ANNUAL REPORT 2018

Protecting our inheritance to safeguard the future...

Sanasa Insurance Company Limited

Contents

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

Making a meaningful change, Seemasahitha Sanasa Rakshana Samagama continued in the year 2018 to serve the underprivileged grass-root masses living across the country. In keeping with our cooperative values, we were decisive and pragmatic in the way we steered through the challenges we faced in our operating and regulatory backdrop and secured a yet another successful year.

On behalf of my Board, I welcome you to the 15th Annual General Meeting whilst presenting our Annual Report together with financial statements and related notes for the financial year ended 31st December 2018. The report sets out the progress we have achieved thus far, along with our future plans to take forward our mission and ensure long-term sustainability.

Economic Trends

The world economic growth was more subdued in the year 2018, with all major economies performing below the anticipated level. The growing trade tensions, volatile financial markets, stronger US dollar along with geopolitical issues weakened world trade and investments. From a domestic perspective, the global risks combined with socio-political issues that heightened in the latter part of the year, restrained the nation's economic prospects. The GDP growth in the first nine months remained modest. Agriculture and service sectors were robust and registered an improvement whilst industry moderated following the slower trends in the construction sub-sector. Policy directives were brought in to stabilise the imbalances in the macroeconomic front. Monetary policy shifted to a neutral stance and inflation settled at mid-single-digit levels. External sector was vulnerable with a widening trade gap, falling rupee and greater capital outflows.

Industry Trends

As an emerging industry, insurance has made headway, taking up a significant role within the nation's economic growth trajectory. In the year under review, the industry held ground amidst intense competition and the complexities of the socio-political and economic backdrop. As per the third quarter results of 2018, consolidated premium earnings were strong-life sustained double-digit growth whilst the non-life sector recorded modest results, below the potential levels. Despite higher claims, the overall profits improved significantly, particularly, following the life sector profitability. Investments in government securities decelerated with regard to life, but, increased within the non-life sector. The total assets of the industry recorded an improvement.

Regulatory Status

In keeping with the evolving regulatory framework, we stayed committed and strived to comply with the latest regulatory requirements. We have already laid the foundation, reshaped and restructured our organisation to be current with the industry practices and fall in line with the regulatory demands. However, we were mindful in this process, standing resolute to keep our business model intact, essentially built on cooperative principles. At present, we await the necessary licences from our regulator to formalise the segregation process of our business lines-life and non-life operations as two entities, with a holding company structure. We are also looking into listing the holding company on the Colombo Stock Exchange upon segregation. Our life sector is compliant with the risk-based minimum capital requirement and the solvency margin whilst a capital plan is proposed to bring the non-life sector to comply with the risk-based capital requirements.

Principles and Governance

Sanasa Insurance is built on a solid platform of cooperative principles recognised worldwide. Aligned to these principles, we champion best practices in business-inclusivity, openness, accountability and social responsibility in our value creation process. This is what defines and positions us as a responsible micro insurer, trusted and respected by the grass-root communities, placed at the bottom of the pyramid.

My Board is fully aware of our responsibilities and we stand committed to be honourable in discharging our duties and meeting our stakeholder expectations. This underlines our efforts to follow and nurture ethical values and good governance practices both, mandatorily as well as voluntarily. It is in this spirit, that we are preparing our organisation to comply with the new Code on Good Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. We are also working towards meeting the regulatory directives on the composition of the Board as prescribed by our regulator, Insurance Regulatory Commission of Sri Lanka. Accordingly, the present Board will have to be reconstituted as mandated and we are well prepared with our succession plans to manage director retirements to ensure sustainable governance.

Corporate Results

With a significant presence over thirty years from the days of All Lanka Mutual Organisation, we have built an extensive outreach within the microinsurance domain in the country. This reporting year, despite the uncertainties widespread in our operating backdrop, we followed an expansionary strategy and increased our delivery touch points with new branches and window offices in key locations across the country. We reached out to 800 Sanasa society units with a membership of 4,000 along with a growing presence within the retail market segment.

Complemented by our growth initiatives, our consolidated premiums improved notably by 24 percent. Our non-life sector year-on-year growth was strong at 31 percent whilst life sector remained modest with 15 percent. We made a positive underwriting result despite higher claims. However, higher overhead expenses given an expansionary strategy resulted in operational losses.

Our financial position as at the year-end was healthy and strong. Our assets reaching to Rs 2,587 million, was adequate to cover our liability position.

Future Years

Represented by nearly half the population, grass-root market segment is extensive, with budding opportunities to create significant economic value with ripple-effect benefits to society. In this setting, the role of micro insurance is definitive and is rapidly gaining momentum as a thrust sector of our economy. This is more so, considering the lower level of penetration of insurance in the country, just above one percent of GDP.

Over the years, we have gained the trust and established close ties with grass-root communities through the Sanasa Movement. We are well positioned and poised to tap the potential and manage this informal sector. We have the expertise along with a young and proficient team; a cost-effective delivery structure; strong bonds with Sanasa societies; and strategic partnerships with bilateral and multilateral agencies to support us succeed in a fast-evolving industry.

Responding to the challenges and taking on the opportunities in an emerging industry, it is critical that we stay agile and smart in our strategy and delivery of our corporate plans. We have to shape our organisation to embrace modernity and be aligned with the current trends whilst keeping our social aspirations intact. In this regard, we will continue in the ensuing years, to give strategic precedence to bring in quality and standards to our products and work processes; empower our employees with meaningful training and career development; initiate branding and marketing promotions; and embrace digitalisation to bring in greater efficiency to our operations and to improve the product offer to meet the rapidly changing customer expectations. This will support our efforts to expand and grow our outreach to gain a stronger market share in a competitive industry setting. Besides our operational plans, we will continue to strengthen our regulatory and compliance functions to be more aligned to the current practices advocated by our regulator.

Appreciation

Looking back on our corporate journey, it is fitting to honour and thank all our stakeholders who have been our strength and inspiration in taking forward our mission.

I thank my fellow Board directors for their guidance and contribution, leading our organisation to stand tall against the challenges widespread in our operating landscape. As I prepare to handover my duties as the Chair of this esteemed organisation, I trust that the next generation directors will uphold good governance and work towards our social aspirations.

My warm appreciation goes out to our General Manager and his team, for their dedication, hard work and professionalism, paving the way to secure our goals against all odds. I am confident and I look forward for their untiring efforts, more so, for their commitment to uphold our ideals to bring in greater success to our organisation in the years to come.

I wish to place on record our heartfelt gratitude to the village leaders, members of the Sanasa societies and our strategic partners for their collaborative support, faith and confidence in our organisation. I commend the Insurance Regulatory Commission of Sri Lanka for their role in fostering best international practices to raise quality and standards and ensure stability of our industry. Committed to timeless cooperative values, our organisation is well poised to progress and I sincerely hope and call upon our stakeholders to partner us in our mission and thus, support the nation in its drive towards inclusive development.

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

06 May 2019

General Manager's Review

General Manager's Review

Resilient and unwavering in the face of challenges widespread across our operating backdrop, we at Seemasahitha Sanasa Rakshana Samagama made much progress in the financial year 2018. We remained true to our cooperative values and continued to extend insurance solutions to underserved grass-root communities living across the island. We sought in the year to follow through a growth strategy combined with our efforts to streamline our operations, strengthen financial discipline and risk management. In this setting, I present my review highlighting the Company's performance in the year along with our future plans to reach out to greater goals.

Strategic Direction

Navigating through the evolving industry and regulatory backdrop, we upheld a well-focused strategy and decisively delivered our action plans to grow our top-line earnings. Aligned to our value proposition as a micro-insurer, we strived in the year to strengthen our presence and gain share amongst the untapped informal market segment. Our close-knit ties and engagement with the Sanasa society network remained significant, underscoring our growth aspirations.

We also concentrated in the year on optimising pricing and costs. In this regard, we sought to bring in greater discipline and efficiency to our underwriting and claims functions. We continued to invest in modernising our work processes; in developing an inclusive product range; empowering our team with learning opportunities; and instilling best and current work practices.

Corporate Performance

Backed by our focused management practices, we were able to steer through the challenging operating environment in the reporting year, exceeding most of our budgetary targets.

In response to our expansionary drive, consolidated premium income recorded a year-on-year growth of 24 percent to touch Rs 1,268,million. Dominating the consolidated portfolio with a share of 59 percent, our non-life premium income, led by motor-class, recorded a noteworthy growth of 31 percent to Rs. 747 million. Our life insurance segment remained modest with a 15 percent growth in premium income to Rs. 521 million. Life segment's regular daily/monthly premium policies performed better than the single premium policies.

Our claim settlements increased in both life and non-life segments, with a growth of 41 percent at the consolidated level. The claims ratio increased to 59 percent over 56 percent in the previous year. Yet, with a strong top-line, we were able to keep our underwriting result positive at Rs. 675 million whilst investment and other income stood at Rs. 296 million. Overhead expenses, however, increased notably by 36 percent due to our expansionary activities, dampening our bottom-line with operational losses of Rs 82 million.

Our consolidated financial position as at 31st December 2018 was sound and steady. Our asset position was comparable to the position of the previous year and was adequate to cover our liabilities. Our solvency margin stood at 205 percent. We maintained the prescribed risk-based minimum capital requirement with respect to the life segment whilst a capital plan is proposed for the non-life segment compliance when the segregation is formalised.

Wider Outreach

Giving momentum to our growth initiatives, we further invested in expanding our delivery channel to secure a wider outreach, spanning across towns and villages. In the reporting year, we opened 48 new branches and 69 window offices in key and strategic locations, thereby, taking the total to a notable 134 customer touch-points. Complementing this, we also strengthened our marketing and sales force with over 500 personnel including commission-based and non-permanent sales agents.

With a wider outreach in 23 districts, this reporting year we reached out to 800 Sanasa societies with a membership of over 4000; representing 75 percent of our total portfolio. We also focused on strengthening our presence and sought to gain more share within the retail and the small and medium sector, particularly, amongst the shop owners in town areas.

Marketing Initiatives

We continued in the year to build on our below-the-line marketing campaign which we initiated last year on the theme 'Happiness', blending in family values. We further invested and sought for brand visibility as a responsible insurance partner, protecting the underprivileged communities to be less vulnerable to daily and catastrophic risks. In this regard, we branded buses and three wheels; carried out door-door marketing campaigns; held roadshows and networking events; and posted promotional videos on social media to reach out to our targeted market segment, both at the Sanasa society level as well as at the retail level. This reporting year, we invested a sum of Rs. 116 million on marketing and promotions with the marketing expense ratio at 91 percent compared to 52 percent in the previous year.

Team Building

With a young, talented and dedicated team of 505 including 34 percent new recruits as at the year-end, we continued with our efforts to a build a progressive work environment. We advocated good work practices and sought to nurture skills, positive attitude, team spirit and professionalism. In this regard, we closely monitored our employees, encouraged performance, addressed skills gaps, redressed grievances and ensured their wellbeing.

General Manager's Review

Seeking to bridge the skills gap, particularly, to keep pace with the emerging industry trends, we invested in our training initiatives, including foreign training, across all staff categories. Our training programmes were structured to develop the team's technical competencies, soft skills as well as their work ethics. Our training partners-Sanasa Campus in Kegalle, International Finance Corporation, Asia Oceanai Association in Japan-continued to collaborate and support our endeavours. Our new employees who joined the permanent cadre along with the new insurance agents were given intensive induction training on microinsurance, product, customer care, regulatory requirements and on the expected code of conduct. During the reporting year, we conducted local & foreign training programmes to our employees.

Inculcating positive work values, we relied and sought to further refine our performance evaluation process with well-defined goals, standards and a rewarding scheme. This year, we recognised high achievers, rewarded with performance incentives and due promotions. We also followed through with our pragmatic work practices-leave planning, flexible work schedules and enabling staff to work online when the need arises-to ensure work-life balance and thus, employee wellbeing.

Investing in Technology

In keeping with the emerging trends in the industry, modernising our operations remained a strategic priority and we followed through with our automation and digitalisation plans. Already, most of our operational processes are automated and set on virtualised platforms. This has enabled us to manage our growing operations with greater agility and efficiency. We also focused on developing mobile applications to enable faster and more convenient product solutions for our customers. This year, we invested a sum of Rs1.3 million in technology related initiatives, taking the cumulative total to almost Rs 1.5 million over the past five years.

Reinforcing Values

Founded on cooperative principles, we continue to uphold responsible and ethical business practices in our value creation process. We followed through with regulatory guidelines prescribed by our regulator Insurance Regulatory Commission of Sri Lanka and sought to align our governance with the latest Code on Corporate Governance, 2017, issued by the Institute of Chartered Accountants of Sri Lanka. Following through with corporate social responsibility, we engaged and supported local communities and carried out key environmental initiatives, including our tree planting campaign.

Standing as a testimony to our commitment to responsible practices along with quality and standards in our product offer, we were honoured to be recognised with a Merit Award in the insurance category at the National Business Excellence Awards 2018, organised by the National Chamber of Commerce of Sri Lanka.

Future Outlook and Plans

Essentially supporting the nation's economic aspirations of developing the grass-root communities, we play a catalytic role within the emerging insurance industry. We have the backing of the Sanasa societies and immense potential to progress within the retail segment, with a wide untapped market base. However, we have to be mindful of the complexities of our operating and regulatory backdrop and be prepared to respond and take on any challenges whilst securing the budding opportunities that will come our way.

It is indeed vital to drive a focused strategy to achieve our objectives beyond short-term gains. We have the critical success factors in place to support our endeavours-inter alia, our core competencies within the micro insurance domain, well-designed product offer, young and talented team, strong bonds we have built with the Sanasa societies, a large and cost-effective distribution channel, strategic partnerships and above all, our corporate standing as a principled organisation which we have built over the years.

In keeping with our three-year strategic business plan for the period 2019 - 2021 we will continue to drive top-line growth, building stronger ties with the members of the Sanasa societies whilst exploring the potential within the untapped retail segment. We intend to open up 60 new branches and 500 society units to strengthen our presence in strategic towns and villages. As was the case in the reporting year, we will continue to give more precedence and promote our daily/monthly life premium policies over single premium policies whilst focusing on developing index-based non-life insurance products. We also intend to invest further on employee training and bringing in work process improvements. In this setting, we hope to achieve an average growth of 47 percent with respect to the non-life segment and 60 percent for life segment in the following three years from 2019 to 2021.

From a regulatory standpoint, we are prepared and await the required licenses to complete the segregation process of our business lines as prescribed by our regulator. We also intend to list our life company on the Colombo Stock Exchange as the holding company after the segregation process is duly completed.

In Appreciation

Our stakeholders have always stood beside us, playing an essential role in shaping our organisation and enabling our quest to move to higher ground in an emerging industry. Their continued support and confidence stand as our forte.

I join my team to extend our warm appreciation to our Chairman and the Board of Directors for their visionary leadership, taking our organisation from strength to strength, notwithstanding the intense competition and uncertainty within the business environment. My team this year remained focused, dedicated and worked hard to deliver our corporate targets. Their commitment to achieve operational excellence and uphold work ethics is truly inspiring. My sincere appreciation is with my team and I trust that they will continue to be similarly spirited and support us to achieve higher goals in the future years.

We are grateful to the members and the staff of the Sanasa Federation, Sanasa societies, death donation societies and farmer associations for their loyal support. A sincere thank you to all our business and strategic partners for their support and trust placed in our organisation.

We commend our regulator, Insurance Regulatory Commission of Sri Lanka, for advocating best international practices across the industry and for guiding our organisation to meet the rapidly evolving business and regulatory environment.

To all stakeholders, thank you. We look forward to your continued patronage as we strengthen our presence and remain steadfast in serving the grass-root masses of our nation.

I.K. Kiriwandeniya
General Manager
Seemasahitha Sanasa Rakshana Samagama

06 May 2019

Board of Directors

Dr. P.A. Kiriwandeniya
Chairman / Managing Director

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

Mr. T. Karunasena
Independent Director

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

Dr. T. Senthilverl
Non- Executive Director

Mr. K.K. Weerakkody
Non-Executive Director

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

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

Mrs. K.A.S. Damayanthi Wijayananda
Non-Executive Director

Mr. J.M.D. Ananda Wishwakeerthi
Non-Executive 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 Contractions (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 honours. 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 Director
Mr. S.M.T.H. Subasinghe serves as an independent Director. He was appointed to the board in 2009 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. And also he serves as a director of Sanasa General Insurance Company Ltd.

Mr. T. Karunasena
Independent 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 Serves as the Senior Director/ Deputy Chairman of Sanasa Development Bank. He has also served as the Deputy General Manager, 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 Director
Prof. J.M.U.K. Jayasinghe serves as an independent Director and 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. He served as a non-executive director of Amana Takaful Plc, CDB Finance, MBSL savings bank, Nations Lanka Plc, Seylan Merchant Leasing Plc SMB Leasing Plc, The Finance Plc and as the chairman of Ominimetals and Dollar Corporation and as the General Manager of Aluminium industries (Ceylon) Ltd. And also he serves as a director of Sanasa General Insurance Company 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.

Dr.H.J.S.K.Wickramaratne
Independent Director
Dr. Wickramaratne serves as an independent Director and 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. In appreciation of the contribution he has made towards the successful victory of the LTTE war during his service as the IGP of Sri Lanka, he was awarded with an Honorary Doctorate by the University of Kelaniya in the year 2009. He holds a BSc (Honors) degree in Management from University of Sri Jayawardanapura & a Diploma in Criminology.

Mrs. K. A. S. Damayanthi Wijayananda
Non- Executive Director
Mrs. K. A. S. Damayanthi Wijayananda was appointed to the board in 2018 representing Forum on Development.

Mr. J. M. D. Ananda Wishwakeerthi
Non- Executive Director
Mr. J. M. D. Ananda Wishwakeerthi was appointed to the board in 2018. He serves as the General Manager of Kuliyapitiya DTCCS Union.

Corporate Management Team

Life

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

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

Joe Karunaratne
[ACII (Lon.)]
Specified Officer

Wasantha Perera
[ACA]
Deputy General Manager

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

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

General

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

Neranja Wanasinghe
Assistant General Manager -
Claims

Yasaranga Godawela
[Dip.in Ins. (Wayamba), HDII (Wayamba)]
Assistant General Manager -
Sales & Marketing

Life

Saman Wijeweera
[B.Sc. Physical Science]
Assistant General Manager - Sales & Marketing

Nuwanpriya Gunawardena
[MBA/MBCS]
Head of IT

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

Senior Management Team

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

Ravinda Herath
[MBA, B.Sc. Agri, PGDM, Dip in Busi. Mgt., Dip. in SLII, Cert. CII]
Senior Manager - International Relations

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

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

Suyama Senarath
[DCSD,HDBIS]
Deputy Head of IT

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

Senior Management Team

Life

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

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

Nilupul Pathmaransi
[Dip. in Mgt]
Senior Manager
Business Operations

General

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

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

Head of Departments

Dayananda Ranasinghe
Manager
Agency Development & Training

Upali Nandasiri
[Cert.in Accountancy & Taxation]
Manager - Administration
(General Insurance)

Jayantha Samarathunga
Head of Societies Development

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

Consultants

Jayantha Halloluwa
[B.Sc. (Physical Science), Post Grad. Dip in Management,
Dip. In Insurance (CII,)FII]
Consultant - Life Technical

Withanapathirana Upasena
[Dip. In Ins.]
Consultant - Life

Manel Peris
[Dip. In Ins.]
Consultant - Underwriting (General)

Branch Network

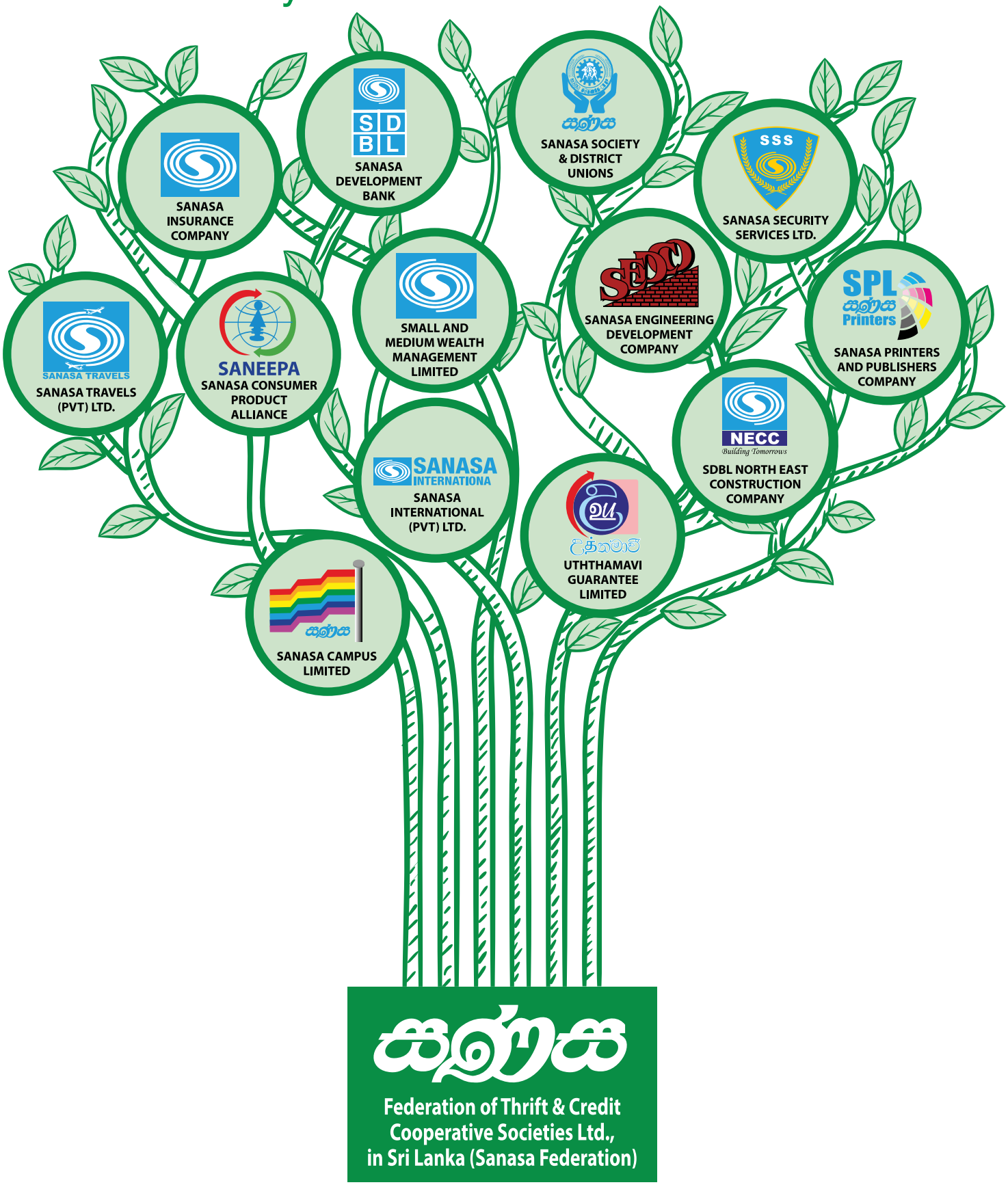
GENERAL

Dambulla	No. 365/C, Near Bus Stand, Kandy Road, Dambulla.	066-2284354
Kandy	No. 99, Katugasthota Road, Kandy.	081-2204958
Anuradhapura	No. 280/1, Maithreepala Senanayake Mawatha, Anuradhapura.	025-2227486
Polonnaruwa	No. 14/A, Mahaweediya, Kaduruwela, Polonnaruwa.	027-2226889
Nikaweratiya	No.141, Kurunagala Road, Nikaweratiya.	037-2260235
Chilaw	No. 14, Koraya Mawatha, Chilaw.	032-2223386
Puttalam	No. 118/G, Kurunagala Road, Puttalam.	032-2265076
Kuliyapitiya	No. 437, Madampe Road, Kuliyapitiya.	037-2284561
Polpithigama	Kudawewa Junction, Polpithigama.	037-2273160
Polgahawela	No. 76, Godawela, Polgahawela.	037-2244560
Jaffna	Kasthuriya Lane, Jumma Mosque Lane, Jaffna.	021-2219318
Kegalle	No. 314, Kandy Road, Kegalle.	035-2222019
Embilipitiya	No. 15, H.K.T. Building, Pallegama, Embilipitiya.	047-2261925
Galle	No. 19 1/1, Siridewamiththa Mawatha, Cheena Koratuwa, Galle.	091-2235054
Akuressa	New Rohana Bakery, No 63/6, Matara Road, Akuressa.	041-2284350
Matara	No. 24 2/1, EH Cooray Building 2nd floor, Anagarika Dharmapala Mawatha, Mathara.	041-2235965
Ambalanthota	Maha Weediya, Ambalanthota.	047-2225480
Badulla	2nd Floor, Kopi Watta Road, Badulla.	055-2225443
Minuwangoda	No. 49/A, Airport Road, Minuwangoda.	011-2298254
Maharagama	No. 136, Piliyandala Road, Godigamuwa,Maharagama.	011-2850123
Mathugama	2nd Floor, 1/118, Aluthgama Road, Mathugama.	034-2248399
Ampara	No. 72, D.S. Senanayake Street, Ampara.	063-2224373
Batticaloa	No. 214, New Kalmune Road, Kallady, Batticaloa.	065-2222072
Trincomalee	No. 380A, Post Road, Trincomalee.	026-2225454
Akkarepaththu	No. 05, Madrasa road, Akkarepaththu.	077-8340224
Wennappuwa	No. B/B/1, 1st floor, Chilaw Road, Wennappuwa.	031-2250250
Kurunegala	No. 2/A, Dharmayathana Mawatha, Kurunegala.	037-2221367 037-2052721
Kilinochchi	Near Kandassami Kovil, A9 Road, Kilinochchi.	021-2280181
Vavuniya	No. 55, Kovila Road, Kurumankadu, Vavuniya.	024-2228873
Mapalagama	Ethumale, Mapalagama.	091-2296503
Monaragala	No. 100, In Front of New Bus Stand, Monaragala.	055-2276934
Negombo	No. 180, Chilaw Road, Kattuwa, Negombo.	031-2274597
Divulapitiya	No. 76, Meerigama Road, Divulapitiya.	031- 2243772
Homagama	143 1/A, Hospital Junction, Highlevel Road, Homagama.	077-3866017
Kaduwela	No.158/F, Avissawella Road, Kaduwela.	011-2548560
Gampaha	Sanasa Square, Court Road, Gampaha.	033-2231661
Delgoda	No. 330/4/10, Kandy Road, Delgoda.	011-2402233

LIFE

Kandy	No. 281, D.S Senanayaka Mawatha, Kandy.	081-2237947
Matale	No. 31/1, Kandy Road, Matale.	066-2223300
Ragala	No. 62, Ragala, Halgranoya.	052-2265678
Boatta	Darshana Building, Boatta, Bingiriya.	077-7419467
Anuradhapura	No. 514/4A, Near the Bus Stand, Anuradhapura.	025-2237525
Polonnaruwa	No. 14/B, Main Street, Kaduruwela, Polonnaruwa.	076-3058433
Polpithigama	Polpithigama District Sanasa Society, Kubukulawa, Polpithigama.	077-0039855
Hettipola	139/2, Infront of Court Complex, Kurunegala Road, Hettipola.	037-2291790
Kuliyapitiya	Solangaarchchi Building, 1st Floor, No. 1/587, Madampe Road, Meegahakotuwa, Kuliyapitiya.	077-2294185
Chilaw	No. 26, Bishop Edmund Peiris Mawatha, Chilaw.	032-2222339
Mannar	No. 74, Moor Street, Mannar.	077-9186055
Kegalle	No. 314, 3rd Floor, Kandy Road, Kegalle.	035-2232994
Ruwanwella	No. 261, Avissawella Road, Ruwanwella.	036-2268842
Warakapola	No. 201 1/1, Kandy Road, Warakapola.	077-6526511
Rathnapura	Alukon Building, No.9 A, Badugabadawa Road, Rathnapura.	045-2225506
Balangoda	No. 08, Thanayam Pivisum Road, Balangoda.	077-3663255
Godakawela	No. 312/C/4, Malwaththa Road, Godakawela.	045-2240663
Matara	No. 7/1, Aruna Industries Upper Floor, Railway Road, Matara.	077-0154002
Weligama	No. 354/45/1/1, 2nd floor, Samaraweera Road, Weligama.	076-3079674
Dikwella	A.M.G. Building, Matara Road, Dikwella.	041-2256991
Hakmana	P.H. Building, Matara Road, Hakmana.	041-2287991
Akuressa	No. 21/A, Deniyaya Road, Akuressa.	077-2294183
Galle	No. 60, Sri Dewamiththa Mawatha, Cheena Koratuwa, Galle.	077-3702782
Walasmulla	No. 64, Beliaththa Road, Walasmulla.	077-3674461
Ambalanthota	No. 05, Thissa Road, Ranna	077-0309117
Mahiyanganya	No. 44 1/2, Padiyathalawa Road, Mahiyanganaya.	055-2258033
Yakkala	No. 98, Kandy Road, Yakkala.	033-2238564
Rathmalana	No. 187 / 1, Galle Road, Rathmalana.	011-2738679
Kaluthara	No. 425, Galle Road, Kaluthara - North.	034-2236743
Mathugama	No. 1/118, 1st floor, Aluthgama Road, Mathugama.	034-2295300
Bandaragama	No. 33/2, Horana Road, Alubomulla, Panadura.	038-2248015
Horana	No. 50/7, Graceland Roundabout Road, Horana.	077-6054309
Maharagama	No. 68, Piliyandala Road, Godigamuwa, Maharagama.	011-2850554

Sanasa Family



Skills & Appreciations

Merit Award for Insurance Sector in National Business Excellence award 2018 by the National Chamber of Commerce of Sri Lanka

Certificate of Excellence for Special Recognition for Product innovation in General Insurance at the **Emerging Asia Insurance Award 2018.**

Merit Award for Best Corporate Website 2018 in the **Corporate Category** for the website of www.sicl.lk

International Labour Organization

APACT INSURANCE

Sanasa Insurance Company has won the first place in the weather Index insurance program, surpassing all the international competitors in the documentary competition conducted by the ILO to commemorate the ten year service of the 'Impact Insurance Facility' of that Institute.

Management Discussion and Analysis

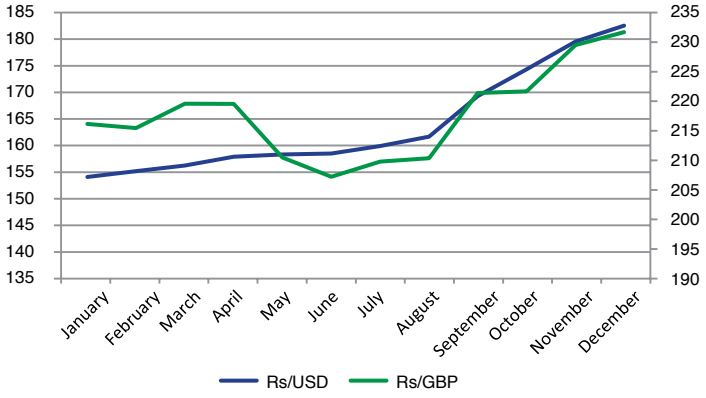
External Environment

The Economy

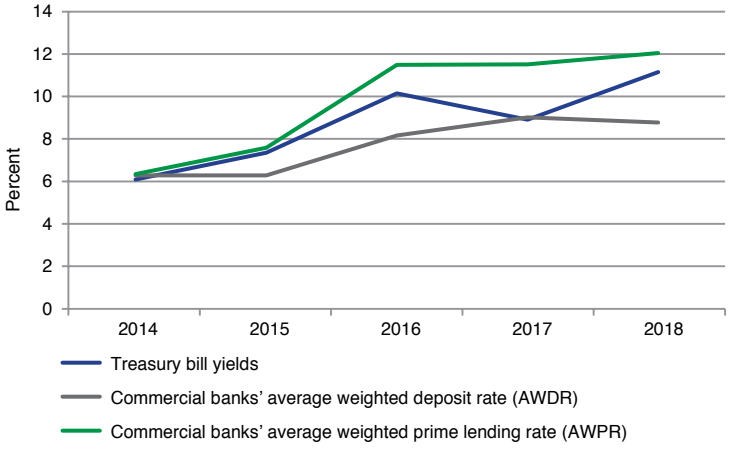
The vulnerability of the Sri Lankan economy to global and domestic disturbances became increasingly visible in 2018, with a modest expansion in real economic activity amidst a low inflation environment during the year. Real GDP growth was recorded at 3.2 percent in 2018, compared to 3.4 percent in the previous year. This growth was largely supported by services activities that expanded by 4.7 percent and the recovery in agriculture activities, which recorded a growth of 4.8 percent. Industry activities slowed down significantly to 0.9 percent during the year, mainly as a result of the contraction in construction.

Investment as a percentage of GDP stood at 28.6 percent in 2018 compared to 28.8 percent in the previous year. The total size of the Sri Lankan economy was estimated at US dollars 88.9 billion, while the per capita GDP was recorded at US dollars 4,102 in 2018, which was marginally lower than in the previous year. Amidst the moderate growth in economic activity, a marginal increase in the unemployment rate and a decline in the labour force participation rate were observed during the year.

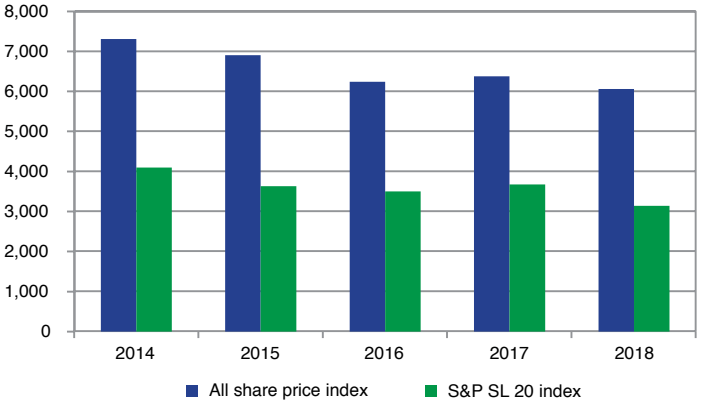
Exchange rate fluctuations



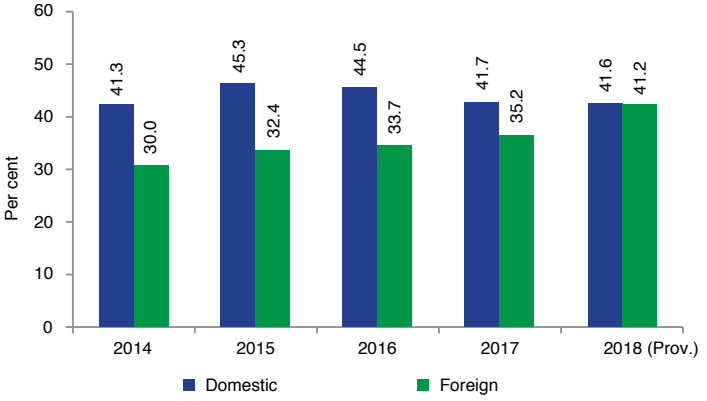
Interest rates



Share Market



Central Government debt (as a % of GDP)



Source: CBSL Annual Report 2018

Performance of the Insurance Industry for the year 2018

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 10% to Rs. 129,772 million for the 3rd quarter ending 2018 compared to Rs. 118,016 million for the 3rd quarter ending 2017. Total GWP of the insurance industry comprises of Rs. 71,622 million of general insurance business and Rs. 58,150 million of life insurance business.

Total Assets

The total assets reported by the insurers amounted to Rs. 588,746 million as at 30th September 2018 whist posting moderate growth of 7.365% compared to quarter ending 30th September 2017. 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. 417,346 million in 2018. 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. 171,399 million in 2018.

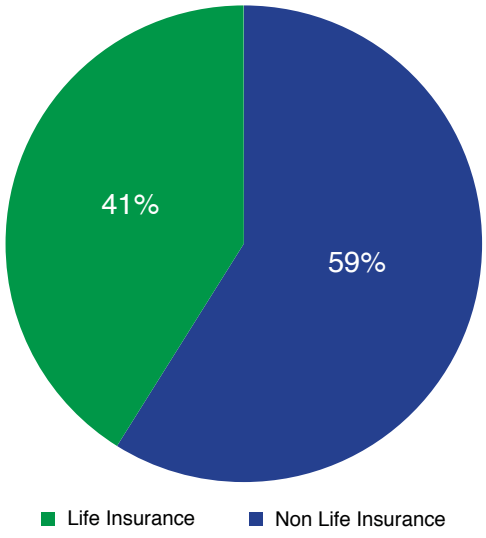
Profitability of Insurance companies

Life insurers have reported profit before tax of Rs. 18,571 million for the 3rd quarter ending 2018. Total profit before tax reported by general insurers amounted to Rs. 6,214 million for the 3rd quarter ending 2017.

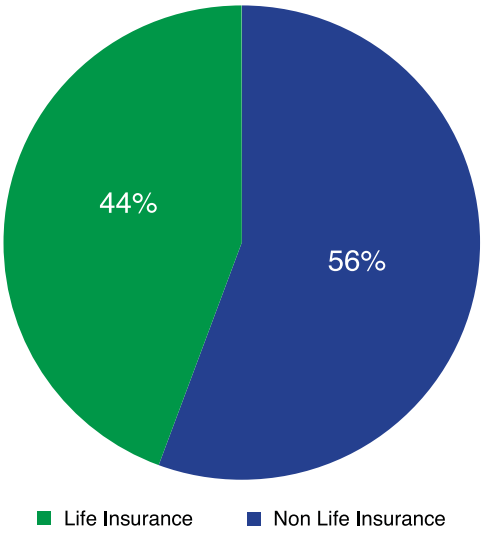
Company Performance
Operational Performance
Composite Portfolio

	Policies	GWP Income	GWP Growth	Claims Ratio	Underwriting Result
Composite Portfolio Key Indicators	2017: 287,473	2017: Rs 1,023 Mn	2017: 21%	2017: 56%	2017: Rs 207 Mn
	2018: 360,549	2018: Rs 1,268 Mn	2018: 24%	2018: 59%	2018: Rs 675 Mn

Composite Portfolio - GWP 2018 Composition

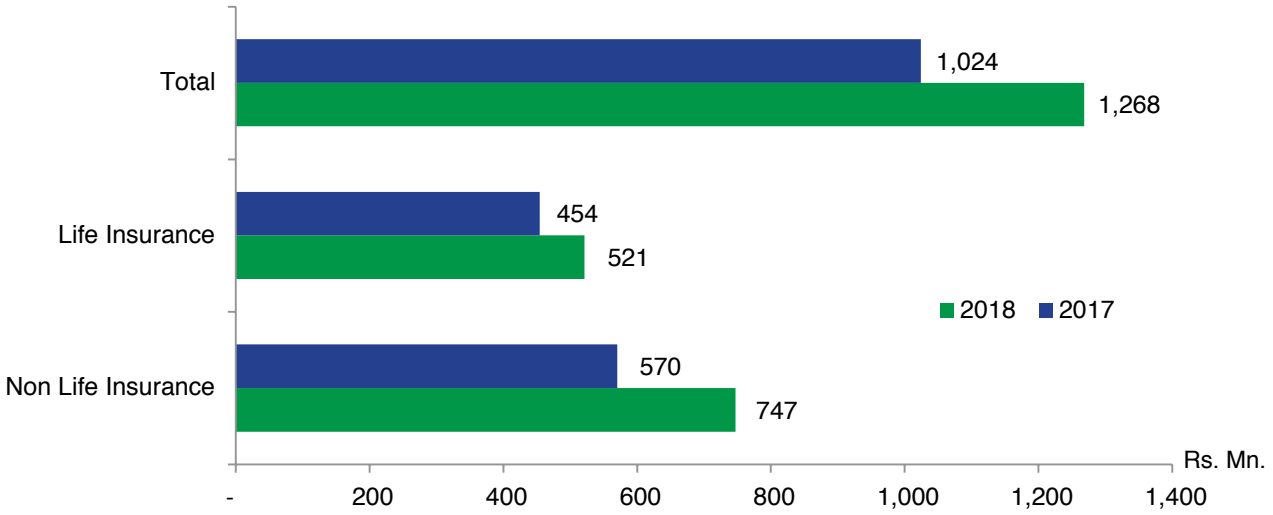


Composite Portfolio - GWP 2017 Composition



Management Discussion and Analysis

GWP 2018 Vs 2017



The composite portfolio in the year under review had 360,569 policies in effect including 171,272 new policies and 189,277 renewals; representing a renewal ratio of 28 percent. The non-life insurance business led the portfolio, absorbing 59 percent share of the total GWP whilst the life segment took up the balance 41 percent.

Accounting for 81 percent of the total income generated, the GWP stood at Rs. 1,268 million in the year under review. This represented a growth of 24 percent over the previous year, led by the non-life insurance business. The overall net claims and benefits ratio stood at 59 percent compared to 56 percent registered in the preceding year, whilst the combined ratio increased to 126 percent from 117 percent. The underwriting result increased by 227 percent to Rs.675 million mainly due to increase in contractual liabilities of Long-term Fund.

Non Life Insurance

Non-Life Insurance - Key Indicators	Policies	GWP Income	GWP Growth	Claims Ratio	Underwriting Result
	2017: 125,911	2017: Rs.569.5 Mn	2017: 35%	2017: 46%	2017: Rs.182.4 Mn
	2018: 205,931	2018: Rs.746.6 Mn	2018: 31%	2018: 50%	2018: Rs.242.8 Mn

Policies & GWP

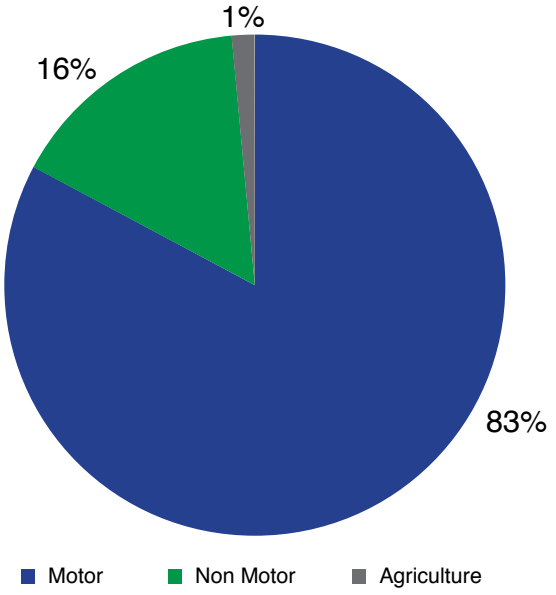
In an intensely competitive backdrop, our non-life insurance portfolio gained 140,533 new policies along with 65,398 renewals, taking the total portfolio to 205,931 policies in the year under review. Skewed towards the motor segment income, our non-life insurance segment registered commendable growth performance of 31 percent compared to last year, with the premium income level at Rs. 747 million.

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. 292 million whilst the net ratio stood at 50 percent as against 46 percent registered in the previous year. The underwriting result of the non-life insurance sector remained positive, increased by 33 percent to Rs. 243 million vis-à-vis the previous year.

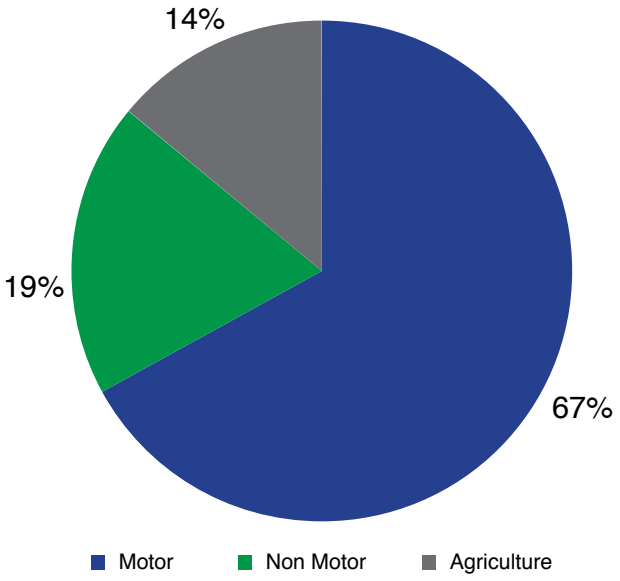
Product Mix & Performance

Our non-life insurance arm deals in motor, fire, agriculture, micro, engineering and miscellaneous insurance.

Non Life Insurance - GWP Mix 2018



Non Life Insurance - GWP Mix 2017



As the dominant segment, the motor class absorbed 83 percent of the total non-life portfolio GWP income, whilst non motor and agriculture based insurance products took up 16 percent and 1 percent respectively.

Life Insurance

Life Insurance - Key Indicators	Policies	GWP Income	GWP Growth	Claims Ratio	Underwriting Result
	2017: 161,562	2017: Rs.454 Mn	2017: 7.8%	2017: 65%	2017: Rs.24.2 Mn
	2018: 154,618	2018: Rs.521 Mn	2018: 15%	2018: 70%	2018: Rs.432.7 Mn

Management Discussion and Analysis

Policies and GWP

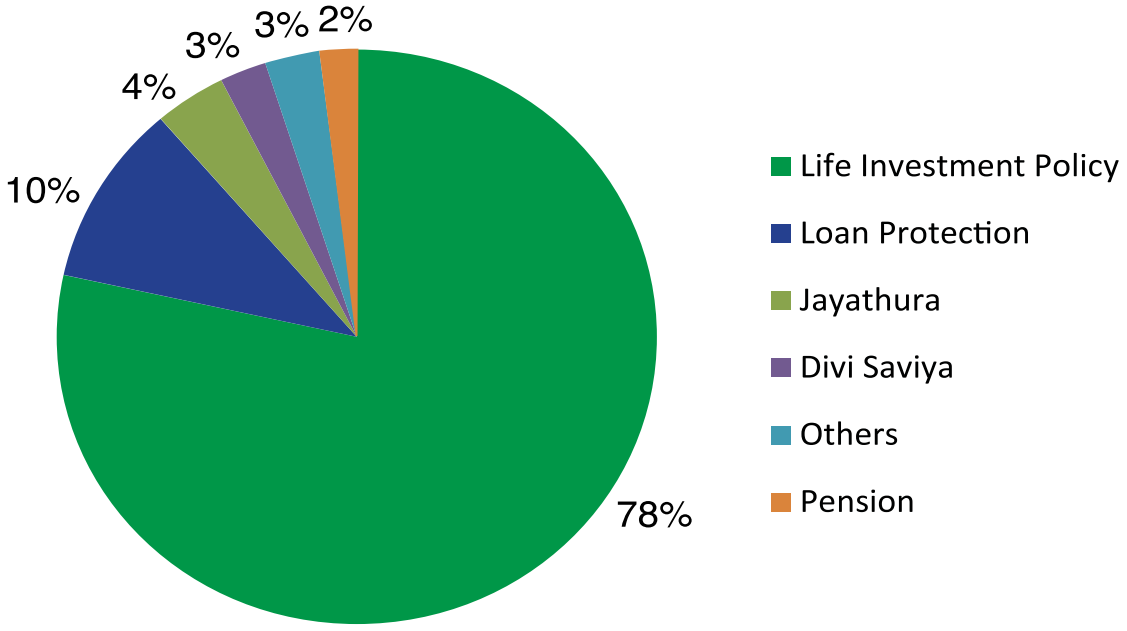
With the segregation of business lines coming into effect, life insurance segment was restructured to come under the purview of SICL as the holding company. Consolidating our positioning within the life insurance segment, we succeeded to post a creditable performance in terms of premium income. Our life insurance portfolio in the year stood at 154,618 policies including 123,879 as renewals and 30,739 as new policies.

Our life segment regained its growth momentum, registering an increase of 15 percent in GWP income as compared to 7.8 percent noted in the year 2017. The GWP income touched Rs. 521million vis-à-vis Rs. 454 million in the previous year.

In absolute terms, following the trends of the preceding year, the overall net claim settlements increased substantially to Rs. 345 million given the higher number of maturity and death claims; this represented a 25 percent increase over the previous year. The net claims ratio also noted an increase to 70 percent, as against 65 percent registered in 2017. The Long Term Insurance Fund declined by Rs. 336 million in the year under review.

However, given the higher claims and benefits, the underwriting result increased, recording Rs.432 million compared to Rs. 24 million in the year 2017.

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, 'Life Investment Policy' with a single premium and fixed benefits, take up the largest share of 78 percent of the total life insurance GWP share, closely followed by Loan protection, taking up 10 percent share.

In terms of contract, Universal Life products of, 'Investment policy' took up the largest share of 78 percent, non-participating products of Divijaya', 'Divithura' and 'Loan Protection' took up 17 percent whilst participating contract products Jayathura', 'Pilisarana', 'Senehasa' and 'Situmina' took up the share of 5 percent.

Financial Capital Review

Key Financial Indicators

Non-Life Insurance	Life Insurance	Company
Net Earned Premium •2017: Rs. 376.4Mn •2018: Rs. 584.8Mn	**Net Earned Premium** •2017: Rs. 423.9 Mn •2018: Rs. 492.1 Mn	**Net Earned Premium** •2017: Rs. 800.3Mn •2018: Rs. 1,076.9Mn
Underwriting Profit •2017: Rs. 182.4 Mn •2018: Rs. 242.8Mn	**Underwriting Profit** •2017: Rs.24.2 Mn •2018: Rs. 432.7 Mn	**Underwriting Profit** •2017: Rs. 206.7 Mn •2018: Rs. 675.7 Mn
Investment & Other Income •2017: Rs. 72.6Mn •2018: Rs. 101.8Mn	**Investment & Other Income** •2017: Rs. 218.1 Mn •2018: Rs. 194.1 Mn	**Investment & Other Income** •2017: Rs. 290.8Mn •2018: Rs. 296.0Mn
Profit After Tax •2017: Rs. 12 Mn •2018: Rs. 27.2Mn	**Surplus** •2017: Rs. 0 Mn •2018: Rs. 299.3 Mn	**Profit After Tax** •2016: Rs. 12Mn •2017: Rs. 326.5 Mn

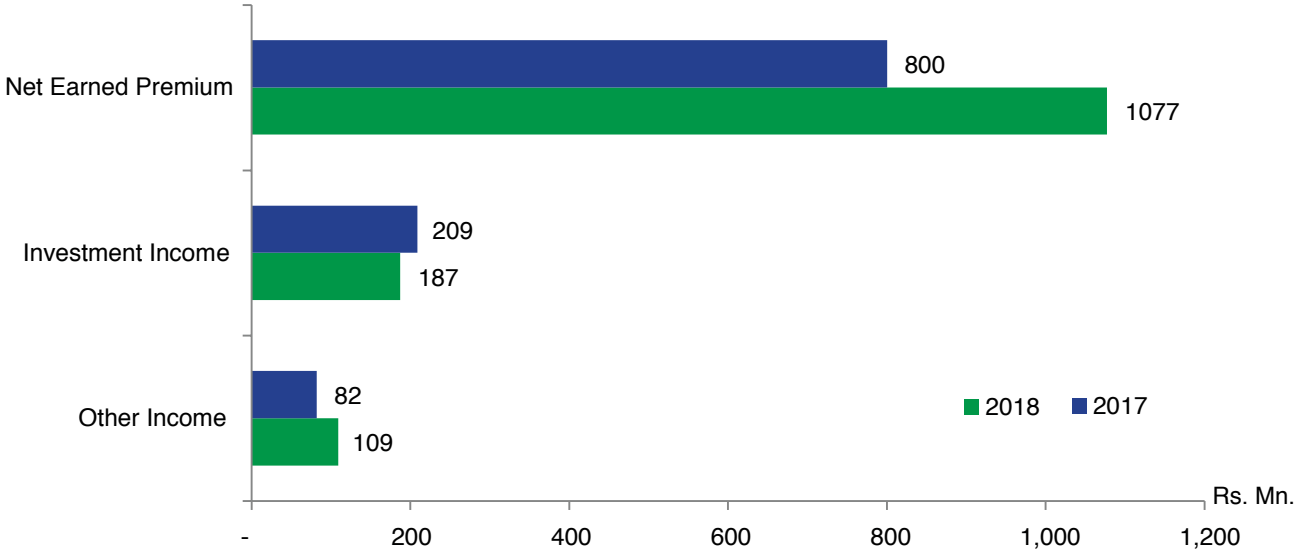
Our financial capital comes from equity raised from our shareholders mainly within the Sanasa societies or like-minded investors who aspire to be socially responsible, funding from financial institutions and internal cash flow generations.

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 2018. 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.

Management Discussion and Analysis

Profitability Performance

Revenue



The total revenue in the year including net earned premium, investment and other income, stood at Rs. 1,373 million in the year under review. This corresponded to an impressive growth of 26 percent over Rs. 1,091 million achieved in the previous year.

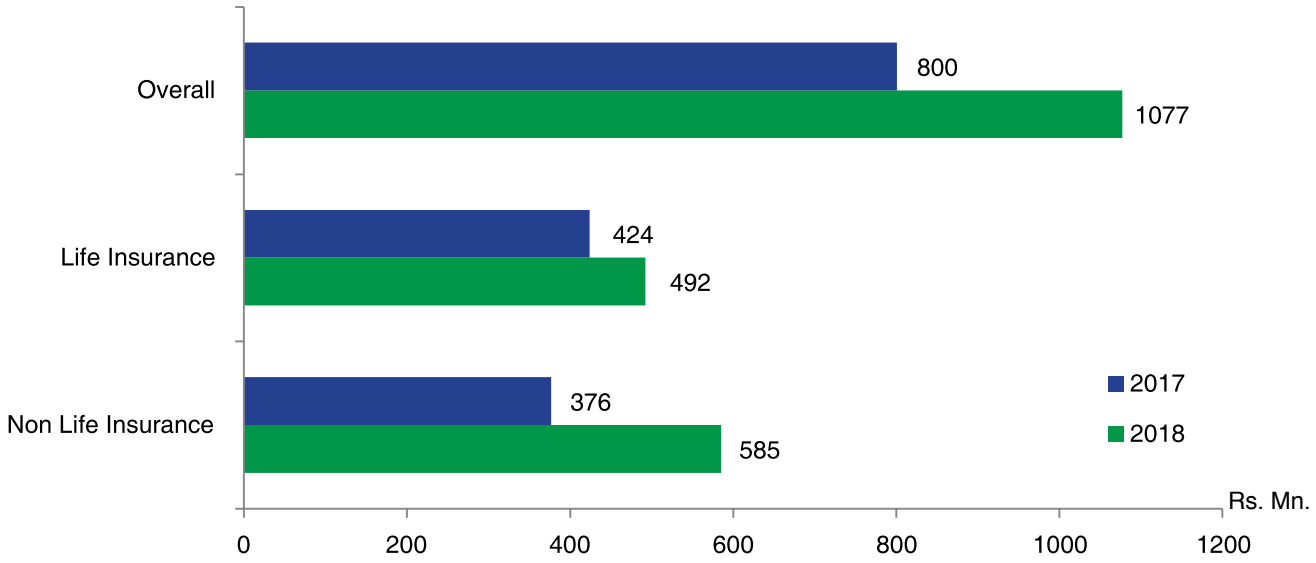
Gross Written Premium

The income generated from the overall GWP posted a growth of 24 percent in the year 2018 to Rs. 1,268 million as against Rs. 1,024 million in the preceding year. The life insurance segment took up 41 percent of the total GWP, whilst posting an increase of 15 percent as against the preceding year to Rs.521 million. The GWP income generated from the non-life insurance increased by 31 percent over the previous year to Rs.747 million.

Net Written Premium

The premium ceded to reinsurers stood at Rs. 97 million in the year under review; corresponding to a 36 percent decrease over the previous year. This accounted for 7.6 percent share of the total GWP. The net written premium for the year hence stood at Rs. 1,171 million, an increase of 34 percent as against Rs. 874 million posted in the preceding year.

Net Earned Premium



This year under review, the net change in unearned premium reserve moved to Rs. 94 million from Rs. 74 million in the previous year. This buoyed the net earned premium to reach up to Rs. 585 million, corresponding to an increase of 56 percent from Rs. 376 million in the year 2017. The non-life insurance segment accounted for the major share of 54 percent of the overall net earned premium whilst the life segment took up 43 percent share.

Benefits, Losses & Expenses

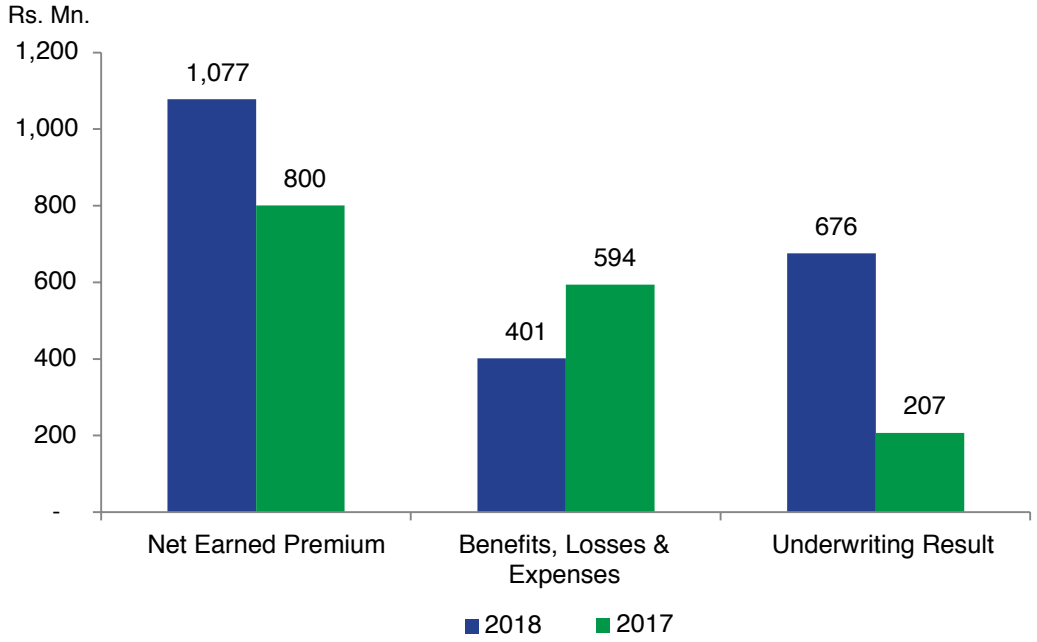
In both business segments, net claims and benefits registered substantial increases in the reporting year, which compromised the Company's underwriting results.

Within the life segment, net claims and benefits stood at Rs.345 million, an increase by almost 25 percent over the previous year. However there is a decrease of Rs. 336 Mn in the contractual liabilities of long term fund in 2018 which resulted in positive underwriting result of Rs. 432 Mn in 2018.

Within the non-life segment as well, the net claims and benefits registered to Rs 291 million, up by 68 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 contracted by almost 32 percent from Rs. 594 million in 2017 to Rs. 401 million in the reporting year.

Management Discussion and Analysis

Underwriting Result



Despite the substantial increase in total benefits, losses and expenses, the underwriting result broadly remained positive at Rs. 676 million; this represents a significant increase of 226 percent as compared to Rs. 207 million achieved in the previous year. The life segment result of Rs.432 million completely backed the overall performance.

Investment & Other Income

Investments and other income continued to complement the overall profitability; growing by 1.7 percent to Rs. 296 million as against Rs.291 million in 2017. Investment income slim down by 10 percent to Rs.187million, Other income also posted an increase of 33 percent to reach Rs. 109 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 36 percent to Rs.648 million in the reporting year, compared to Rs.476 million in the year 2017. Out of these expenses, staff costs absorbed the highest share, growing at 18 percent whilst operational and administrative expenses grew relatively by 41 percent. However, marketing and promotion costs registered a substantial increase of over 90 percent, reflecting on the efforts taken to reinforce the brand positioning and product promotions to meet the emerging industry demands. Changes in fair value adjustments to the investment portfolio amounting to Rs. 62 million in the year compared to Rs. 0.7 million in the previous year, mainly due to market value drop in share prices of Sanasa Development Bank.

The non-life insurance arm accounted for 47 percent of the total operating and administrative expenses amounting to Rs 302 million whilst the life segment took up the balance 53 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 85 percent share of the operating profit whilst the life insurance accounted for the balance 10 percent.

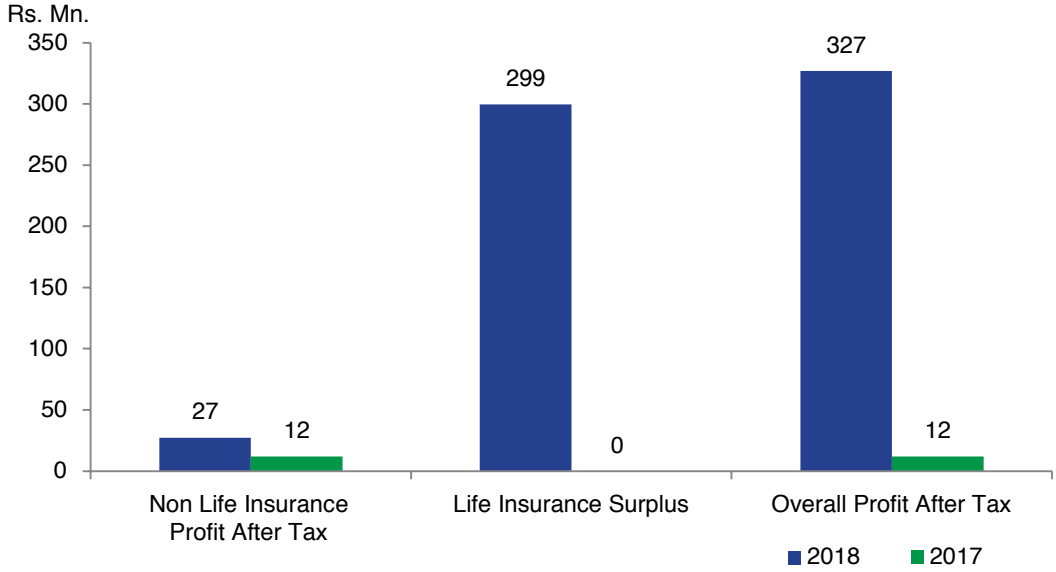
Profit Before Tax

Underscored by an impressive operating profit, our bottom-line profits were strong and noteworthy. In terms of the business lines, life insurance segment took up the 100 percent share of the profit after tax, amounting to Rs. 250 million.

Taxation

In the year under review, the non-life segment and life segment, given the adjustments to the taxable income and the deferred tax component, the tax for the year under review registered an income of Rs. 72 million.

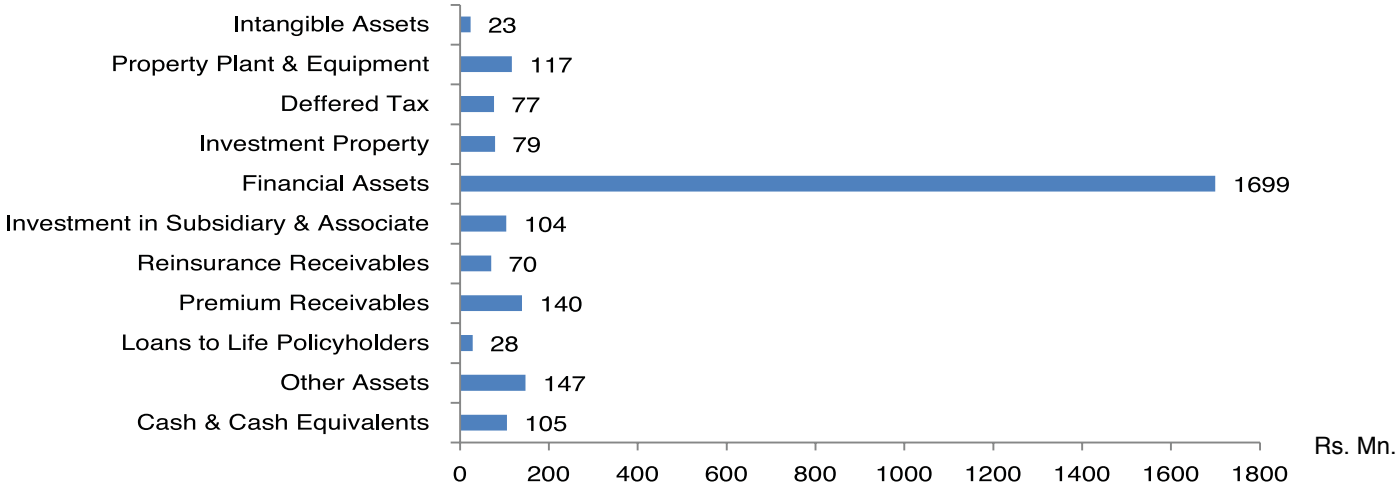
Profit After Tax



Complemented by the top-line performance, investment and other income & deferred tax component, profit after tax stood at Rs. 327 million in the year 2018.

Financial Position

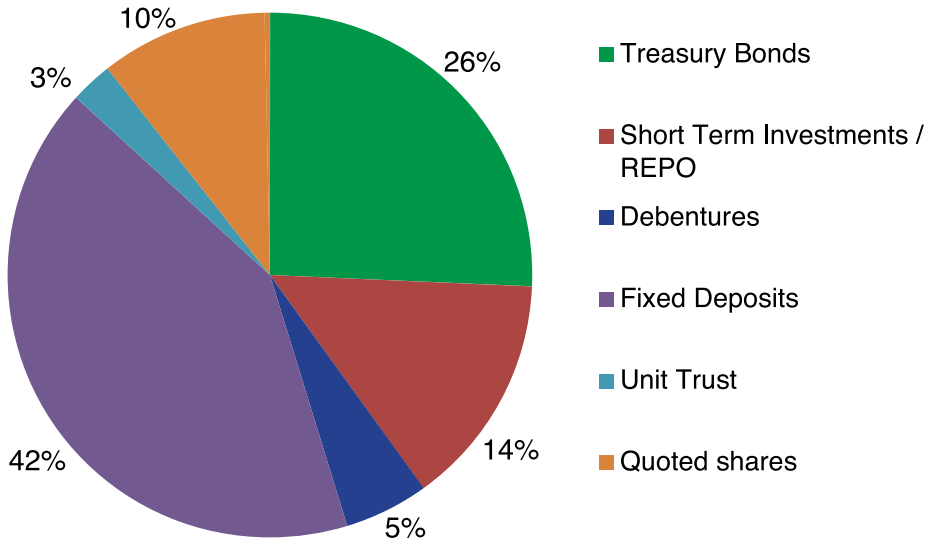
Assets 2018



Surpassing the two billion mark, the total asset position as at 31st December 2018 stood at Rs. 2,588 million. This corresponded to a 1 percent increase as against the position of Rs 2,561 million as at the preceding year-end. Out of the total, financial assets accounted for the major share of almost 66 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 34 percent.

Management Discussion and Analysis

Financial Assets



Taking up 66 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 2018 stood at Rs. 1,699 million, corresponding to a 11 percent decrease over Rs. 1,907 million position as at the year-end 2017. Majority of the financial assets, representing 82 percent were within the purview of the life insurance segment.

The unquoted equity investments of Rs. 7.0 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. 219 million. The equity investment in Sanasa Development Bank took up over 71 percent 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 entailing 2 million shares decreased at fair value by 24 percent to Rs. 155 million. The loans and receivables including government securities, debentures and fixed deposits taking up the largest share of 87 percent in terms of the total financial assets, reflected a balanced position by 9.3 percent to Rs. 1,475 million.

In terms of credit risk exposure, 40 percent of the financial assets are well secured in risk-free government guaranteed instruments and 60 percent of assets in equity investments are within 'AAA-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. 116.8 million as at 31st December 2018, as against the position of Rs. 65.6 million registered in the previous year-end. The life segment took up almost 62 percent of the total property, plant and equipment.

Intangible Assets

Intangible asset position comprising computer software stood at Rs. 23.4 million as at the reporting year-end as against the position of Rs. 26.4 million as at the previous year-end.

Investment Property

The Company's investment property measured at fair value as at end December 2018 reflected a marginal increase to Rs. 78.5 million from Rs. 72 million as at end December 2018. Out of these assets, life insurance segment took up just over 75 percent share. The fair value gains reached Rs. 6.5 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. 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.

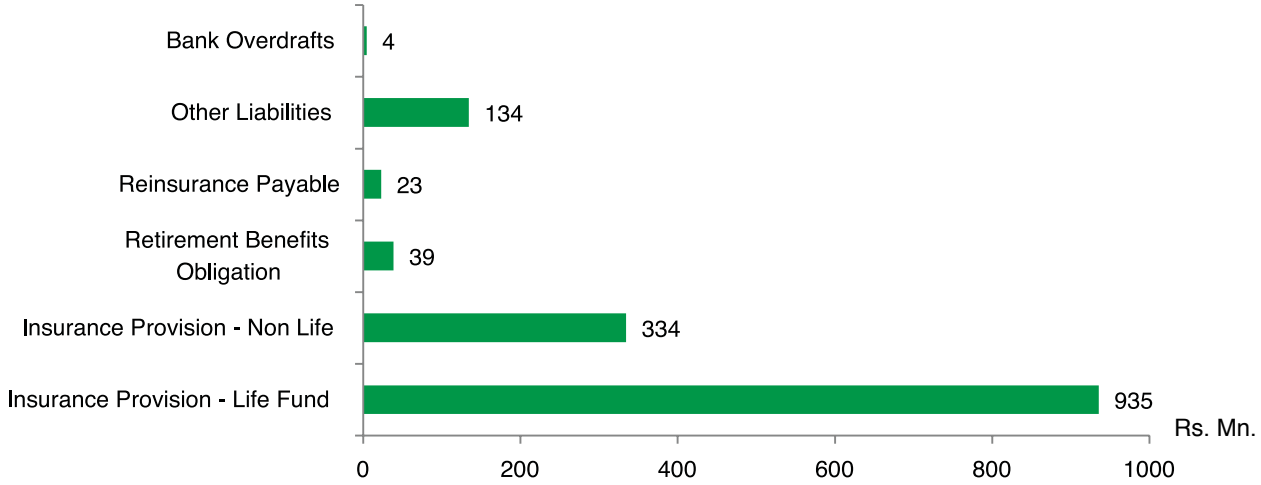
Receivables & Other Assets

As at 31 December 2018, reinsurance receivables increased to Rs. 69.7 million as against Rs. 68.5 million as at the previous year-end. The premiums receivables net of impairment provision for the year stood at Rs. 139.5 million and the loans to life policyholders were at Rs. 28.1 million that included new loans of Rs. 20 million in the year and repayments of Rs. 35.6 million. Other assets including inventories, advances and deposits, current accounts and other receivables were Rs. 146.9 million as against the position of Rs. 121.4 million in the preceding year.

Cash & Cash Equivalents

As at 31 December 2018, cash and cash equivalents reflected an improved position of Rs. 105.1 million.

Liabilities composition



Liabilities
The total liabilities comprising insurance provisions, retirement liabilities, bank overdrafts, creditors and other payables stood at Rs. 1,469 million as at end December 2018, reflecting a 17 percent increase as against the position as at end December 2017.

Insurance Provisions
In terms of the life fund, provisioning decreased by 26 percent to Rs. 935 million as compared to the year-end 2018. Provisioning for the non-life segment, however, increased by 39 percent to Rs. 334 million as at the year-end 2018.

Employee Benefit Liability
The retirement benefit obligations as at 31st December 2018 stood at Rs. 38.6 million, an increased position compared to the previous year-end of Rs. 36.4 million. The provision for the year stood at Rs. 6.6 million.

Other Liabilities
Other liabilities including government levies, commissions, claims, accruals and other payables reached Rs. 134.2 million as at the reporting year-end. This reflects an increase of 15 percent as compared to Rs. 116 million as at the year-end 2017.

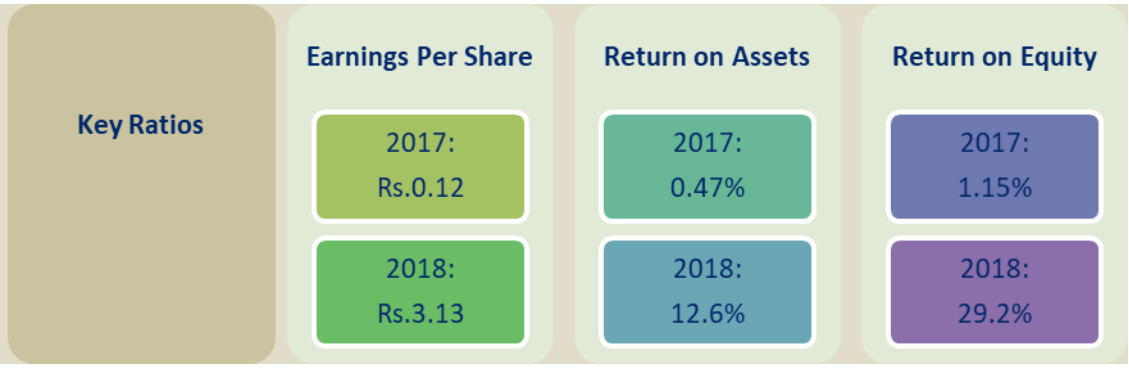
Share Capital
The stated share capital increased by Rs. .74 million to Rs. 1,044.6 million as at end December 2018, moving closer towards compliance with the latest regulatory requirement. The life insurance segment absorbed 73 percent of the total share capital, corresponding to Rs.758.2 million whilst the non-life insurance arm took up Rs.286.5 million.

Retained Earnings
Reflecting the surplus arised through Life Insurance fund Valuation in profitability, retained earnings reached into positive of Rs. 77 million, compared to negative balance of Rs. 249 mn, marking a significant up by Rs. 326 mn.

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.15 million. Net cash generated from investing activities, reported a largest share having a balance of Rs. 80 million mainly on account of purchase of liquid investments. The cash and cash equivalent balance was Rs. 105 million in 2018 compared to Rs. 49 million in 2017.

Management Discussion and Analysis

Key Ratios



Due to the favorable movement in deferred tax assets , the profit after tax was increased in the year 2018 and led to EPS of Rs. 3.13 in the year 2018. This was more than 100 percent growth to the last year whilst return on Assets and return on equity also shown significant growth in the year 2018.

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. Solvency margins in both life and non-life segments were maintained above the stipulated minimum at 120 percent. The capital adequacy ratio of 120 percent was also in line with the minimum stipulated by the regulator.

Group Performance

The group as at the balance sheet date comprised two associates including Sanasa General Insurance Company Ltd which was established as per the RII Act regulatory requirements to take on the segregated function of non-life insurance.

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 24 percent increase as against the year 2017 to Rs. 1,268 million. Net earned premium generated by the parent company stood at Rs. 1,078 million; whilst Rs. 8 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. 262 million. The tax component stood at an income of deferred tax of Rs. 72 million, taking the profit after tax to Rs. 335 million.

Growing at 1.3 percent as against the preceding year, the Group's asset base touched the two billion mark to record Rs. 2,576 million as at 31 December 2018. Out of the total assets, financial asset portfolio accounted for the largest share with Rs. 1,699 million, corresponding to just 66 percent. The credit risk exposures were duly managed with financial assets maintained within prudent levels-40 percent in risk free government securities and 60 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. 1,474 million, a 44 percent increase from the position of Rs. 1,777 million as at the preceding year-end. Increases in provisioning in non-life fund and decreases in life fund 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. 1,102 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 units 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.

	2018	2017
New Units	49	06
Relocation	04	14
Closed down	-	06

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 positively 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.

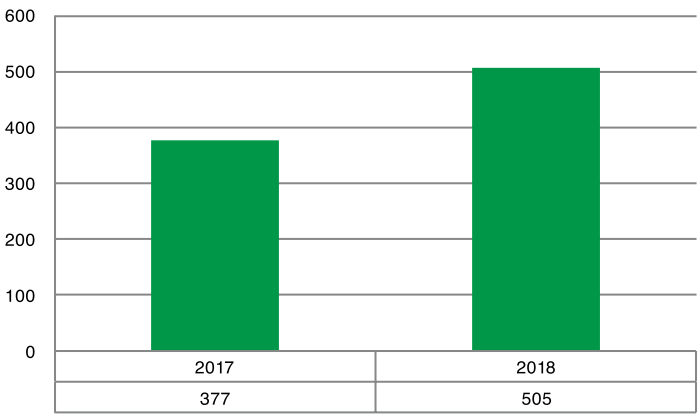
Employee Diversity

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 2018 was 505 .

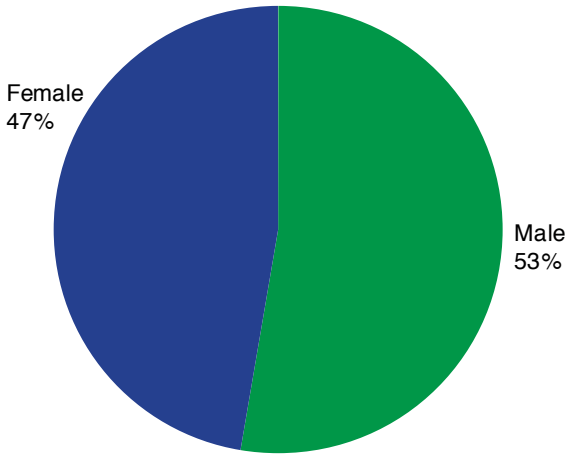
Diversity covers beyond the male/female ratio. We want to be inclusive in our hiring process across race, age, sexual orientation, Physical abilities and personal philosophies. However, we mainly report on gender equality due to differences in measuring diversity.

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

Total Workforce

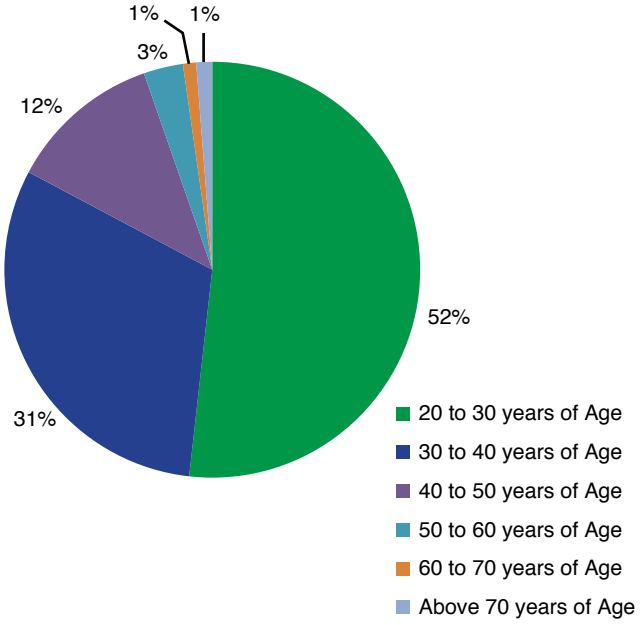


Employes by Gender

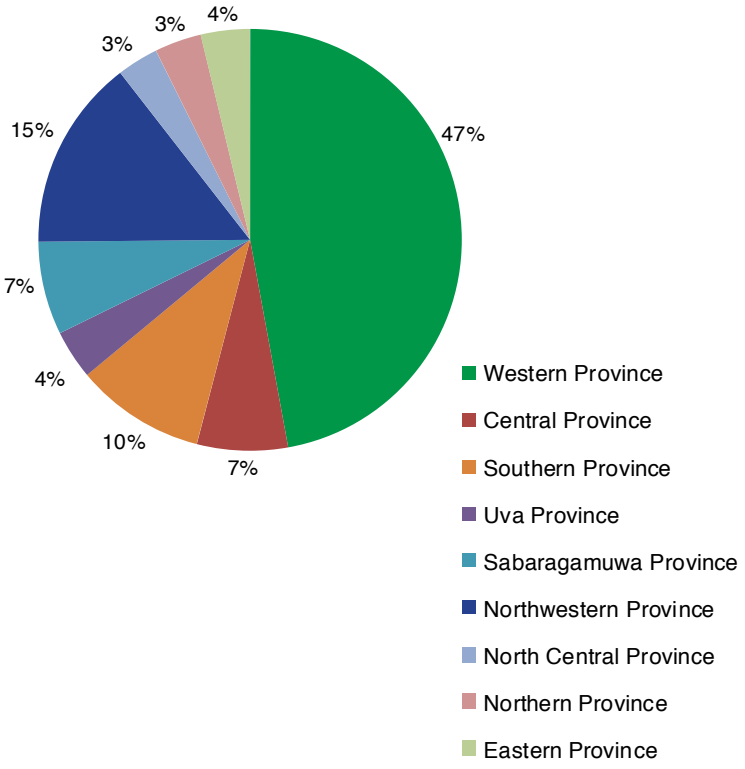


Management Discussion and Analysis

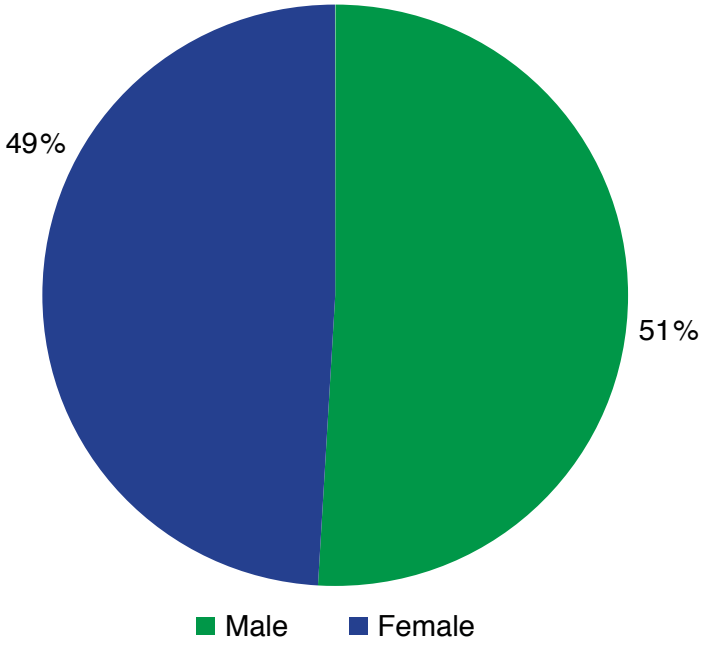
Age Analysis



Employees by Province



Attrition by Gender

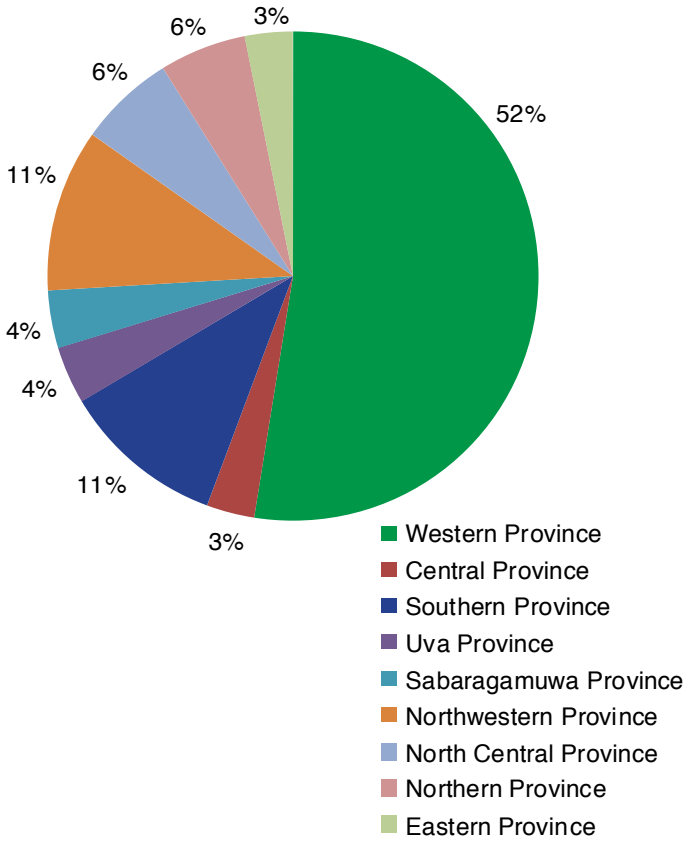


Employee Retention

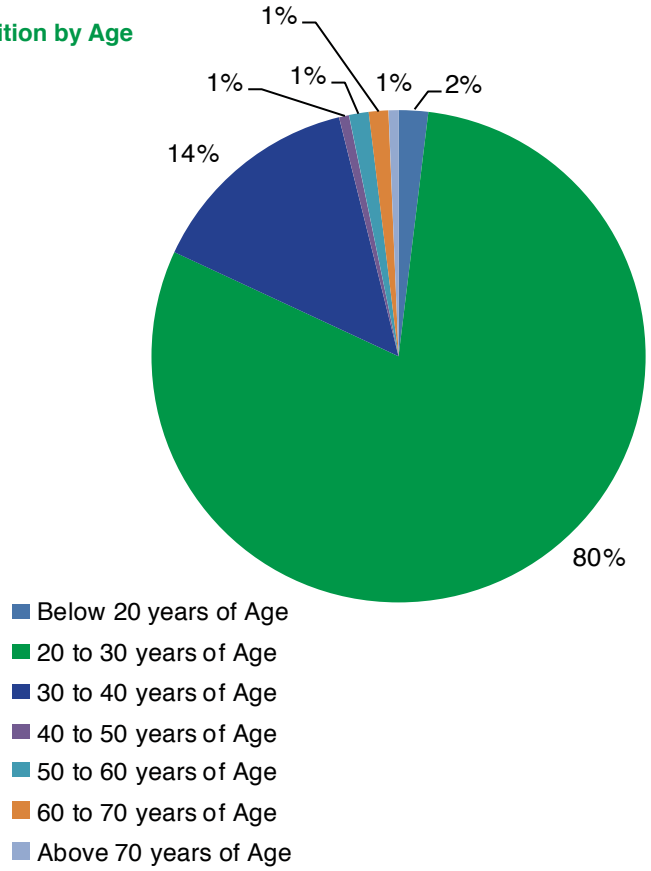
The company continuously monitors its employee retention and, in particular, seeks to address staff attrition in typically high attrition departments through proactive initiatives that engage employees. These include surveys, which enables employees voice their opinion in credibility, caring and fairness.

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

Attrition by Province



Attrition by Age



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.

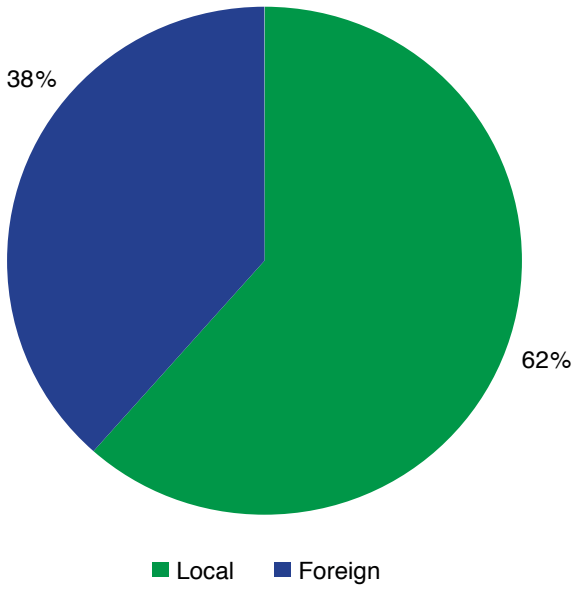
Training and Development

The company invests heavily in 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 2018, we conducted 16 Local Training programs, and 10 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 3.9 million rupees on training and development.

Management Discussion and Analysis

Local & Foreign Training Programs



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. 24.6 million. Employees are also entitled to retirement gratuity.

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

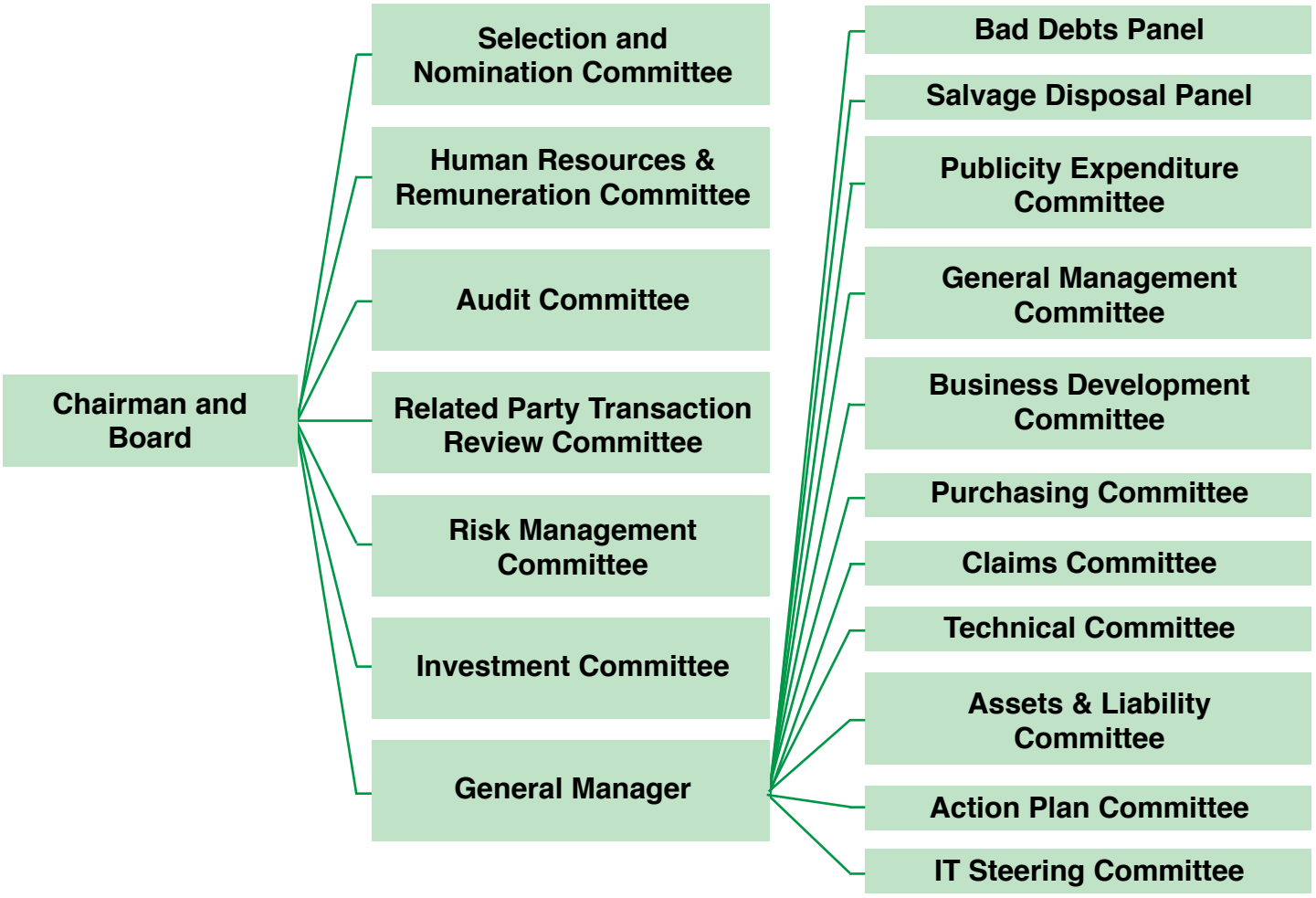
Our field staff members are an integral part of the SSRS family. Currently 90% of the company GWP is contributed by field staff. Hence, we provide them with adequate training and development opportunities and structured sales tools and techniques that enhance their productivity and professionalism. We 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 socio-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.



Corporate Governance

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 10 Directors, possessing a wide range of skills, knowledge and experience. Out of the 10 Directors, 06 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 12 to 14 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.

The retirement age of the Board Directors is 70 years and the Directors can continue in office subject to re-appointment annually under the provisions of Article No. 76(x) of Articles of Association. 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 32 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 2018 are given on page 70 of this Annual Report.

Board Committees

The Board performs its supervisory functions through the Board Audit Committee, Human Resources & Remuneration Committee, Claims Committee, Nomination Committee and Business Development 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 2018.

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 / CEO
	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.
HR & remuneration Committee	
Chairman	Mr. T. Karunasena
Members	Prof. J.M.U.K. Jayasinghe
	Mrs. Damayanthi Wijayananda
Frequency of Meetings	Monthly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager / CEO
	Head of HR

Corporate Governance

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
	Mr. K.K. Weerakkody
	Mr. K.K. Weerakkody
Frequency of Meetings	Quarterly
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager Specified Officer Chief Finance Officer, Actuary
Key Functions	• Ensure that the shareholder and the policyholder assets of the Company are invested appropriately within 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	Mr. K.K. Weerakkody
	Mr. J.V. Nanda Kumara
Frequency of Meetings	As required
Circulation of Agenda	One week in advance
Secretary	Company Secretary
Invitees	General Manager / CEO
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	Mr. T. Karunasena
	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 / CEO
	Specified Officer
	Head of Finance
	Senior Manager IR
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 / CEO
	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

Corporate Governance at SICL

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 10 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 12 to 14 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 2018, 12 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 Management & Development 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. However in the year 2018, the Board did not obtain any independent professional advice.
Dedicate time and efforts to matters of the Board and the Company	Compliant	Board Directors are expected to be present in person at all meetings - General, 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 Directors are encouraged to add value and contribute with independent opinions and judgments to Board deliberations and decisions.

Corporate Governance

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 10 Directors with 05 of them serving as Non-Executive Directors and another 04 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 44 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 05 to 07), the General Manager's Review (pages 08 to 11) and Management Discussion & Analysis (page 24 to 40).
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 of financial reporting and Auditor are reporting responsibility	Compliant	The responsibilities of the Board of Directors are described in the Statement of the Directors' Responsibilities on page 75 of this Annual Report. Statement of the Auditors are set out on page no. 79.
Directors' Report	Compliant	The Directors Report is set out on pages 67 to 74 of this Annual Report.

Corporate Governance

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 2018.
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 two Non-Executive Directors and One Independent Non-Executive Director. The Non-Executive Independent Director is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The Report of the Audit Committee is set out on page 78 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 41 to 50 herein this Annual Report sets out the manner and extent to which the Company is compliant to accept its corporate governance principles.

Corporate and Social Responsibility

Dear Stakeholder,

We at Sanasa Insurance 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 microinsurance 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 wellbeing 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 800 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 100 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.

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.

General Manager
Sanasa Insurance Company Ltd.
06 May 2019

Corporate and Social Responsibility

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.

Please check this table and refine

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

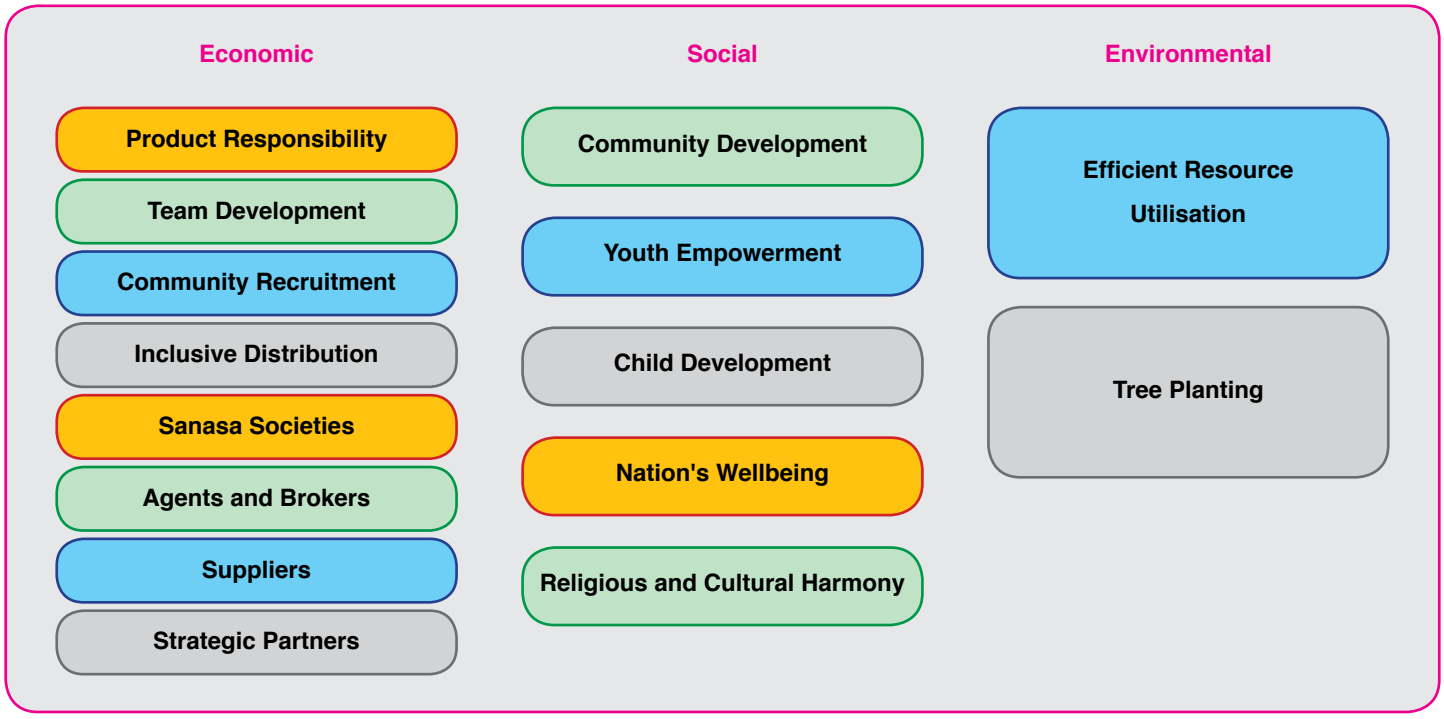
Stakeholder Engagement				
	Method	**Frequency**	**Concerns/Expectations**	**Strategic Response**
Shareholder	• Annual Report • Annual General Meeting • Circulars and letters	• Annually • Bi-Annually	• Profitability and returns • Good governance • Social responsibility	• Inform and engage on key decisions • Strategic planning initiatives to grow shareholder value • Risk management • Good governance practices • Best practices in reporting • Socially responsible programmes/ activities
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	• Monthly Regularly • 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 roadshows to educate communities on financial and risk management • Community based employment
Environment	• Employee volunteerism • Meetings with local government and non-government agencies	• Periodically	• Reducing corporate's carbon footprint	• Biodiversity initiatives • Efficient resource utilisation • Compliance to environmental laws and regulations
Regulator	• Annual Report • Compliance statement • Periodic disclosures	• Annually • Bi-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

Corporate and Social Responsibility

Sustainable Value Creation

Standing at the forefront of microinsurance 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 Impact

Our value creation is underlined by our vast distribution channel; comprehensive product offer; young and dynamic team; collaborations with 800 Sanasa Societies entailing a membership of over 8000 and our strategic ties with our business partners including agents, brokers, reinsurers, 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-arounds.

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 reinsurers 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 505 inclusive of new recruits within the year under review, we are committed to follow best practices in HRmanagement. 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 Rs278 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 24 million. Gratuity provisions stood at Rs.6.6million.

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'. As at the reporting year, our network comprised of 70 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.

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; Flood relief campaign and our annual religious and cultural activities.

Community Recruitment

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'.

We also focused on helping the people affected by severe flood in rural areas. We arranged a flood relief campaign and offered foods and other household items in order to return back to their lives.

Corporate and Social Responsibility

Flood Relief Campaign

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.

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.

Nelum Mal Poojava

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.

Dengue Prevention Campaign

Corporate and Social Responsibility

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 negatives impact of event is known as risk while positive impacts is opportunities. Several standards for risk management were developed in deferent 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 nonfinancial 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 General 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.

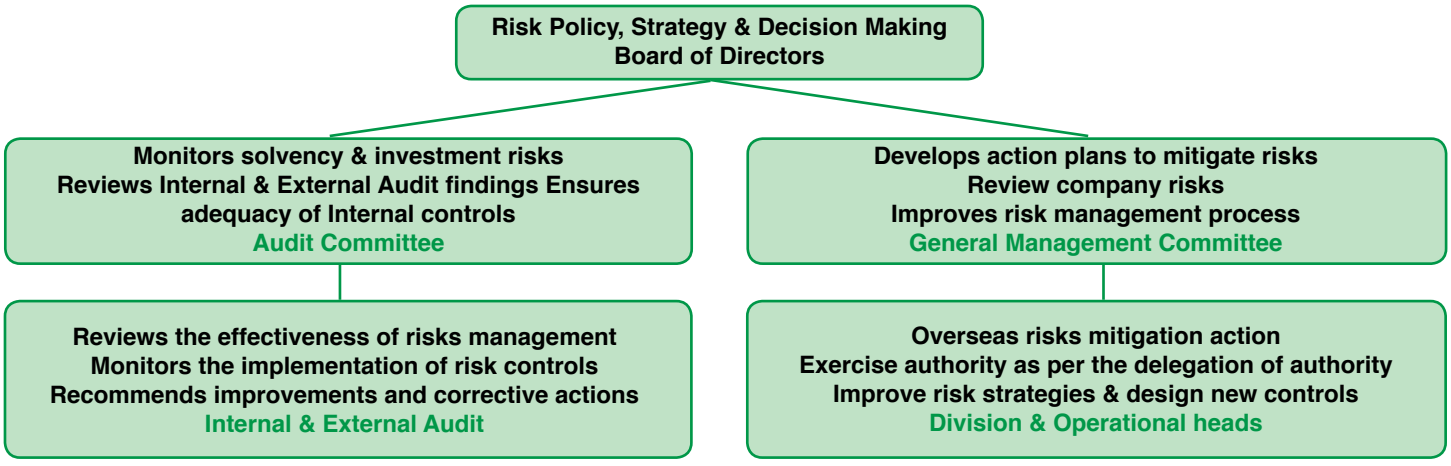
The General Management Committee chaired by the General Manager and comprising the respective departmental heads, identifies potential risks and opportunities therein and sets out an action plan to mitigate and manage these risks essential to the upward progress of the Company. The Audit Committee is 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.

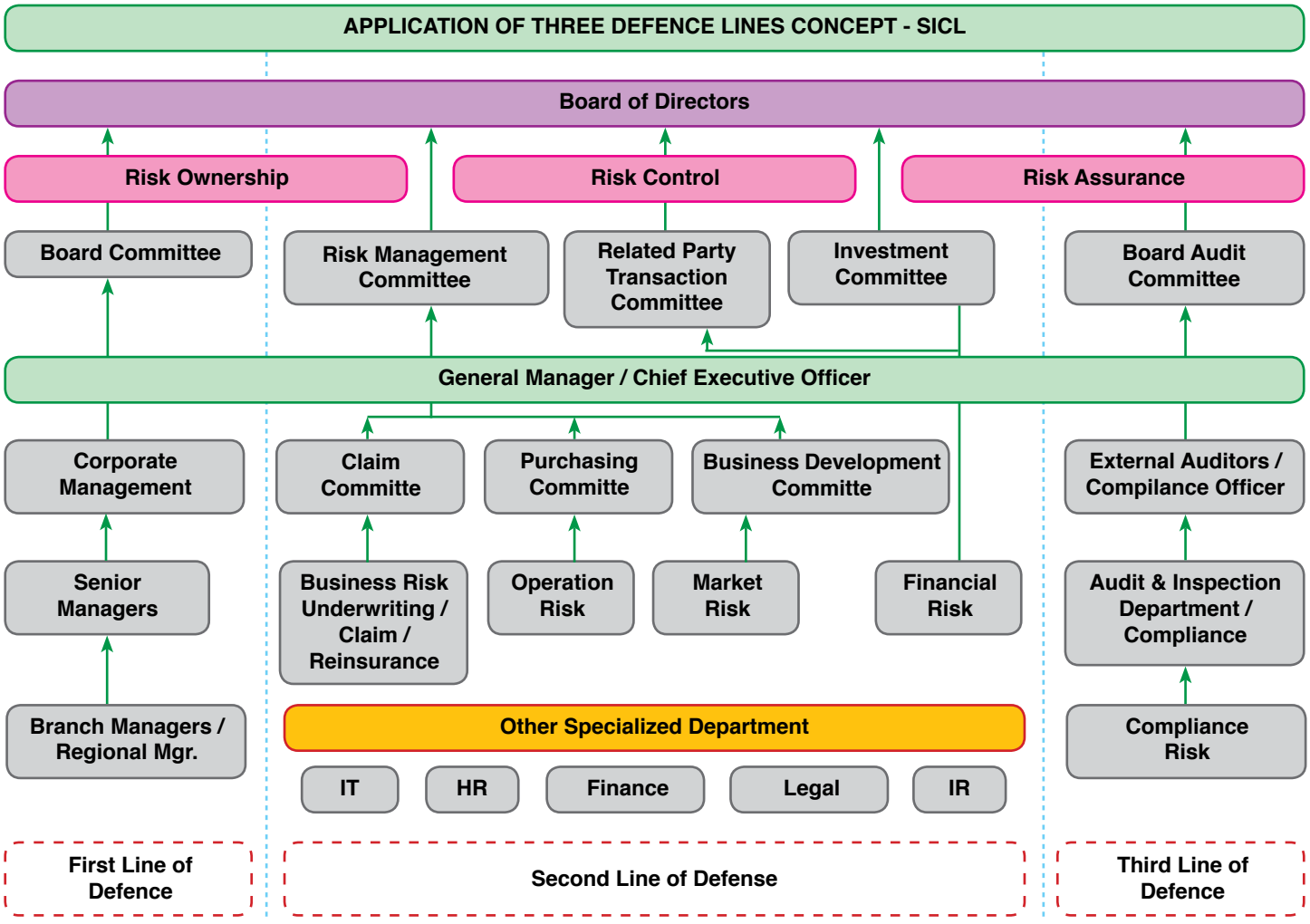


Risk Management

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.



First line of defense
The first line of defence is the primary management responsibility for strategy, performance management, and risk control, which lies with the board, the chief executive officer and the senior management.

Second line of defense
The second line of defense is oversight of the risk framework by the risk committee, CRO, and the risk management functionaries working with their counterparts in other areas.

Third line of defense
The third line of defence is stringent internal audit that ensures the independence and Effectiveness of the group's risk management systems.

Core Risks

Risk Management

	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 reinsurer 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.
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 reinsurers to meet their commitments due to inadequate financial strength.	Very close and professional links are maintained with reinsurers. All policies are issued with proper confirmed reinsurance for risks above treaty limits. Reinsurance is placed with reputed and rated reinsurers 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 and 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 crutinise 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 topline. All risks exceeding the Company's retention levels are reinsured with rated and reputed reinsurers 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.
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.

Risk Management

2.2	Liquidity Risks	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.
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 flexy 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.
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.

Risk Management

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 Checklists 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. Action plans are reviewed on a monthly basis by the General Management Committee. 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.
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 2018.

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. 1268 million (Rs. 1,024 million in 2017). The above GWP is made up of Non -Life and Life Insurance premium income amounting to Rs. 747 million (Rs. 570 million in 2017) and Rs. 521 million (Rs. 454 in 2017) respectively.

Financial Results and Appropriations

	2018 Rs.	2017 Rs.
Profit berore tax	254,293,832	15,312,666
Income tax	(4,235,866)	(3,297,435)
Deferred tax	76,516,726	-
Profit before tax	326,574,692	12,015,232
Unappropriated profit brought forward	(249,045,538)	95,518,270
Funds available for appropriation	77,529,153	107,533,501
Dividends paid	-	93,718,211
Transferred to received	-	218,096,203
Unappropriated profits carried forward	77,529,153	(204,280,914)
Earnings per share (Rs.)	0.74	0.12

Provisions for taxation

Tax Deferred provision for the current year was LKR 102 Mn & Income tax provision was Rs. 5 Mn. Further details are provided under Note No. 14 & 30 of the Financial Statements.

Subsidiary Companies

The impact from the subsidiaries and associates company as at 31st December 2018 is as follows.

	Group (Rs.)	Company (Rs.)
Total Assets	2,587,947,845	2,576,123,882
Profit Before Tax	254,293,830	262,300,008

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 Institute of Chartered Accountants of Sri Lanka (ICASL) 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 Institute of Chartered Accountants of Sri Lanka (ICASL).

Report of the Directors

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 10 Directors who posses wide range of skills, knowledge and experience. Six 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. K.A.S. Damayanthi Wijayananda	Non- Executive Director
Mr. J.N.D. Ananda Wishwakeerthi	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 2018 are given below.

Name	Designation	Sanasa Society/ Institution	Value of Shares as at 31/12/2018
Dr. P.A. Kiriwandeniya	Chairman/Managing Director	All Lanka Mutual Assurance Organization	2,334,767
Mrs. K.A.S. Damayanthi Wijayananda	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	717,500
Mr. J.N.D. Ananda Wishwakeerthi	Director	Sanasa Federation	9,012,027

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 Rescores & Remuneration Committee
3. Risk Management Committee
4. Investment Committee
5. Related Party and Transaction 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.

Report of the Directors

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	12	11	-	-	-	-	-	-	-	-	-	-	02	02
2.	Dr. T. Senthilverl	12	09	-	-	-	-	-	-	04	03	-	-	-	-
3.	Mr. K.K. Weerakkody	12	12	13	13	04	04	-	-	04	04	-	-	-	-
4.	Mr. J.V. Nanda Kumara	12	12	-	-	-	-	-	-	-	-	04	04	02	02
5.	Mrs. K.A.S. Damayanthi Wijayananda	07	07	-	-	-	-	06	06	-	-	-	-	-	-
6.	Mr. J.N.D. Ananda Wishwakeerthi	07	06	-	-	-	-	-	-	-	-	-	-	-	-
7.	Mr. S.M.T.H. Subasinghe	12	08	13	13	04	04	-	-	04	02	04	04	-	-
8.	Prof. J.M.U.K. Jayasinghe	12	10	-	-	-	-	12	11	-	-	04	04	02	02
9.	Mr. T. Karunasena	12	12	-	-	-	-	12	12	04	04	02	02	-	-
10.	Dr. H.J.S.K. Wickremarathne	12	11	13	12	04	04	-	-	-	-	-	-	-	-

A - Number of Meetings Held during the Period of the Director held office in the Year 2018.
B - Number of Meetings attended.

Directors Changes during the year
Mrs. S. N. Sanjeevanie has retired from the board with effect from 25/06/2018.

During the year under review Mrs. K.A.S. Damayanthi Wijayananda and Mr. J.N.D. Ananda Wishwakeerthi were appointed to the board by representing Forum on Development (Sanwardana Sansadaya) & Sanasa Federation respectively.

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 including in the Notice of Meeting.

Share Capital and Share Holding
The number of shares of the company as at 31st December 2018 was 104,468,406 and there were 761 shareholders. The analysis of share holders is given in the schedule below.

	As at 31st Dec. 2018		As at 31st Dec. 2017	
Institute	**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	9,012,027
All Lanka Mutual Assurance Organization	1	2,334,767	1	2,464,767
NTUC Income Insurance Cooperative Limited	1	2,625,000	1	2,625,000
Forum on Development (Sanwardana Sansadaya)	1	2,388,500	1	2,388,500
Sanasa Primary Societies/ Secondary Societies/ District Unions	549	55,858,131	545	55,028,111
Individuals & other Company's	208	32,249,981	207	32,942,537
Total	761	104,468,406	756	104,460,942

Report of the Directors

20 Major Share Holders as at 31st December 2018.
Details of the 20 Major shareholders of the company and the percentages held by them are disclosed below.

		As at 31/12/2018		As at 31/12/2017	
		No of Shares	percentage	No of Shares	percentage
1.	Dr. T. Senthilverl	20,000,000	19.14%	20,000,000	19.15%
2.	Federation of Thrift & Credit Cooperative Societies Limited in Sri Lanka (Sanasa Federation)	9,012,027	8.63%	9,012,027	8.63%
3.	Nikawaratiya Thrift & Credit Co-Operative Societies Union Ltd.	8,739,383	8.37%	8,739,383	8.37%
4.	Sanasa Development Bank PLC	7,590,496	7.27%	7,590,496	7.27%
5.	Kuliyapitiya Thrift & Credit Co-Operative Societies District Union Ltd.	7,069,300	6.77%	7,069,300	6.77%
6.	NTUC Income Insurance Cooperative Limited	2,625,000	2.51%	2,625,000	2.51%
7.	Forum on Development (Sanwardana Sansadaya)	2,388,500	2.29%	2,388,500	2.29%
8.	All Lanka Mutual Assurance Organization	2,334,767	2.23%	2,464,767	2.36%
9.	Polgahawela Thrift & Credit Co-Operative Societies Union Ltd.	2,131,450	2.04%	2,131,450	2.04%
10.	Undurugoda Thrift & Credit Co-Operative Society Ltd	1,714,570	1.64%	1,714,570	1.64%
11.	Athurugiriya South Thrift & Credit Co-Operative Society Ltd	1,605,000	1.54%	1,605,000	1.54%
12.	Hambanthota District Thrift & Credit Co-Operative Societies Union Ltd.	1,367,500	1.31%	1,367,500	1.31%
13.	Small & Medium Wealth Management Ltd	1,065,495	1.02%	1,265,495	1.21%
14.	Herathgama Thrift & Credit Co-Operative Society Ltd	1,060,375	1.02%	1,060,375	1.02%
15.	Health Services Saving Credit Co-Operative Society Ltd	1,000,000	0.96%	1,000,000	0.96%
16.	Rajya Sewa Credit Co-Operative Society Ltd	1,000,000	0.96%	1,000,000	0.96%
17.	Bodhirajapura Thrift & Credit Co-Operative Society Ltd	750,000	0.72%	750,000	0.72%
18.	Midigama Prajawaruna Thrift & Credit Co-Operative Society Ltd	717,500	0.69%	712,500	0.68%
19.	Kandepola Thrift & Credit Co-Operative Society Un Ltd	660,000	0.63%	410,000	0.39%
20.	Gampaha Development Company (Pvt) Ltd	658,000	0.63%	3,000,000	2.87%

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. 29 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 2018.

Name	Classes of Shares	No. of Shares (As at 31.12.2018)
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. 116.8 Million (Rs. 65.6 Million in 2017) 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. 1.3 Million (Rs. 3.6 Million in 2017).

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, 2019. A resolution relating to their reappointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Report of the Directors

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

	2018 LKR	2017 LKR
Audit fees & expenses	2,050,000/-	3,022,200/-
Audit Related fees & expenses	395,000/-	366,850/-
Total	2,689,500/-	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 34 to the Financial Statements.

Annual General Meeting
The Sixteenth Annual General Meeting of the company will be held at Sri Lanka Foundation, No.100, Sri Lanka Foundation Mawatha, Independence Square, Colombo 7 at 09.00 am on the 13th day of June 2019.

By Order of the Board,

Prasadika Senadheera
Company Secretary

07th May, 2019.

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 2018.

The company's financial statements for the year ended 31st December 2018 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

07th May, 2019.

IBNR & IBNER Report

24 April 2019

Seemasahitha Sanasa Rakshana Samagama 31 December 2018 Net IBNR and LAT Certification

I hereby certify that the discounted 75% confidence level IBNR provision of LKR 39,541,390 is adequate in relation to the Claim Liability of Seemasahitha Sanasa Rakshana Samagama as at 31 December 2018, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 75th percentile to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2018, 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 LKR 303,575,400 set by the Company, net of reinsurance, is adequate at a 50th percentile in relation to the unexpired risks of Seemasahitha Sanasa Rakshana Samagama as at 31 December 2018, 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.

Sivaraman Kumar
Fellow of the Institute and Faculty of Actuaries (FIA)

For and on behalf of NMG Consulting
Dated 24 April 2019

T: +65 6325 9855 F: +65 6325 4700 E: contact@NMG-Group.com
www.NMG-Group.com
30 Hill Street, #03-02A, Singapore 179360

Life Actuarial Report

Bic Ideas

To the shareholders of Seemasahitha Sanasa Rakshana Samagama,

ACTUARIAL VALUATION OF THE LONG-TERM INSURANCE BUSINESS AS AT 31 DECEMBER 2018

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

I, J.S.A. Plugge, 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 2018.

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 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 2018 for all liabilities in respect of the long-term insurance business of the company.

6. The total long-term insurance liabilities and provisions on non-participating and universal life business is LKR 846.2 Million. The value of assets allocated to the non-participating portfolio is LKR 1,037.6 Million. Therefore, there is a surplus of LKR 191.4 Million in the non-participating and universal life portfolio as of 31 December 2018. It is decided to transfer the full surplus to the shareholders fund, therefore there will be no surplus carried forward in the non-participating and universal life fund.

7. The total long-term insurance provisions on participating business is LKR 83.1 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 1.441 million to participating policyholders as at 31 December 2018 through a simple reversionary bonus.

9. A transfer of LKR 160,089 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 LKR 205% and Total Available Capital is at LKR 577.3 million.

11. The provisions held in the long-term insurance fund as per the audited accounts as of 31 December 2018 are sufficient to cover the actuarial liability developed in the valuation.

Drs J.S.A. Plugge
Fellow of Dutch Actuarial Society ("Actuarieel Genootschap") i Dutch C'

02 May 2019

B.I.C Ideas (private) Ltd, registration number PV00202235,172,Hulfdrop Street, Colombo 12

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.

During the year Audit Committee comprises of the following non executive Directors

- Mr. S.M.T.H. Subasinghe (Chairman)
- Mr. Keerthi Kumara Weerakkody
- 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, 2018 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 2019, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Independent Auditors' Report

EY
Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEEMASAHITHA SANASA RAKSHANA SAMAGAMA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Seemasahitha Sanasa Rakshana Samagama ("the Company"), and the consolidated financial statements of the company and its subsidiary ("Group"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the companying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation,

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of insurance Industry Act, No.43 of 2000, as far as appears from our examination, 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.

As further discussed in Note 3.2.2 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 2018, issued by the Insurance Regulatory Commission of Sri Lanka.

08 May 2019
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of the Financial Position

As at 31 December

	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Assets					
Intangible Assets	(5)	23,437,127	26,433,716	23,437,127	26,433,716
Property, Plant and Equipment	(6)	116,859,341	65,660,536	116,859,341	65,660,536
Investment Property	(7)	78,500,000	72,000,000	78,500,000	72,000,000
Financial Assets	(8)	1,698,998,408	1,907,143,339	1,698,998,408	1,907,143,339
Investment in Subsidiaries /Associates	(9)	92,134,099	84,053,354	103,969,420	103,969,420
Reinsurance Receivables	(10)	69,782,193	68,521,137	69,782,193	68,521,137
Premiums Receivable	(11)	139,583,744	103,909,492	139,583,744	103,909,492
Loans to Life Policy Holders	(12)	28,193,870	43,556,038	28,193,870	43,556,038
Other Assets	(13)	146,928,284	121,407,309	146,928,284	121,407,022
Deferred Tax Assets	(14)	76,516,726	-	76,516,726	-
Cash and Cash Equivalents	(15)	105,190,091	49,084,515	105,178,733	48,984,331
Total Assets		**2,576,123,882**	**2,541,769,435**	**2,587,947,845**	**2,561,585,029**
Shareholders' Equity And Liabilities					
Shareholders' Equity					
Stated Capital	(16)	1,044,684,060	1,044,609,420	1,044,684,060	1,044,609,420
Other Reserves		(3,596,569)	(6,119,030)	(3,596,569)	(6,119,030)
Retained Earnings		60,788,174	(277,925,069)	77,529,153	(249,045,539)
Total Shareholders' Equity		1,101,875,665	760,565,321	1,118,616,644	789,444,851
Non- Controlling Interest		(336,972)	3,795,402	-	-
Total Equities		**1,101,538,693**	**764,360,723**	**1,118,616,644**	**789,444,851**
Liabilities					
Insurance Provision - Life Fund	(17)	935,081,886	1,271,381,240	935,081,886	1,271,381,240
Insurance Provision - Non Life	(18)	334,280,507	240,357,320	334,280,507	240,357,320
Retirement Benefits Obligation	(19)	38,656,383	36,491,849	38,656,383	36,491,849
Reinsurance Payable	(20)	22,792,387	64,222,832	22,792,387	64,222,832
Other Liabilities	(21)	139,517,527	121,722,099	134,263,539	116,453,564
Bank Overdrafts	(22)	4,256,499	43,233,372	4,256,499	43,233,372
Total Liabilities		**1,474,585,189**	**1,777,408,712**	**1,469,331,201**	**1,772,140,178**
Total Equity and Liabilities		**2,576,123,882**	**2,541,769,435**	**2,587,947,845**	**2,561,585,029**

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

Head of Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by.

Directors	**Name**	**Signature**
	Dr. P.A. Kiriwandeniya	
	Keerthi Kumara Weerakkodi	

Date of approval by the Board : 07th May 2019.
The Notes to the Financial Statements in pages 88 to 127 form an integral part of these Financial Statements.

Colombo

Statement of Comprehensive Income

Year Ended 31 December

	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Gross written premium	(23)	1,267,858,499	1,023,565,008	1,267,858,499	1,023,565,008
Less: premium ceded to reinsurers		(96,551,136)	(149,105,853)	(96,551,136)	(149,105,853)
Net written premium		**1,171,307,363**	**874,459,155**	**1,171,307,363**	**874,459,155**
Net change in reserve for unearned premium		(94,307,958)	(74,062,041)	(94,307,958)	(74,062,041)
Net earned premium		**1,076,999,405**	**800,397,114**	**1,076,999,405**	**800,397,114**
Share of profit from Associates/Subsidiaries		8,006,179	9,979,118	-	-
		1,085,005,584	810,376,232	1,076,999,405	800,397,114
Other Revenue					
Investment Income	(24)	186,957,572	208,740,071	186,957,572	208,740,071
Other Income	(24)	109,091,638	82,099,331	109,091,638	82,099,331
Total Other Revenue		**296,049,210**	**290,839,402**	**296,049,210**	**290,839,402**
Net Income		**1,381,054,794**	**1,101,215,634**	**1,373,048,615**	**1,091,236,516**
Net Benefits,Claims and expenses					
Insurance claims and benefits (net)	(25)	637,353,497	450,593,651	637,353,497	450,593,651
Increase in Long Term Life Fund		(336,299,354)	97,317,810	(336,299,354)	97,317,810
"Underwriting and net acquisition costs/income (including reinsurance)"	(26)	100,267,565	45,768,443	100,267,565	45,768,443
Other Operating & Administrative Expenses	(27)	648,383,369	475,813,248	648,383,369	475,813,248
Finance Cost	(28)	69,049,709	6,431,134	69,049,709	6,430,698
Total benefits, losses and Other expenses		**1,118,754,785**	**1,075,924,286**	**1,118,754,785**	**1,075,923,850**
Profit/(loss) before taxation	(29)	**262,300,008**	**25,291,348**	**254,293,830**	**15,312,666**
Taxation	(30)	72,280,860	(3,297,435)	72,280,860	(3,297,435)
Profit after taxation		**334,580,868**	**21,993,913**	**326,574,690**	**12,015,232**
Other Comprehensive Income,Net of related tax iteam that will never be reclassified to profit & loss					
Acturial Gain/(lossess) on defined benefit Plans		2,522,461	(2,217,177)	2,522,461	(2,217,177)
Total Other Comprehensive Income for the year		2,522,461	(2,217,177)	2,522,461	(2,217,177)
Total Comprehensive Income for the year		**337,103,329**	**19,776,737**	**329,097,150**	**9,798,056**
Profit attributable to					
Equity holders of the parent		334,583,091	21,993,952	326,574,690	12,015,232
Non-controlling interest		(2,222)	(39)	-	-
		334,580,868	**21,993,913**	**326,574,690**	**12,015,232**
Total comprehensive Income attributable to					
Equity holders of the parent		337,105,551	19,776,776	329,097,150	9,798,056
Non-controlling interest		(2,222)	(39)	-	-
		337,103,329	**19,776,737**	**329,097,150**	**9,798,056**
Earnings Per Share (EPS)	(31)	**3.20**	**0.21**	**3.13**	**0.12**

The Notes to the Financial Statements in pages 88 to 127 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year Ended 31 December

Group

Description	Ordinary Shares Rs.	Accumilated Profit Rs.	Other Reserves: Revaluation Gain/Loss Rs.	Other Reserves: Employee Benefits Rs.	Non Controlling Interest Rs.	Total Equity Rs.
Balance as at 1st January 2017	**1,042,845,860**	**56,472,347**	**4,060,069**	**(7,961,921)**	**3,795,441**	**1,099,211,794**
Shares Issued	1,763,560					1,763,560
Dividends paid during the year		(93,718,211)				(93,718,211)
Net change in Employee Benefits				(2,217,177)		(2,217,177)
Transferred to Title Insurance Fund		(674,220)				(674,220)
Sale of subsidiary		187,710				187,710
Transfer to Life Fund		(262,186,610)				(262,186,610)
Profit for the Year		21,993,913			(39)	21,993,874
Balance as at 31st December 2017	**1,044,609,420**	**(277,925,069)**	**4,060,069**	**(10,179,098)**	**3,795,402**	**764,360,723**
Shares Issued	74,640					74,640
Net change in Employee Benefits				2,522,461		2,522,461
Change in controling interest		4,130,152			(4,130,152)	-
Profit for the Year		334,583,091			(2,222)	334,580,868
Balance as at 31st December 2018	**1,044,684,060**	**60,788,174**	**4,060,069**	**(7,656,637)**	**(336,972)**	**1,101,538,692**

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 88 to 127 form an integral part of these Financial Statements.

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 1st January 2017	**1,042,845,860**	**(68,937,789)**	**164,456,059**	**4,060,068**	**(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)
Net change in Employee Benefits	-	-	-	-	(2,217,177)	(2,217,177)
Transferred to Title Insurance Fund	-	(674,220)		-	-	(674,220)
Deficit of life fund			(262,186,610)			(262,186,610)
Profit/(Loss) for the Year	-	12,015,232	-	-	-	12,015,232
Balance as at 31st December 2017	**1,044,609,420**	**(57,596,777)**	**(191,448,762)**	**4,060,068**	**(10,179,098)**	**789,444,851**
Shares Issued	74,640	-	-	-	-	74,640
Net change in Employee Benefits	-	-	-	-	2,522,461	2,522,461
Profit/(Loss) for the Year	-	27,213,758	299,360,933	-	-	326,574,691
Balance as at 31st December 2018	**1,044,684,060**	**(30,383,019)**	**107,912,171**	**4,060,068**	**(7,656,637)**	**1,118,616,644**

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 88 to 127 form an integral part of these Financial Statements.

Cash Flow Statement

Year Ended 31 December

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cash Flows from Operating Activities				
Premium Received from Customers	1,232,184,247	964,088,752	1,232,184,247	964,088,752
Reinsurance Premium Paid	(133,714,861)	(136,176,669)	(133,714,861)	(136,176,669)
Claims Paid	(720,187,137)	(523,704,868)	(720,187,137)	(523,704,868)
Reinsurance Receipts in respect of Claims	95,939,034	136,773,103	95,939,034	136,773,103
Cash Paid to and on behalf of Employees	(270,951,735)	(233,801,652)	(270,951,735)	(233,801,652)
Investment income Received	161,265,156	180,829,538	161,265,156	180,829,102
Other operating income	95,640,629	70,099,331	95,640,629	70,099,331
Other Operating Cash Payments	(444,925,020)	(304,751,115)	(444,836,194)	(303,950,381)
Cash inflow Generated from Operating Activities	**15,250,313**	**153,356,419**	**15,339,139**	**154,156,717**
Income Tax Paid	-	-	-	-
Net Cash Generated From Operating Activities of Subsidiaries	-		-	-
Net Cash Generated From Operating Activities (A)	**15,250,313**	**153,356,419**	**15,339,139**	**154,156,717**
Cash Flow from Investing Activities				
Purchase of Liquid Investments	152,700,712	(75,918,130)	152,700,712	(75,918,130)
Purchase of Intangible Assets	(1,356,040)	(3,682,667)	(1,356,040)	(3,682,667)
Purchase of Tangible Assets	(85,937,177)	(18,922,480)	(85,937,177)	(18,922,480)
Proceed from Disposal	14,350,000	-	14,350,000	-
Net Cash used in Investing Activities	**79,757,495**	**(98,523,278)**	**79,757,495**	**(98,523,278)**
Cash Flows from Financing Activities				
Dividends Paid	-	(93,718,211)	-	(93,718,211)
Proceeds from Share Issue	74,640	1,763,560	74,640	1,763,560
Net Cash Generated from Financing Activities	74,640	(91,954,651)	74,640	(91,954,651)
Net Increase in Cash and Cash Equivalents (B)	**95,082,448**	**(37,121,510)**	**95,171,274**	**(36,321,212)**
Net Cash and Cash Equivalents at the beginning of the Year	5,851,143	42,972,653	5,750,959	42,072,171
Net Cash and Cash Equivalents at the end of the Year	100,933,591	5,851,143	100,922,235	5,750,959
Net Increase in Cash and Cash Equivalents (B)	**95,082,448**	**(37,121,510)**	**95,171,274**	**(36,321,212)**

The Notes to the Financial Statements in pages 88 to 127 form an integral part of these Financial Statements.

Year Ended 31 December

Reconciliation of Profit Before Tax with Cash Flow from Operating Activities

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Profit / (Loss) before Taxation	262,300,008	25,291,348	254,293,831	15,312,666
Depreciation Charges	29,666,562	20,077,799	29,666,562	20,077,799
Amortization of Intangible Assets	4,352,627	4,132,704	4,352,627	4,132,704
Unrealized Market value movement	62,154,935	969,846	62,154,935	969,846
Gain on Disposal of Motor Vehicle	(9,278,192)	-	(9,278,192)	-
Provision for Retiring Gratuity	6,634,119	(9,735,126)	6,634,119	(9,735,126)
Gratuity Payments	(1,947,123)	(1,266,739)	(1,947,123)	(1,266,739)
Revaluation gain	(6,500,000)	16,000,000	(6,500,000)	16,000,000
(Increase)/Decrease in Receivables	(42,541,328)	(107,218,455)	(42,541,328)	(107,218,455)
Increase in Long Term Insurance Fund	(342,118,240)	97,317,810	(342,118,240)	97,317,810
Increase / Decrease in Unearned Premium	53,649,428	74,062,042	53,649,428	74,062,042
Decrease/(Increase) in Deferred acquisition costs	19,858,166	(10,366,010)	19,858,166	(10,366,010)
Increase/(Decrease) in Claim payables	6,212,444	(3,538,482)	6,212,444	(3,538,482)
Increase /(Decrease) in Payables	(27,193,095)	47,629,684	(19,098,090)	58,408,664
Net Cash Generated From Operating Activities (A)	**15,250,313**	**153,356,419**	**15,339,139**	**154,156,717**

The Notes to the Financial Statements in pages 88 to 127 form an integral part of these Financial Statements.

Notes to the Consolidated 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 Responsibility for Financial Statements

The Board of Directors is responsible for these 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.

1.4 Date of authorization for issue

The Financial Statements for the year ended 31 December 2018, were authorized for issue by the Board of Directors on 07 May 2019.

1.5 Number of Employees

The staff strength of the Company as at 31 December 2018 is 505 (2017: 377)

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs & 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.

2.2 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:

- 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.

2.3 Functional and Presentation Currency

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

2.4 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.

2.5 Cash Flow Statement

The Cash Flow Statement has been prepared using the direct method of preparing cash flows in accordance with the Sri Lanka Accounting 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 Judgements, Estimates And Assumptions

3.1 Use of Estimates and Judgments

The preparation of the financial statements in conformity with SLFRSs/LKASs requires management to make judgments,

Year Ended 31 December

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:

3.2.1 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.

3.2.2 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 2018, Company has not met the minimum capital requirement of LKR. 500Mn in the General Insurance Segment.

The regulatory compliances as of 31 December 2018 are as follows

Total Available Capital (TAC)	LKR. 119,535,120
Risk Based Capital Adequacy Ratio (CAR)	80%

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

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 approved by Insurance Regulatory Commission of Sri Lanka by a letter dated 28th February 2019.

The regulatory compliances after segregation of the business with additional investment of LKR. 190 Mn are as follows;

Company	Stated Capital LKR ('000)	Total Available Capital (TAC) LKR ('000)	Risk Based Capital Adequacy Ratio (CAR)
SSRS	1,044,979	599,364	171%
SGIC	503,624	512,251	375%

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 2018 was carried out by the B.I.C. Ideas (Private) Limited.

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, but not yet reported, at the reporting date (IBNR/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

Notes to the Consolidated Financial Statements

Year Ended 31 December

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.

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 20.1.

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 judgment 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 15

3.8 Notional Tax Credit

As per the transitional provision for new Inland Revenue act, brought forward notional tax credits has to be set off against income tax liability within three consecutive years of assessment from the year of assessment 2018/19.

The Company assessed the recoverability of notional tax credits in its Statement of Financial position as at 31st December 2018 by assessing if it can be utilized against future income tax liabilities. Company carried out an assessment of its taxable profits in future according to the new Inland Revenue Act, No. 24 of 2017

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 retranslated 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 retranslated in to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation 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 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.

4.3.2 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.

4.3.2.1 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, persistency, 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.

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.

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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.

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 assets, 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.

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 labor, 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

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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

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.

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

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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.

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 amortized 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)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts are deferred and amortized over the periods in which the related revenue are earned. All other acquisition costs are recognized 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.

In line with the available regulatory guidelines from the insurance regulatory commission of sri lanka, 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, 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 recognized 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 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.

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 farmers 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 derecognized 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.

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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 recognized 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.

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 recognized 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 recognized 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 recognized as an expense on the earlier of the date when

premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurers. 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.

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 recognized when the related gross insurance claim is recognized 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 amortized 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 Appointed Actuary following his annual investigation of the Life Insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the 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.

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Year Ended 31 December

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.

4.27 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 Standard (LKAS) 7, Cash Flow Statements. Cash and Cash Equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. The Cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks. For cash flow purposes, Cash and Cash Equivalents are presented net of bank overdrafts.

5. New Accounting Standards issued but not Effective as at the Reporting Date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on future Financial Statements which is summarised as below.

5.1 SLFRS 9 - Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 - Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,

- Classification and measurement,
- Impairment,
- Hedge Accounting

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Temporary exemption from SLFRS 9

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 1 January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2022.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

(a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value Through Profit or Loss and;

(b) its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date.

Having considering the above criteria, Since Seemasahitha Sanasa Rakshana Samagaam are predominantly connected with Insurance activities, company may continue to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1 January 2022.

Summary of the Requirements

- **Classification and Measurement**

Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 contains three principal classification categories for financial assets measured at:

- Amortised Cost,
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

At 31 December 2018, the Company had equity investments classified as Available For Sale with a fair value of Rs.5.6 Million that are held for long-term strategic purposes. Under SLFRS 9, the Company will reclassify these investments as measured at FVTPL. Consequently, all fair value gains and losses on disposal will be reported in Profit or Loss.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in Profit or Loss.

The Company has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

Notes to the Consolidated Financial Statements

Year Ended 31 December

12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

With the consultation of external consultants the Company is in the process of formulating the relevant models for impairment computation.

5.2 SLFRS 16 - Leases

Summary of the Requirements

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (SIC)-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

Early adoption is permitted for entities that apply SLFRS 15 at or before the date of initial application of SLFRS 16.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right- of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The Company is in the process of assessing the potential impact on its Financial Statements with the consultation of external actuary.

5. Intangible Assets

Computer Software	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cost				
Balance as at 01st January	60,694,881	57,012,214	60,694,881	57,012,214
Acquisition /Capitalized during the year	1,356,040	3,682,667	1,356,040	3,682,667
Balance as at 31st December	**62,050,921**	**60,694,881**	**62,050,921**	**60,694,881**
Amortization and Impairment Losses				
Balance as at 01st January	34,261,165	30,128,462	34,261,165	30,128,462
Amortization for the year	4,352,629	4,132,703	4,352,629	4,132,703
Balance as at 31st December	**38,613,794**	**34,261,165**	**38,613,794**	**34,261,165**
Net carrying value	**23,437,127**	**26,433,716**	**23,437,127**	**26,433,716**

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.1.3 Million. Cash payments amounting to Rs. 1.3 Million (2017 - Rs. 3.6 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 31st December 2018. 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.

Notes to the Consolidated Financial Statements

Year Ended 31 December

6. Property, Plant & Equipment - Group

	Furniture & Fittings	Computer & Printers	Office Equipment	Other Computer Equip-ment	Electrical Equipment	Motor Vehicles	Working in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Revalued								
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
Capitalized during the periods	-	-	-	-	-	-	(4,401,769)	(4,401,769)
Disposal during the year	-	-	-	-	-	(11,000,000)	-	(11,000,000)
As at 31st December, 2017	**18,602,969**	**29,133,708**	**139,679**	**2,475,501**	**16,851,079**	**50,349,871**	**2,491,475**	**120,044,280**
As at 1st January, 2018	18,602,968	29,133,708	139,679	2,475,501	16,851,078	50,349,871	2,491,475	120,044,280
Additions during the year	23,845,409	24,924,240	207,703	903,970	10,672,992	25,143,500	239,363	85,697,815
Disposal during the year	-	-	-	-	-	(15,725,000)	(350,000)	(15,725,000)
As at 31st December, 2018	**42,448,377**	**54,057,948**	**347,382**	**3,379,471**	**27,524,070**	**59,768,371**	**2,380,838**	**190,017,095**
Depreciation								
As at 1st January, 2017	3,131,638	9,490,451	13,625	376,504	1,665,642	22,561,416	-	37,239,278
Additions during the year	1,749,410	6,540,230	29,479	276,717	1,461,083	10,204,216	-	20,261,133
Disposal during the year	-	-	-	-	-	(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**
As at 1st January, 2018	4,881,048	16,030,681	43,104	653,221	3,126,725	29,648,965	-	54,383,744
Charges for the year	2,986,764	10,436,144	107,729	444,239	2,288,916	13,402,772	-	29,666,565
Disposal during the year						(11,003,192)	-	(11,003,192)
As at 31st December, 2018	**7,867,812**	**26,466,825**	**150,833**	**1,097,460**	**5,415,641**	**32,048,545**	**-**	**73,047,117**
Total Carrying Amounts								
As at 31st December, 2018	**34,580,565**	**27,591,123**	**196,549**	**2,282,011**	**22,108,429**	**27,719,826**	**2,380,838**	**116,859,341**
As at 31st December, 2017	**13,721,920**	**13,103,027**	**96,575**	**1,822,280**	**13,724,354**	**20,700,906**	**2,491,475**	**65,660,536**

6. Property, Plant & Equipment - Company

	Furniture & Fittings	Computer & Printers	Office Equipment	Other Computer Equipment	Electrical Equipment	Motor Vehicles	Working in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost /Revalued								
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
Capitalized during the periods	-	-	-	-	-	-	(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**	**120,044,280**
As at 1st January, 2018	18,602,968	29,133,708	139,679	2,475,501	16,851,078	50,349,871	2,491,475	120,044,280
Additions during the year	23,845,409	24,924,240	207,703	903,970	10,672,992	25,143,500	239,363	85,697,815
Disposal during the year	-	-	-	-	-	(15,725,000)	(350,000)	(16,075,000)
As at 31st December, 2018	**42,448,376**	**54,057,947**	**347,381**	**3,379,470**	**27,524,070**	**59,768,370**	**2,380,838**	**190,017,094**
Depreciation								
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
Disposals during the year	-	-	-	-	-	(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**
As at 1st January, 2018	4,881,048	16,030,681	43,104	653,221	3,126,725	29,648,966		54,383,745
Charges for the year	2,986,764	10,436,144	107,729	444,239	2,288,916	13,402,772	-	29,666,565
Disposals during the year	-	-	-	-	-	(11,003,192)	-	(11,003,192)
As at 31st December, 2018	**7,867,812**	**26,466,825**	**150,833**	**1,097,460**	**5,415,641**	**32,048,546**	**-**	**73,047,113**
Carrying Amounts								
As at 31st December, 2018	**34,580,565**	**27,591,123**	**196,549**	**2,282,011**	**22,108,429**	**27,719,826**	**2,380,838**	**116,859,341**
As at 31st December, 2017	**13,721,920**	**13,103,027**	**96,575**	**1,822,280**	**13,724,353**	**20,700,906**	**2,491,475**	**65,660,536**

Notes to the Consolidated Financial Statements

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6.1 Acquisition Of PPE During The Year
During the financial year, the Group has acquired PPE to the aggregate value of Rs. 85.6 Million (2017 Rs. 18.9 Mn). Cash payments amounting to Rs. 85.6 Mn (2017- Rs. 18.9Mn) 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 finnacial 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 afer 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 2018. 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	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cost				
As at 1st January	72,000,000	56,000,000	72,000,000	56,000,000
Fair value gain	6,500,000	16,000,000	6,500,000	16,000,000
As at 31st December	**78,500,000**	**72,000,000**	**78,500,000**	**72,000,000**

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 2018 (an Independent Valuer). The fair value gain arise is accounted in the Statement of Income.

				Fair Value as at 31/12/2018		
Address		Building Sq Ft	Extent perches	Land	Building	Total
No 40, Karandupona, Kegalle	Life Insurance	5,613	248.00	56,062,000	5,938,000	62,000,000
Kovil Road, Pullyar Junction, Anuradhapura	Non Life Insurance	2,541	93.60	12,000,000	4,500,000	16,500,000
				68,062,000	**10,438,000**	**78,500,000**

The Board of Directors has assessed potential impairment loss of Investment Property as at 31st December 2018.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.

8 Financial Assets

	Note	Group		Company	
		2018	2017	2018	2017
		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	218,816,847	274,261,066	218,816,847	274,261,066
Loans and Receivables	8'3	1,474,681,561	1,627,382,273	1,474,681,561	1,627,382,273
		1,698,998,408	**1,907,143,339**	**1,698,998,408**	**1,907,143,339**

8.1 Available -For-Sale Financial Investments

	Group			Company		
		2018	2017		2018	2017
	No of Shares	Rs.	Rs.	No of Shares	Rs.	Rs.
Unquoted Investments In Sanasa Producer and Consumer Alliance Co.Ltd	1,000	100,000	100,000	1,000	100,000	100,000
Unquoted Investments In Sanasa Engineering Company Ltd	2,000	200,000	200,000	2,000	200,000	200,000
Unquoted Investments In Sanasa Campus Ltd	45,000	4,500,000	4,500,000	45,000	4,500,000	4,500,000
Unquoted Investments In Sanasa Travels (pvt) Ltd	5,000	500,000	500,000	5,500	500,000	500,000
Unquoted Investments In Sanasa Small & Medium Wealth Management Co. Ltd	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 Investment in Quoted Equity

	Group			Company		
		2018	2017		2018	2017
	No of Shares	Rs.	Rs.	No of Shares	Rs.	Rs.
Central Finance PLC	20,667	1,833,163	1,907,564	20,667	1,833,163	1,907,564
Diesel & Motor Engineering PLC	1,081	343,500	490,000	1,081	343,500	490,000
Sampath Bank PLC	36,805	8,649,175	11,058,971	36,805	8,649,175	11,058,971
Ceylan Guardian Investment Trust PLC	9,601	634,626	816,085	9,601	634,626	816,085
Seylan Bank PLC	5,230	419,422	443,961	5,230	419,422	443,961
John Keels Holdings PLC	20,571	3,285,189	3,054,794	20,571	3,285,189	3,054,794
Nations Trust Bank PLC	10,259	935,565	780,000	10,259	935,565	780,000
National Development Bank PLC	429	47,780	56,606	429	47,780	56,606
Commercial Bank of Ceylon PLC	28,483	3,284,860	3,829,967	28,483	3,284,860	3,829,967
Sanasa Development Bank PLC	2,073,338	155,500,350	205,465,148	2,073,338	155,500,350	205,465,148
Investment in Unit Trusts						
Unit Trust		43,883,217	46,357,970		43,883,217	46,357,970
		218,816,847	**274,261,066**		**218,816,847**	**274,261,066**

Notes to the Consolidated Financial Statements

Year Ended 31 December

8.3 Loans and Receivables

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Treasury Bonds	436,485,589	567,416,809	436,485,589	567,416,809
Treasury Bills	-	98,278,389	-	98,278,389
Debentures	87,997,913	233,221,678	87,997,913	233,221,678
Fixed Deposits	706,215,267	560,254,992	706,215,267	560,254,992
Short Term Investments / Repo	243,982,792	168,210,406	243,982,792	168,210,406
	1,474,681,561	**1,627,382,273**	**1,474,681,561**	**1,627,382,273**

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

As at 31 December

	2018		2017	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value 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	218,816,847	218,816,847	274,261,066	274,261,066
Loans and Receivables	1,474,681,561	1,454,270,988	1,627,382,273	1,654,356,150
	1,698,998,408	**1,678,587,834**	**1,907,143,339**	**1,934,117,216**

8. Financial Assets (Contd...)

8.5 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 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.
Group

Credit risk exposure on Assets 31st December 2018	Government Guaranteed	AAA+AAA-	AA+AA-	A+A-	BBB+B	Not rated	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets							
Loans and receivables	680,468,381	-	151,872,178	359,144,558	283,196,444	-	1,474,681,561
Financial assets at fair value through Profit or Loss	-	3,285,189	3,628,360	56,402,947	155,500,350	-	218,816,847
Available-for-sale financial assets	-	-	-	-	-	5,500,000	5,500,000
Total	**680,468,381**	**3,285,189**	**155,500,538**	**415,547,506**	**438,696,794**	**5,500,000**	**1,698,998,408**

Company

Credit risk exposure on Assets 31st December 2018	Government Guaranteed	AAA+AAA-	AA+AA-	A+A-	BBB+B	Not rated	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets							
Loans and receivables	680,468,381		151,872,178	359,144,558	283,196,444	-	1,474,681,561
Financial assets at fair value through Profit or Loss	-	3,285,189	3,628,360	56,402,947	155,500,350	-	218,816,847
Available-for-sale financial assets	-		-	-	-	5,500,000	5,500,000
Total	**680,468,381**	**3,285,189**	**155,500,538**	**415,547,506**	**438,696,794**	**5,500,000**	**1,698,998,408**

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 of 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 Consolidated Financial Statements

Year Ended 31 December

8.6 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 2018
Group

Financial Assets	Carrying Amounts Rs.	Less than 01 Year Rs.	1-2 Year (365-730) Rs.	2-3 Year (730-1095) Rs.	3-5 Year (1095-1825) Rs.	More than 5 Years Rs.
Loans and Receivables	1,474,681,562	781,808,110	33,674,173	372,292,531	244,055,916	42,850,831
Financial Assets at fair value through Profit or Loss	218,816,846	218,816,846	-	-	-	-
Available-for-sale-financial-assets	5,500,000	5,500,000	-	-	-	-
	1,698,998,408	**1,006,124,957**	**33,674,173**	**372,292,531**	**244,055,916**	**42,850,831**

Maturity Analysis of Assets 2018
Company

Financial Assets	Carrying Amounts Rs.	Less than 01 Year Rs.	1-2 Year (365-730) Rs.	2-3 Year (730-1095) Rs.	3-5 Year (1095-1825) Rs.	More than 5 Years Rs.
Loans and Receivables	1,474,681,562	781,808,110	33,674,173	372,292,531	244,055,916	42,850,831
Financial Assets at fair value through Profit or Loss	218,816,846	218,816,846	-	-	-	-
Available-for-sale-financial-assets	5,500,000	5,500,000	-	-	-	-
	1,698,998,408	**1,006,124,957**	**33,674,173**	**372,292,531**	**244,055,916**	**42,850,831**

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.

8.7 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 quarterly 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 & Associate

9.1 Investment in Subsidiaries

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Unquoted Investments In Sanasa Media Network (Pvt) Ltd	-	-	-	1,635,000
Less: Provision for impairment for Sanasa Media Network (Pvt) Ltd	-	-	-	(1,635,000)
	-	-	-	-

9.2 Investment in Associate

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Unquoted Investments In Sanasa Security Service (Pvt) Ltd	378,232	400,000	400,000	400,000
Unquoted Investments In Sanasa General Insurance Company Limited	83,717,334	73,674,236	103,569,420	103,569,420
Net Income from associates	8,038,533	9,979,118	-	-
	92,134,099	84,053,354	103,969,420	103,969,420
Total	**92,134,099**	**84,053,354**	**103,969,420**	**103,969,420**

10. Reinsurance Receivable

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Reinsurance Receivables	69,782,193	68,521,137	69,782,193	68,521,137
	69,782,193	**68,521,137**	**69,782,193**	**68,521,137**

The company cedes insurance risk in the normal course of business with recognized reinsurers 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 reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract .Gross Reinsurance is recorded 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 Ceded reinsurance arrangements do not relieve the company from its obligations to Policyholders.

Notes to the Consolidated Financial Statements

Year Ended 31 December

11. Premiums Receivable

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Premiums Receivable	141,414,726	105,740,474	141,414,726	105,740,474
Less: Impairment provision	(1,830,982)	(1,830,982)	(1,830,982)	(1,830,982)
As at 31st December	**139,583,744**	**103,909,492**	**139,583,744**	**103,909,492**

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 2018. 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.

12. Loans to Life Policy Holders

	Life Insurance	
	2018	2017
	Rs.	Rs.
Balance as at 1st January	43,556,038	39,578,361
Loans granted during the Year	20,298,397	34,647,448
Repayments during the Year	(35,660,565)	(30,669,771)
Balance as at 31st December	**28,193,870**	**43,556,038**

12.1 Number of policy loans due as at 31st December, 2018 was 123 (2017- 99)

12.2 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 2018. 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.

13. Other Assets

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Inventories	15,618,046	8,313,945	15,618,046	8,313,945
Advances & Deposits	64,836,455	27,925,424	64,836,455	27,925,424
Other Receivables	25,867,248	25,557,592	25,867,248	25,557,305
Tax Receivable	40,606,536	34,535,676	40,606,536	34,535,676
Current Account with Life/General	-	25,074,672	-	25,074,672
	146,928,284	**121,407,309**	**146,928,284**	**121,407,022**

14. Deferred Tax Assets

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	-	-	-	-
Credited/(Debited) to the Income Statement	76,516,726	-	76,516,726	-
Balance as at the end of the year (14.1)	**76,516,726**	**-**	**76,516,726**	**-**

14.1 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;

	2018		2017	
	Temporary Difference	Tax on Temporary Difference	Temporary Difference	Tax on Temporary Difference
	Rs.	Rs.	Rs.	Rs.
On Property, Plant and Equipment	(39,102,280)	(10,948,638)	(43,898,494)	(12,291,578)
On Retirement Benefit Liability	38,656,384	10,823,787	12,309,218	3,446,581
On Tax Loss carried forward	273,719,921	76,641,578	31,589,276	8,844,997
Deferred Tax Assets	**273,274,025**	**76,516,726**	**-**	**-**

As per Section 67 of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the Company incurred a taxable Income. The new act allows deducting 100% of taxable income against the tax losses incurred whereas in the previous Act it was limited to 35% of the Total Statutory Income. As at 31st March 2018, Life Insurance business had a cumulative tax loss of Rs. 336 Million was incurred as per Section 92 Inland Revenue Act No. 10 of 2006, out which Rs. 6 Million was incurred for the three months period from 1st January 2018 to 31st March 2018 while the balance Rs. 343 Million was in account of tax losses brought forward from previous years. According to the transitional provisions of new Act, brought forward tax losses can be claimed against taxable income for a period of 6 years with effect from 1st April 2018. The Company made an assessment of future taxable profits and identified that total tax losses can be claimed within the periods specified in the transition provisions. Accordingly a Deferred tax asset of Rs. 49.5 Million was recognized during the year of which Rs. 55.8 Million was utilized for the taxable income of Rs. 199 Million generated for the nine months commencing from 1st April 2018 to 31st December 2018 as per the Inland Revenue Act No. 24 of 2017.

General Insurance business also recorded a Deferred Tax Asset amounted to Rs. 26.9 Million on tax losses.

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Year Ended 31 December

15. Cash and Cash Equivalents

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cash in Hand	16,106,408	9,057,751	16,106,408	9,057,751
Cash at Bank	89,083,683	40,026,764	89,072,325	39,926,580
	105,190,091	**49,084,515**	**105,178,733**	48,984,331

16. Share Capital

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Ordinary shares	1,044,684,060	1,044,609,420	1,044,684,060	1,044,609,420
	1,044,684,060	**1,044,609,420**	**1,044,684,060**	1,044,609,420

17. Insurance Contract Liabilities - Life Fund

17.1 Movement In Life Insurance Fund

	2018	2017
	re'	re'
Balance as at 1st January	1,271,381,240	911,876,820
Increase in Long Term Life Fund Before Surplus Transfer	(86,480,463)	97,317,810
Defecit/(Surplus) Attributable to Policy Holder	(58,258,803)	-
Defecit/(Surplus) Attributable to Share Holder	(191,560,089)	262,186,610
Change in Contract Liabilities - Life Fund	(336,299,354)	359,504,420
Balance as at 31st December	**935,081,886**	**1,271,381,240**

17.2 Basis of Measurement

The valuation of the Life Insurance business as at 31st December 2018 was made by B.I.C Ideas (Private)Limited Based on the following key assumptions;

* Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating and nonparticipating.
* 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.

In accordance with the Consultant Actuary's report, the long term insurance fund in the audited accounts exceeds the required long term insurance liabilities as at 31 December 2018 by LKR 197million before allocation of reversionary bonus for policies with contractual participation in profits, provision for contingencies, provision for one off surplus due to the change in valuation methodology and any shareholder transfers.

Out of the surplus that has arised , Rs1.4 Mn has been allocated as Bonus to participating insurance policy holders.

Out of the surplus that has arised , Rs 191.4 Mn has been allocated to shareholders.

As per the report of Life Actuary, Life Segment's Capital Adequacy Ratio (CAR) is 205% well above the minimum requirrment of 120%.

17.3 Surplus created due to Change in Valuation Method - One-off Surplus Zeroed at Product Level

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.

Surplus created due to Change in Valuation Method

	Participating	Non Participating	Total
	Rs.	Rs.	Rs.
Value of Insurance contract liability based on NPV as at 31st December 2015	126,298	760,760	887,058
Value of Insurance contract liability based on GPV 31st December 2015	115,506	908,675	1,024,181
Zerorisation of Negative Surplus as per Direction No 16	10,792	-	10,792
Surplus created due to Change in Valuation Method / One-off Surplus as at 01st January 2016	**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".

17.4 Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT) for Life Insurance contract liability was carried out by B.I.C Ideas (Private) Limited as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.

Notes to the Consolidated Financial Statements

Year Ended 31 December

18. Insurance Provision - Non-Life

The general insurance provision shown in the Balance Sheet represents the following;

	Note	Group		Company	
		2018	2017	2018	2017
		Rs.	Rs.	Rs.	Rs.
Opening Balance		209,267,442	135,205,401	209,267,442	135,205,401
Net Change in Reserve for Unearned Premium		94,307,958	74,062,041	94,307,958	74,062,041
Balance for the year end	(18.1)	**303,575,400**	**209,267,442**	**303,575,400**	**209,267,442**
Net Deferred Acquisition Cost	(18.2)	(35,975,695)	(17,002,555)	(35,975,695)	(17,002,555)
Closing Balance		**267,599,705**	**192,264,887**	**267,599,705**	**192,264,887**
Claim Payables	(18.3)	27,139,413	14,182,936	27,139,413	14,182,936
Claim Payable IBNR/IBNER	(18.4)	39,541,390	33,909,497	39,541,390	33,909,497
Total		**334,280,507**	**240,357,320**	**334,280,507**	**240,357,320**

18.1 Reserves For Net Unearned Premium

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Reserve for Unearned Premium				
Balance as at 1st January	245,413,289	177,048,875	245,413,289	177,048,875
Transfer during the Year	73,978,693	68,364,414	73,978,693	68,364,414
Balance as at 31st December	**319,391,983**	**245,413,289**	**319,391,983**	**245,413,289**
Reserve for Unearned Reinsurance Premium				
Balance as at 1st January	36,145,848	41,843,474	36,145,848	41,843,474
Transfer during the Year	(20,329,265)	(5,697,626)	(20,329,265)	(5,697,626)
Balance as at 31st December	**15,816,583**	**36,145,848**	**15,816,583**	**36,145,848**
Total Reserves for Net Unearned Premium	**303,575,400**	**209,267,442**	**303,575,400**	**209,267,442**

18.2 Reserves For Net Deferred Acquisition Expenses

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Reserve for Deferred Acquisition Expenses				
Balance as at 1st January	21,690,393	12,404,473	21,690,393	12,404,473
(Decrease)/Increase in Deferred Acquisition Expenses	15,445,478	9,285,920	15,445,478	9,285,920
Balance as at 31st December	**37,135,871**	**21,690,393**	**37,135,871**	**21,690,393**
Reserve for Deferred Reinsurance Commission				
Balance as at 1st January	4,687,838	5,767,928	4,687,838	5,767,928
Decrease/(Increase) in Deferred Acquisition Expenses	(3,527,661)	(1,080,090)	(3,527,661)	(1,080,090)
Balance as at 31st December	**1,160,177**	**4,687,838**	**1,160,177**	**4,687,838**
Total Reserve for Net Deferred Acquisition Expenses	**35,975,695**	**17,002,555**	**35,975,695**	**17,002,555**

18.3 Reserves For Outstanding Claims

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	14,182,936	17,721,418	14,182,936	17,721,418
Claims Incurred during the Year	366,147,042	293,682,743	366,147,042	293,682,743
Claims Paid during the Year	(353,190,565)	(297,221,225)	(353,190,565)	(297,221,225)
Balance as at 31st December	**27,139,413**	**14,182,936**	**27,139,413**	**14,182,936**

18.4 Reserves For IBNR/IBNER

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	33,909,497	40,446,058	33,909,497	40,446,058
Increase in IBNR / IBNER	5,631,893	(6,536,561)	5,631,893	(6,536,561)
Balance as at 31st December	**39,541,390**	**33,909,497**	**39,541,390**	**33,909,497**

18.5 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.

18.6 The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims Reserves as at 31st December 2018 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.

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

18.8 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 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.

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18.9 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. (Note I)
- 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. (Note II)

18.10

Note I
Non-life Insurance Contract Liabilities

	2018			2017		
	Gross Liabilities	Reinsurer's Share	Net Liabilities	Gross Liabilities	Reinsurer's Share	Net Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Unearned Premium	319,391,982	15,816,583	303,575,400	245,413,289	36,145,848	209,267,442
Deferred Acquisition Cost	(37,135,871)	(1,160,177)	(35,975,694)	(21,690,393)	(4,687,838)	(17,002,555)
Claim Payable	27,139,413	-	27,139,413	14,182,936	-	14,182,936
Claim Payable IBNR / IBNER	39,541,390	-	39,541,390	33,909,497	-	33,909,497
	348,936,914	**14,656,406**	**334,280,507**	**271,815,330**	**31,458,009**	**240,357,320**

Note II
Sensitivity analysis of Non-life Insurance Claims Liabilities

	Average Claim cost	Change in assumptions	Reported Claim Outstanding	Impact on Gross Liabilities	Impact on net Liabilities	Impact on Profit Before tax
			Rs.	Rs.	Rs.	Rs.
	2018	10%	27,139,413	2,713,941	2,713,941	(2,713,941)
	2017	10%	14,182,936	1,418,294	1,418,294	(1,418,294)

19. Retirement Benefits Obligation

19.1 Movements in the Present Value of the Employee Benefits

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January	36,491,848	28,792,638	36,491,848	28,792,638
Transfer to other comprehensive income	(2,522,461)	2,217,177	(2,522,461)	2,217,177
Provision for the year	6,634,119	6,748,772	6,634,119	6,748,772
	40,603,506	37,758,587	40,603,506	37,758,587
Payments during the year	(1,947,123)	(1,266,739)	(1,947,123)	(1,266,739)
Balance as at 31st December	**38,656,383**	**36,491,849**	**38,656,383**	**36,491,849**

19.2 Provisions Recognised In The Statement Of Comprehensive Income

	Company	
	2018	2017
	Rs.	Rs.
Current Service Cost	2,984,934	2,589,140
Interest on Obligations	3,649,185	4,159,633
Actuarial (gain)/loss during the plan year	(2,522,461)	2,217,177
	4,111,658	**8,965,950**

As at 31st December 2018, the Gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by Actuarial & Management Consultants (Pvt) Ltd as required by Sri Lanka Accounting Standard (LKAS) 19 - Employee Benefits.

19.3 Principal Assumptions Used

		Company	
		2018	2017
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	32.4%	16.9%
	Non Life Segment	32.8%	31.9%

The Gratuity Liability is not externally funded.

20. Reinsurance Payable

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Reinsurance Payable	22,792,387	64,222,832	22,792,387	64,222,832
	22,792,387	**64,222,832**	**22,792,387**	**64,222,832**

Reinsurance creditors consist of premiums payable to reinsurers. Amounts payable are estimated in a manner consistent with the relevant reinsurance contract and are recognised at cost.

Notes to the Consolidated Financial Statements

Year Ended 31 December

21. Other Liabilities

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Commission Payable	16,742,932	13,911,274	16,742,932	13,911,274
Government Levies	7,397,086	4,718,221	7,397,086	4,718,221
Premium Deposits	15,682,117	4,652,673	15,682,117	4,652,673
Other Payables	52,281,077	51,194,300	47,027,090	45,925,763
Current Account with Life/General	-	25,062,673	-	25,062,673
Funds awaiting for Allotments	10,000	4,030	10,000	4,030
Claims Payable	2,806,712	9,550,745	2,806,712	9,550,745
Accruals and Others	23,142,897	12,628,183	23,142,897	12,628,183
Future Premium Liability	21,454,704	-	21,454,704	-
	139,517,527	**121,722,099**	**134,263,539**	**116,453,564**

22. Bank Overdrafts

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Bank Overdrafts	4,256,499	43,233,372	4,256,499	43,233,372
	4,256,499	**43,233,372**	**4,256,499**	**43,233,372**

23. Revenue

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Gross Written Premium	**1,267,858,499**	**1,023,565,008**	**1,267,858,499**	**1,023,565,008**
Less: Premium Ceded to Reinsurers	(96,551,136)	(149,105,853)	(96,551,136)	(149,105,853)
Net Written Premium	1,171,307,363	874,459,155	1,171,307,363	874,459,155
Net Change in URP	(94,307,958)	(74,062,041)	(94,307,958)	(74,062,041)
Net Earned Premium	1,076,999,405	800,397,114	1,076,999,405	800,397,114
Income from Investments	186,957,572	208,740,071	186,957,572	208,740,071
Other Income	109,091,638	82,099,331	109,091,638	82,099,331
Revenue from subsidiaries	8,006,179	9,979,118	-	-
Total Earnings	**1,381,054,794**	**1,101,215,634**	**1,373,048,615**	**1,091,236,516**

23.1 Non-Life Insurance Revenue Account

	Company	
	2018	2017
	Rs.	Rs.
Gross Written Premium	**746,665,250**	**569,509,307**
Net Earned Premium	584,867,964	376,491,727
Net Claim Incurred	(291,940,706)	(174,295,009)
Net Commission	(50,030,025)	(19,698,117)
Net Underwriting Result	**242,897,232**	**182,498,600**
Expenses	(340,279,120)	(239,842,289)
Investments & Other Income	101,856,828	72,656,354
Revenue from Non Life segment	**4,474,940**	**15,312,665**

23.2 Life Insurance Revenue Account

	Company	
	2018	2017
	Rs.	Rs.
Gross Written Premium	**521,193,249**	**454,055,701**
Net Earned Premium	492,131,441	423,905,387
Net Claim Incurred	(345,412,789)	(276,298,642)
Net Commission	(50,237,539)	(26,070,326)
Increase in Long Term Insurance Fund	336,299,354	(97,317,809)
Net Underwriting Result	432,780,467	24,218,610
Expenses	(377,153,958)	(242,401,657)
Investments & Other Income	194,192,383	218,183,048
(Surplus/Deficit) from Life Insurance	**249,818,889**	**-**

Notes to the Consolidated Financial Statements

Year Ended 31 December

24. Investment & Other Income

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Investment Income	186,957,572	208,740,071	186,957,572	208,740,071
Other Income	102,591,638	66,099,331	102,591,638	66,099,331
Fair value gain on Investment Property	6,500,000	16,000,000	6,500,000	16,000,000
	296,049,210	**290,839,402**	**296,049,210**	**290,839,402**

25. Net Insurance Claims & Benefits

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Non-life Insurance Gross Claim incurred				
Insurance Claim	726,399,582	592,215,156	726,399,582	592,215,156
Provision for IBNR/IBNER	5,631,893	(6,536,561)	5,631,893	(6,536,561)
Reinsurance Recoveries	(94,677,978)	(135,084,943)	(94,677,978)	(135,084,943)
	637,353,497	**450,593,651**	**637,353,497**	**450,593,651**

26. Underwriting & Net Acquisition Cost

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Net Underwriting & Policy Acquisition Cost	128,381,476	75,554,580	128,381,476	75,554,580
Deferred Acquisition Cost	(18,973,140)	(10,366,010)	(18,973,140)	(10,366,010)
Reinsurance Commission	(9,140,771)	(19,420,127)	(9,140,771)	(19,420,127)
	100,267,565	**45,768,443**	**100,267,565**	**45,768,443**

27. Other Operating & Administrative Expenses

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Staff Costs (Note 27.1)	277,966,623	235,019,795	277,966,623	235,019,795
Operational & Administrative Expenses	253,855,211	179,900,603	253,855,211	179,900,603
Sales & Marketing Expenses	116,561,535	60,892,850	116,561,535	60,892,850
	648,383,369	**475,813,248**	**648,383,369**	**475,813,248**

27.1 Staff Costs

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Salaries & Wages	217,292,195	190,038,106	217,292,195	190,038,106
EPF & ETF	24,610,561	20,251,491	24,610,561	20,251,491
Gratuity	6,634,119	6,748,722	6,634,119	6,748,722
Others	29,429,748	17,981,425	29,429,748	17,981,425
	277,966,623	**235,019,795**	**277,966,623**	**235,019,795**

28. Finance Cost

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Changes in Fair Value Adjustments	62,154,935	717,595	62,154,935	717,595
Bank Charges/Debit Tax/NBT/VAT	5,653,856	3,988,066	5,653,856	3,988,066
Other	1,240,919	1,725,474	1,240,919	1,725,038
	69,049,709	**6,431,134**	**69,049,709**	**6,430,698**

29. Profit From Operation

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

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Depreciation & Amortization	34,019,188	20,261,133	34,019,188	20,261,133
Auditors Remuneration	2,689,500	3,169,200	2,689,500	3,169,200
Professional Fees	3,562,732	2,769,653	3,562,732	2,769,653

Notes to the Consolidated Financial Statements

Year Ended 31 December

30. Income Tax

30.1 Tax Computation

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Profit Before Tax	4,474,939	15,312,666	4,474,939	15,312,666
Adjustment				
Allowable Exp. General	(13,157,654)	(10,599,269)	(13,157,654)	(10,599,269)
Disallowable Exp. General	55,569,141	24,370,868	55,569,141	24,370,868
Income from Other Sources	(28,806,567)	(25,553,543)	(28,806,567)	(25,553,543)
Profit on Sale of Fixed Assets (Motor Vehicle)				
Business Loss for the Year	**18,079,859**	**3,530,722**	**18,079,859**	**3,530,722**
Business Income	16,218,913	14,587,052	16,218,913	14,587,052
Statutory Income	23,276,987	18,117,774	23,276,987	18,117,774
Business Losses used	(24,364,809)	(6,341,220)	(24,364,809)	(6,341,220)
Taxable Income	**15,128,092**	**11,776,553**	**15,128,092**	**11,776,553**
Income Tax provision for the year	4,235,866	3,297,435	4,235,866	3,297,435
Differed Tax Assets/Liabilities	26,974,685	-	26,974,685	-
	22,738,819	**3,297,435**	**22,738,819**	**3,297,435**

30.2 Carried Forward Taxable losses

	Company	
	2018	2017
	Rs.	Rs.
Brought Forward Taxable loss	140,671,694	146,836,551
Business Profit /(Loss) 2018	1,173,818	-
	141,845,212	146,836,551
Losses claimed for the Year of Assessment	(24,364,809)	(6,341,220)
Loss Carried Forward	**117,480,703**	**140,495,331**

30.3 Income Tax - Life

	Company	
	2018	2017
	Rs.	Rs.
Tax recognised in Profit or Loss		
Current Income Tax		
Income Tax on Current Year's Profits		
Under Provision of Current Taxes in respect of Prior Years	-	-
Total Current Income Tax (a)	**-**	**-**
Deferred Income Tax		
Current year Deferred Tax Liability	-	-
Current year Deferred Tax Assets	49,542,041	-
Deferred Taxation (b)	**49,542,041**	**-**
Total Tax (Reversal) (a+b)	**49,542,041**	**-**
Tax Loss Analysis		
Total Carried Forward Tax Losses as at 1st January	343,190,949	277,286,526
Tax Losses Generated during the year	12,591,374	65,904,423
Tax losses utilised during the year	(199,541,225)	-
Total Carried Forward Tax Losses as at 31st December	**156,241,099**	**343,190,949**

31. Earnings per Ordinary Share

31.1 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	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Amounts used as the Numerator				
Net Profit Attributable to Ordinary Shareholders	334,580,868	21,993,952	326,574,690	12,015,231
Amounts used as the Denominator				
Weighted average number of Ordinary Shares in issue (NOs)	104,468,406	104,330,311	104,471,187	104,330,311
Basic Earnings Per Ordinary Share(Rs.)	**3.20**	**0.21**	**3.13**	**0.12**

31.2 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 Consolidated Financial Statements

Year Ended 31 December

32. 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.

32.1 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.

32.2 Transactions with Subsidiaries/Associates

Name of the Related Party	Name of the KMP	Position	Details of Transactions	Value of the Transaction for 2018 year
Sanasa Media Network (Pvt) Ltd	Dr P.A Kiriwandeniya	Chairman	Nil	Nil

32.3 Transactions With Associate

Name of the Related Party	Name of the KMP	Position	Details of Transactions	Value of the Transaction for 2018 year Rs.
Sanasa General Insurance Co Ltd	Dr P.A Kiriwandeniya	Chairman	Nil	Nil
	S.M Tishan Subasinghe	Director	Nil	Nil
	Dr.T.Senthiverl	Director	Nil	Nil
	I.K Kiriwandeniya	Managing Director	Nil	Nil
Sanasa Security Service (Pvt) Ltd	Dr P.A Kiriwandeniya	Director	Payments for Service rendered	241,599
			Dividend income	37,142

32.4 Transactions with other Related Companies

Name of the Related Party	Name of the KMP	Relationship	Details of Transactions	Value of the Transaction for 2018 year Rs.
Sanasa Campus Ltd	Dr P.A Kiriwandeniya	Chairman	Payments for Service rendered	1,266,814
Sanasa producer and consumer alliance Co.Ltd. (SANEEPA)	Dr P.A Kiriwandeniya	Director	Payments for Service rendered	2,577,490
Small & Medium Wealth Management Company Ltd	Dr P.A Kiriwandeniya	Chairman	Dividend income	118,557
Sanasa Travels (Pvt) .Ltd.	Dr P.A Kiriwandeniya	Chairman	Nil	
Sanasa Corporate secretarial (Pvt) ltd	Dr P.A Kiriwandeniya	Chairman	Nil	
Sanasa International (Pvt) ltd	Dr P.A Kiriwandeniya	Chairman	Nil	

33. 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.

34. 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, other than the following;
In accordance with the LKAS 10, Events After the Reporting Period, the final dividend has not been recognised as a liability in the financial statements As at 31 December.

35. Comparative Information

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

36. 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

Aa

Accidental death benefit
An additional payment made under a Life insurance policy if death is caused by an accident. The extra amount is usually equal to the face value of the policy.

Accumulation
The situation where a significant number of risks insured or reinsured with the same company may be affected simultaneously by a loss event.

Acquisition expenses
All expenses which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts e.g. commissions.

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

Actuary Valuation
A determination by an actuary at a specific date of the value of a Life Insurance company's assets and its liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

Admissible Assets
Value of 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 Regulation of Insurance Industry Act No. 43 of 2000.

Agent
An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

Annuity
A contract that provides an income for a specific period.

Approved Assets
Assets that represent the technical reserve and the longterm insurance fund as per the determination made under Regulation of Insurance Industry Act No. 43 of 2000.

Bb

Beneficiary
A person or financial institution named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

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.

Broker
A sales and service representative who handles insurance for clients, generally selling insurance of various kinds and for several companies.

Cc

Claims
The amount payable under a contract of insurance arising from the occurrence of an insured event.

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 at the beginning and end of the accounting period.

Claim Incurred But Not Reported (IBNR)
A reserve to cover the expect cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.

Claims Incurred But Not Enough Reported (IBNER)
A reserve made in respect of to cover expected cost of losses that have occurred but no comprehensive information is available to make adequate provision as at the Balance Sheet date.

Claims ratio
Claims incurred, adjusted for any reinsurance, expressed as a percentage of net premiums earned. Sometimes referred to as loss ratio.

Claims Outstanding - Life Insurance
The amounts provided to cover 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 handing expenses, less amounts already paid in respect of those claims.

Claims Outstanding - Non-Life Insurance
The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the Balance Sheet date, including IBNR and IBNER claims and claims handling expenses.

Co insurance
An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

Commissions
A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Dd

Dependent
A person who depends upon another for financial support. A minor (child) is normally a dependent at least until reaching the age of majority.

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

Deposit Premium
A premium paid on the inception of a contract of insurance or reinsurance, which is subject to adjustment at a latter date. A deposit premium may represent the minimum amount payable.

Ee

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

Endowment
Life Insurance payable to the policyholder if living on the maturity date in the policy or to a beneficiary if the insured dies before that date.

Ex Gratia Payments
A payment by an insurer to an insured for which there is no liability under the contract. In some cases an insurer may feel there has been a mistake or a misunderstanding and he may pay a claim, even though he does not appear to be liable.

Ff

Facultative Reinsurance
Oldest form of reinsurance. This is the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specially for that risk. Particulars of each risk are submitted by the ceding company to the reinsurer who may accept or decline at will. This is useful when dealing with risks outside the ceding company's treaty arrangements.

Gg

General insurance business
Insurance (including reinsurance) business falling within the classes of insurance specified as General Insurance Business, under the Regulation of Insurance Industry Act No. 43 of 2000.

Gross Claims Reserve - Non-Life
The amount provided, including claims incurred but not reported and claims handling expenses, to cover the estimated cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.

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

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

Hh

Healthcare
An insurance contract which provides medical coverage to a policyholder.

Ii

In force
An insurance policy is "in force" from its start date until the date it is terminated.

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.

Glossary of Financial & Insurance Terms

Insurance Provision - Non-Life
This comprises of the gross claims reserve, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

Insurance Provision - Long-Term
The fund or funds to be maintained by an insurer in respect of its Long-Term Insurance business in accordance with RII Act No. 43 of 2000.

Insurance risk
Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

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

Jj

Joint life
An insurance contract where two people are insured against death.

Ll

Life Surplus
The excess of the assets cover the liabilities as determined by the actuary (taking into account the solvency requirements) and after distribution of Bonus to policyholders.

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

Mm

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

Nn

Net Combined Ratio - Non-Life
This ratio indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio. The combined ratio does not take account of investment income.

Net Earned Premium
Gross written premium adjusted for the reinsurance incurred and for the increase or decrease in unearned premium.

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

Formula:

$$\frac{\text{Expenses other than claims incurred}}{\text{Net earned premium}}$$

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

Net Claims Incurred
Claims incurred less reinsurance recoveries.

New business
Term used to describe the value of Long Term savings policies sold to new and existing customers. Includes premium increases on existing business.

Oo

Outstanding claims provision
Comprises claims incurred by the policyholder and eported to the insurance company, and IBNR claims.

Pp

Participating business
Life insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

Policy Loans
A loan given to the policyholder on the security of the surrender value of a Life Insurance policy. The loan is limited to a percentage of the current surrender value of the policy and interest is charged on such loan.

Premium
The consideration payable by the insured for an insurance contract.

Premium Ceded to Reinsurers
The premium paid by the ceding company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

Primary insurers
Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Profit Commission
Commission received from the reinsurer based on the net profit of the reinsurer as defined in the accounting period.

Rr

Reinsurance
Transfer of all or part of the risk assumed by an insurer under one or more insurance to another insurer, called the reinsurer.

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

Reinsurance Premium
The premium payable to the reinsurer.

Reinsurance profit commission
Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

Retention
That part of the risk assumed which the insurer / reinsurer does not reinsure / retrocede, i.e. retained net for own account.

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

Risk
The measurable probability of loss or less than- expected returns from an investment, asset or business activity.

Ss

Solvency Margin - Life
The difference between the value of assets and the value of liabilities, required to be maintained by the insurer who carries on Long-Term Insurance business as defined in the Regulation of Insurance Industry Act No. 43 of 2000.

Solvency Margin - Non-Life
The solvency is the difference between the value of admissible assets and the value of the liabilities, required to be maintained by an insurer who carries on Non-Life Insurance business as defined in Solvency Margin Rules 2004, made under the Section 26 of the Regulation of Insurance Industry Act No. 43 of 2000.

Sum assured
The lump sum benefit payable under an insurance policy or contract in circumstances defined within the policy (usually it represents an amount payable on death or maturity).

Surrender
Termination of an insurance policy by the insured before the expiry of its term (more common in life insurance).

Surrender Value
The sum payable by an insurance company upon the surrender of a Life Insurance policy before it has run its full course.

Tt

Technical Reserve
This comprises of the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition costs.

Term insurance
Also known as temporary insurance. A type of Life insurance where the benefit (sum assured) is paid only if death occurs during a specific period of time.

Uu

Underwriting
The process of selecting which risks an insurance company can cover, and deciding the premiums and terms of acceptance. On the stock exchange, an arrangement by which a company is guaranteed that an issue of shares will raise a given amount of money, because the underwriters promise to buy any of the issue not taken up by the public.

Underwriting Result
This is the profit generated purely from the Non-Life Insurance business without taking into account the investment income and expenses.

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

Unearned Premium Reserve
A fund kept by the general insurer to provide for claims that may arise in the future under insurance that are still in course.

Vv

Value at risk
Method of quantifying risk; measures the potential future losses that may not be exceeded within a specified period and with a specified probability.

Glossary of Financial & Insurance Terms

Variable annuities
A special form of unit-linked life insurance where the investment risk is borne primarily by the
policyholder but the insurer guarantees a minimum payment on occurrence of the insured event.

Ww

Whole Life insurance
An insurance contract where the benefit is payable on death, whenever it occurs. Distinct from term insurance, which pays out only if death occurs within a specific period.

Written premium - general insurance business
Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. Under the annual basis of accounting, these are premiums on contracts entered into during the accounting period and adjustments arising in the accounting period to premiums receivable in respect of contracts entered into in prior accounting periods.

Written premium - life insurance business
Premiums to which the insurer is contractually entitled and received in the accounting period.

Key Insurance Ratios

$$\text{Net Claims Ratio} = \frac{\text{Net claims incurred} \times 100}{\text{Net earned premium}}$$

$$\text{Expense Ratio} = \frac{\text{Net Expense incurred} \times 100}{\text{Net earned premium}}$$

$$\text{Combined Ratio} = \frac{(\text{Net claims incurred} + \text{Net Expense incurred}) \times 100}{\text{Net earned premium}}$$

Sixteenth Annual General Meeting - Agenda

SEEMASAHITHA SANASA RAKSHANA SAMAGAMA
(Sanasa Insurance Company Limited)

Date : 13th June, 2019.
Venue : Sri Lanka Foundation, No.100, Sri Lanka Foundation Mawatha, Independence Square, Colombo 7

Time :

09.00 - 10.00 a.m. : Registration

10.00 - 10.15 a.m. : Sixteenth 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 silence in memory of departed members of the Sanasa Movement.

10.18 - 10.20 a.m. : Notice of Meeting

10.20 - 10.30 a.m. : Confirmation of the minutes of the Fifteenth Annual General Meeting held on 25th June, 2018.

10.30 - 11.30 a.m. : Ordinary Resolution

* 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, 2018.
* Declaration of the Financial Dividend of Rs 1.05 per share as recommended by the Directors, to shareholders subject to obtaining approval from Insurance Regulatory Commission of Sri Lanka.
* 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 Forum on Development (Sanwardhana Sansadaya)
* Election of Directors for the existing vacancies in the Board of Directors
* Appointment of Ernst & Young Chartered Accountants as Auditors for the year 2019 and to authorize board to determine their remuneration.
* Ratify the issued shares
* Authorize the board to determine payment for charitable and other purposes for the year 2019.

11.30 - 11.40 a.m. : Any other business

11.40 - 12 noon : Chairman's address

12.00 - 12.15 p.m. : Vote of thanks

Notice of Meeting

SIXTEENTH ANNUAL GENERAL MEETING OF THE SEEMASAHITHA SANASA RAKSHANA SAMAGAMA (SANASA INSURANCE COMPANY LIMITED)

Notice is hereby given that the Sixteenth Annual General Meeting of the Seemasahitha Sanasa Rakshana Samagama will be at the Sri Lanka Foundation, No.100, Sri Lanka Foundation Mawatha, Independence Square, Colombo 7 at 9.00 a.m. on 13th June, 2019 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 2018 along with the Auditors' Report thereon.

2.) To declare and consider of the Dividend of Rupees one & cents Five (Rs 1.05) per share as at 31/12/2018 as recommended by the Directors, to shareholders subject to obtaining approval from Insurance Regulatory Commission of Sri Lanka.

3.) 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"

4.) 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"

5.) 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"

6.) To re-appoint J.M.D. Ananda Wishwakeerthi as a director of the Company representing Sanasa Federation according to Article 76 (iii) of the Article of Association.

7.) To appoint Mrs. Diana Punya Sagari Kiriwandeniya as a director of the Company representing Forum of Development (Sanwardhana Sansadaya) according to Article 76 (iii) of the Article of Association for the Vacancy due to the retirement of Mrs. K.A.S. Damayanthi Wijayananda who represent Forum of Development (Sanwardhana Sansadaya) according to the Article 90 & 91 of the Article of Association.

8.) 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.

9.) To appoint Ernst & Young Chartered Accountants as the Auditors for the year 2019 and to authorize the Board of Directors to determine their remuneration.

10.) To ratify the issued 21,550 No of ordinary Shares amounting Rs. 215,500/- From 19/12/2018 to 07/05/2019 and to adopt the following ordinary resolution.

" IT IS HEREBY resolved to ratify all issued shares of the company From 19/12/2018 to 07/05/2019 of 21,550 No of ordinary Shares amounting Rs. 215,500 /-."

11.) To authorize the Director to determine payments for the year 2019 for charitable and other purposes.

By order of the Board

Prasadika Senadheera
Company Secretary.
07th May, 2019.

Corporate Information

Name of the Company
Seemasahitha Sanasa Rakshana Samagama
(Sanasa Insurance Company Limited)

Legal Form
A limited liability Company incorporated and domiciled in Sri Lanka on 20th November 2002 under the Companies Act No 17 of 1982 and re-registered under Companies Act No 07 of 2007.

Licensed as a Company authorized to carry Life & Non-Life insurance business under the Regulation of Insurance Industry Act No 43 of 2000.

Company Registration Number
PB 379
Tax Payer Identification Number (TIN Number)
134010460

VAT Registration Number
134010460-7000

Balance sheet Date
31st December

Registered Office/Head Office
340 2/1, R A De Mel Mawatha, Colombo 3.
Contact: 011 2002021 / 2002023
Fax: 011-2574705
Website: www.sicl.com
Email: info@sicl.lk

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
Dr. H.J.S.K. Wickramaratne - Director
Mrs. K.A.S. Damayanthi Wijayananda - Director
Mr. J.M.D. Ananda Wishwakeerthi - Director

General Manager
Mr. Indika Kariyawasam Kiriwandeniya

Company Secretary
Mrs. Prasadika Senadheera

Auditors
Ernst & Young
Chartered Accountants
201, De Saram Place, P O Box 101, Colombo 10.

Consultant Actuaries
Life
J.S.A. Plugge
172, Hulfsdrop Street,
Colombo 12.

General
NMG Financial Service Consulting (Pte) Ltd
30,Hill Street, #03-02A
Singapore 179360

Reinsurers
Life
Hannover Re-Malaysian Branch

General
National Insurance Trust Fund-Sri Lanka
General Insurance Corporation-India
Trust Re-Bahrain
Saudi Re-Saudi Arabia
Kuwait Re - Kuwait
Santam Re-South Africa

Bankers
Sanasa Development Bank PLC
Peoples Bank
Bank of Ceylon
Commercial Bank PLC
National Development Bank PLC
Regional Development Bank
Housing Development Finance Corporation
Cargills Bank Limited
Nations Trust Bank PLC
Sampath Bank PLC

ADVERTISING
Your Hub for Creativity
0711 834 235

Sanasa Insurance Company Limited

340 2/1, R. A. De Mel Mawatha, Colombo 03.
0112002021 I 0112002023
www.sicl.lk I info@sicl.lk