HEREBY RESOLVED that it be declared that the age limit referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply in relation to Dr. T. Senthilverl"

4) To appoint Mr. T.Karunasena as an Independent Director of the Company who retires at the Annual General Meeting having attained the age of 70 years on 18/11/2016, in terms of Section 211 of the Companies Act no.7 of 2007 to adopt the following ordinary resolution.

"IT IS HEREBY RESOLVED that it be declared that the age limit referred to in section 211 of the Companies Act No. 7 of 2007 shall not apply in relation to Mr. T. Karunasena"

5) To appoint J.M.D. Ananda Wishwakeerthi as a director of the Company representing Sanasa Fedaretion according to Article 76(iii) of the Articles of Association for the existing vacancy.

6) To appoint Mrs. K.A.S. Damayanthi Wijayananda as a director of the Company representing Sanwardhana Sansadaya according to Article 76 (iii) of the Article of Association for the Vacancy due to the retirement of Mrs. S.N. Sanjeewanie who represent Sanwardhana Sansadaya according to the Article 90 & 91 of the Article of Association.

7) To elect Two Directors for the existing vacancies created due to the retirement of the following Directors. Retiring Director shall be eligible for re-election according to Article 92 of the Articles of Association.

- Mr. Keerthi Kumara Weerakkody who represents Undurugoda Thrift & Credit Cooperative Societies Limited.
- Mr. J.V.Nanda Kumara who represents Midigama Prajawaruna Thrift & Credit Cooperative Societies Limited.

8) To appoint Ernst & young Chartered Accountants as the Auditors for the year 2018 and to authorize the Board of Directors to determine their remuneration.

9) To ratify the issued 119,140 No of ordinary Shares amounting Rs. 1,191,400/- From 28/07/2017 to 23/05/2018 and to adopt the following ordinary resolution.

" IT IS HEREBY resolved that it is ratify all issued share of the company From 28/07/2017 to 23/05/2018 of 119,140 No of ordinary Shares amounting Rs. . 1,191,400 /-."

10) To authorize the Director to determine payments for the year 2018 for charitable and other purposes.

By order of the Board

Prasadika Senadheera
Company Secretary.
23rd May, 2018